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Assessment of the Comprehensive Grant Program

Volume I
Final Report

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FOREWORD

Since 1992 the Comprehensive Grant Program (CGP) has been the primary vehicle for modernization funding for large public and Indian housing authorities, replacing the competitive Comprehensive Improvement Assistance Program (CIAP). This early evaluation describes a relatively smooth transition that has been well received by most participants.

This evaluation responds to the mandate of Section 509 (I) of the Cranston-Gonzalez National Affordable Housing Act of 1990 for an independent evaluation of the modernization program. Because CGP is so new, a case study approach was used for this evaluation. Researchers selected three Indian Housing Authorities and 15 Public Housing Authorities as representative of a cross-section of agency and program characteristics.

HUD's continuing efforts to consult with local housing authorities to fine tune the Comprehensive Grant Program have clearly paid off. Local housing authorities across the spectrum feel that the formula for distributing funds is fair. The formula does not need to be changed at this time, and could be used to allocate funds to the Capital Fund in the transition to a reinvented public housing system.

Beyond fairness, the Comprehensive Grant Program provides the flexibility needed for housing authorities to tailor their modernization strategies to local needs. About half of the authorities studied focused efforts on comprehensive modernization, while the other half used a more item-specific approach. This flexibility did not compromise the goal of upgrading the quality of the housing stock--instead it facilitated long-term planning.

This *Assessment of the Comprehensive Grant Program* provides early affirmation of a program shift that has effectively enhanced local control and resident participation in improving the quality of public housing. The program could provide a foundation for further reforms that will help ensure a healthy living environment for public housing residents.

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ASSESSMENT OF THE COMPREHENSIVE GRANT PROGRAM
EXECUTIVE SUMMARY

In FY 1992, the Comprehensive Grant Program (CGP) became the principal program used by the Department of Housing and Urban Development (HUD) to provide public housing modernization funding. In that year, HUD allocated over $2 billion in modernization funding to about 430 housing agencies nationwide. Smaller agencies (those with between 250 and 499 units) joined the program in FY 1993, leaving only the smallest agencies outside of the CGP system. CGP differs from the Department's previous modernization approach in its use of a formula (as opposed to competitive awards) to distribute funding. The program also differs from the previous approach in the wide latitude authorities have under CGP to develop modernization strategies geared to local needs and to set their own priorities for modernization work.

This study is HUD's first review of the Comprehensive Grant Program—designed to assess how well the program has operated over its first two program years. The research uses a case study methodology to examine the implementation of the program in 15 PHAs and 3 IHAs across the country.[1] The study sites were selected by HUD to reflect variation across key dimensions including agency size, region of the country, management rating, the relationship of formula funding to reported needs, and receipt of funding under the HOPE VI program. Given the long lead times involved in the expenditure of modernization funds, the study focuses on initial planning and implementation issues. The study's objectives are: 1) to document and evaluate the process used by PHAs and IHAs to prepare their CGP plans; 2) to summarize the content of the comprehensive plans; and 3) to assess the initial implementation of the CGP allocation formula, including its adequacy for addressing lead-based paint testing and abatement.

Overall, the shift to the CGP formula approach appears to have produced a situation in which housing authorities are better able to plan for their modernization needs and to tailor their modernization strategies to local circumstances. Based on the experience of the 18 sites, the principal conclusions of the study are as follows:

- ***The transition from CIAP (HUD's previous modernization program) to CGP appears to have been smooth and relatively uncomplicated.*** The PHAs and IHAs included in the study reported very few delays in HUD's review of documents or the execution of contracts. Moreover, the authorities were able to prepare and submit detailed needs assessments and spending plans within the deadlines set by the program.

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[1] Data collection included on-site interviews at the 15 PHA sites and telephone interviews for the 3 IHA sites. In addition, CGP documents were collected and reviewed for all agencies. The 15 PHAs were: Chicago, IL; Baltimore, MD; Dade County, FL; St. Louis, MO; Richmond, VA; Oakland, CA; Lucas (Toledo), OH; Hartford, CT; Camden, NJ; Athens, GA; Laredo, TX; Owensboro, KY; Hammond, IN, Cheyenne, WY; and Amsterdam, NY. The 3 IHAs were: Association of Village Council Presidents Regional Housing Authority in northwest Alaska; Gila River Housing Authority near Phoenix, AZ; and Rosebud Housing Authority in south-central South Dakota.

- ***The PHAs and IHAs are generally pleased with the design and administration of the CGP program, which they view as a significant improvement over the competitive grants provided under CIAP.*** Key advantages of CGP include the predictability of annual funding, flexibility in setting spending priorities, and fewer requirements for HUD review and approval.

- ***In developing their needs assessments and spending plans, the PHAs and IHAs have made concerted efforts to involve residents and local governments as required under CGP.*** In most cases, this has resulted in substantial involvement and participation by residents. By contrast, local government involvement has tended to be limited.

- ***Although useful for planning purposes, the needs assessments developed by the authorities vary considerably in completeness and approach and, thus, cannot be used as measures of true modernization need.*** As a result, the study could not assess how well the distribution of funds under the formula matches the distribution of PHA/IHA need.

- ***Overall, PHAs and IHAs appear to have used their increased discretion under CGP to fund a greater proportion of non-comprehensive improvements than was possible under CIAP.*** The authorities included in the study were evenly divided between those that focused their efforts on comprehensive modernization of individual projects and those that had adopted a more item-specific approach. However, almost all sites planned some work of each type, and many cited the ability to adopt a "mixed strategy" as an important benefit of the program.

- ***Spending for mandates—lead-based paint abatement and Section 504 accessibility—has been modest at most of the sites and does not appear to impede spending for other items.*** However, this conclusion is tempered by the fact that several larger sites lacked information on this issue.

- ***IHAs, despite operating environments that differ from those of PHAs, were satisfied with the CGP program and saw no need for a separate formula geared specifically to Indian Housing programs.***

It is important to note that the study is based on a limited number of PHAs and IHAs; therefore, the results cannot be generalized to the universe of housing authorities. The remainder of this summary highlights findings related to each of the major topics covered in the study.

1. MODERNIZATION PLANNING UNDER CGP

The CGP planning process includes three basic elements: 1) the development of a comprehensive assessment of the PHA's or IHA's physical needs; 2) an assessment of management needs; and 3) the development of a five-year spending plan (on a rolling basis) to

meet identified needs. Spending plans are updated each year, and needs assessments must be updated after five years. All aspects of the CGP planning process are to be completed with the involvement of both local government officials and residents of the PHA/IHA through a formal "partnership" process.

1.1 Physical Needs

The initial step in the planning process is the development of the Physical Needs Assessment (PNA) documenting all of the physical improvements necessary to bring an agency's public housing stock up to HUD standards and to meet other federal or local requirements. The PNA documents must include a description of the work needed at each development and provide a preliminary estimate of the costs of these improvements. As described in the CGP handbook, the physical needs assessment is to be carried out without regard to the amount of funding likely to be available.

Among the 18 study sites, eight used consultants—usually an A&E firm—to prepare all or part of their PNA. The remainder completed the work in-house. Among sites using in-house personnel, the larger PHAs were often able to draw on their own A&E staff, while in smaller PHAs and the three IHAs the assessments were completed by modernization and maintenance staff. The assessment process relied on a combination of on-site inspections, review of existing documents, and input gathered from residents. Typically, all developments were visited in order to assess sites and systems. Unit inspections were often undertaken on a sample basis. Where the PNA was prepared in-house, cost estimates were usually developed using the R.S. Means construction cost manuals, and occasionally by making calls to vendors who had worked for the agency in the past.

The study found considerable variation in the completeness and accuracy of the physical assessments. In four of the 15 PHA sites, substantial omissions were identified. For example, the Chicago authority failed to include any costs for hazardous materials abatement (estimated at over $500 million) or the costs of meeting Section 504 requirements other than access work at management offices. In deciding what figures to include in the PNA, staff indicated that they saw little point in listing extensive needs when funding to meet them was not going to be available. Other PHA sites with substantial omissions were Camden, Lucas (Toledo), and Hartford. In Camden, the authority excluded its two most distressed developments in order to keep the estimate within the amount expected to be available under CGP. In Lucas, all previously modernized developments (about 45 percent of the stock) were excluded; and in Hartford, the cost of LBP abatement was excluded because testing had not yet been completed.

Three other PHAs (Richmond, Owensboro, and Amsterdam) based their PNA estimates on the amount of funding expected to be available over the first five years of CGP. In these three sites, however, needs appeared to be modest, such that the authorities would be able to meet all backlog needs within this time period. In some cases, funding was sufficient for them to include amenities or "quality of life" items requested by residents.

Finally, the sites used somewhat different standards in deciding what types of costs to include in their PNAs. For example, Oakland included 20-year replacement needs in its PNA (as opposed to five years at other sites). Among sites with redesign and redevelopment needs, some included these costs in the PNA and others did not.

The three IHAs in the study all used in-house staff to complete their PNAs, and—owing to the substantial distances involved—tended to rely on existing documents or resident input (as opposed to new inspections) to identify needs. While no large categories of need seem to have been omitted, needs related to Section 504 are probably understated in all three IHA sites, because the agencies did not include individual unit modifications in their plans, intending to address these on a case-by-case basis after assessing the needs of the residents of those units being modernized.

Although most of the study sites reported that the CGP planning ***process*** had been useful to them, the variations and omissions noted above mean that the cost estimates contained in the physical needs assessments would not provide a good basis for comparing needs across sites or for allocating CGP funds. Also, even after adjusting for known problems in the PNAs, the study could not fully reconcile needs as reported by the PHAs with those predicted by the CGP formula. The CGP formula predicts needs in each PHA/IHA in order to allocate appropriations based on the ***share of total needs*** attributable to each authority. Since the formula is primarily concerned with estimating relative needs (based on the characteristics of the PHAs/IHAs and their developments), and because the formula is based on a narrower range of needs than those identified in the PNAs, one might expect differences between the formula predictions and the PHA estimates in terms of absolute need. However, the two estimates also produce some substantial differences in rankings. More detailed research, including standardized capital needs assessments at each site, would probably be needed to reconcile these figures completely.

In terms of reported needs (those identified in the PHAs' comprehensive plans), there were substantial variations in the extent to which these needs could be addressed with available CGP funding:

- Total needs (of which physical needs constituted 79 percent) ranged from a high of $63,467 per unit in Oakland down to $5,317 per unit in Cheyenne. The five medium and small PHAs averaged $11,903 per unit, as compared to $28,081 for the six large PHAs and $28,924 for the four extra-large PHAs. The three IHAs had needs ranging from $12,737 per unit at Gila River to $41,798 per unit in northwest Alaska.

- The proportion of reported needs that could be covered with five years of CGP funding ranged from 25 percent (Oakland) to over 100 percent in four sites. Note that these figures can be affected by both over- and under-reporting of needs. Moreover, the study sites were selected in part to reflect differences in the ratio of funding to need. Nevertheless, in the four smallest sites, and in at least one large PHA, agency staff were confident that the needs assessment was accurate

and that all—or substantially all—outstanding needs could be met within five years.

- In several of the larger PHA sites, other sources of modernization funding helped fill the gap. Four of the 15 PHAs had received large HOPE VI implementation grants, and three others had received sizable MROP grants in FY 1994. (In St. Louis, nearly $100 million in non-CGP funding is expected to be available to help meet reported need.[2]) These other sources of funds have significantly boosted the proportion of need that can be met in several sites.

1.2 Management Needs

In addition to preparing a physical needs assessment, CGP requires PHAs and IHAs to undertake a management needs assessment (MNA). Most PHAs and all IHAs prepared this portion of the comprehensive plan in-house. The process typically involved soliciting input from the various department heads and then winnowing the list to an amount that would fit within the CGP budget. It is important to note that the MNAs submitted by the sites—in all but a few cases—reflected essentially a five-year spending plan, based on the known amount of the CGP formula allocation and the authority's decision about what proportion of funds (up to a maximum of 10 percent) should be allocated to management improvements. Management improvements related to PHMAP indicators accounted for only a small proportion of reported needs across the 15 PHAs, whereas improvements related to resident services and security accounted for the largest proportion of need in most sites. For IHAs included in the study, administrative functions and personnel (training) accounted for the largest shares.

1.3 Resident and Local Government Involvement

Resident and local government involvement in CGP decisionmaking is viewed by HUD as an essential component of the program, one that is intended to ensure local accountability for how CGP funds are spent. This is particularly important since HUD's oversight role is substantially diminished under CGP. In addition, participation requirements are intended to ensure that resident concerns are addressed in the plans and to foster coordination with local sources of funding for neighborhood improvements.

The study found that most of the housing agencies included in the research were able to develop extensive avenues for resident participation. Moreover, virtually all of them took the resident participation aspect of the program very seriously, and most could identify items added to their plans in response to resident concerns. Given the complexity of the program and the

[2] St. Louis received a small HOPE VI planning grant and expects to receive a follow-on implementation grant of at least $50 million (included in the $100 million). Other sources include HOPE 1 and special demonstration and development funds that will be used to demolish and replace a virtually empty family high-rise development.

difficulty of explaining all of the issues involved in an understandable manner, the level of participation achieved in many of these sites is impressive.

To promote resident involvement, four sites created PHA-wide advisory committees to oversee CGP planning. A number of other sites created development-level committees to discuss needs and help set priorities. In all sites, the required resident meeting and public hearing were held, but most PHAs went well beyond these requirements in order to involve residents. In addition to meetings and committees, five sites used resident surveys to collect information on resident needs and concerns.

The sites that encountered the most difficulty in getting residents involved were small PHAs where needs were perceived as modest. IHAs were also unable to generate active resident participation, in part due to the large distances involved; nevertheless, IHA residents contacted for the study felt that resident concerns had been incorporated into the plans. In a few of the larger PHA sites, residents are very involved and have gained great influence over the planning process. In at least one, this has led to conflicts with the staff about the types of work that should be funded.

In contrast to residents, local government officials generally had only limited involvement in the CGP planning process. In a few sites, local government representatives sat on a CGP planning committee; however, even when this occurred, their substantive input into the plan appeared to be minimal. Overall, participation by local government was primarily reactive, consisting of reviewing and formally approving the PHA plan. Although a few local government representatives expressed some general concerns about the capacity of the PHAs, there were no specific complaints about the content of the plans.

2. CGP Spending Patterns

Unlike CIAP, CGP does not require housing agencies to undertake comprehensive modernization of their developments. Under CGP, PHAs may choose to undertake comprehensive modernization, to fund specific work items regardless of location, or to spread CGP funding across many developments in order to provide some level of improvement at each.

The plans developed by the 18 authorities show that roughly half had adopted an approach that was predominantly focused towards comprehensive modernization, while the remainder had adopted a more item-specific or dispersed approach. Large and extra-large PHAs were more likely to favor comprehensive modernization than medium or small PHAs. The three IHAs included one with a comprehensive strategy and two that had adopted an item-specific or mixed approach.

It is important to note that almost all of the authorities did some work of each type, and, in fact, the flexibility to do more than just comprehensive work was cited as a benefit of CGP by many sites. Overall, the average proportion of funding going to comprehensive work among the PHA sites was about 50 percent. By comparison, the average proportion going to

comprehensive work under these sites' last CIAP grants was about 63 percent.[3] It seems clear that the authorities have used their discretion under CGP to fund a greater amount, and a broader array, of non-comprehensive improvements than was possible under CIAP.

Information on the agencies' planned spending was drawn from the most recent annual statements for FY 1992, FY 1993, and FY 1994. In examining the PHAs' and IHAs' spending plans, what was perhaps most striking about them was the extent of change over time. For example, two PHA sites had made major alterations to their modernization strategies since the first five-year plan. A number of other sites had submitted revisions (in some cases multiple revisions) to their annual statements over the course of a year, suggesting an on-going process of updating and amendment. Because these statements reflect budgeted—as opposed to actual—expenditures, they may well change again in the future.

2.1 Overall Spending Patterns

As expected, costs for physical improvements accounted for the majority of planned expenditures, typically amounting to between 68 and 76 percent of the grants. Planned management expenditures were typically somewhat less than the maximum 10 percent in most years. Only Chicago exceeded 10 percent for management, budgeting 41 percent of its FY 1994 grant for management—virtually all of this for security.[4] Budgeted expenditures for administration were typically in the 6 to 7 percent range, and other costs averaged 5 to 6 percent of the total. Two of the 15 PHAs planned to place a portion of their CGP funds in reserve.

Planned spending for needs identified as high priority by the sites was fairly high during the first program year (66 percent of the total) but fell to about 30 percent by FY 1994. The types of work identified as Priority 1 items most often included heath and safety items, structural work, lead-based paint (LBP) abatement, and Section 504 accessibility work; however, the range was quite broad across the 15 PHAs.

Not surprisingly, larger family developments account for the majority of both needs and funding at most of the PHAs. Only three sites planned to spend more than a quarter of their funds for work in developments exclusively for the elderly. The nature of the work also tended to differ by development type, with family developments more likely to receive comprehensive treatment, and elderly developments likely to receive more item-specific treatment.

Among IHAs, spending patterns also varied by development program. Two of the three IHAs planned to spend the majority of their funds for one-time modernization of Mutual Help (homeownership) housing as opposed to rental housing. Because Mutual Help purchasers are responsible for routine maintenance of their units, the IHAs made it clear that CGP funds would

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[3] Although CIAP focused on comprehensive improvements, over time the program had expanded to include a variety of set-asides for other types of work.

[4] Chicago requested and received approval for a waiver from HUD that allows this high level of management spending.

not be used to remedy problems resulting from owner neglect. This produced a number of conflicts between residents and the IHAs over the causes of various problems (e.g., lack of maintenance versus poor construction quality) and over who was responsible for specific repairs and renovations.

2.2 Spending for Lead-Based Paint Abatement and Section 504

Based on available data, mandates for lead-based paint abatement and Section 504 adaptations appear to have had little impact on the PHAs' and IHAs' spending plans. Planned spending for LBP abatement was quite modest across sites. Six of the 15 PHA sites and all of the IHAs indicated no or very little need related to LBP and consequently had virtually no planned expenditures in this category. Many of these sites had either addressed outstanding LBP problems as a part of comprehensive modernization under CIAP or had received special CIAP grants for abatement purposes. An additional three sites showed needs and annual expenditures that were quite small overall.

However, several sites with more substantial LBP need did not include these in the needs assessment. For example, Chicago has an internal estimate of over $138 million in abatement needs that were not reflected in the PNA; however, the authority has budgeted only 4 to 10 percent of its grant in each year for LBP (for emergency abatement work), hoping to fund additional abatement as a part of future redesign and reconstruction efforts. In Hartford, the agency has no estimate of the costs of abatement (and no LBP costs were included in the PNA); however, staff are concerned about potentially high needs and have budgeted about 21 percent of the FY 1994 grant for abatement at unspecified locations. Other sites with higher levels of LBP needs and spending are Richmond and Cheyenne. Richmond has allocated about a quarter of its funds for abatement in FY 1992 and FY 1993 and about 13 percent in FY 1994. Cheyenne, which has few other needs, allocated nearly all of its CGP funds during the first program year to LBP, in order to complete its planned abatement work. Finally, LBP needs and planned spending data were unavailable for two large PHAs (Camden and Baltimore).

Information on Section 504 needs and spending contains similar gaps. However, for those sites where data are available, they suggest relatively modest levels of need (under 8 percent of the total in all but one site) as well as declining expenditures over time. Overall, 11 of the 18 study sites planned to complete all or most Section 504 work by FY 1994. Planned expenditures for Section 504-related work in the first program year ranged as high as 42 percent, with five sites spending over a quarter of their funds on this use. By FY 1994 planned expenditures were less than two percent at all sites.

2.3 Other Spending Patterns—Management and Section 3

As noted previously, planned expenditures for management were lower than the 10 percent cap in most of the 18 study sites. While PHAs are required to identify management expenditures associated with PHMAP deficiencies, only four sites planned any direct PHMAP-

related spending. (Another four planned to address problems identified in PHMAP reviews but did not link these explicitly to PHMAP.) Overall, security and resident services accounted for the greatest shares of planned management expenditures among the PHA sites. Security expenditures often went for PHA police. Resident service expenditures included not only social services, but also a fair amount of Section 3-related resident employment and training activity.

Section 3 requires agencies to ensure that residents benefit from modernization and other public expenditures through the provision of employment and training opportunities. At the time of the study, several of the PHA sites were in the process of amending their procurement documents and procedures to incorporate Section 3 hiring and training goals into their construction contracts. In addition, a number had developed training, apprenticeship, or other employment programs funded from CGP management funds. Overall, however, such expenditures were small, accounting for less than 10 percent of the total management budget on average. It was also apparent that some of the smaller sites had little understanding of how to go about implementing Section 3.

3. PHA/IHA Perspectives on the Program and Formula Adequacy

The CGP program provides PHAs and IHAs with funding based on a formula, in contrast to competitive funding under CIAP. This switch has produced distributional shifts in the way funds are allocated. However, Congressional appropriations for modernization have also been increasing in recent years. As a result, most of the PHAs and IHAs in this study received substantially higher annual funding levels under CGP than they had historically received under CIAP. Some of these increases have been quite dramatic, with three sites (Hartford, Owensboro, and Hammond) approximately doubling their CIAP average and two others (Chicago and St. Louis) more than tripling the average amount received under CIAP. All of the IHAs received more funding under CGP than they had under CIAP.

While needs continue to exceed available funds in the majority of these authorities, the sizable increase relative to CIAP—plus the fact that CGP allocations have typically increased in each of the last three years—may well have contributed to the overall positive assessments of the CGP program provided by staff at most of the study sites. In fact, the only two sites that seemed to have negative perceptions of CGP were Athens and Cheyenne. In Athens, the staff believed that the PHA had been in an excellent competitive position under CIAP, due to its good management performance and the fact that few of its units had been modernized yet. Moreover, the CGP formula funding amount is low compared to Athens' recent CIAP awards, so that the modernization process will have to be stretched out over many more years. Cheyenne's dissatisfaction with the CGP program was also based on the fact that formula funding was lower than its most recent CIAP grants. In addition, the authority felt that it had to devote virtually all of its first-year funding to meet mandates for LBP abatement.

3.1 Perceived Benefits of CGP

During the site visits, staff at the study sites suggested a variety of different ways in which CGP had benefitted their modernization programs. These benefits included the ability under CGP to plan ahead, the ability to incorporate local priorities and strategy preferences into spending plans, and the ability to address modernization needs more systematically (partially as a result of overall higher funding levels). Large and small agencies were equally likely to perceive substantial benefits in the switch from CIAP to CGP.

Flexibility — As noted previously, several sites adopted more dispersed spending patterns under CGP than had been possible under CIAP, given that program's emphasis on comprehensive modernization. As a result, the agencies' modernization programs were better able to respond to local priorities and meet a broad range of needs at different developments. In addition, many of the sites indicated that CGP afforded greater flexibility than CIAP in the specific types of work that could be funded. Finally, sites mentioned the ability to modify plans and shift work items across years, as well as the greater flexibility of CGP in dealing with emergencies. Suggestions for even greater flexibility included raising the 7 percent cap on administrative costs and allowing PHAs to make spending shifts without going through the full resident participation process.

Predictability and Reliability of Funding — Many of the study sites commented on the advantage of knowing funding amounts in advance and being able to plan for future years. Equally important was the freedom from having to waste time on planning efforts that would never be funded. Now when staff develop work item specifications and implementation schedules, they know that the job will, in fact, be done. A related benefit is that jobs that require more than one year of funding to complete are more secure; under CIAP, some jobs had to be done in phases, and funding in later years was not always adequate.

In addition, several sites noted that the predictability of CGP funds had important administrative benefits. In Oakland, for example, the PHA was able to staff-up its modernization program with the assurance of continued, predictable funding. The ability to retain good staff was also mentioned as a benefit of CGP funding predictability, as was the ability to even out workloads through better modernization planning. Finally, a number of sites indicated that the more predictable funding flow under CGP is important to maintaining credibility with residents. As one IHA staff member put it, under CGP the agency can now "make promises and keep them."

Better and More Rational Planning — Staff at many of the agencies provided examples of ways in which the CGP formula system allowed them to approach modernization planning more rationally. As staff in Richmond pointed out, building systems fail at different times; thus a modernization program focused only on comprehensive modernization by its nature encourages early replacements. By contrast, CGP accommodates the uneven nature of this work and also allows the PHA to reschedule items if new needs arise. Staff at several sites also said that they found the CGP

planning process constructive and useful, even if time-consuming. For example, in Oakland (where the process was particularly thorough) staff said that the PNA effort helped them develop a rational approach for determining priorities across the PHA's 260 scattered housing sites.

3.2 Implementation and Administrative Issues

Few of the 18 agencies included in this study mentioned problems with CGP, although two issues were raised in several sites. The first issue relates to HUD oversight, specifically the potential for problems and/or program abuse given the substantially reduced role of HUD under CGP. While the vast majority of the sites found reduced HUD involvement to be a positive feature of the program, a few (mostly smaller) agencies were either concerned that they might not be doing everything correctly or missed the technical assistance and support they used to receive when working more closely with HUD staff on CIAP issues. In addition, two of the larger PHAs noted that HUD played a useful role in CIAP, sometimes buffering the staff from demands made by residents or PHA board members.

The second issue concerned the role of residents in CGP decisionmaking. Although staff at all of the sites seemed to welcome resident input generally and said that resident participation was important to the program, a number noted that the process was quite time-consuming. In addition, staff at one agency—where residents hold roughly half of the seats on a committee which is responsible for all CGP spending decisions—believe that resident influence on CGP decisionmaking has resulted in ineffective allocation of funds and interference in the implementation of grant activities. HUD's view is that resident participation does not mean resident approval and should not result in ineffective allocation of funds.

The study also examined available data on CGP obligation and spending rates. These data indicate that many sites seem to be having difficulty obligating CGP funds within the two-year timeframe expected by the program. Five of the 13 PHAs with FY 1992 grants had obligated less than half of these funds as of September 1994. In terms of the sites' perceptions, many PHAs thought that obligation and spending rates had accelerated under CGP as compared to CIAP. Factors thought to account for this included higher or more consistent staffing levels, fewer HUD reviews to slow the process down, and better phasing and sequencing of the work. It should be noted that PHAs do not always share HUD's objectives for rapid obligation and expenditure of funds. In particular, sites that try to accumulate funds from several CGP years for larger jobs believe that the emphasis on obligating funds is counterproductive and should be secondary to overall efficiency in spending. HUD's view is that proper phasing of work should allow authorities to complete larger jobs as well as spend CGP funds in a timely manner.

From an administrative perspective, there were few comments or complaints offered by the PHAs about CGP. Regarding CGP processing, the most important change was that HUD approvals and reviews were no longer required. PHA staff no longer need Field Office approval for previous participation reports, plans and specifications, the bidding process, or most change orders. They are also no longer required to submit line item justifications for work items. PHA

staff with experience under both programs felt that these added a great deal of work and time under CIAP, and they are happy to be relieved of them under CGP. Although sites had the option of reprogramming remaining CIAP funds for use under CGP, only two sites reprogrammed any funds. In most cases, reprogramming was not even considered, either because the planned work was still appropriate or because it did not seem worth the administrative effort to pursue the change.

None of the 18 study sites reported any major problems completing their comprehensive plans or any need for Field Office assistance in preparing them. All of the PHAs reported submitting these on time. One agency's staff said that it finds the narrative reporting under CGP to be a useful addition. Staff at another PHA stated that the process and documentation support the program well.

The authorities included in this study reported that HUD Field Offices were generally responsive and able to complete their CGP reviews on time. Only three agencies reported any delay in the review of the comprehensive plans or the signing of the ACC, and this was only in the first year. In general, PHA staff reported improved relationships with the Field Offices. As compared to CIAP, HUD has a significantly reduced monitoring role under CGP, and PHAs/IHAs have more freedom. A few authorities have mixed feelings about this level of freedom, and some would like a closer working relationship with HUD staff. Overall, however, the vast majority of the PHAs were pleased with HUD's more hands-off role under CGP.

HUD Field Office staff contacted for this study confirmed relatively good working relations with the authorities. However, a number of the Field Office monitors expressed concern about the extent of discretion given to PHAs under CGP and questioned the ability of Field Office staff to monitor the PHAs' work effectively. In a few cases, more specific concerns were expressed relating to a PHA's ability to handle the increased responsibility and funding level of CGP.

4. Adequacy of the CGP Formula

The CGP formula is a mechanism for distributing CGP funds, based on the relative needs of the authorities. The formula prediction of needs is based on previous HUD research which enables the Department to relate modernization costs to the characteristics of the PHAs/IHAs and their developments. None of the PHAs or IHAs contacted for this study had a firm understanding of how the CGP formula worked or how, specifically, the characteristics of their developments contributed to their allocations. However, virtually all of them were pleased with the level of funding they received under CGP, and all of them thought that the formula system was fair. This was true regardless of substantial differences in the relationship between funding and reported need across the sites.

As noted above, the estimates of need produced by the study PHAs proved to be a poor basis for measuring relative need, due to the varying approaches used. While the study

developed a set of adjusted needs estimates for comparison against the formula predictions, the two sets of figures could not be fully reconciled.

An issue of importance is how well the formula accommodates mandates including LBP abatement and Section 504 compliance. Neither of these factors was included in the calculations used to derive the formula estimates. Unfortunately, at three of the larger PHA sites (Camden, Baltimore, and Hartford) there is no available estimate of LBP abatement need. Altogether, three of the 15 PHAs could provide no data, six reported little or no LBP abatement need, and six reported needs between 2 and 22 percent of total needs.[5] These findings suggest that LBP abatement need plays a relatively small role in overall needs, and that its exclusion from the formula most likely does not have a large impact. The same is true for Section 504 modifications which played a small role in needs and showed declining expenditures as sites completed this work over the first one or two years of the CGP program. Nevertheless, the absence of data for key sites, and the possibility that needs or spending figures contain additional LBP or Section 504 costs embedded in other modernization work, means that considerable caution about this finding is in order.

The IHAs included in the study differ from the PHAs in terms of the vastly different environments in which they work. Distances between properties can increase modernization costs and also complicate program administration. Many of the IHAs use "force account" labor, both to obtain local labor and as an economic development effort in areas with few employment opportunities. In general, however, the needs levels and funding ratios of the IHA sites are comparable to those of PHAs included in this study. The three IHAs included in this study expressed generally favorable opinions of CGP (particularly the independence and flexibility afforded by the program) and were also satisfied with the levels of their CGP grants. Although CGP was not adequate to cover all of their needs, IHA staff felt that the formula was fair and that funding levels were appropriate in terms of administrative capacity. More importantly, none of the IHAs saw any advantage to a separate formula specifically geared to IHA housing.

Overall, the shift to the CGP formula approach appears to have produced a situation in which housing authorities are better able to plan for their modernization needs and to tailor their modernization strategies to local circumstances. One of the more interesting impacts of CGP, observed in Dade County, is how CGP might facilitate a move towards a more private market, capital asset model of public housing management. Under this approach, the authority is using its current modernization funding to, first, address building system needs that will ensure the viability of all developments and, second, enhance curb appeal so the properties will be attractive to residents and the surrounding community. Once initial improvements are made, the authority plans to shift control of modernization funds to the development level (through a suballocation of CGP funds). In conjunction with project-based budgeting and decentralization of management functions, the approach is more like the private-market model in which operating and capital decisions are made together.

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[5] While Cheyenne showed a relatively high proportion of needs attributable to LBP (22 percent), rather small dollar amounts are involved.

The study results also raise some issues about CGP for smaller sites. Although the study sites were selected partly to reflect differences in the extent to which CGP funding was able to cover reported need, some of the smaller authorities may not have sufficient needs to warrant a steady stream of modernization funds. Although we do not know whether these smaller sites are typical of their size group, the small sites included in the study, as well some larger sites with good management histories, appear to be able to address all of their backlog needs over a relatively short timeframe.

The situation is quite different for the larger PHAs in the study, where the five-year CGP funding ratio is less than 50 percent in many cases. However, these PHAs also have the opportunity to compete for MROP and HOPE VI funds which can be used to treat or replace specific troubled developments. Receipt of these other funds has significantly boosted the proportion of total need that can be met in several sites. They also allow PHAs, local governments, and HUD—together—to focus on comprehensive solutions for the most difficult public housing sites.

Both the low backlog needs of some of the smaller sites and the expected treatment of troubled projects under HOPE VI and MROP suggest that the adequacy of the CGP formula bears watching over several years. Needs will change as work is completed, and the balance between backlog and accrual may need to be adjusted. While the current study provides insights into the operation and administration of CGP, it seems clear that the formula will need to be evaluated more rigorously in the future.

CHAPTER 1
INTRODUCTION

In FY 1992, the Comprehensive Grant Program (CGP) became the principal mechanism used by the Department of Housing and Urban Development (HUD) to provide public housing modernization funding. In that year, CGP provided over $2 billion in modernization funding to about 430 housing authorities. In FY 1993, smaller authorities (those with between 250 and 499 units) joined the program, which distributed about $2.5 billion in that year.[1] CGP differs from HUD's previous modernization approach in its use of a formula (as opposed to competitive awards) to distribute funding. The program also differs from the previous approach in the wide latitude authorities have under CGP to develop modernization strategies geared to local needs and to set their own priorities for modernization work.

1.1 OBJECTIVES OF THE RESEARCH

This study is the first review of the Comprehensive Grant Program, designed to assess how well the program has operated over its first two program years. As described above, CGP represents a departure from the previous HUD modernization strategy, providing PHAs/IHAs with a more predictable flow of funding for modernization needs and allowing them greater flexibility in determining the nature and timing of modernization work. PHAs may continue comprehensive approaches if they desire, or they may undertake work across many developments, staging work over several years. This flexibility should result in a more efficient and locally responsive modernization program. It should also lead to reduced administrative burden, as compared with competitive applications under CIAP.

Whether these promises of CGP are being realized, however, depends on a host of factors. For example, the flexibility inherent in the design may be reduced if mandated and/or priority needs are so overwhelming as to eliminate any real discretion in modernization planning. Similarly, program requirements for oversight and documentation may run counter to the goals of increasing administrative simplicity.[2] Finally, the success of the approach ultimately relies on the PHAs/IHAs—their capacity to estimate needs accurately and to develop rational modernization plans—and on residents and local government officials who have a role in shaping and monitoring how the funds are spent.

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[1] The smallest authorities (those with fewer than 250 units) continue to receive their modernization funding under CIAP.

[2] In initially implementing the program, HUD endeavored to streamline the process as much as practical, adopting a variety of suggestions designed to cut administrative requirements. Since implementation, the Department has continued to streamline requirements. A variety of such changes are scheduled for FY 1995 including complete fungibility of work items across the five years of the action plan.

In order to explore these issues, this research uses a case study methodology to determine how a small number of selected PHAs/IHAs have responded to CGP program incentives and to understand how well the formula has worked in specific circumstances. Site visits were conducted at each of 15 sample PHAs between November 1994 and January 1995. Interviews were held with PHA staff, residents, representatives of local government, and staff of HUD Field Offices. At three IHAs, similar interviews were conducted, but by telephone. In addition to interviews, study staff collected detailed data from the comprehensive plans, annual statements, and other program documents submitted to HUD by each of the sites. The objectives of the research were: 1) to document and evaluate the process used by PHAs and IHAs to prepare their CGP plans; 2) to summarize the content of the comprehensive plans; and 3) to assess the initial implementation of the CGP allocation formula, including its adequacy for addressing lead-based paint testing and abatement.

Volume I of this report is organized into eight chapters. Chapter 1 provides background information on CGP and on the 15 PHAs and 3 IHAs included in the study. Chapter 2 focuses on the planning process at the 15 PHA sites, specifically the development of physical and management needs assessments and the extent to which residents and local government officials were able to participate meaningfully in this process. Chapter 3 presents information on CGP spending patterns. It begins with a discussion of the overall modernization strategies adopted by the PHAs; this is followed by a review of the various sources of funds available to implement these strategies and a discussion of the specific activities and work items actually being funded from the CGP grants. Chapter 4 is devoted to PHA perspectives on the program—the ways in which CGP has affected local modernization activities. Chapter 5 focuses on the three IHA sites, covering all of the topics identified above, with a focus on the unique environments in which IHA programs operate. Chapters 6 and 7 detail needs and spending patterns related to mandated improvement activities: lead-based paint abatement and Section 504 accessibility improvements. Finally, Chapter 8 summarizes the study's conclusions. Volume II of the report contains individual case studies for each of the 18 sites.

1.2 Overview of the Comprehensive Grant Program

The Comprehensive Grant Program (CGP) was authorized by the Housing and Community Development Act of 1987; since 1992, it has been the Department's primary mechanism for funding modernization needs in public housing. Beginning in FY 1992, PHAs with 500 or more units became eligible for CGP funding; PHAs with between 250 and 500 units became eligible in FY 1993. Only smaller PHAs with under 250 units continue to receive modernization funding under the Comprehensive Improvement Assistance Program (CIAP), the program that CGP replaced for most agencies.

CGP represents a significant departure from CIAP, replacing project-specific, competitive awards with a system of formula-based grants. Under CIAP, PHAs applied for funds that would

be used to address all needs at each funded project in a coordinated manner.[3] Once the work was completed, the development was expected to have a remaining useful life of another 20 years, and it would not receive capital funding again in that period. PHAs could also apply for funding under Major Reconstruction for Obsolete Projects (MROP), established in 1986. MROP was used by PHAs to renovate specific sites that needed extensive structural work, redesign of units, or other reconfiguration. In contrast to these programs, CGP provides annual funding to PHAs and IHAs, rather than specific projects, based on a formula that distributes appropriations according to the authorities' estimated share of modernization need. The CGP program does not specify the nature of work to be undertaken, but rather allows PHAs to develop a modernization strategy that best meets their local needs and circumstances.

HUD had a number of important objectives in developing the CGP system. First, CGP would establish a reliable and ***predictable*** funding mechanism for capital improvements. Although overall funding levels could still fluctuate, depending on congressional appropriations, PHAs were assured of greater stability than under the competitive CIAP system. Second, the program would provide local housing agencies with ***greater discretion and control*** in the planning and implementation of modernization activities. PHAs/IHAs are responsible for identifying needs and priorities and for determining the manner and timing of CGP expenditures. This more ***rational and efficient approach*** to planning was in part intended to avoid any perverse incentives (which some say existed under CIAP) for a PHA or IHA to disinvest in a development in order to enhance prospects for gaining comprehensive modernization funding under the competitive application process. It would similarly reduce incentives for early replacements in CIAP-funded properties which, according to program design, were expected not to need new funding for at least 20 additional years. Finally, CGP could be expected to ***reduce the administrative burden*** associated with CIAP grant applications and shift PHA/IHA resources into more productive activities associated with planning and accomplishing the modernization work.

The CGP process requires PHAs/IHAs to develop a comprehensive plan detailing all of the physical and management improvements necessary to meet modernization requirements and laying out an action plan for addressing needs using the CGP funds projected to be available over a five-year period. Key elements of the comprehensive planning process are:

- ***Physical Needs Assessment.*** The PNA consists of a summary of all unfunded physical improvements necessary to bring each development up to a level at least equal to HUD's energy conservation and modernization standards. To complete this assessment, the PHA/IHA is required to carry out a *general* physical needs inventory of each project and to develop a cost estimate for each. The needs

[3] In addition to the Comprehensive component (which accounted for the bulk of CIAP funding), the program also had an emergency component and several special purpose components (e.g., accessibility and vacant unit reduction) as well as a component for lead-based paint. CIAP also provided funding for management improvements that would upgrade overall systems that affected the funded development (such as accounting or security).

assessment is to be developed without regard to available funds, and thus should represent the total identified need for the PHA or IHA.

- ***Management Needs Assessment.*** The MNA is intended to provide an overview of all modernization needs for management, financial, and accounting systems. In preparing the MNA, the PHA must include the costs of any mandatory, performance-based needs identified through the Public Housing Management Assessment Program (PHMAP), audits, or HUD monitoring reviews. Although management improvements may not exceed 10 percent of the annual CGP grant total, the PHA/IHA must list all management needs in the MNA regardless of this limit.

- ***Five-Year Action Plan and Annual Statement.*** Based on the results of the PNA and MNA, the PHA/IHA prepares a Five-Year Action Plan to describe how it will address its physical and management needs over this period. These plans are based on HUD's estimate of the annual level of assistance to be provided. For each development, the PHA must list major work categories by year and show the estimated cost of all physical improvements to be made. Management improvements are shown on a PHA-wide basis. The PHA must also prepare an Annual Statement for the first year of the grant period which provides greater detail on work items and costs.

The comprehensive plans (including the needs assessments) are to be updated at least every sixth year. In addition, a new Annual Statement is prepared each year, and the Five-Year Action Plan is amended to account for the completion of the previous year's work and the addition of a new funding year. All aspects of the comprehensive planning process are to be completed with the involvement of both local government officials and residents of the PHA/IHA through a formal "partnership" process.

1.3 CGP Formula and Funding History

CGP provides funding to housing authorities using a formula designed to allocate funding among them in accordance with their relative needs. Two types of need are considered: backlog need (reflecting unfunded work necessary to bring projects up to HUD standards and meet mandates) and accrual (which reflects the new needs that arise over time as building systems age).

The backlog needs of the public housing stock were measured in 1985, based on physical inspections in a representative sample of PHAs, sites, and units nationwide. The Modernization Needs Study estimated backlog needs at between $9 and $25 billion nationally, depending on

which categories of need were included.[4] The physical inspection and cost data developed in the Modernization Needs Study were also used to model the rate of accrual in public housing.[5] The accrual estimates assumed that all backlog needs were met first.

In order to develop the formula for CGP, HUD used statistical techniques to relate needs identified in the developments sampled for the 1985 study to the characteristics of those developments and the PHAs in which they were located. Seven variables were identified for use in the backlog formula:

- The average number of bedrooms per unit in a development—this measures the family/elderly mix, plus the size of the units, and hence the cost of work;
- Large family units in a development—measuring wear and tear on building systems;
- High-rise family developments—capturing greater wear and tear and more expensive systems (e.g., elevators) to replace;
- Age of the development—an indicator of potential backlog needs;
- Total family units in large PHAs—measuring more complex social environments;
- Area cost index—to account for geographical differences in rehabilitation costs; and
- Population decline—an indicator of community and neighborhood distress.

The accrual model uses four of the same indicators (although weighted differently): average number of bedrooms; large family units; age of development; and area cost index. Also, the accrual model associates higher costs with low-rise structures (as opposed to high-rise structures in the backlog formula), given fewer economies of scale associated with a more dispersed stock. Finally, the accrual formula adds an indicator for total units in the PHA, in order to account for the complexity of large-scale modernization not captured in the other variables.

The process for calculating an authority's CGP formula allocation begins with the annual submission of updated information on the factors enumerated above for each development in its portfolio. Based on these data, plus population and cost data, HUD estimates total backlog and accrual needs for each PHA/IHA in the program. However, since the backlog formula was based on research conducted in 1985, several adjustments are made. The first adjustment applies

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[4] Study of the Modernization Needs of the Public and Indian Housing Stock -- National, Regional, and Field Office Estimates: Backlog of Modernization Needs, Abt Associates Inc., 1988.

[5] Future Accrual of Capital Repairs and Replacement Needs of Public Housing, ICF Inc., 1989.

a factor of 1.5 to the estimated backlog in order to update the figures to 1991 (the time that the first formula estimates were produced). The second adjustment accounts for intervening modernization work funded from CIAP or other modernization programs. Specifically, HUD subtracts from estimated need 60 percent of all CIAP funds received by the PHA between 1984 and 1991 and 40 percent of any MROP funds received over the same period.

It is important to note that the CGP formula produces needs estimates only ***in order to measure relative need*** and to calculate the formula shares; these are then applied to available funding. All of the need estimates for all PHAs/IHAs are summed (separately for backlog and accrual), and each authority's share of the total is calculated. Congressional appropriations for modernization are divided into several pots under CGP, including several set-asides, such as that for Emergencies and Natural Disasters; the remaining funds are then divided into two equal pots for CGP backlog and CGP accrual. The formula shares are then applied to each pot, resulting in dollar allocations for each PHA/IHA.[6] The sum of the two amounts is the annual CGP grant.

Although HUD annually updates information on development characteristics, as well as the cost and population data, the initial adjustments for CIAP/MROP and the calibration of the formula to 1991 were done only once. This is because the objective of the formula is to calculate shares (measuring relative need) that can then be applied to appropriations. The formula is not intended to produce an accurate estimate of the absolute need of backlog or accrual.

Congressional appropriations for modernization have increased substantially in recent years, partly in recognition of the large backlog of needs documented in the 1985 Modernization Needs Study. Exhibit 1-1 shows modernization appropriations from FY 1984 through FY 1994. As shown, the level of funding increased substantially in FY 1987 and again in FY 1990 and FY 1991. This is important because the amount of CGP funds received by an individual PHA/IHA can reflect both distributional shifts between CIAP and CGP and increases in the overall level of funds available for modernization programs. Recent research shows that the extra-large PHAs (those with over 6,500 units) have benefitted from the switch to CGP, while agencies in the large category (1,200 to 6,499 units) and those located in the northeast receive proportionately less funding than they did under CIAP.[7] On a dollar basis, all groups of authorities receive more funding under CGP than CIAP, except for large and medium PHAs in the northeast.

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[6] Need for New York City is estimated directly, as opposed to using the formula calculation.

[7] Revised Methods of Providing Federal Funds for Public Housing Agencies, Abt Associates Inc., 1993.

Exhibit 1-1
Modernization Funding
FY 1984 - FY 1995

Fiscal Year	Appropriation
1984	$775,874,428
1985	$821,018,720
1986	$755,665,864
1987	$1,562,235,837
1988	$1,778,865,129
1989	$1,648,719,953
1990	$1,979,779,503
1991	$2,500,000,000
1992	$2,673,960,546
1993	$3,143,582,564
1994	$3,502,056,732
1995	$3,815,042,520

Sources: MADS 1984 - 1991; appropriations data 1992 - 1995

1.4 Description of the Study Sites

A total of 18 housing authorities—15 PHAs and 3 IHAs—were selected by HUD for inclusion in this study. Exhibit 1-2 lists the study sites, along with the criteria used in their selection. These criteria included agency size, region of the country, management capability, the relationship of formula funding to estimated need, and whether the site had received a HOPE VI grant. Generally, the sites were selected to provide variation across these different dimensions.

Throughout this report, the study sites will be ordered in exhibits from largest to smallest, as they are here. As shown in Exhibit 1-2, they include four extra-large PHAs (6,500 units or more), six large PHAs (1,250 to 6,499 units), three medium-sized agencies (500 to 1,249 units), and two small PHAs (under 500 units). The three IHAs each have about 1,000 units.

Nationally, the distribution of authorities by size is quite different from that in the study, with some 87 percent of the 3,224 agencies classified as small authorities. Medium and large authorities together account for 12 percent of all PHAs/IHAs nationally, and extra-large PHAs only account for 1 percent. Larger authorities do, of course, account for a major share of modernization funding. Based on FY 1992 appropriations, extra-large authorities received 44 percent of the total, large agencies received 22 percent, medium agencies received about 13 percent, and small authorities received 21 percent.

The study sites are fairly well distributed regionally. Three are northeastern PHAs: Hartford, CT; Camden, NJ; and Amsterdam, NY. Four are located in the midwest: Chicago, IL; St. Louis, MO; Lucas (Toledo) OH; and Hammond, IN. Six of the study sites are located in the southern region: Baltimore, MD; Dade County, FL; Richmond, VA; Athens, GA; Owensboro, KY; and Laredo, TX. Finally Oakland, CA and Cheyenne WY represent the west. The three IHAs are located in Alaska, South Dakota, and Arizona.

The sites also vary in management capacity, as measured by their Public Housing Management Assessment Program (PHMAP) scores. They range from extremely high performers to one troubled authority (Chicago). The exhibit also shows that three other agencies (Lucas, Oakland, and Dade County) had recently been considered troubled, although their 1992 PHMAP scores were average. The factor related to modernization need was included in order to capture sites that appeared to be well-funded, based on needs as reported in their PNAs, as well as those where the magnitude of need (as compared to funding level) would require a much longer timeframe for addressing all outstanding need. Since a major focus of the research was the accuracy of the PHA needs assessments, it was desirable to include sites that varied on this dimension. Finally, PHAs that had received HOPE VI funding were included in the study in order to examine the impact of such funding on the PHAs' modernization programs and the extent of coordination between CGP and other funding sources.

Exhibit 1-2

CGP Evaluation Sites

	Size				Census Region[1]				PHMAP[2]				MOD Needs[3]			HOPE VI[4]	
PHAs	XL	L	M	S	1	2	3	4	H	A	T	RT	H	A	L	IMP	PL
Chicago, IL	✓					✓					✓		✓			✓	
Baltimore, MD	✓						✓			✓			✓			✓	
Dade Co., FL	✓						✓			✓		✓		✓			
St. Louis, MO	✓					✓				✓			✓				✓
Richmond, VA		✓					✓		✓						✓		
Oakland, CA		✓						✓		✓		✓		N/A		✓	
Lucas (Toledo), OH		✓				✓				✓		✓			✓		
Hartford, CT		✓			✓					✓			✓				
Camden, NJ		✓			✓						✓				✓	✓	
Athens, GA		✓					✓		✓				✓				
Laredo, TX			✓				✓		✓								
Owensboro, KY			✓				✓		✓						✓		
Hammond, IN			✓			✓			✓						✓		
Cheyenne, WY				✓				✓		✓				N/A			
Amsterdam, NY				✓	✓				✓					N/A			
Total	**4**	**6**	**3**	**2**	**3**	**4**	**6**	**2**	**6**	**7**	**2**	**3**	**6**	**1**	**5**	**4**	**1**
IHAs																	
Gila River			✓					✓									
Rosebud			✓			✓											
AVCP			✓					✓									

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1 1 = northeast, 2 = midwest, 3 = south, 4 = west.

2 H=High (>89), A=Average (60-89), T=Troubled (<60), RT=Recently Troubled. Rating reflects FY 1992 PHMAP scores.

3 Ration of PHA-estimated MOD need to formula funding (i.e., number of years at current funding needed to fund the total of PHA-estimated MOD needs). H=High (>9.9 yrs.), A=Average (7.0-9.9 yrs.), L=Low (<7.0 yrs.).

4 HOPE VI: IMP=recipient of Implementation Grant, PL=recipient of Planning Grant.

The three IHA sites included in the study were selected on a different basis. They were chosen from among a group of IHAs already participating in another HUD research study, in order to piggy-back data collection and thus conserve resources.

Exhibit 1-3 provides additional information on the housing stock owned by each of the 18 authorities, including the proportion of the authority's units located in developments of different ages, sizes, structure types, and occupancy types (e.g., family versus elderly). As shown, the sites vary dramatically on these factors, all of which can play a role in the level of modernization need at a given authority.

Exhibit 1-3

Characteristics of Sample Sites

Site	Total Units	Age of Development (Percent of Units)				Development Size (Percent of Units)			Structure Type (Percent of Units)					Occupancy Type (Percent of Units)		
		Pre 1940	1941-1960	1961-1980	1981+	Small (1-49)	Medium (50-199)	Large (200+)	Detached/Semi-Det.	Row	Walk-up	Elevator	Mixed	Family	Elderly	Mixed
PHAs																
Chicago, IL	40,686	6	42	49	3	1	17	82	0	14	6	64	16	63	21	15
Baltimore, MD	18,088	2	48	39	11	1	21	78	0	16	42	16	26	73	16	11
Dade County, FL	10,962	12	12	63	13	12	47	41	15	33	20	30	2	53	43	4
St. Louis, MO	6,769	0	33	62	5	7	25	68	11	17	1	60	11	45	36	20
Richmond, VA	4,461	0	55	42	3	3	14	83	2	77	9	10	2	86	12	2
Oakland, CA	3,306	0	28	67	6	51	26	23	0	11	9	9	71	88	12	0
Lucas, OH	3,253	22	16	46	15	17	64	19	20	21	36	19	5	26	31	43
Hartford, CT	2,951	0	74	17	9	3	28	70	0	12	35	15	37	83	17	0
Camden, NJ	2,333	22	61	17	0	8	13	79	0	65	22	13	0	87	13	0
Athens, GA	1,287	0	44	52	3	3	80	16	0	91	0	9	0	0	9	91
Laredo, TX	942	0	61	24	15	7	43	50	0	89	0	11	0	86	14	0
Owensboro, KY	614	0	83	17	0	5	49	46	5	21	0	0	74	83	17	0
Hammond, IN	599	67	0	33	0	0	33	67	67	0	0	0	33	67	0	33
Cheyenne, WY	266	0	0	38	62	51	49	0	36	0	0	64	0	36	64	0
Amsterdam, NY	265	0	0	100	0	0	100	0	0	0	0	28	72	0	28	72
IHAs																
Rosebud	1,028	0	0	58	42	40	60	0	63	0	0	0	37	67	3	30
AVCP	1,026	0	0	18	82	95	5	0	98	2	0	0	0	98	2	0
Gila River	1,101	0	0	36	64	42	58	0	62	38	0	0	0	95	5	0
Average	5,552	7	31	43	19	19	41	40	21	28	10	19	21	63	19	18

CHAPTER 2
THE PLANNING PROCESS

The Comprehensive Grant Program is based on a planning process that includes: 1) a comprehensive assessment of the PHA's physical needs; 2) assessment of management needs; and 3) the development of a five-year spending plan (on a rolling basis) to meet these needs. This chapter focuses on the planning process. We begin with an examination of physical needs and the methods used by the 15 PHAs to measure and document these needs. This is followed by a discussion of the relationship between needs and CGP funding. Subsequent sections focus on management needs and resident and local government input into the planning process. PHA spending plans are discussed in Chapter 3.

2.1 PHYSICAL NEEDS

The first step in the CGP planning process is the assessment and documentation of a PHA's physical needs. Although CGP regulations require PHAs to carry out only a general needs assessment, the development of a complete and reasonably accurate estimate of needs is viewed as the foundation for effective modernization planning.

As described in the CGP handbook, the Physical Needs Assessment (PNA) is to be carried out without regard to the amount of funding likely to be available and is to include five-year replacement costs. A new PNA must be submitted at least every five years. The PNA documents must identify, for each eligible development, the total preliminary estimated hard cost to meet HUD's modernization and energy conservation standards and to comply with other program requirements (such as those related to Section 504 and lead-based paint.) In addition, the PNA must identify the level of priority attached to the different categories of work and provide a viability assessment for any property where the estimated hard cost needs exceed 90 percent of total development cost.

2.1.1 Developing the Initial PNA

Exhibit 2-1 presents information on the process used by the 15 PHA sites to develop their physical needs assessments.[1] Of the 15, eight used consultants—usually an A&E firm—to prepare all or part of the PNA. Interestingly, large and extra-large PHAs were no more likely than medium or small agencies to use consultants. Among PHAs that conducted the assessment in-house, several of the larger sites were able to draw on their own A&E staff to conduct inspections and develop estimates. At smaller PHAs, the modernization coordinator or maintenance staff carried out these activities.

[1] PHAs are listed in order of size in all exhibits.

Exhibit 2-1

Preparation of the PNA

Site	PHA Size (in units)	Who Prepared PNA	Updates/ Amendments	Reported Need: Total (Per Unit)	Comments
Chicago, IL	40,686	Consultant/staff		$1,285,476,520 ($31,595)	Excludes costs of LBP and asbestos abatement; includes only partial Section 504 costs; no redesign or reconfiguration costs.
Baltimore, MD	18,088	PHA staff		$575,338,107 ($31,808)	No redesign
Dade County, FL	10,962	Consultant/staff	Full update	$104,400,000 ($9,524)	Post-hurricane PNA will show modest reduction in need.
St. Louis, MO	6,769	PHA staff	Amended	$247,636,623 ($36,584)	
Richmond, VA	4,461	Consultant/staff	Some additions	$38,808,497 ($8,699)	Based on anticipated funding.
Oakland, CA	3,306	Consultant	Full update	$209,821,279 ($63,467)	Needs include 20-year replacement costs.
Lucas, OH	3,253	PHA staff		$34,476,920 ($10,598)	Needs exclude units which had received previous mod funding (45% of total).
Hartford, CT	2,951	Consultant		$155,665,110 ($52,750)	Needs exclude LBP abatement.
Camden, NJ	2,333	PHA staff		$24,902,944 ($10,674)	Based on anticipated funding. Needs exclude all but emergency work on two large, distressed properties. No redesign.
Athens, GA	1,287	PHA staff	Full update	$30,306,435 ($23,548)	
Laredo, TX	942	Consultant		$15,576,623 (16,536)	Needs exclude very minor costs for LBP abatement.
Owensboro, KY	614	PHA staff	Some additions	$4,584,267 ($7,466)	Based on anticipated funding.
Hammond, IN	599	Consultant		$8,693,298 ($14,513)	Excludes appliance replacements.
Cheyenne, WY	266	PHA staff	Some additions	$1,414,340 ($5,317)	
Amsterdam, NY	265	Consultant/staff		$1,599,520 ($6,036)	Based on anticipated funding.

When consultants were involved, their roles ranged from overall responsibility for identifying needs and developing cost estimates to providing input that was then used by staff to prepare the PNA. In Oakland, for example, the physical needs assessment was carried out by an A&E firm which had primary responsibility for conducting inspections, integrating other input on needs, and developing a data base of work items and estimated costs. These estimates were used in the PNA without alteration. In Richmond, the authority hired an A&E firm to develop estimates for four developments that were to be comprehensively modernized, while the PHA's maintenance supervisors prepared the assessments for the remainder. The final PNA document was compiled by the staff from these two sources. In Amsterdam and Chicago, the initial needs assessments were conducted by a consultant, but the final document incorporated adjustments made by the PHA staff. Amsterdam staff pared down the "wish list" compiled by the consultant. Chicago staff included only a portion of the needs identified by the consultant and also adjusted the figures upward to account for the mark-up they believe contractors charge for work done for the authority.

Whether conducted by a consultant or completed in-house, the needs assessment process relied on a combination of on-site inspections, review of existing documents, and input gathered from residents. Typically, all developments were visited in order to assess building sites and systems. Unit inspections were often done on a sample basis. The types of documents reviewed ranged from existing CIAP plans to previous inspection results and current work orders. Most of the PHAs also referenced their Transition Plan for Section 504 compliance and the results of risk assessments for lead-based paint (if these had been completed). Resident input came from meetings and hearings, but also from surveys that asked residents to identify deficiencies and/or problems at their developments. One of the most extensive efforts of this type occurred in Oakland, where the authority sponsored a "human needs assessment" conducted by resident surveyors who visited the sites along with the physical inspectors. Approximately 1,000 surveys were completed (30 percent of the units) documenting residents' concerns related to maintenance, security, and other aspects of the sites.

Among the 15 PHAs in this study, three have carried out more than one assessment within the time period covered by the research. One of these was Dade County, where damage resulting from Hurricane Andrew made the initial plan obsolete. In conducting the second assessment, the staff had a great deal of data to work with, including full inspections completed both by PHA staff and by FEMA; assessment work for the second round was done entirely in-house, while the initial assessment had been prepared by a consulting firm.[2] In Oakland, the authority adopted a phased approach to the needs assessment, because staff felt that the initial timeframes did not permit them to complete a thorough assessment. As a result, Oakland contracted for an initial "minimum documentation" assessment, sufficient to prepare the 1992 CGP application; this was followed by a much more thorough needs assessment for FY 1994. Despite the use of different contractors and different methods (including a much higher sampling fraction for units in 1994), the results were fairly similar. Athens also carried out a second needs assessment in FY 1994, this time using an architectural consultant. As in Oakland, the results were consistent with the initial FY 1992 PNA.

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[2] The second needs assessment was not final at the time of the site visit for this study.

In addition to these major reassessments, two sites made more modest updates to their original PNAs. In Owensboro, the authority updated the PNA to included air conditioning, which had previously not been eligible for CGP funding. Cheyenne also updated its PNA to include new items that had been identified as needs by the residents. Finally, St. Louis amended its original PNA to include a development that had inadvertently been left out of the first submission.

2.1.2 Completeness and Accuracy of Estimates

The documents that resulted from the PNA process varied considerably in their level of detail, and, it appears, in the completeness and accuracy of the estimates. In terms of presentation, HUD requires a development-by-development listing of needs, plus a cost estimate at the development level. In some cases, the PNA was sufficiently detailed so that individual work items and costs at each property could be broken out. In other cases, only broad, systems-level categories of work items were identified, such as kitchens, baths, interior renovations, or plumbing. Costs in some sites were only presented at the development level; thus it was not possible to identify what portion of needs were associated with priority work or with specific types of improvements (such as accessibility work required by Section 504).

In most cases where cost estimates were prepared by the PHA staff, the R.S Means construction cost estimating manuals were used. In a few cases, staff based their estimates on prior experience and/or calls to vendors that they had used in the past. In terms of the estimating process, most sites thought that the cost estimates (whether prepared in-house or by consultants) were fairly accurate. However, staff in Baltimore acknowledged that they had "ball-parked" the estimates because there was so little time to prepare the PNA. Also, the staff in Dade County felt that the consultant-prepared estimates were far too conservative, particularly regarding costs for kitchen and bath replacements. At the time of this study, few sites had sufficient experience implementing the plans to really judge the accuracy of the PNA estimates. Nevertheless, some sites reported that they had received actual construction bids that were on target with the PNA estimates; others found that bids came in higher than planned.

Of greater importance than the accuracy of the individual cost estimates, however, is whether the PNA estimates reflect the full needs of the authority. In fact, the plans submitted by a number of the 15 sample PHAs appear to contain some serious omissions and inconsistencies. Exhibit 2-1 includes information on needs as reported in the PNA at each of the 15 PHAs. (These are total needs, of which hard costs for physical needs average 79 percent.) The final column of the exhibit provides comments on the PNA process.

As noted in the exhibit, substantial omissions in needs were identified in the PNAs of four of the 15 sites:

- *Chicago:* Physical needs in Chicago are described as overwhelming, particularly among the many family high-rises that make up much of the authority's stock. As explained in the case study for this site (see Volume II), a combination of

poor design and construction, vandalism, extreme social problems, chronic under-maintenance, and lack of modernization have produced a physical stock with huge backlog needs. However, the $1.3 billion in needs identified in Exhibit 2-1 significantly understates actual need. A major omission is the cost of hazardous materials abatement, including both lead-based paint (LBP) and asbestos removal, now estimated at $138 million and $371 million respectively.[3] Moreover, need for Section 504 work is understated in Chicago's PNA relative to the consultant's report, and no reconfiguration or redesign costs are included.[4] In deciding what needs figures to include in the PNA, housing authority staff said that they did not want costs to exceed the TDC limits. They also saw little point in listing extensive needs when funding to meet them was not going to be available.

- *Hartford:* Hartford's PNA did not include any costs for LBP abatement, because testing had not been completed at the time the PNA was prepared. Nevertheless, staff felt that the Authority's LBP needs were so great that they programmed 100 percent of their funds for this use after the first two years of the initial five-year plan. Testing has now been completed in Hartford, but staff still could not provide any estimate of abatement costs. Another complication is that the original PNA included substantial costs for redesign and reconfiguration at two high-need projects. Current cost estimates (based on a revised modernization strategy developed by the new modernization director) are much lower than the PNA estimates for these properties. At the same time, the PNA-reported costs for a third distressed property seem low in light of current redevelopment plans for a portion of those units.[5]

- *Camden:* Camden did not undertake a full needs assessment, in that two of the authority's largest and worst properties were left out of the PNA except for emergency needs. Also, no redesign costs were considered at any development. Camden's strategy appeared to be to triage the two large, family developments, adjusting the authority's reported needs to a figure roughly in line with available funding over the first five CGP years. Actual needs, as estimated for this study, are $86 million, or almost four times the amount shown in the PNA.

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[3] The PNA included only emergency abatement needs, i.e., those for units occupied by children with elevated blood levels.

[4] Section 504 costs in the PNA are limited to site management offices and some work at the elderly properties; they do not include unit adaptations at the major family developments, which, according to staff, will be so costly that they can only be considered when undertaking major reconstruction. Redesign and reconstruction costs were not included in the original scope of the 1991 capital needs assessment. Although the consultant prepared separate estimates for high-rises in eight developments, no redesign costs were included in the PNA.

[5] Stowe Village (one of the high-needs developments identified in the PNA) has gone from roughly $70 million in the PNA to $29 million in the redevelopment plan. By contrast, a portion of the Charter Oak development, which was shown in the PNA to have total needs of $34.9 million ($36,000 per unit), is receiving treatment under MROP at a far higher per unit cost.

- *Lucas:* In Lucas, the needs assessment was limited to those developments that had not received comprehensive modernization in the past. The remaining developments were omitted, even though they still had needs. As a result, the PNA reflects needs based on only about 55 percent of the authority's units; also, certain items (such as utilities and sewer lines) appear to have been overlooked in the assessment.

There appear to have been some minor omissions at other sites, as well. For example, in Hammond, the costs of appliance replacements were not included in the renovation estimates, and, in Laredo, LBP abatement needs were excluded, although these proved to be quite small.

On the other hand, the figures in Exhibit 2-1 may overstate relative needs for a few sites. In Dade County, the agency was in the process of preparing a revised PNA, which should reflect a modest reduction in need (due to significant reconstruction required after Hurricane Andrew). Oakland's physical needs assessment—which was probably the most thorough and rigorous of all of the sites—includes 20-year replacement needs, as opposed to the five years used at most other authorities (and specified in the CGP handbook).

Finally, in addition to Camden, three other sites (Richmond, Owensboro, and Amsterdam) based their PNA estimates on the amount of funding expected to be available over the first five years of CGP funding. In each of these cases, outstanding needs can largely be met within these resources, allowing the authorities to add amenities or lower-priority items to the list of proposed improvements.

2.1.3 Comparison to Formula Predictions

As suggested by the above discussion, differences in approach—as well as some serious omissions—undercut the usefulness of the PNA estimates as a measure of need. A common omission was the cost of LBP abatement, although the timing of the initial PNA (which was due prior to the December 1994 deadline for LBP testing) makes this understandable. Another common difference across sites was the treatment of redesign or reconfiguration costs. Among the larger sites likely to have such needs, two (Hartford and St. Louis) included at least some redesign, demolition, and replacement costs in the PNA, while others (Baltimore, Camden, and Chicago) did not. Thus, while the needs assessment ***process*** may have produced useful working numbers for PHA planning at individual sites, the estimates do not appear to provide a good basis for measuring comparative need or allocating funds among PHAs.

As a point of comparison, Exhibit 2-2 examines the PNA estimates of need in relation to needs as predicted by the CGP formula. As described in Chapter 1, the formula estimates are based on the characteristics the PHA and its developments. Factors that tend to increase formula needs (and hence funding) the most are the size of the PHA and the presence of large family units—particularly high-rise family units. The local cost index can also account for a great deal of variability in predicted needs. Factors that have lesser influence, according to HUD staff, are the age of the structures and population decline in the area (which is intended

Exhibit 2-2

Comparison of PNA and Formula Needs

Site	PHA Size (Units)	Original PNA and Formula Needs					Adjusted PNA and Formula Needs				
		(1) PNA Need Per Unit	(2) Formula Need Per Unit	(3) Percent Difference	(4) PNA Rank	(5) Formula Rank	(6) Adjusted PNA Need Per Unit[b]	(7) Formula Need Per Unit	(8) Percent Difference	(9) Adjusted PNA Rank	(10) Formula Rank
Chicago, IL	40,686	$31,595	$30,875	2%	5	1	$31,595	$30,875	2%	5	1
Baltimore, MD	10,088	$31,808	$14,114	125%	4	7	$30,676	$14,114	117%	6	7
Dade County, FL	10,962	$9,524	$6,100	56%	11	14	$8,977	$6,100	47%	11	14
St. Louis, MO	6,769	$36,584	$30,195	21%	3	2	$36,584	$30,195	21%	2	2
Richmond, VA	4,461	$8,699	$9,367	-7%	12	11	$7,773	$9,367	-17%	12	11
Oakland, CA	3,306	$63,467	$24,798	156%	1	3	$35,639	$24,798	44%	4	3
Lucas, OH	3,253	$10,598	$9,980	6%	10	10	$14,841	$9,980	49%	9	10
Hartford, CT	2,951	$52,750	$22,186	138%	2	4	$51,929	$22,186	134%	1	4
Camden, NJ	2,333	$10,674	$14,859	-28%	9	6	$36,408	$14,859	145%	3	6
Athens, GA[a]	1,287	$23,548	$11,177	111%	6	9	$21,289	$11,177	90%	7	9
Laredo, TX	942	$16,536	$8,704	90%	7	12	$16,227	$8,704	86%	8	12
Owensboro, KY	614	$7,466	$12,729	-41%	13	8	$6,659	$12,729	-48%	13	8
Hammond, IN	599	$14,513	$17,493	-17%	8	5	$13,499	$17,493	-23%	10	5
Cheyenne, WY	266	$5,317	$4,972	7%	15	15	$4,346	$4,972	-13%	15	15
Amsterdam, NY	265	$6,036	$7,037	-14%	14	13	$5,942	$7,037	-16%	14	13
Average	6,452	$21,941	$14,972				$21,492	$14,972			

[a] Athens' need is adjusted to account for an over-deduction of CIAP in the original calculation.

[b] Oakland's reported need was adjusted to exclude $79 million in long-term replacements. Camden was adjusted upward (to $86 million) to correct for excluded developments. Lucas was adjusted upward by $15 million to account for excluded developments. In addition, in all sites, any *reported* need associated with LBP abatement or Section 504 was subtracted; this adjustment was made for all sites except Chicago and St. Louis, where data were not available.

to reflect difficult urban environments). It is important to note that the formula estimate is used by HUD to determine ***funding shares (based on relative need)***, which are then applied to available funding levels. They are ***not*** intended to be a reliable estimate of absolute need.[6]

The figures in Exhibit 2-2 are calculated on a per unit basis and are derived from two sources: the PNAs developed by each of the 15 study sites (column 1); and need as predicted for the FY 1994 CGP formula calculation (column 2).[7] [8] While the levels of need would be expected to differ in the two approaches, there are also some substantial differences in relative need. In two-thirds of the sites, the PNA estimates exceed the amount predicted by the formula, while in the other five cases the formula predicted higher needs than those reported in the PNA. Some of these differences are quite substantial. Further, as shown in columns 4 and 5 of the exhibit, the two approaches produce quite different rankings based on per unit need.

Some of this difference may be explained by the different approaches used by the sites to develop their PNAs, including the PHA omissions noted above. Also, the formula estimates are based on a more limited set of improvements than those identified in many of the PNAs; for example, needs for LBP abatement and Section 504 were not included in the formula regressions, nor were the costs of redesign and reconfiguration. To see the effect of these differences, we developed a set of "adjusted needs" figures (column 6), which reflect adjustments for Oakland, Camden, and Lucas as suggested by the above discussion.[9] In addition, known amounts included in the plans for LBP abatement and Section 504 were subtracted; this adjustment was made for all sites except Chicago and St. Louis, where data were not available.[10] We did not adjust for redesign and replacement costs in St. Louis or Hartford because there was no way to estimate costs excluding this work.

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[6] There are actually two formulas, one for backlog and one for accrual. These are weighted equally to determine a PHA's formula allocation. However, since accrual is much less variable than backlog, most of the differences between sites reflect differences in the backlog portion of the estimate. Sites with the highest levels of accrual funding relative to backlog were Athens, Laredo, Dade County, and Cheyenne.

[7] The formula needs estimates are drawn from the 1994 formula calculations. However, these reflect needs as of 1991. In calculating formula amounts, HUD predicted needs at the PHA level using the original 1985 Modernization Needs database and then updated the numbers in two ways. The first update adjusted for inflation since 1985, by applying a factor of 1.5 to predicted backlog need, thus bringing the figures up to 1991 dollars. The second adjustment was meant to account for intervening modernization spending; in this step, the calibrated 1991 backlog need was reduced by 60 percent of the PHA's 1984-1991 CIAP grant total and 40 percent of its 1984-1991 MROP grant total. Since the original update in the first year of CGP, no additional updates have been made.

[8] The formula data provided by HUD showed some $25 million in CIAP funding for Athens, Georgia, as opposed to approximately $12 million actually received by the PHA between 1984 and 1991. Since a portion of CIAP funds is deducted from need, the amount shown in the data ($6,562,686) understated need. We have adjusted this figure in the table to reflect the appropriate deduction for CIAP.

[9] The PNA estimate for Oakland was revised downwards to remove the costs of 20-year replacement needs. Information provided by the authority suggests that some 40 percent of costs fall into the category of long-term replacements.) The Camden estimate was adjusted upward to include costs of the two excluded developments, bringing revised need up to $86 million. Lucas did not include any costs for stock that had already been modernized in the past (close to half the stock). Staff in this site estimated that the excluded properties would add about $15 million to the total.

[10] Both of these sites indicated that at least some Section 504 and LBP abatement costs were included in the PNA, but could not provide information on the amounts. As a result, no adjustment could be made.

Even with the adjustments, however, it is simply not possible to reconcile the two sets of figures fully. As shown in Exhibit 2-2, needs reported by Baltimore, Hartford, Camden, Athens, and Laredo all substantially exceed the formula prediction, while five other sites show needs that are lower than the formula amount. These relative differences would affect the sites' shares in the distribution of CGP funds. Beyond these adjustments, the current study cannot explain the differences observed between the PNAs and the formula estimates. It is quite possible that there are additional differences in the sites' PNA methodologies that play a role.[11] However, these cannot be known without undertaking systematic and comprehensive capital needs assessments at each of the sites, using uniform definitions and, ideally, independent inspectors.

2.1.4 Relationship of Needs and Funding Levels

While the adjustments described above are useful for understanding some of the differences between the sites' PNAs and the estimates produced by the CGP formula, they are far too crude to be applied across the board. Therefore, in the remainder of this report, we use the needs figures reported by the PHAs, subject to the caveats described above. In this section, we provide additional detail on the nature of needs at each site and the sources of funding available to address them. These sources include HOPE VI and MROP which can be used to help PHAs deal with their most severely distressed properties.

Exhibit 2-3 presents information on PHA needs and funding levels. Based on the PNAs, per unit needs range from a high of $63,467 in Oakland, down to $5,317 in Cheyenne. Among the 15 sites, the five medium and small PHAs averaged $11,903 per unit of total needs, as compared to $28,081 for the six large PHAs, and $28,924 for the four extra-large PHAs.

As noted previously, Oakland's needs—the highest of the 15 sites on a per unit basis—may be overstated relative to other sites due to the inclusion of 20-year replacements in the PNA numbers. The housing stock in Oakland includes 11 major developments plus 1,619 units of scattered-site housing (in buildings of 5 to 27 units.) The scattered-site nature of the housing is cited as a major management and maintenance challenge for the authority; it is this stock, plus a few older family developments, that accounts for most of the PHA's reported need. As shown in the exhibit, Oakland had previously received about $1,400 per unit per year under CIAP, less than half its current CGP formula amount, although staff reported that they were satisfied with the level of previous funding. In 1994, Oakland received a $25.5 million HOPE VI grant which will be used for rehabilitation and social services at one older site and to fund the complete redevelopment of four scattered-site properties. Even with these funds, however, Oakland has a long way to go to meet the level of need reported in the PNA. CGP funding over the first five years will cover only a quarter of this need (column 4 of Exhibit 2-3). When HOPE VI funds are added, Oakland's ratio of funding to reported needs (column 6) is still just .37.

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[11] Also, three sites (Baltimore, St. Louis, and Camden) included an amount in their PNAs for LBP abatement that could not be broken out, and two (Baltimore and Camden) included Section 504 costs that could not be distinguished from other comprehensive modernization costs.

Exhibit 2-3

PHA Needs and Funding

Site	Total PNA Need		Relationship of Funding to Need				Previous CIAP Funding		
	(1) Total PNA Need	(2) PNA Need Per Unit	(3) Per Unit CGP Funding Over 5 Years	(4) Five-Year Funding Ratio[b]	(5) Other HUD Funds MROP/HOPE VI[c]	(6) Ratio All Funds[d]	(7) Avg. Annual CIAP Amount	(8) Avg. Annual CIAP Per Unit	(9) Ratio Avg. Annual CGP/CIAP[e]
Chicago, IL	$1,285,476,520	$31,595	$17,253	0.55	$50,000,000	0.58	$39,023,761	$959	3.60
Baltimore, MD	$575,338,107	$31,808	$10,894	0.34	$59,245,400	0.45	$24,973,294	$1,381	1.58
Dade County, FL	$104,400,000	$9,524	$7,043	0.74	$158,895	0.74	$10,474,395	$956	1.47
St. Louis, MO	$247,636,623	$36,584	$17,062	0.47	$94,908,000	0.85	$5,472,775	$809	4.22
Richmond, VA	$38,806,497	$8,699	$8,248	0.95	$0	0.95	$4,643,117	$1,041	1.58
Oakland, CA	$209,821,279	$63,467	$15,913	0.25	$25,500,000	0.37	$4,759,115	$1,440	2.21
Lucas, OH	$34,476,920	$10,598	$8,953	0.84	$0	0.97	$5,750,535	$1,768	1.01
Hartford, CT	$155,665,110	$52,750	$13,487	0.26	$19,759,250	0.38	$2,962,072	$1,004	2.69
Camden, NJ	$24,902,944	$10,674	$10,975	1.03	$42,000,000	2.71	$10,571,029	$4,531	0.48
Athens, GA[a]	$30,306,435	$23,548	$6,741	0.29	$0	0.29	$1,544,317	$1,200	1.12
Laredo, TX	$15,576,623	$16,536	$8,431	0.51	$31,390	0.51	$802,183	$852	1.98
Owensboro, KY	$4,584,267	$7,466	$10,074	1.35	$0	1.35	$462,039	$753	2.68
Hammond, IN	$8,693,298	$14,513	$12,690	0.87	$0	0.87	$526,119	$878	2.89
Cheyenne, WY	$1,414,340	$5,317	$6,095	1.08	$0	1.08	$327,015	$1,229	0.99
Amsterdam, NY	$1,599,520	$6,036	$6,647	1.10	$0	1.10	$586,232	$2,212	0.60
Average	$182,579,899	$21,941	$10,700	0.71	$19,440,196	0.88	$7,525,200	$1,401	1.94

[a] Assumes FY 1994 funding levels continue to the end of five years.
[b] Column 3 divided by Column 2.
[c] Includes Special Purpose CIAP, MROP, and HOPE VI (1992-1994). St. Louis figures also include HOPE I/development funds and assume $50 million in HOPE VI Implementation funds.
[d] Column 3 plus Column 5 (per unit) divided by Column 2.
[e] Column 3 (divided by 5 to yield the CGP annual average) divided by Column 8.

The site with the second highest level of reported need is Hartford, at $52,750 per unit. This high level of reported need is partially attributable to two very high-need developments, where hard cost needs exceed 90 percent of TDC. Together, these projects account for 68 percent of the total need shown in the PNA. As noted above, the authority has a new master plan for these developments, and there appear to be some discrepancies between the costs identified in the PNA and those identified in the plan. Nevertheless, the authority has a substantial level of need. One reason for this is that Hartford did not fare particularly well under CIAP; the authority received only $1,004 per unit annually, below the median ($1,200) for the 15 sites. Hartford has received an additional $19.8 million in MROP funds to partially address one of its large family developments. Even so, this combined funding will cover less than 40 percent of the identified need over the five-year period, with CGP accounting for just 26 percent.

The next three sites in terms of reported per unit need are St. Louis, Baltimore, and Chicago, all of which fall into the low- to mid- $30,000's. As noted previously, Chicago's PNA is vastly understated: costs of removing hazardous waste alone would add 40 percent to the reported total, and Section 504 compliance costs, as well as reconfiguration and redesign costs are unknown but undoubtedly substantial. Accounting for these costs most likely would move Chicago to the top of the list in per unit need. Chicago does, in fact, receive the highest level of per unit CGP funding of all the sites studied, which is a substantial change from its experience under CIAP, where the authority's management problems contributed to below-average funding levels. Despite under-reporting of needs, CGP funding covers only 55 percent of the PNA estimate; CGP and HOPE VI together cover about 58 percent.

St. Louis and Baltimore share many of the same problems as Chicago in terms of large, obsolete family high-rises. Baltimore staff described modernization needs in this site as "infinite," despite somewhat above-median levels of past CIAP funding ($1,381 per unit per year). In St. Louis, reported per unit needs are a bit higher, a situation that is at least partially explained by the low levels of CIAP historically received by this authority. Management factors played an important role in this situation, since St. Louis was viewed by the HUD Field Office as having only limited modernization capacity—on the order of $5 to $6 million per year—and consequently received relatively small grants. Under CGP, the authority will receive the second highest funding level of all study sites after Chicago, nearly four times its previous funding rate. Moreover, assuming that St. Louis receives a HOPE VI implementation grant as a follow-on to its current planning grant, the authority will have received close to $100 million in funding from other sources since 1992, allowing it to cover 85 percent of its reported needs (and in the process, to demolish all but one of its family high-rises).[12] Baltimore also has HOPE VI and MROP funds but will still be able to cover only about half of its measured need from all sources combined.

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[12] These funds include $7 million in special demonstration funds for demolition of the Vaughn family high-rise, $5.7 million in MROP funds for reconstruction of Cabanne Court, $35 million in funding for HOPE 1 at Carr Square and development of Vaughn, $3.7 million in vacancy reduction funds, a $500,000 HOPE VI planning grant, and (assumed) $50 million in HOPE VI implementation funds. Between these funds and work scheduled for CGP, St. Louis will be left with only one family high-rise under management. (Cochran Gardens is also a family high-rise structure, but this is under resident management by a RMC.)

The next group of sites includes five PHAs with needs between $10,000 and $25,000 per unit as measured by their PNAs. Camden (as noted above) has vastly understated needs; adjustments would put it on a par with St Louis. One of the surprising things about the site is the exceptionally high level of CIAP funding received (an annual average of $4,531 per unit), despite the agency's well-known management problems. Camden is one of only three PHAs (out of the 15) receiving lower funding under CGP than under CIAP.

Athens reports surprisingly high needs at $23,548 per unit. Its level of past CIAP funding (viewed as low and offered as a reason for high backlog needs by agency staff) falls at the median for the 15 sites. However, this funding was also uneven, with more than half of the total coming in FY 1991; presumably, then, the work it was to have funded was not yet reflected in the needs figures. Although Athens' stock is relatively old, with a broad range of basic needs, it is comprised primarily of low-density row-type units and appears to have been well-maintained. It should be noted that a second needs assessment conducted in FY 1994 (with the estimates done by an outside architect) confirmed the numbers from the FY 1992 PNA. Athens will receive about $1,350 per unit over each of the first five CGP years — slightly more than it received under CIAP.

Among the remaining sites in the mid-range group, we know that Lucas' reported needs (at $10,598 per unit) are understated due to the exclusion of a large portion of the stock from the PNA. Staff estimated needs in the excluded units at about $15 million, which would bring needs up to about $15,000 per unit. Hammond and Laredo also have needs that are probably a bit understated at $14,513 and $16,536, respectively. Despite their similar levels of reported needs, Hammond will receive quite a bit more in CGP funding than Laredo (almost 50 percent more), and this will enable it to cover 87 percent of its needs over five years as opposed to 51 percent for Laredo. These two medium-sized PHAs received similar levels of funding under CIAP. Both have predominantly row- or townhouse-style structures and serve mostly families.

The last set of sites, while varying in size, have in common their relatively low level of reported needs ($5,000 to $10,000 per unit) and an ability to address all or most of these needs within the next five years under CGP. Dade County, an extra large PHA, has achieved this position partly as a result of Hurricane Andrew, which required the evacuation of most south Dade public housing developments and resulted in tremendous damage which has been covered from CGP disaster funds and insurance payments. While most of the insurance work went toward new needs resulting from the hurricane, the repair and reconstruction work also eliminated some needs that would otherwise have been funded by CGP. According to the pre-hurricane PNA, CGP funding would have covered three-quarters of all need; a more recent PNA puts this at 80 percent. Although Dade County had a below-average level of CIAP funding, it had recently received several large grants and had also been allocated some $12 million in local funding since 1990.

Of the other agencies (Richmond, Owensboro, Amsterdam, and Cheyenne), three essentially backed into their needs assessment numbers based on the presumptive CGP grant amount, and all appear to be able to cover, or substantially cover, all identified needs over a five-year period. Interestingly, all are high performers under PHMAP. Richmond provides an

example of a well-managed PHA with a well-maintained stock. Although Richmond's level of CIAP funding was somewhat below average, it had been able to address most of its Section 504 and all of its LBP needs from this source. At the time of the PNA, only four of the PHA's 24 developments required comprehensive modernization; over the first five years of CGP funding, Richmond expects to be able to address all of its backlog need and to begin funding accrual only. In Owensboro, the good condition of the stock has in part been due to the fact that the PHA has been able to devote some 20 percent of its operating budget to capital needs; here annual increases in CGP grants have allowed the authority to add amenities (such as air conditioning) while also addressing all backlog needs. Amsterdam and Cheyenne are the only small PHAs included in this study. Both serve populations that are over half elderly, and both are able to meet all of their known needs within the first five years of CGP.

2.1.5 Priority Needs and Mandates

Exhibit 2-4 presents information on the proportion of hard cost needs in each site that were determined by the PHA to be high priorities or to reflect mandates including lead-based paint abatement and Section 504 alterations. In determining priorities, the agencies used a variety of different methods. For example, several sites (such as St. Louis) based priorities on a set of more or less well-defined categories: health and safety items were categorized as Priority 1, systems in danger of failure as 2, and so on. Across sites, the definitions varied somewhat, but the concept was similar. In some cases, however, priorities were established with resident input, which meant that items of less obvious urgency rose to the top of the list. Particularly in sites where funding was high relative to needs, PHAs felt comfortable adding these items to the Priority 1 category. Finally, in a few sites, Priority 1 needs were simply those that the PHA planned to address during the first year.

Examples of these priority items are quite varied. They include: fire protection, elevator upgrades, electric work, and security lights (St. Louis); roof replacement, HVAC, and some remodeling (Richmond); kitchen and bath remodeling (Lucas); door lights, soundproofing, washer hook-ups and window replacements (Owensboro); sprinklers, roof work, and parking (Cheyenne). It may be noted that sites differed in whether they categorized comprehensive modernization work as Priority 1: for example, Baltimore did, while St. Louis did not (except for demolition costs associated with a family high-rise site slated for redevelopment).

As shown in Exhibit 2-4, needs identified as Priority 1 did not account for a large proportion of hard cost needs in most sites. However, three sites (Chicago, Baltimore, and Hartford) rated over half of their needs as Priority 1, mainly reflecting health and safety or "emergency-type" items. In Chicago, most of the work in the family high-rises was considered to be high-priority—reflecting current health and safety work or major systems problems. Baltimore included the costs of some Section 504, LBP abatement, and comprehensive modernization. Most of the other sites for which data are available categorized less than a quarter of their need as Priority 1.

Exhibit 2-4

Priority Needs and Mandates

Site	Total Need	Total Hard Cost Need	Total Priority 1 Need	Percent Priority 1 Need	Total LBP Need	Percent LBP Need	Total 504 Need	Percent 504 Need
Chicago, IL	$1,285,476,520	$870,988,396	$783,952,884	90%	ND	ND	ND	ND
Baltimore, MD	$575,338,107	$506,071,482	$328,552,318	65%	ND	ND	ND	ND
Dade County, FL	$104,400,000	$91,239,000	$8,360,765	9%	$0	0%	$5,998,936	7%
St. Louis, MO	$247,636,623	$225,844,103	ND	ND	$4,529,982	2%	$2,373,215	1%
Richmond, VA	$38,806,497	$32,516,545	$6,091,709	19%	$3,420,550	11%	$712,704	2%
Oakland, CA	$209,821,279	$182,510,025	$7,913,389	4%	$5,000,000	3%	$7,997,875	4%
Lucas, OH	$34,476,920	$26,975,720	$3,336,074	12%	$0	0%	ND	ND
Hartford, CT	$155,665,110	$147,021,910	$79,693,241	54%	ND	ND	$2,421,300	2%
Camden, NJ	$24,902,944	$19,605,720	$3,462,000	18%	ND	ND	ND	ND
Athens, GA	$30,306,435	$28,208,444	$6,864,220	24%	$1,604,000	6%	$1,032,500	4%
Laredo, TX	$15,576,623	$13,424,925	$1,001,244	7%	$0	0%	$285,679	2%
Owensboro, KY	$4,584,267	$3,689,780	$940,050	25%	$0	0%	$495,550	13%
Hammond, IN	$8,693,298	$7,805,668	$607,500	8%	$0	0%	$607,500	8%
Cheyenne, WY	$1,414,340	$1,132,555	$494,355	44%	$245,355	22%	$13,000	1%
Amsterdam, NY	$1,599,520	$831,302	$208,500	25%	$0	0%	$25,500	3%
Average	$182,579,899	$143,857,705	$87,962,732	29%	$1,026,991	4%	$1,996,705	4%

Notes: All percentages are calculated as a proportion of hard cost need.
ND indicates missing data.

Sites also varied in the extent to which they included Section 504 work and LBP abatement in this category. Most sites appear to have included all or most of these costs as Priority 1 items; but in several (Dade County, Hartford, Oakland, and Laredo) there was virtually no overlap between these mandates and items identified as Priority 1.

Needs associated with LBP abatement and Section 504 are shown separately in Exhibit 2-4. As indicated, reported LBP needs range from zero to 22 percent in the sites where these costs were known. Two reasons account for unknown LBP costs: 1) testing had not been completed at the time of the visit, and no estimate for abatement was available; or 2) a factor for LBP abatement had been included in the needs estimates (according to staff), but the data did not permit them to break this out from other rehabilitation work.[13] Note that six sites had zero LBP abatement needs. In these sites, CIAP funds had already been used to address any LBP problems needs. Section 504 needs are also modest, ranging from under 1 percent up to 13 percent of the total. Again, staff in several sites were unable to break out Section 504 costs embedded in larger comprehensive modernization jobs.

2.2 Management Needs Assessment

As part of the CGP planning process, PHAs must also conduct a Management Needs Assessment (MNA) to identify current management needs. Although management costs are not to exceed 10 percent of the CGP grant in any given year, the regulations state that PHAs should include all needs in the MNA, regardless of cost. In particular, PHAs must include any performance-based needs identified as a result of Public Housing Management Assessment Program (PHMAP) scores, audit findings, or HUD monitoring reviews.[14] In addition to listing these mandatory needs, PHAs are to include any other needs related to: the management, financial, and accounting control systems of the PHA; the adequacy and qualifications of PHA personnel; leasing and other tenant functions; maintenance; security; and resident programs and services, including employment and capacity-building, resident management, business development, and homeownership. Finally, PHAs may list any other needs that they wish to address at either the agency or development level.

2.2.1 Procedures for Preparing the MNA

Perhaps because of the nature of management needs, most PHAs approached the MNA quite differently from the PNA. As will be described below, the PHAs in this study generally relied on an internal review rather than an independent assessment of management need. In

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[13] In two sites (Baltimore and Camden), the PNA identified only those LBP costs that were not associated with comprehensive modernization; the remainder were embedded in costs for properties undergoing comprehensive work.

[14] PHMAP uses a set of indicators to score PHA performance. Indicators include: vacancy rate, modernization expenditures, uncollected rents, energy consumption, unit turnaround, outstanding work orders, inspection/condition of units, TARS, operating reserves, routine operating expense, resident initiatives, and development.

addition, all but four of the 15 agencies followed a strategy of estimating the amount of CGP funds anticipated over the first five years of the program and then deciding what proportion to allocate to management improvements. With the amount of available funds determined, they then decided which of their existing management needs would be funded with CGP dollars. Thus, for these sites, the MNA was really a five-year spending plan for management improvements.

While most authorities submitted plans covering the first five years, two (Chicago and St. Louis), submitted plans covering only the first two years of CGP. It is not clear whether the lack of a full five-year MNA at these sites reflects a misunderstanding (e.g., the staff thought the MNA was like the Annual Statement and should only reflect planned spending over the first two years of CGP), or whether they simply found it too difficult to predict management needs over a five-year period.

Only two sites (Hartford and Camden) submitted MNAs where the amount of identified need exceeded the amount of funds expected to be available. Camden's MNA included needs beyond the first five years; the assessment process drew on the perspectives of a wide variety of actors (including senior PHA staff, the Board of Commissioners, the HUD field office, and tenant leaders) and was intended to address all of Camden's many serious management needs. The other site where management needs exceeded funding was Hartford. Consistent with the handbook instruction, Hartford staff appear to have included all identifiable management needs regardless of their cost.

As noted previously, the majority of sites prepared their MNAs entirely in-house. The most common approach was to have department heads submit proposed management improvements to a central coordinator or committee.[15] Generally, the process involved many senior staff and, in some cases, residents. However, at two sites, a single staff person conducted the management assessment with little or no input from other actors.

While five of the PHAs (Chicago, Richmond, Lucas, Oakland, and Laredo) hired consultants to conduct all or part of their needs assessment, only Laredo used the consultant report as the sole basis for its MNA. In Chicago, the consultant prepared comprehensive management reviews which staff drew on in completing the MNA submitted to HUD. The consultant identified over $330 million in management needs; however, authority staff felt it was unrealistic to include all of these needs in the MNA, since funds were limited. Oakland conducted its management needs assessment (like its PNA) in two phases: a "fast track" version in 1992 and a comprehensive assessment in 1994. However, staff used the 1994 consultant report only as a starting point, deleting some items and adding others identified by the various department heads.

A number of sites involved residents in the MNA process, and resident input appears to have had a fair amount of influence over the content of the plans. In three sites (Baltimore,

[15] In addition, some sites conducted reviews of existing programs, particularly resident services, and decided which programs should be continued.

Oakland, and Amsterdam), residents met with staff or the consultant; at another three sites (Richmond, Camden, and Athens), staff used resident surveys as a vehicle for obtaining information on tenants' concerns. Generally, resident input was perceived as helpful and tended to focus on needs related to social services (employment, training, etc.) and security. Indeed, as will be discussed in more detail below, resident services and security are the two largest areas of need identified in the MNAs overall. However, PHA staff did not always view resident input as positive; in one site, staff felt that resident participation in CGP decisionmaking resulted in an MNA that emphasized resident services at the expense of other management needs.

2.2.2 Relationship to PHMAP and Other Mandates

As noted above, the management needs assessment process is intended to be linked to PHMAP, HUD's management assessment program for PHAs. PHAs are expected to identify and specifically address any PHMAP-related deficiencies in the MNA. Chicago is the only one of the 15 study sites that currently has a PHMAP score low enough (below 60) to classify it as a troubled agency. However, as shown in Exhibit 2-5, both Chicago and Camden were considered troubled at the time of the initial CGP applications, and three other sites (Dade County, Lucas, and Oakland) had been on the troubled list prior to the start of PHMAP in FY 1992. Thus, there were a number of sites in the sample that could be expected to have some amount of PHMAP-related need.[16]

Exhibit 2-5 shows that only four sites (Chicago, Dade County, Lucas, and Camden) reported any PHMAP-related need in their MNAs.[17] And at these sites, PHMAP-related needs accounted for only a modest proportion of the overall management need. Chicago and Camden—both PHAs with severe management problems—linked only about 20 percent of their management needs directly to PHMAP. At the other sites, PHMAP-related needs were 10 percent or less of the total.

The relatively low level of PHMAP-related need is to some extent explained by the fact that PHMAP is a quantitative management scoring system (focusing on symptoms of management problems), while the improvements to which agencies allocate their funds are typically more qualitative and general in nature (such as staff training). Thus, PHAs often target management improvements to upgrade their overall operations (and by extension their PHMAP scores) but do not make the specific link back to a PHMAP indicator. For example, in the current study, staff in both St. Louis and Oakland viewed their MNAs as addressing the

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[16] A PHA is required to include improvements in the MNA for any PHMAP indicator on which it received an F, as well as those where the PHA received a D or E and was required by the Field Office to have a Memorandum of Agreement (MOA) or an Improvement Plan (IP). PHAs may also include optional improvements in their plans designed to raise their scores on indicators where the PHA was not considered to be deficient.

[17] Baltimore identified needs in the areas of vacancies, uncollected rents, unit turnaround, and outstanding work orders, but the agency did not provide any cost estimates associated with these needs. Therefore, it is excluded from the analysis.

Exhibit 2-5

Proportion of Management Need Related to PHMAP and Other Mandates

Site	FY 1992 PHMAP Score[a]	Total Mgmt Need	Mandatory PHMAP Need		Other Mandatory Need	
			Dollars	Percent	Dollars	Percent
Chicago, IL	45.65	$55,945,693	$10,957,862	20%	$44,987,831	80%
Baltimore, MD	71.02	$19,612,920	ND	0%	$3,040,291	16%
Dade County, FL	68.64	$4,608,000	$449,000	10%	$0	0%
St. Louis, MO	70.12	$2,191,345	$0	0%	$0	0%
Richmond, VA	98.01	$2,000,000	$0	0%	$0	0%
Oakland, CA	60.34	$5,202,000	$0	0%	$0	0%
Lucas, OH	77.78	$2,624,235	$175,000	7%	$0	0%
Hartford, CT	79.19	$4,437,000	$0	0%	$0	0%
Camden, NJ	56.73	$3,444,365	$800,000	23%	$0	0%
Athens, GA	94.55	$735,000	$0	0%	$0	0%
Laredo, TX	97.62	$690,810	$0	0%	$0	0%
Owensboro, KY	97.86	$434,949	$0	0%	$0	0%
Hammond, IN	90.48	$131,310	$0	0%	$0	0%
Cheyenne, WY	91.19	$78,155	$0	0%	$0	0%
Amsterdam, NY	94.29	$159,950	$0	0%	$0	0%

[a] The PHMAP system rates PHAs on individual performance measures and also provides a composite score. PHAs with scores of 90 or above are designated high performers by HUD. PHAs with scores between 60 and 89 are designated standard performers. PHAs with scores of less than 60 are designated troubled. In addition, PHAs may be designated modernization-troubled based on their ratings for the modernization indicator (#2).

Note: ND indicates missing data.

management needs HUD had identified in their PHMAP reviews, even though they did not explicitly link any needs to specific PHMAP indicators or deficiencies.

In addition to PHMAP deficiencies, PHAs may also be required to include improvements that have been mandated under a Memorandum of Agreement (MOA) or a HUD audit. Only the two largest PHAs, Chicago and Baltimore, reported any mandatory needs resulting from a MOA or from audit findings. Baltimore's mandatory needs were in the area of property management and accounted for 16 percent of the authority's overall need. Because of its troubled status, Chicago's needs were all mandatory. In addition to its PHMAP-related need, Chicago reported significant needs in the areas of property management, administration and finance, and security. Chicago was also under a HUD mandate to relocate its central offices from downtown to a less expensive area, which accounted for nine percent of its reported management need.

2.2.3 Areas of Management Need

As shown in Exhibit 2-6, management needs ranged from a high of $56 million in Chicago (for two years) to a low of $78,000 (for five years) in Cheyenne. The median amount of management need reported by the 15 sites was $2.2 million. Exhibit 2-6 also shows the proportion of management need in each site broken down into seven functional categories: leasing and other tenant functions; property management; administration and finance; personnel (including training); resident services; security; and other. Across the 15 PHAs, resident services and security accounted for the largest proportions of management need; the average proportion for resident programs was 35 percent, and the average proportion for security was 18 percent. On a dollar basis, these shares are reversed with some 47 percent of all management improvement needs attributable to security and 24 percent attributable to resident programs. However, these figures are driven largely by Chicago, which showed total management needs of nearly $60 million, of which $39 million (69 percent) have been allocated to security needs.

The major security-related expense at most sites was funding for PHA police or security patrols. Chicago's $39 million included funding for PHA police, a PHA security force, private security guards, and tenant patrols.[18] St. Louis and Camden also included substantial needs for PHA police patrols and equipment. In addition, two other sites (Camden and Hammond) included funding for tenant patrols to augment police. Oakland planned to spend a portion of the money it allocated for security on a mobile command center designed to allow PHA security officers to establish a short-term, on-site presence in locations selected for intensive security work.

Funding for resident services represented the single greatest spending item at seven of the PHAs. Owensboro identified nearly all of its management need in the area of resident services, and two other sites (Athens and Dade County) attributed more than half of their need

[18]The issue of security needs in Chicago is discussed in detail in the case study in Volume II of this report.

Exhibit 2-6

Management Need by Functional Area

Site	Total Mgmt Need	Leasing		Property Mgmt		Administration and Finance		Personnel		Resident Services		Security		Other	
		Dollars	%	Dollars	%	Dollars	%	Dollars	%	Dollars	%	Dollars	%	Dollars	%
Chicago, IL	$55,945,693	$0	0%	$4,302,500	8%	$1,300,000	2%	$0	0%	$6,655,362	12%	$38,687,831	69%	$5,000,000	9%
Baltimore, MD	$19,612,920	$15,000	0%	$2,368,652	12%	$2,268,626	12%	$456,874	2%	$8,032,792	41%	$5,548,993	28%	$921,983	5%
Dade County, FL	$4,608,000	$449,000	10%	$629,000	14%	$0	0%	$375,000	8%	$3,010,000	65%	$0	0%	$145,000	3%
St. Louis, MO	$2,191,345	$0	0%	$705,700	32%	$411,545	19%	$0	0%	$20,000	1%	$853,100	39%	$201,000	9%
Richmond, VA	$2,000,000	$187,500	9%	$0	0%	$290,500	15%	$277,500	14%	$964,500	48%	$170,000	9%	$110,000	6%
Oakland, CA	$5,202,000	$61,000	1%	$1,065,000	20%	$1,554,000	30%	$280,000	5%	$1,889,000	36%	$353,000	7%	$0	0%
Lucas, OH	$2,624,235	$175,000	7%	$200,000	8%	$650,000	25%	$0	0%	$384,947	15%	$200,000	8%	$1,014,288	39%
Hartford, CT	$4,437,000	$185,000	4%	$25,000	1%	$977,000	22%	$350,000	8%	$1,350,000	30%	$1,500,000	34%	$50,000	1%
Camden, NJ	$3,444,365	$600,000	17%	$200,000	6%	$0	0%	$750,000	22%	$1,214,792	35%	$600,000	17%	$0	0%
Athens, GA	$735,000	$65,000	9%	$0	0%	$70,000	10%	$0	0%	$575,000	78%	$25,000	3%	$0	0%
Laredo, TX	$690,810	$6,300	1%	$19,600	3%	$117,790	17%	$4,600	1%	$0	0%	$0	0%	$452,520	66%
Owensboro, KY	$434,949	$0	0%	$0	0%	$15,000	3%	$0	0%	$419,949	97%	$0	0%	$0	0%
Hammond, IN	$131,310	$10,000	8%	$21,310	16%	$70,000	53%	$7,500	6%	$7,500	6%	$15,000	11%	$0	0%
Cheyenne, WY	$78,155	$0	0%	$20,000	26%	$5,000	6%	$0	0%	$21,600	28%	$0	0%	$31,555	40%
Amsterdam, NY	$159,950	$0	0%	$18,990	12%	$7,468	5%	$7,900	5%	$54,500	34%	$69,092	43%	$2,000	1%
Average	$6,819,715	$116,920	0%	$638,383	10%	$515,795	15%	$167,292	5%	$1,639,996	35%	$3,201,468	18%	$528,556	12%

to this category. Most sites included at least some funding for resident employment and training and resident business development. For example, Owensboro has a program called "OUTTA HERE," which uses an apprenticeship model to train residents in a variety of trades (both construction and non-construction). Richmond allocated about half of its management improvement funds to the Richmond Business Enterprise Corporation, a program that supports resident business initiatives, provides training, and coordinates work opportunities for residents. Richmond also planned to purchase an electronic imaging system (a scanner that copies documents to computer files) as a means of automating PHA records while also training residents to operate this equipment. Oakland planned to fund a community service team to serve its developments, and Dade County planned a youth sports program as well as resident self-sufficiency efforts tailored to the needs of individual developments.

As shown in Exhibit 2-6, the other categories of management need generally accounted for somewhat smaller shares of the total. Administration and finance functions accounted for less than 15 percent of management needs at most sites, although in a few PHAs (Hammond, Oakland, and Lucas) the proportion of need in this category was substantial. At a number of sites, this included the purchase of new computer equipment to facilitate accounting systems, management, and reporting. The amount of need related to property management functions varied considerably across the sites, but accounted for less than 15 percent in the majority of the PHAs. This need typically included inspection, workorder, and unit turnaround related efforts. Finally, personnel and leasing functions each accounted for small shares of total management needs in most sites.

2.3 Resident and Local Government Participation

One of the intentions of the Comprehensive Grant Program was to increase resident and community involvement in modernization planning. With HUD's oversight role diminished, it was hoped that residents and local officials would assume greater responsibility and ensure local accountability for how modernization funds were spent.[19] In addition, HUD hoped that this strategy would provide residents with both a sense of ownership of the plans and a meaningful voice in the planning process.

To encourage resident participation, HUD mandated that housing authorities hold a public hearing to present their plans, with at least one informational advance meeting three weeks prior to the hearing. Authorities were required to make their full CGP applications available for review prior to these meetings. In addition, housing authorities were encouraged to create resident advisory boards to help oversee the CGP planning process. PHAs were also mandated to involve local government in their planning efforts, although the requirements were less stringent. At a minimum, CGP applications had to be reviewed and approved by local officials, although HUD encouraged PHAs to involve government representatives in more active roles.

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[19] The Department felt so strongly about the importance of this role that it stated in the Handbook that the success or failure of the CGP depended upon the degree to which the residents and the community worked with the PHA on all aspects of its program and held the PHA accountable for the quality of the modernization work.

Most of the housing authorities in this study were able to develop extensive avenues for resident participation. Many made extraordinary efforts to encourage participation, even where there were no existing tenant organizations. These efforts included development-level meetings to explain the program, sending selected residents to CGP training, creating development-level and PHA-wide modernization planning committees, conducting resident surveys, and holding meetings and hearings at multiple sites to maximize access and attendance. A few authorities even provided transportation for residents and made arrangements for child care. For about a third of the 15 PHAs, this represented merely an extension of earlier efforts initiated under CIAP. However, others were starting from scratch, and, as will be described below, some of these created very extensive and effective processes. The PHAs appear to have taken the input received from residents seriously and most could identify items added to their plans in response to resident concerns. Given the complexity of the program and the difficulty in explaining planning and budgeting in an understandable manner, the level of participation achieved by these PHAs is impressive.

In contrast, local government officials generally had only limited involvement in the CGP planning process. At a few sites (for example, Baltimore, Hartford, Oakland, and Camden), local government representatives served on CGP advisory boards and attended meetings. Also, several sites (Chicago, Baltimore, Oakland, Dade, Richmond, Hartford and Camden) were actively working with local government on plans to coordinate modernization of specific developments with other community revitalization or redevelopment efforts. However, at most PHAs, local government participation was fairly minimal, involving at most attendance at public hearings and review and approval of the final plan.

2.3.1 Resident Advisory Boards and Committees

The majority of the PHAs appear to have succeeded in involving residents in meaningful roles in the development of the FY 1992 CGP application. All of the 15 PHAs held the required advance meeting and public hearing in 1992. With the exception of Hartford, which appears to have omitted this step in subsequent years, all have continued to hold these meetings annually, despite declining attendance in many cases. As noted above, many PHAs have made extra efforts to promote attendance, including holding meetings at multiple sites, holding meetings at different times of day, providing transportation and child care. Further, all of the larger sites also used a number of different means, ranging from advisory boards to surveys, to promote resident participation.

At many of the larger housing authorities with active tenant councils, residents already had extensive involvement in modernization planning prior to CGP. At six sites (Chicago, Baltimore, Dade County, Lucas, Hartford, and Athens), the PHA and tenant organization had already created modernization committees, both development-level and PHA-wide. For example, Chicago has a very highly structured tenant organization whose leaders are perceived to have a great deal of influence over modernization planning. Each development-level resident council elects a president who sits on the Central Advisory Council (CAC). These council presidents resemble Aldermen and use their influence to bring major initiatives to their

developments. St. Louis also has a powerful tenant council that has historically been involved in modernization. Baltimore has a long tradition of resident involvement in modernization, including a long-standing resident modernization committee.

Four sites (Baltimore, Oakland, Camden, and Athens) created PHA-wide advisory boards or committees to oversee CGP planning. In addition to residents, these groups included a local government representative and PHA staff; in Oakland, community representatives were also involved. These boards served a variety of functions, including overseeing the needs assessment process, communicating resident concerns, reviewing the initial plan, presenting the plan to residents, and participating in planning in subsequent years. In two additional sites (Dade County and St. Louis), formal boards were not created, but the existing tenant organization reviewed and approved the CGP plan.

Three PHAs (Chicago, Richmond, and Hartford) chose to create development-level committees to assist in modernization planning; the main function of the committees was to set priorities for their individual developments. In Chicago and Hartford, each development-level tenant council had started a modernization committee under CIAP. Hartford simply continued the existing process, but Chicago made a significant effort to expand the role of this committee, providing residents and staff with special training and assigning staff to work with the tenant committees on the needs assessment process. Staff commented that they viewed the resident participation process as one of the best aspects of CGP. In Richmond, committees were established for groups of three or four developments; staff were assigned to work with each committee to identify needs and set priorities for those developments.

Four other sites (Baltimore, Dade County, Laredo, and Lucas) also held development-level meetings, but did not create formal modernization committees. Dade County and Baltimore staff held meetings at each development to identify needs, as part of a more extensive participation process. In Lucas, staff continued a practice (started under CIAP) of meeting with development-level tenant councils (as well as the overall council) to discuss modernization planning. In Laredo, however, the development-level meetings were conducted by a consultant hired to prepare the CGP application and served only as a means of educating residents about CGP and encouraging participation in a resident survey.

Smaller PHAs had less extensive planning processes, although staff at these agencies appear to have made every effort to encourage resident participation. Owensboro and Hammond both reported long-term problems in sustaining tenant councils, so neither site had a group of active, interested tenants ready to assist in planning. In Owensboro, staff met with residents to solicit their requests and comments; this process was relatively successful in 1992, but since then staff have been unable to maintain resident interest. In addition to conducting a resident survey, Hammond staff sent several residents to the CHA-sponsored CGP training session in Chicago and tried to organize a modernization committee. Despite their attendance at training, residents remained uninterested, and the PHA has been entirely unsuccessful in getting tenants to attend any meetings or public hearings. Cheyenne and Amsterdam both held resident meetings to discuss CGP, but they were unable to obtain much participation. Both sites reported that elderly residents were more likely to attend, but even among this group, interest was low. At all of

these smaller sites, residents and staff indicated that there were few major needs, which may have contributed to the tenants' low level of interest in modernization.

2.3.2 Resident Surveys

Five of the 15 PHAs (St. Louis, Athens, Oakland, Laredo, and Hammond) used surveys to obtain input from residents about needs in their developments. In Laredo, the consultant who prepared the CGP plan used the survey to obtain resident input on both physical and management needs. Response to the survey was high (83 percent), and the results were used to develop the needs assessment for each development. Hammond also conducted a survey to identify needs and obtain feedback on the PHA's plan; staff there reported making a major change in the plans for their larger development (removing partition walls in kitchens) based on the survey results.

In Athens, the surveys were used as the basis for development-level meetings at which residents were invited to add to the list and discuss needs and priorities. In St. Louis, residents were sent an assessment form. About a third of these were returned, which were then reviewed by PHA staff and members of the overall tenant council. Finally, while Oakland did not use surveys in preparing its original FY 1992 needs assessments, the consultant hired to develop a full-scale assessment in 1994 used tenant interviewers to conduct a "human needs assessment" in conjunction with the physical needs assessment. Interviewers accompanied the inspection teams to sample units to document resident concerns.

2.3.3 Training

Given the complexity of modernization planning and budgeting, one of the most difficult aspects of the resident participation process was simply making CGP comprehensible to tenants. Indeed, the case studies make clear that in a number of sites, residents were unable to distinguish CGP from CIAP. Also, many residents had difficulty understanding the difference between modernization and maintenance. Staff at a number of sites reported that meetings with residents often turned into forums for complaints about maintenance needs in their individual units rather than productive planning sessions.

As discussed above, Chicago brought in consultants to conduct a formal CGP training for residents and staff. Two other sites (Lucas and Hammond) sent residents to this training session in Chicago as well. Other sites provided their own training for residents. Baltimore provided special training for its resident advisory board members. In Dade County, the overall tenant council educated other residents about the program.

Richmond developed the most creative resident education strategy among the 15 sites. Staff reported that they had been extremely concerned about the feasibility of adequately explaining CGP to residents. For this reason, they put a great deal of effort into developing a color-coded spreadsheet showing all planned expenditures by year for each development. Using

the spreadsheet, residents were able to see the plans for their own developments along with the plans for all other developments in the authority. Staff were able to use the spreadsheet to demonstrate the consequences of shifting funds from one year, or one development, to another. Richmond staff and residents reported that this approach was extremely successful and that residents bring their copies to every meeting.

2.3.4 Impacts on CGP Plans

The PHAs in this study appear to have made a genuine attempt to address resident concerns and include them, where possible, in the CGP plan. For example, several sites (Oakland, Hartford, Chicago, and Hammond) allocated additional money for security in response to tenant requests. Resident input in Camden led the PHA to direct money to renovations of kitchens and bathrooms instead of other improvements. In Athens, the PHA moved up the installation of a sprinkler system in one development in response to resident concerns. Owensboro staff added air conditioning to their plan after meeting with residents, dropped a plan to soundproof some developments, and even installed a basketball hoop in response to a child's request at the public hearing. Finally, Richmond made playgrounds a Priority 1 need at one development in response to concerns raised at the public hearing.

At most sites, resident input was viewed by the staff as generally positive, even when it meant that the PHA had to alter or postpone some of its other plans. It is notable that PHAs report this high level of satisfaction, since many also noted that resident participation requirements are a source of increased administrative costs, and often create delays as well. As noted earlier, Chicago staff reported that the resident participation requirement was the most useful aspect of CGP. Richmond staff were very pleased with the process they developed, and they now hold committee meetings in addition to the required hearings whenever they submit new plans or Performance and Evaluation reports. Overall, authorities with successful participation processes appear to view the costs of resident participation as money well spent.

There were a few sites, however, where resident influence in CGP decisionmaking has not been viewed as positive by PHA staff. Baltimore provides the strongest example. Resident involvement is a tradition in Baltimore, dating back to the creation of the citywide Resident Advisory Board (RAB) in 1967. The RAB has its own modernization committee, which was actively involved in modernization planning under CIAP. The housing authority continued this tradition under CGP, involving residents at every step of planning and implementation. In 1992, Baltimore held development-level meetings and created a CGP advisory board that included four residents.

In response to a consultant report in 1993, resident involvement and influence were further expanded. The committee was increased to include 10 residents, 10 authority staff, and a representative from city government. This change has had a major impact on the authority's modernization planning. Decisions are now made by the committee rather than technical staff, and these tend to conflict with the staff's comprehensive approach to modernization work. Baltimore staff report that committee decisions led to the shift from comprehensive to piecemeal

modernization, a tendency to favor visible (and often cosmetic) needs over health and safety concerns, and conflicts between residents and staff. Further, staff believe that the committee has substantially increased the staff's workload and hampered effective implementation of CGP plans.

2.3.5 Competing Demands Among Resident Groups

An issue of some importance in creating a successful resident participation process is the handling of conflicts and competition for funds among resident groups. Would more powerful tenant leaders, or well-established groups such as Resident Management Corporations, be able to increase funds going to their developments at the expense of others?

For the most part, the PHAs included in this study have experienced little difficulty with this problem. PHAs appear to have been able to successfully explain their modernization strategies to residents, even when these plans have been controversial. Several PHAs reported that over time, residents participating in the process began to develop a more PHA-wide perspective instead of advocating solely for their own developments. In a few cases, PHA staff have relied on the overall tenant organization to resolve competing demands among residents.

A few sites developed fairly innovative approaches to help diffuse tension and maintain resident support. In 1994, Hartford made the decision to use its funds for comprehensive modernization at one high-need development—which meant diverting funds slated for other purposes. The PHA took residents to view a development in New Haven, which had received similar treatment, and thus convinced residents of the value of this approach.[20] Richmond used the spreadsheet system described above to show residents the consequences of making changes in the plan, i.e., how meeting their individual requests might hurt other developments.

Only three of the 15 study sites—Chicago, Hartford, and St. Louis—had active Resident Management Corporations (RMCs) during the study period. Developments managed by RMCs seem to have done quite well under CGP, typically receiving somewhat higher levels of per unit funding than other developments.[21] Even in developments without RMCs, activist tenant leaders appear to have had more influence on CGP planning for their developments than other residents. For example, both staff and residents in Richmond reported that the modernization planning committees were dominated by tenant council members.

In St. Louis, a planned shift in funding that would have moved up work for one of the RMC developments ignited something of an uproar at the most recent public hearing. This change, along with others, was initially presented as a revision to the FY 1992 and FY 1993

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[20] Residents in other high-need developments were promised similar treatment as funds became available.

[21] St. Louis has two of the oldest RMCs in the country, and the leaders of both sit on the PHA's Board of Commissioners. One of these, Carr Square, will be converted to homeownership under the HOPE 1 program. The other, Cochran Gardens, will assume management responsibility for CGP funds allocated to it beginning in FY 1994.

annual statements. However, other residents complained, claiming they had not been adequately consulted, that the PHA's reliance on the Tenant Affairs Board for communication was inadequate, and that the proposed expenditures for the RMC would shift funds away from their own developments. In response, the PHA moved the RMC expenditures to the FY 1994 Annual Statement instead. The HUD Field Office became involved, delaying the FY 1994 ACC while the issue was debated.[22] As a result of the controversy, the Field Office has recommended that the PHA revamp its resident participation process to include both on-going and broader-based meetings about CGP issues.

2.3.6 Local Government Participation

Local government involvement in CGP planning has been relatively limited at most of the PHAs in this study. At the majority of sites, participation by local government has been primarily reactive, involving reviews of the CGP plan with little or no substantive input. At some sites, local government representatives appeared to be unfamiliar with the content of housing authority's plans. On the other hand, there were several PHAs where local government representatives had formal roles, serving on advisory boards and assisting in the needs assessment process (Baltimore, Oakland, Camden, and Hartford). Further, several PHAs reported close working relationships with local government. For example, Hartford had a long-standing relationship with a city planner who was actively involved in all phases of the PHA's planning.

There was no indication that any local governments had major differences with the PHAs about plans to modernization specific developments. There also appeared to be quite a bit of coordination on certain development efforts in some sites. In Chicago, Baltimore, Oakland, and Camden, city government worked actively with the PHA to develop a viable HOPE VI plan. HOPE VI involves revitalization of both severely distressed developments and the surrounding community, and so requires a coordinated effort. Further, in Baltimore, the city government worked with the PHA to ensure that modernization efforts were directed at scattered-site public housing in areas where other revitalization efforts were focused. While the City of Richmond had virtually no involvement in the PHA's CGP plan, the Department of Planning was working actively with the housing authority on another neighborhood revitalization project. Finally, in Hartford, the city and the PHA are collaborating on a Weed and Seed (anti-crime) effort for one neighborhood, and they are also working together to develop a plan to treat the agency's largest development and obtain additional funding for an ambitious redevelopment effort.

In only two sites did government representatives express serious concerns about the PHA's modernization plans or capability. In Chicago, the two city officials involved complained that the PHA's plan was so complex it was difficult to review effectively. Further, they felt that it was simply a listing of emergency needs rather than a true comprehensive plan. While they acknowledged that the City had exacerbated this situation by mandating items such as carbon

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[22]In general, Field Office staff felt the proposed improvements were too "soft" and that the funds should have gone to other needs.

monoxide detectors and repairs in senior developments, they were still concerned that the plan would not adequately address the agency's problems. In St. Louis, the city representative expressed concern about the authority's ability to handle the increased funding under CGP simultaneous with several other large construction grants it has received.

Overall, local governments appear to have had relatively little impact on the content of PHAs' CGP plans. In two sites, the local government representatives suggested aesthetic improvements that the PHA adopted; in sites with HOPE VI grants, local governments were playing a role in shaping these projects. Otherwise, local government's role appears to have been primarily reactive, consisting of simply reviewing and formally approving the CGP documents.

CHAPTER 3
MODERNIZATION STRATEGIES AND PLANNED SPENDING

The incentives of the Comprehensive Grant Program differ substantially from those of CIAP, which it replaced. In particular, CGP allows PHAs broad discretion in determining what types of work to fund and when the various work items will be undertaken. When the program was developed, the benefits were expected to include the development of modernization strategies better geared to local needs, more rational sequencing of work, and avoidance of perverse incentives for early replacements or disinvestment in specific properties. This chapter focuses on the overall strategies that the 15 PHAs have adopted for their CGP spending and the specific types of improvements they have chosen to fund. Chapter 4 provides additional details on how PHAs perceive the change to CGP and the extent to which it is achieving the intended benefits outlined above.

3.1 OVERALL STRATEGIES

As discussed in Chapter 1, CGP represents a break from the previous modernization approach under CIAP, in which PHAs were required to undertake comprehensive modernization of individual developments. Rather, under CGP, PHAs may choose to undertake comprehensive improvements, to focus on a category of work items (e.g., kitchens or baths) at multiple developments, or even to spread CGP funding across a large number of developments in order to provide some level of improvement at each. Much depends on the nature of the PHA's needs, the philosophy of the PHA staff, and the role of other interests (including those of residents) in shaping modernization strategy.

Exhibit 3-1 presents information on the extent to which the 15 study sites have planned to use their CGP funds to pursue comprehensive physical improvements. In this section, we generally use the term "comprehensive modernization" to include major and complete renovations at a specific development (or a portion of the development); however, at some PHAs the term may also cover properties needing a less extensive scope of work, but where all backlog needs will be addressed at one time. We use the term "item-specific" to describe spending that is focused on individual work items regardless of location. Such spending may be widely dispersed or not. As will be discussed in more detail below, PHAs may adopt different approaches depending on local need; no one strategy is considered inherently better than another. Moreover, in most sites a combination of approaches is being used.

The percentages in Exhibit 3-1 indicate the proportion of each year's grant dollars that are devoted to comprehensive—as opposed to item-specific—work. The data are presented for the first three years of the initial five-year plan and for any revisions to the plan (as reflected in the most recent annual statements for those years. For comparative purposes, information for the last year of CIAP funding is also presented.

Exhibit 3-1

Comprehensive Versus Item-Specific Modernization

Site	Strategy	Percent of Annual Funding Budgeted for Comprehensive Modernization						
		Original Five-Year Plan			Revised Annual Statements			FY 1991 CIAP[a]
		FY 1992	FY 1993	FY 1994	FY 1992	FY 1993	FY 1994	
Chicago, IL	Item-specific	16%	19%	15%	16%	18%	20%	18%
Baltimore, MD	Comprehensive (Mixed)	71%	72%	87%	71%	43%	70%	65%
Dade County, FL	Item-specific	7%	30%	27%	7%	35%	100%	98%
St. Louis, MO	Comprehensive (Mixed)	68%	95%	88%	69%	54%	76%	78%
Richmond, VA	Comprehensive (Mixed)	27%	72%	49%	27%	66%	41%	60%
Oakland, CA	Comprehensive (Mixed)	72%	80%	77%	68%	71%	56%	86%
Lucas, OH	Comprehensive	74%	100%	98%	74%	96%	62%	98%
Hartford, CT	Item-specific (Changed to Comp)	0%	0%	0%	0%	0%	38%	0%
Camden, NJ	Comprehensive	97%	62%	73%	97%	66%	76%	97%
Athens, GA	Item-specific (Changed to Comp)	58%	0%	0%	58%	45%	100%	100%
Laredo, TX	Item-specific	41%	42%	49%	41%	42%	54%	0%
Owensboro, KY	Item-specific	0%	0%	0%	0%	0%	0%	NA
Hammond, IN	Comprehensive	37%	37%	42%	37%	26%	57%	100%
Cheyenne, WY[b]	Item-specific	NA	0%	0%	NA	0%	0%	83%
Amsterdam, NY[b]	Item-specific	NA	0%	0%	NA	0%	0%	0%
Average		44%	41%	40%	43%	37%	50%	63%

[a] Data for Cheyenne, WY and Amsterdam, NY reflect FY 1992 CIAP grants. Owensboro, KY has no recent CIAP grants.

[b] Not applicable: Cheyenne, WY and Amsterdam, NY did not receive CGP funding in FY 1992.

Overall, seven of the 15 PHAs in this study described their approach as predominantly focused towards comprehensive modernization, while the other eight indicated that a dispersed or item-specific approach had been adopted. Large and extra-large PHAs were more likely to favor a comprehensive approach than medium or small PHAs. One medium-sized agency (Hammond) indicated that it planned to use a comprehensive approach; however, since the authority has only two developments (one of which had already been modernized and therefore needed only selected work items), the distinction is less useful in this case.

As shown in Exhibit 3-1, sites favoring a comprehensive approach typically devoted 60 percent or more of their CGP funding in most years to comprehensive work. Even so, the average proportion across sites was only about 40 percent in most years. Data from the most recent annual statements (FY 1994, revised) show an overall increase in the share of funds going to comprehensive projects: the average proportion across sites was 50 percent in this year.[1] Interestingly, many of the sites that started out with highly concentrated programs under the initial five year plan reduced these shares somewhat in their revised submissions. At the same time, several sites that had started out with an item-specific approach switched over time to emphasize a more comprehensive strategy.

Exhibit 3-1 also shows (in the last column) the proportion of CIAP funds that were used for comprehensive purposes in the last year of the program (FY 1991 for most sites). Despite the overall intent of CIAP to foster comprehensive modernization of individual developments, over time the program had come to include a variety of sub-programs and set-asides which were used to fund other types of improvements (e.g., emergency, energy conservation, lead-based paint abatement) on PHA-wide basis. Thus, by 1991, the typical proportion of CIAP funds going to comprehensive modernization was only 63 percent for the 15 sites[2]. Nevertheless, it is clear that the sites included in this study have used their discretion under CGP to fund a greater amount and a broader array of non-comprehensive improvements than was possible under CIAP.

Among sites with a predominantly comprehensive orientation, many staff expressed satisfaction with their ability to fund important comprehensive modernization projects under CGP while still being able to meet "critical needs" at other sites. As Oakland staff wrote in their strategy statement: "After compiling a list of the needs in each of the developments, it was clear that a single strategy would not provide the best result for the authority. A strategy aimed entirely at comprehensive modernization would ignore important and critical needs at some developments. A strategy entirely directed at addressing the most pressing needs at *every* development would render ineffective efforts at some developments clearly in need of a comprehensive approach, because all or nearly all major systems are at or near failure or the end of their useful life." The approach that Oakland ultimately adopted began by devoting about

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[1] The average shown in the exhibit is the average of the proportions, reflecting the share of funding going for comprehensive modernization in the average or typical site. In terms of total dollars going to this use, 42 percent of all FY 1994 funding went for comprehensive modernization based on the revised FY 1994 statements.

[2] This is the average proportion across sites. On a dollar basis, 55 percent of all CIAP funds went towards comprehensive modernization in this year.

70 percent of first-year CGP funds to a comprehensive modernization project started under CIAP, with the remainder allocated to addressing dry rot and other structural problems across about a dozen developments and scattered-site properties. In subsequent years, another large comprehensive job was added, as well as comprehensive work at an increasing number of Oakland's many scattered-site properties; funds not used for comprehensive rehab were largely spent on security enhancements, which were high priorities among residents.[3]

St. Louis chose an approach that is very similar to Oakland's. A large part of this PHA's first-year funding is being used to finish a major comprehensive modernization job begun under CIAP, and the remainder is being used to meet high priority needs identified by residents (including elevator upgrades, fire protection, and security lights). According to staff, the comprehensive approach is the most sensible, given the very large backlog of needs in the family developments. But, staff also noted that CGP provided much more flexibility than CIAP for meeting minor emergency needs. The ability to shift items across years has also allowed St. Louis to push some of its comprehensive work to later years (per the revised plans) and use current funds to augment on-going LBP abatement work at one project and to fund selected work items earlier at another.[4]

In Baltimore, staff strongly favor a comprehensive approach—which they view as far more efficient—but feel that residents (through the modernization planning committee) have pressured them into devoting more funds to dispersed, piecemeal items than they would like. Baltimore originally planned to continue the pattern the agency had established under CIAP, starting two new comprehensive jobs each year. In fact, the initial five-year plan called for an increase in the number of comprehensive jobs planned for the out-years. However, as shown in Exhibit 3-1, the proportion of Baltimore's funding for comprehensive modernization declined substantially for FY 1993 (revised) in order to accommodate resident desires and meet emergency needs. This shift was reversed in FY 1994 as the desirability of a more comprehensive approach was recognized by the committee.

Richmond, Lucas, and Camden also chose comprehensive strategies. Richmond has only four developments that require comprehensive work and plans to treat these within the first five years of CGP funding. Lucas has focused its program on those developments that have not been modernized in the past (and in fact left the remainder out of the PNA); the authority will spend 62 to 96 percent of its funds for comprehensive work under the revised plans. Camden also left properties out of its PNA, with the rationale of focusing CGP resources on its less distressed family developments; overall, this site will devote the highest share of its CGP funds to

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[3] The drop in Oakland's funding for comprehensive work shown in FY 1994 (revised) is due to the authority's decision to reallocate funding in this year to hard-wire smoke detectors authority-wide. A new fire ordinance requires the authority to hard-wire detectors when work amounting to $1,000 is completed. However, OHA thinks it will be more cost-effective to do this work all at once, and staff hope to be able to hire and train residents for these jobs.

[4] One reason for this was to shift funds to work that was on-going, in order to improve the PHA's obligation rate. The items that were moved forward were for Cochran Gardens (one of the two RMCs at this authority) and proved to be quite controversial.

comprehensive modernization, using only about 20 percent to address other work items, primarily at elderly buildings.

Among the eight PHAs that began with an item-specific or dispersed spending strategy, two—Athens and Hartford—have since shifted towards a more comprehensive approach. In Athens, where the stock had received relatively little modernization work, the original plan called for fairly dispersed spending. However, a new modernization coordinator called for a thorough rethinking of the approach and is now moving Athens towards a sequential, concentrated strategy focusing on the oldest properties first. In Hartford, the change in strategy is also partly attributable to a new modernization director who is replacing the previous strategy (focused on PHA-wide systems replacements) with one that focuses on complete redevelopment of the authority's three most distressed projects.

The remaining sites that have embraced the item-specific approach include Owensboro, Amsterdam, and Cheyenne—none of which anticipate undertaking any comprehensive modernization work—and Dade County, Laredo, and Chicago, which will undertake varying levels of comprehensive modernization in addition to other spending.[5] In Chicago, emergency needs and the diversion of funds to security frustrate any attempt to undertake comprehensive modernization. Staff also appear to view the comprehensive approach as futile, saying that by the time the last unit in a development is completed, the first needs to be done over again. In Dade County, the PHA is moving to an asset management approach; under this scenario, once the few remaining developments that require comprehensive work are treated, the PHA would move to a system of project-based suballocations of CGP funds and decentralize most decisionmaking to the property level. Clearly for those PHAs that are moving to a more private market, development-oriented approach, the flexibility under CGP to undertake selected improvements and to devolve decisionmaking to the project level is a very important step.

Overall, the PHAs included in the study are evenly divided between those that focus their efforts on comprehensive modernization of individual projects and those that budget their funds on an item-specific basis; ***however, almost all sites do some of each.*** The rationale offered for adopting a comprehensive approach most often included administrative efficiency and the ability to promote the long-term integrity and viability of the sites. PHAs that adopted an item-specific approach often pointed to more-or-less equal levels of need across developments or a desire to allow more residents to benefit from modernization work.[6] In many sites, comprehensive modernization was reserved for family developments, while elderly developments, which generally had fewer needs, tended to receive only item-specific treatment.

CGP has clearly provided PHAs with considerably more discretion over modernization spending. It seems that many PHAs have used this discretion to broaden the type and amount of item-specific work included in their programs (even in sites with a comprehensive orientation). Flexibility in determining spending patterns has also allowed better response to

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[5] The 100 percent shown for Dade County in FY 1994 (revised) reflects reprogramming due to the hurricane. Once disaster-related repair work is completed, the PHA will return to a more piecemeal spending pattern.

[6] In addition, staff in Laredo avoided comprehensive modernization due to the cost of relocation.

emergencies; Dade County's use of funds for rebuilding after Hurricane Andrew is an important example, but this consideration was also mentioned by a number of sites whose emergencies were of a more mundane nature. Significantly, nearly all of the PHAs included in the study viewed themselves as having wide discretion over spending—without being constrained by HUD mandates. The exceptions are Cheyenne, where the site has chosen to devote 96 percent of its funds to mandates during the first year, and Chicago, where emergency and security needs overwhelm the PHA's ability to plan for other modernization needs.[7]

Despite the greater discretion and flexibility afforded by CGP, only two PHAs reprogrammed any CIAP funds for use in accordance with the CGP plan. Cheyenne used these reprogrammed funds to fully fund its LBP abatement work and Hammond used reprogrammed funds to complete work related to Section 504 compliance in the first year of CGP. In most cases, however, reprogramming was not even considered, either because the planned work was still appropriate (i.e., an on-going comprehensive modernization job that would be supplemented with CGP funds) or because it did not seem worth the administrative effort to pursue the change.

3.2 Other Sources of Modernization Funding and Extent of Coordination with CGP

CGP has provided PHAs with new levels of flexibility and discretion, and in most cases, a higher level of funding than obtained under CIAP. In several of the PHAs included in this study, CGP will allow the authority to address all of its backlog needs over the course of five or so years. However, other PHAs in this study had needs which far exceeded anticipated CGP funding levels, even over a fairly extended time period. This situation was particularly true for PHAs in large, urban areas, many of which have extremely troubled developments in their portfolios.

As discussed in Chapter, 2, at several of these sites the figures reported in the PNA dramatically understate the actual level of need, either by limiting the scope of treatment to conventional rehab when redevelopment is called for (Chicago) or by leaving distressed properties out altogether (Camden). There are a variety of reasons why PHAs might choose to exclude these costs from their PNAs. First, based on the known size of their annual CGP grants, these PHAs may have concluded that the costs of adequately addressing the needs of their worst developments were prohibitive. This is certainly true in Camden, where the strategy was to invest CGP funds in the PHA's more stable properties (i.e. pursue a strategy of triage), while seeking other sources of funds for the two omitted developments. Second, PHAs must conduct a special viability assessment to treat developments whose costs exceed 90 percent of total development costs. Finally, neither CGP nor MROP funds can be used for replacement housing associated with severely distressed developments (although they can be used for demolition).

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[7] In Hartford's original Five-Year Plan, the PHA budgeted all of its CGP funds from FY 1994 forward to LBP abatement. Since that time, Hartford has completed testing but could not provide an estimate of abatement costs. Only 21 percent of FY 1994 funds are currently budgeted for this use.

Because many large, urban PHAs have developments whose needs exceed the funds available under CGP or require treatment not permitted under current program guidelines, these agencies have sought to acquire other funds for these properties. The major source of these funds has been the HOPE VI program, formerly known as the Urban Revitalization Demonstration (URD). HOPE VI is a HUD demonstration intended to allow PHAs to comprehensively treat the physical and social problems of their most severely distressed developments. Under HOPE VI, PHAs are permitted to demolish and replace units, and they are required to expend 20 percent of their funds on supportive services for residents. HOPE VI grants are very large; PHAs can receive up to $50 million to treat a single development or a small group of developments in a single neighborhood. The other HUD program that allows PHAs to treat distressed developments is the Major Rehabilitation of Obsolete Properties (MROP) program. Under MROP, PHAs receive funds to carry out major modernization efforts in developments whose costs exceed TDCs. However, under current regulations, MROP grants may ***not*** be used for reconstruction.

As Exhibit 3-2 shows, five of the 15 study sites received HOPE VI awards to address the needs of some of their most distressed developments during the first three years of CGP. Chicago, Baltimore, Oakland, and Camden received HOPE VI implementation grants in FY 1994; St. Louis received a small planning grant, but expects to receive a sizeable follow-on implementation grant. HOPE VI Implementation awards ranged from $50 million in Chicago and Baltimore to $25 million in Oakland. In Baltimore and Oakland, these grants should address most of the needs for the targeted developments; however, in Chicago, the funds are sufficient only to treat a small section of one large development (Cabrini-Green), and so will not have a substantial impact on needs even at that one site.

In addition, three of the study sites received substantial MROP grants in FY 1994. Hartford received the largest award ($20 million) and will use it to modernize a portion of its most distressed development (Charter Oak). Baltimore received about $10 million, which is being used to renovate one building in the Lexington Terrace development. The PHA plans to coordinate its MROP and HOPE VI awards with its CGP funds to complete modernization and redevelopment at the targeted sites. St. Louis' $5.7 million MROP grant was intended to treat one development (Cabanne Court), which had previously been slated for demolition.

Finally, St. Louis, Laredo, and Dade County all received special purpose CIAP awards during the first three years of CGP. The relatively small grants in Dade and Laredo were to be used for LBP testing and abatement. St. Louis' $7 million grant was a special demonstration (for St. Louis only) that, combined with development funds, would allow the authority to demolish and replace one of its seriously deteriorated high-rise developments. The authority also has HOPE I funds that will allow it to rehabilitate and sell another large property to residents, and expects to receive HOPE VI funds (noted above) to address its last seriously troubled family high-rise.

Exhibit 3-3 shows, for each PHA, all sources of modernization funding received during FY 1994, including the CGP formula allocation, CGP Emergency/Disaster Relief funds, remaining CIAP, HOPE VI and MROP, and any other funding sources that might be used for

Exhibit 3-2

Other Sources of HUD Modernization Funding (FY 1992-FY 1994)

Site	FY 1992				FY 1993				FY 1994			
	Special CIAP	HOPE VI/ URD	MROP	Total	Special CIAP	HOPE VI/ URD	MROP	Total	Special CIAP	HOPE VI/ URD	MROP	Total
Chicago, IL	$0	$0	$0	$0	$0	$0	$0	$0	$0	$50,000,000	$0	$50,000,000
Baltimore, MD	$0	$0	$0	$0	$0	$0	$0	$0	$0	$49,445,400	$9,800,000	$59,245,400
Dade County, FL	$158,895	$0	$0	$158,895	$0	$0	$0	$0	$0	$0	$0	$0
St. Louis, MO	$7,096,498	$0	$0	$7,096,498	$0	$0	$0	$0	$0	$500,000	$5,708,000	$6,208,000
Richmond, VA	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Oakland, CA	$0	$0	$0	$0	$0	$0	$0	$0	$0	$25,500,000	$0	$25,500,000
Lucas, OH	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Hartford, CT	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$19,759,250	$19,759,250
Camden, NJ	$0	$0	$0	$0	$0	$0	$0	$0	$0	$42,000,000	$0	$42,000,000
Athens, GA	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Laredo, TX	$16,830	$0	$0	$16,830	$14,560	$0	$0	$14,560	$0	$0	$0	$0
Owensboro, KY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Hammond, IN	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Cheyenne, WY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Amsterdam, NY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Sources: HUD/PIH data systems; PHA records.

Exhibit 3-3
All Sources of Funds for Capital Improvements
(FY 1994)

Site	CGP		CGP Reserve		CIAP		MROP/URD		OTHER		
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Total
Chicago, IL	$150,000,000	66%	$5,000,000	2%	$10,000,000	4%	$58,500,000	26%	$3,800,000	2%	$227,300,000
Baltimore, MD	$39,672,686	31%	$0	0%	$25,800,000	20%	$59,245,400	46%	$2,955,081	2%	$127,673,167
Dade County, FL	$15,702,421	19%	$25,000,000	31%	$0	0%	$0	0%	$40,300,000	50%	$81,002,421
St. Louis, MO	$23,847,268	64%	$0	0%	$3,498,000	9%	$6,208,000	17%	$3,700,000	10%	$37,253,268
Richmond, VA	$7,615,939	72%	$0	0%	$2,145,107	20%	$0	0%	$755,198	7%	$10,516,244
Oakland, CA	$10,808,050	21%	$0	0%	$13,000,000	26%	$25,500,000	50%	$1,360,381	3%	$50,668,431
Lucas, OH	$6,000,000	87%	$0	0%	$767,900	11%	$0	0%	$131,100	2%	$6,899,000
Hartford, CT	$8,765,568	26%	$0	0%	$4,518,625	14%	$19,759,250	59%	$237,600	1%	$33,281,043
Camden, NJ	$5,274,249	7%	$0	0%	$22,623,805	31%	$42,000,000	58%	$3,106,176	4%	$73,004,230
Athens, GA	$1,660,761	31%	$0	0%	$3,565,443	66%	$0	0%	$167,035	3%	$5,393,239
Laredo, TX	$1,648,572	80%	$0	0%	$406,942	20%	$0	0%	$0	0%	$2,055,514
Owensboro, KY	$1,250,977	93%	$0	0%	$0	0%	$0	0%	$97,700	7%	$1,348,677
Hammond, IN	$1,549,539	100%	$0	0%	$0	0%	$0	0%	$0	0%	$1,549,539
Cheyenne, WY	$322,576	19%	$0	0%	$1,208,435	72%	$0	0%	$137,220	8%	$1,668,231
Amsterdam, NY	$357,055	46%	$0	0%	$281,861	36%	$0	0%	$136,600	18%	$775,516
Average	$18,298,377	51%	$2,000,000	2%	$5,854,408	22%	$14,080,843	17%	$3,792,273	8%	$44,025,901

Sources: HUD/PIH data systems; PHA records.

capital improvements (e.g., operating income or local CDBG funds). What is striking about the exhibit is the rather low proportion of total funds accounted for by CGP in most sites—only about half of the total, on average. Although many of these sources will be spent over a number of years, the exhibit highlights the importance of other funds in meeting modernization needs, particularly for those sites that are eligible to receive HOPE VI funding for severely distressed developments.

As shown in the exhibit, Chicago and Dade County were the only sites which received any funds from the CGP Emergency/Disaster Relief Fund. In Dade County, these funds were used for hurricane relief, while in Chicago they were used for emergency security needs. All but three sites (Dade, Owensboro, and Hammond) had unspent CIAP funds which they carried over into FY 1994. As noted previously, most sites did not choose to reprogram any CIAP funds, finding it easier to simply continue the modernization work as planned. A total of six sites received HOPE VI or MROP funds in FY 1994. Finally, every site but Athens and Hammond reported some other source of funding for capital improvements. These include both internal sources (e.g., operating income) and external sources (CDBG grants, weatherization programs, and city contributions for special projects). Because of the extensive damage caused by Hurricane Andrew, Dade received the largest amount of outside funding: a modest FEMA grant ($300,000) plus an anticipated insurance settlement of $40 million.

It appears that, in practice, all of the PHAs are coordinating planned expenditures of CGP funds with those from other funding sources. For example, in Baltimore CGP funds will be used together with HOPE VI money to complete rehabilitation and reconstruction at targeted sites. In most other sites, funds from HOPE VI or MROP were viewed as freeing-up CGP funds, which could then be applied to other properties. While such coordinated planning does in fact occur, none of the sites listed any non-CGP sources of funds in their Five-Year Plans or annual statements, although this is part of the required reporting.[8] Thus, the CGP documents do not provide an accurate reflection of the amount of other funds available for capital needs nor the way sites propose to coordinate them with CGP funds.

3.3 CGP Spending Patterns

The previous sections have focused on the overall spending strategies of the 15 study sites and the extent to which PHAs are able to supplement CGP with other funds to meet their capital needs. This section examines the specific spending patterns of the 15 PHAs, as reflected in their initial five-year plans and annual statements. It is important to note that the figures presented in this section represent ***budgeted*** expenditures for each CGP year—which may differ from actual spending. Given the long lead times associated with modernization expenditures, final data on even first-year CGP spending will not be available for several years.

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[8] Oakland did, in its revised PNA, show the amounts of funding attributable to HOPE VI and remaining CIAP grants and subtract these from total needs. (The figures used in this report, however, are total needs including those funded from other sources.)

In addition, the plans presented here are subject to a considerable amount of change. For this study, we examined the initial five-year plans of each of the 15 sites, covering FY 1992 through FY 1996 at most sites. We also examined the most recent annual statements for FY 1992, FY 1993, and FY 1994. Since CGP planning operates on a five-year rolling base, detailed annual statements are prepared each year to replace the first "out-year" in the previous year's five-year plan.[9] In many cases, these annual statements showed significant changes from the original plan. In addition, several of the sites submitted revised annual statements (in some cases, multiple revisions) over the course of a year, suggesting an on-going process of updating and amendment.

There are many reasons for changes in plans. One is to meet emergency needs. For example, spending in Dade County was reprogrammed in order to facilitate rebuilding after Hurricane Andrew. In Chicago, the PHA has had to deal both with emergency physical needs and a series of major shooting incidents. These incidents led the authority to increase expenditures significantly for its police and security force, which has meant taking CGP funds away from other critical needs. The change can be seen in the authority's spending for hard costs, which dropped from 67 percent of total expenditures in FY 1992 to just 46 percent in FY 1994; management spending (primarily security) rose from 26 percent to 41 percent over the same period.

Other sites have made substantial changes in strategy. As noted previously, Athens and Hartford changed from an approach that favored item-specific improvements at many developments to strategies focused on comprehensive modernization. At the same time, many sites have come under pressure to delay some comprehensive work in order to meet resident desires for certain types of improvements (often security-related) in the early years. Finally, a few sites have altered their spending plans for unique reasons: St Louis, for example, shifted funding from dispersed (but priority) work items to work on an on-going modernization project in order to accelerate its obligation rate. Oakland has now allocated almost half its funding in FY 1994 to hard-wire smoke detectors authority-wide, a use that had not been foreseen in the initial five-year plan.

Given the substantial amount of change already observed in planned annual spending, we have drawn the figures in this section from the most recent annual statements submitted for the first three program years. For all sites except Cheyenne and Amsterdam these cover FY 1992, FY 1993, and FY 1994. For the two small PHAs (which became eligible for CGP funding a year after the rest) data are provided for FY 1993 and FY 1994 only.

3.3.1 Planned Spending by Budget Category

Exhibit 3-4 shows the proportions of spending in each of the three years going to hard costs for physical needs, management improvements, non-dwelling equipment, administration,

[9] PHAs may submit annual statements covering two years if they want. Six of the 15 PHAs submitted two-year statements in one or more of the years covered by this study.

Exhibit 3-4

Patterns of CGP Spending by Budget Category FY 1992 — FY 1994

Site	FY 1992 Annual Statement (Percent of Total)						FY 1993 Annual Statement (Percent of Total)						FY 1994 Annual Statement (Percent of Total)					
	Hard Cost Phys. Needs	Mgmt.	Non Dwelling Equip.	Admin.	Other	Reserves	Hard Cost Phys. Needs	Mgmt.	Non Dwelling Equip.	Admin.	Other	Reserves	Hard Cost Phys. Needs	Mgmt.	Non Dwelling Equip.	Admin.	Other	Reserves
Chicago, IL	67%	26%	1%	4%	2%	0%	56%	31%	5%	6%	2%	0%	46%	41%	4%	7%	2%	0%
Baltimore, MD	68%	10%	5%	16%	1%	0%	75%	9%	4%	11%	1%	0%	72%	10%	4%	13%	1%	0%
Dade County, FL	76%	8%	2%	6%	8%	0%	77%	10%	0%	6%	7%	0%	91%	0%	0%	7%	2%	0%
St. Louis, MO	80%	9%	0%	4%	8%	0%	83%	5%	6%	4%	3%	0%	82%	3%	4%	6%	5%	0%
Richmond, VA	85%	6%	0%	5%	4%	0%	70%	5%	16%	5%	4%	0%	84%	5%	2%	5%	4%	0%
Oakland, CA	71%	9%	2%	7%	12%	0%	37%	9%	2%	6%	12%	35%	38%	10%	0%	7%	8%	37%
Lucas, OH	77%	10%	0%	7%	6%	0%	77%	10%	2%	7%	4%	0%	79%	10%	0%	7%	4%	0%
Hartford, CT	77%	10%	0%	7%	6%	0%	76%	8%	4%	7%	6%	0%	78%	10%	0%	6%	6%	0%
Camden, NJ	81%	9%	1%	7%	2%	0%	85%	9%	0%	6%	0%	0%	79%	10%	2%	7%	3%	0%
Athens, GA	98%	0%	0%	0%	2%	0%	69%	0%	0%	7%	24%	0%	81%	0%	0%	7%	12%	0%
Laredo, TX	59%	10%	16%	7%	8%	0%	78%	9%	0%	7%	6%	0%	75%	10%	0%	7%	8%	0%
Owensboro, KY	71%	8%	0%	5%	15%	1%	59%	3%	21%	4%	6%	8%	56%	10%	0%	4%	0%	30%
Hammond, IN	80%	1%	16%	3%	0%	0%	86%	6%	1%	3%	4%	0%	80%	9%	2%	6%	3%	0%
Cheyenne, WY*	NA	NA	NA	NA	NA	NA	81%	6%	0%	7%	6%	0%	77%	10%	0%	7%	6%	0%
Amsterdam, NY*	NA	NA	NA	NA	NA	NA	66%	10%	11%	7%	6%	0%	7%	9%	72%	7%	5%	0%
Average	76%	9%	3%	6%	6%	0%	72%	9%	5%	6%	6%	3%	68%	10%	6%	7%	5%	4%

* Not applicable: Cheyenne, WY and Amsterdam, NY did not receive CGP funding in FY 1992.

other costs, and reserves. As expected, hard cost spending consumed the greatest share of planned expenditures, ranging from a low of 59 percent of the total in Laredo in FY 1992 up to 98 percent in that year in Athens. However, as Exhibit 3-4 shows, there was quite a bit of variation in spending patterns across the 15 sites. For example, Laredo's relatively low level of first-year hard cost spending reflects higher than normal expenses in that year for non-dwelling equipment, including the purchase of a new computer system and equipment for building cabinets. The same situation occurred in Owensboro in FY 1993, where the authority budgeted funds for the creation of off-street parking at one development. Hammond used this category for Section 504 work at its management offices, and Amsterdam allocated 72 percent of its FY 1994 funds for non-dwelling equipment to construct a new community building. Owensboro and Oakland also show lower proportions devoted to hard costs in FY 1993 and FY 1994, owing to the placement of some of their funds in reserve to meet future physical needs (see below). In contrast to these situations, which involve different categories of physical spending, planned spending in Chicago reflects a real diversion of funds away from physical needs and into management expenditures. As noted above, this is entirely due to increased security spending resulting from several shooting incidents and strong political pressure to respond forcefully to these situations.

As shown in Exhibit 3-4, all sites except Chicago had management expenditures within the 10 percent cap mandated by the program in each year. Chicago has a special waiver, first granted in 1991, which permits the authority to expend modernization funds to pay for its in-house police and security forces. To cover these costs, the agency may exceed the 10 percent limit, and, over the years, has budgeted increasing shares of its funding to security costs (covered under the management improvements category). As noted above, in FY 1994, planned ***management expenditures consumed an astounding 41 percent of Chicago's total $150 million CGP grant.***[10] Excluding Chicago, the typical site budgeted between 8 and 10 percent of its funds for management in each of the three years. Athens is the only site that budgeted no funds at all for management improvements, preferring to invest all of its available funds in physical needs. While the majority of sites budgeted less than 10 percent of their funds for management in FY 1992 and FY 1993, this pattern is reversed in FY 1994 with all but six sites budgeting the maximum.

Administrative costs for CGP were limited to seven percent of the total grant amount during the period covered by this study. Only one site, Baltimore, exceeded this limitation; this occurred because the agency chose to classify A&E costs for lead-based paint risk assessments as administrative costs rather than including them in the "other" category as at other sites. As in the case of management expenditures, the number of sites with expenditures at the program maximum increased over the three-year period.

Expenditures in the "Other" category typically include A&E contracts and relocation costs. Only three sites allocated substantial proportions of funds for "other costs." In Oakland,

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[10] Hammond is another site where increased management spending was largely due to higher than anticipated security needs.

this category included the costs of CGP planning and inspections. In both of the other sites, the funds were allocated to cover A&E fees.[11]

Finally, two sites placed some of their CGP funds in reserve. Owensboro planned to create a substantial replacement reserve in FY 1994 (about a third of its funds). This was possible because the agency had few needs when its plan was prepared and was able to address most of them in the early years of CGP. Staff attribute the agency's lack of needs to good financial management over the years and the fact that the PHA has consistently devoted operating funds to meeting capital needs. Oakland also plans to place about a third of its funds in reserve for FY 1993 and FY 1994.

3.3.2 Spending for Priority Needs and Mandates

Exhibit 3-5 presents information on the proportion of funds in each year that will be spent on priority needs and on HUD mandates for lead-based paint abatement and Section 504 compliance.[12] The left-most panel shows the proportion of need attributable to these categories from the PNA. Planned spending under CGP is shown in the middle three panels, covering the three most recent annual statements. Finally, the last panel provides comparative data drawn from the last year of CIAP.

Overall, five of the 15 PHAs planned to address all of their identified Priority 1 needs in the first two years of CGP; two of these sites (Richmond and Hammond) planned to complete all work on these needs using only FY 1992 funds. Not surprisingly, the proportion of funds PHAs allocated to Priority 1 needs dropped by half over the first three years of CGP, from an average of 66 percent in FY 1992 to just 31 percent in FY 1994. Only five sites still planned to allocate more than half of their CGP funds for Priority 1 needs in FY 1994. However, as discussed in Chapter 2, variations in the way PHAs defined their priorities (and whether they included mandates as Priority 1) make these figures difficult to interpret across sites. For example, Richmond used Priority 1 to designate all items slated for the first year of CGP, while in Chicago virtually all needs are considered Priority 1.

Based on available data, mandates appear to have little impact on the PHAs' overall CGP spending plans. However, because costs for both LBP abatement and Section 504 adaptations are often embedded in the costs for major rehabilitation, the impact is unknown for some sites. For example, both Baltimore and Camden plan extensive abatement as part of comprehensive modernization at their developments. However, the annual statements identify only the cost of abatement outside of comprehensive modernization—that is, emergency abatement or abatement in developments not targeted for comprehensive treatment. The same is true for Section 504 costs in these sites. In the other sites, the annual statements appear to show the full scope of

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[11] In Owensboro these expenses included fees for an off-site parking structure, and, in Athens, they were for Section 504 compliance.

[12] The study also collected data on any mandated improvements associated with Title VI civil rights actions but found no requirements of this nature at any of the 15 PHAs.

Exhibit 3-5

Patterns of CGP Hard Cost Spending for Priorities and Mandates (FY 1992 — FY 1994)

Site	PNA Needs			FY 1992 Annual Statement			FY 1993 Annual Statement			FY 1994 Annual Statement			FY 1991 CIAP[a]	
	Priority 1	LBP	Section 504	% Priority	% LBP Abatement	% Section 504	% Priority	% LBP Abatement	% Section 504	% Priority	% LBP Abatement	% Section 504	% LBP Abatement	% Section 504
Chicago, IL	90%	ND	ND	93%	4%	2%	79%	5%	3%	90%	10%	2%	0%	1%
Baltimore, MD	65%	ND	ND	99%	ND	ND	54%	ND	ND	73%	ND	ND	1%	4%
Dade County, FL	9%	0%	7%	38%	0%	4%	5%	0%	2%	3%	3%	2%	4%	0%
St. Louis, MO	ND	2%	0%	0%	7%	14%	20%	11%	0%	7%	0%	2%	ND	ND
Richmond, VA	19%	11%	2%	92%	23%	13%	0%	28%	0%	0%	13%	0%	0%	23%
Oakland, CA	4%	3%	4%	10%	0%	0%	23%	2%	1%	6%	0%	0%	0%	0%
Lucas, OH	12%	0%	ND	62%	0%	ND	ND	0%	ND	82%	0%	ND	0%	0%
Hartford, CT	54%	ND	2%	75%	0%	42%	84%	0%	8%	17%	21%	0%	0%	0%
Camden, NJ	18%	ND	ND	93%	ND	ND	9%	ND	ND	0%	ND	ND	0%	0%
Athens, GA	24%	5%	3%	88%	0%	29%	100%	3%	63%	89%	1%	0%	3%	3%
Laredo, TX	8%	0%	2%	47%	0%	27%	34%	0%	0%	1%	0%	0%	0%	0%
Owensboro, KY	25%	0%	13%	100%	0%	26%	100%	0%	20%	13%	0%	0%	NA	NA
Hammond, IN	8%	0%	8%	41%	5%	41%	0%	0%	0%	0%	0%	0%	7%	0%
Cheyenne, WY	44%	22%	1%	NA	NA	NA	96%	91%	5%	90%	0%	1%	0%	0%
Amsterdam, NY	25%	0%	3%	NA	NA	NA	98%	0%	12%	0%	0%	0%	0%	53%
Average	29%	4%	4%	64%	4%	20%	50%	11%	10%	31%	4%	1%	1%	6%

[a] Data for Cheyenne and Amsterdam reflect FY 1992 CIAP grants. Data for FY 1990 are used in Hammond because this site did not receive CIAP FY 1991. Owensboro, KY has not received any recent CIAP grants.

Notes: ND indicates data not available; NA indicates not applicable.

planned LBP or Section 504 work; nevertheless, it is possible that some embedded costs may have been overlooked. It should also be remembered that, at the time of this study, many sites were just completing their required testing. Thus, the PNA and even the FY 1994 planning cycle may not have reflected complete information on LBP abatement needs.

With these caveats in mind, Exhibit 3-5 shows that expenditures for lead-based paint abatement accounted for a small share of CGP spending at most sites. Six sites showed little or no need related to LBP and consequently show virtually no expenditures in this category. Amsterdam had completed its LBP testing under CIAP and identified no abatement needs in its developments. Three other PHAs (Hammond, Lucas, and Owensboro), had addressed LBP abatement as part of comprehensive modernization completed under CIAP. Finally, Laredo and Dade County both received special purpose CIAP awards for LBP abatement. Although Dade showed zero LBP need in its PNA, the latest round of testing revealed some small additional problems which will be handled with a combination of CGP and operating funds.

Several sites with more substantial LBP needs did not include any of these costs in their PNAs. Chicago, for example, has estimated abatement needs of over $138 million, none of which were reflected in the PNA.[13] Nevertheless, Chicago allocated only a minimal amount of its hard cost spending for LBP abatement (4 to 10 percent in each year), sufficient only to cover emergency abatement work. Staff felt the need was so large that it could not realistically be addressed with existing funds. Instead, the authority is waiting for completion of more extensive testing and hopes to address its larger needs as part of a major reconstruction and redesign effort. Hartford also excluded LBP abatement costs from its PNA, in this case because testing was not yet complete. Nevertheless, staff were so concerned about LBP that they budgeted 100 percent of their CGP funds for abatement in the out-years of the initial five-year plan. Although testing is now finished, the PHA still does not have an overall estimate for abatement needs; nevertheless, staff budgeted 21 percent of the FY 1994 grant for abatement at unspecified locations.

The two sites showing relatively large LBP abatement needs in their PNAs were Cheyenne and Richmond. Cheyenne allocated nearly all of its CGP funds during the first program year (FY 1993 for this site) to complete the abatement work. Richmond allocated a quarter of its CGP funds for abatement in FY 1992 and FY 1993 and about 13 percent in FY 1994.

In the area of accessibility, the PHAs in this study reported relatively modest Section 504 needs, with most of them planning to address all identified needs in the first few years of CGP. Two sites (Hammond and Hartford) allocated about 40 percent of their FY 1992 funds to address Section 504-related needs; three others (Athens, Laredo, and Owensboro) planned to spend about 25 percent of their FY 1992 funds for this purpose. Only two sites (Athens and Owensboro) allocated any substantial amount of funding for Section 504 needs in FY 1993, and no PHA

[13]This figure comes from an in-house estimate, based on a 10 percent sample of units. Staff acknowledged that it is probably low.

planned to spend more than a modest share in FY 1994. In some sites (e.g. Chicago and Hartford), Section 504-related expenditures were planned only for management offices.

3.3.3 Spending Levels for Specific Activities

Exhibit 3-6 shows planned spending patterns for hard costs related to six specific types of work: unit adaptations; demolition and conversion; security and drug elimination; redesign in high-need developments; energy conservation; and renovation of long-vacant units. As shown in the exhibit, these areas represent only a very small proportion of PHA expenditures, although it should be noted that both security and energy conservation hard costs are often embedded in the costs of comprehensive modernization (e.g. replacing boilers is both a modernization and an energy conservation expense) and could not be broken out by PHA staff. Because of this problem, several of the larger agencies were unable to provide specific figures for their planned spending in these areas.

Only a few of the 15 sites planned any spending for unit adaptations—i.e., changes in unit size (other than modifications associated with Section 504). One was St. Louis, where the PHA was combining and enlarging units as part of a comprehensive modernization project in order to better reflect household sizes on the waiting list and also to meet the desires of existing tenants. However, staff could not estimate costs associated with this element of the rehab since the units were being completely gutted. Similarly, staff in Chicago indicated that some unit adaptations were planned, but they could not provide a dollar amount for this work.

Lucas and Owensboro were the only sites to allocate funds for demolition and conversion. Lucas allocated one percent of its FY 1994 CGP funds to demolish an old store at one development. Demolition in Owensboro was related to the provision of off-street parking at one of its sites. St. Louis planned a considerable amount of demolition and reconstruction associated with three large developments; however, all of this work is being funded from non-CGP sources. Likewise, Chicago planned demolition and reconstruction at several sites, but hoped to obtain other funds for much of this work.

Most of the PHAs planned to spend some funds on hard costs related to security, for items like lighting, security screens, lock hardware, security cameras, and card key systems. Again, other security improvements may be embedded in comprehensive modernization, so that the figures in Exhibit 3-6 probably understate this spending. Oakland shows the highest proportion of hard cost spending for security of all the sites. The large increase in FY 1993 reflected a decision to devote all funds not going for comprehensive modernization in that year to security (primarily gates), based on the residents' strong desire for increased spending on this activity. Chicago also planned large security-related expenditures for lighting, construction of guard booths, and the installation of metal detectors and turnstiles, but staff were unable to break out specific costs related to these activities. Two additional sites (Baltimore and St. Louis) planned some security-related expenditures but could not provide estimates of the amounts.

Exhibit 3-6

Patterns of CGP Hard Cost Spending for Specific Uses (FY 1992 — FY 1994)

Site	FY 1992 Annual Statement						FY 1993 Annual Statement						FY 1994 Annual Statement					
	Unit Adapta-tions	Demo. & Conver-sion	Secur-ity	Re-design	Energy Conser-vation	Long Vacant Units	Unit Adapta-tions	Demo. & Conver-sion	Secur-ity	Re-design	Energy Conser-vation	Long Vacant Units	Unit Adapta-tions	Demo. & Conver-sion	Secur-ity	Re-design	Energy Conser-vation	Long Vacant Units
Chicago, IL	ND	ND	ND	0%	ND	ND	ND	ND	ND	0%	ND	ND	ND	ND	ND	0%	ND	ND
Baltimore, MD	ND	0%	ND	0%	ND	0%	ND	0%	ND	0%	ND	0%	ND	0%	0%	0%	4%	0%
Dade County, FL	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	2%	0%	2%	0%	0%	0%	0%	0%
St. Louis, MO	ND	0%	ND	0%	ND	ND	ND	0%	ND	0%	ND	ND	ND	0%	ND	0%	ND	ND
Richmond, VA	0%	0%	3%	0%	0%	0%	0%	0%	5%	0%	0%	0%	0%	0%	2%	0%	0%	0%
Oakland, CA	0%	0%	18%	0%	ND	0%	0%	0%	29%	0%	ND	0%	0%	0%	9%	0%	ND	0%
Lucas, OH	0%	0%	0%	0%	0%	0%	0%	0%	4%	0%	25%	0%	0%	1%	4%	0%	25%	0%
Hartford, CT	0%	0%	11%	0%	0%	0%	0%	0%	0%	0%	5%	0%	0%	0%	3%	37%	1%	0%
Camden, NJ	0%	0%	4%	0%	15%	ND	0%	0%	3%	0%	9%	ND	0%	0%	4%	0%	9%	ND
Athens, GA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	5%	0%	0%	0%	0%	0%	13%	0%
Laredo, TX	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Owensboro, KY	0%	0%	0%	0%	0%	0%	0%	2%	10%	0%	0%	0%	0%	0%	11%	0%	0%	0%
Hammond, IN	0%	0%	6%	0%	15%	0%	0%	0%	2%	0%	40%	0%	0%	0%	0%	0%	14%	0%
Cheyenne, WY	NA	NA	NA	NA	NA	NA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Amsterdam, NY	NA	NA	NA	NA	NA	NA	0%	0%	1%	0%	1%	0%	0%	0%	0%	0%	44%	0%

Notes: All percentages are calculated as a proportion of hard costs. ND indicates missing data. NA indicates not applicable.

Hartford was the only site that allocated any funds for redesign in high-need developments. These costs appear in its FY 1994 Annual Statement and reflect a major change from its original plan, which included no expenditures for these properties.

Seven of the sites planned to spend at least some proportion of their funds on improvements related to energy conservation. These included purchasing new windows, siding, and boilers; taking water conservation measures; and upgrading electrical systems. Again, a number of other sites planned energy-efficient replacements to help meet conservation goals, but staff could not identity work that was undertaken exclusively for this purpose.

Finally, only three PHAs planned to use any CGP funds for the renovation of long-vacant units, and none of them was able to attach a specific figure to this use. At the time of the site visit, Chicago had just signed a vacancy reduction plan with HUD and anticipated that it would spend funds for this purpose in future years.

3.3.4 Management Expenditures

Exhibit 3-7 presents information on needs and expenditures related to management improvements. Information in this exhibit is based on combined total planned expenditures from the FY 1992, 1993, and 1994 annual statements.

As discussed in Chapter 2, relatively few of the sites reported any management needs directly linked to PHMAP deficiencies. Not surprisingly, then, PHMAP-related expenditures account for only a modest proportion of management spending across the 15 sites. As shown in Exhibit 3-7, only four sites planned any spending directly related to PHMAP deficiencies. Four other sites (Baltimore, Hartford, St. Louis, and Oakland), planned to address problems identified during PHMAP reviews, but did not explicitly link these expenditures to PHMAP indicators. PHMAP-related spending accounted for a substantial proportion of management expenditures in the first three years of CGP at only two sites—Dade County and Camden. In addition, both Chicago and Baltimore had other management needs that were mandatory under a Memorandum of Agreement with HUD (in Chicago all needs are mandatory because of the Authority's troubled status). Both sites planned to spend CGP funds for this purpose.

Management expenditures for security are also shown in Exhibit 3-7. As indicated, two PHAs (Chicago and Hammond) allocated a very large proportion of their management funds for security—73 percent and 81 percent, respectively. Chicago's security needs have already been discussed extensively; however, Hammond's security expenditures represent a major shift from the agency's original needs assessment. Hammond had originally planned to spend just a small amount of its management funding for security, mainly to promote tenant patrols. The Authority was unable to organize these patrols, however, and instead decided to hire the Hammond Police Department to patrol its developments, a much more expensive option. Several other PHAs—including Baltimore, St. Louis, Camden, Laredo, and Owensboro—are also spending 25 percent or more of their management funds for security, generally funding PHA police.

Exhibit 3-7

Planned Management Spending FY 1992 — FY 1994[a]

Site	Mandates Percent of Total Management Spending			Security Percent of Total Mgmt. Spending	Resident Services Percent of Total Management Spending				
	PHMAP Required	Other Required	All Mandated Improvements		Resident Management	Capacity Building/ Training	Section 3 Employment Training	Social Services	Total Resident Services
Chicago, IL	17%	83%	100%	74%	3%	0%	2%	1%	6%
Baltimore, MD	ND	13%	13%	26%	0%	4%	25%	9%	38%
Dade County, FL	17%	0%	17%	0%	0%	4%	0%	49%	52%
St. Louis, MO	0%	0%	0%	39%	0%	0%	9%	0%	9%
Richmond, VA	0%	0%	0%	3%	0%	6%	37%	0%	44%
Oakland, CA	0%	0%	0%	11%	7%	4%	14%	0%	26%
Lucas, OH	7%	0%	7%	0%	0%	4%	4%	12%	20%
Hartford, CT	0%	0%	0%	9%	0%	11%	11%	16%	37%
Camden, NJ	24%	0%	24%	41%	0%	0%	9%	0%	9%
Athens, GA	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laredo, TX	0%	0%	0%	30%	40%	10%	0%	51%	65%
Owensboro, KY	0%	0%	0%	37%	0%	0%	16%	43%	59%
Hammond, IN	0%	0%	0%	81%	0%	2%	0%	0%	2%
Cheyenne, WY	0%	0%	0%	0%	0%	0%	0%	40%	40%
Amsterdam, NY	0%	0%	0%	9%	0%	7%	0%	31%	38%
Average	5%	6%	11%	24%	3%	3%	8%	17%	30%

[a] Proportion based on combined spending for FY 1992, FY 1993, and FY 1994.

With the exception of Athens, which chose to allocate no funds for management needs, the PHAs in the study allocated at least some portion of their management funds for resident services. At some sites, these expenditures accounted for a substantial proportion of management funds. As Exhibit 3-7 shows, three PHAs (Laredo, Dade, and Owensboro) allocated more than half of their management funds for resident services, and another five allocated at least a third. Only four PHAs (excluding Athens) planned to expend less than 10 percent of their management funds for resident services.

Many of the PHAs were just initiating efforts to meet revised Section 3 guidelines during the time period covered by this study. Section 3 requires agencies to ensure that PHA residents benefit from modernization and other public spending through the provision of training and employment opportunities. Although most PHAs already included provisions for Section 3 in their modernization contracts, several were in the process of revising their contracting procedures to include new hiring and training goals.[14] In addition, as described in Chapter 2, a number of sites had developed Section 3-related training or employment programs. Richmond and Baltimore reported the highest levels of spending for Section 3-related activities; both sites have extensive programs involving resident employment, training, and resident business enterprises that were started prior to CGP. Several other sites were funding new training or apprenticeship programs. Despite this activity, only a few PHAs allocated more than a modest share of funding for Section 3-related efforts. It was also apparent that a few of the smaller sites had no real understanding of how to go about meeting Section 3 requirements, despite having requested more information from the Field Office.

Finally, as noted above, Athens chose to allocate no funds for management improvements in its spending plan. Two other sites, Dade County and Cheyenne, funded management improvements for only the first two years of CGP, shifting these funds to physical needs beginning in FY 1994.

3.3.5 Spending by Development Type

Spending patterns by development size and occupancy type (family, elderly, or mixed) are shown in Exhibit 3-8. The share of needs attributable to the different development types is shown in addition to the planned share of spending. Again, spending is based on the sum of the first three CGP years. Not surprisingly, large family developments account for the majority of both needs and funding at most PHAs.[15] Three sites (Lucas, Athens, and Owensboro) are exceptions to this pattern. Lucas had already addressed the needs of its largest developments under CIAP. In Athens, the medium-sized developments are receiving more initial funding because they have higher Section 504-related costs. Owensboro has only one large development; when the PHA completed work at this site, all funds were shifted to the medium-sized developments.

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[14] In Oakland, the PHA Board voted to re-bid a major construction contract which had been awarded prior to the revised procedures.

[15] Cheyenne and Amsterdam have no large developments.

Exhibit 3-8

Planned Hard Cost Spending by Development Type*

Site	Physical Needs Assessment (Percent of Need)							FY 1992 — 1994 Annual Statement (Percent of Three-Year Spending)						
	Size of Development			Occupancy Type			Total Hard Cost Need	Size of Development			Occupancy Type			Total Three-Year Spending
	Large	Medium	Small	Family	Elderly	Mixed		Large	Medium	Small	Family	Elderly	Mixed	
Chicago, IL	91%	8%	1%	74%	7%	19%	$870,988,396	86%	13%	1%	76%	8%	17%	$228,420,460
Baltimore, MD	72%	27%	1%	78%	12%	10%	$506,071,482	91%	7%	2%	80%	6%	14%	$73,068,385
Dade County, FL	26%	58%	16%	57%	39%	4%	$76,630,337	36%	40%	24%	69%	28%	3%	$34,963,845
St. Louis, MO	77%	17%	6%	81%	5%	14%	$255,844,193	81%	18%	1%	46%	9%	44%	$58,310,372
Richmond, VA	83%	13%	4%	91%	8%	1%	$32,516,545	78%	19%	3%	92%	8%	1%	$18,331,662
Oakland, CA	25%	22%	52%	93%	7%	0%	$182,510,025	26%	49%	25%	99%	1%	0%	$19,689,617
Lucas, OH	0%	77%	23%	30%	42%	28%	$26,975,720	4%	80%	16%	49%	38%	13%	$13,447,490
Hartford, CT	93%	6%	1%	97%	3%	0%	$147,021,910	63%	31%	6%	79%	21%	0%	$168,911,384
Camden, NJ	82%	18%	0%	82%	18%	0%	$19,555,720	78%	22%	0%	78%	22%	0%	$12,440,116
Athens, GA	26%	74%	0%	0%	7%	93%	$28,208,449	6%	94%	0%	0%	4%	96%	$4,316,910
Laredo, TX	70%	29%	1%	92%	8%	0%	$13,424,925	78%	20%	2%	91%	9%	0%	$3,160,537
Owensboro, KY	42%	56%	2%	79%	21%	0%	$3,389,780	28%	68%	4%	81%	19%	0%	$2,591,060
Hammond, IN	36%	64%	0%	36%	0%	64%	$7,805,668	30%	70%	0%	30%	0%	70%	$3,671,420
Cheyenne, WY	0%	59%	41%	24%	76%	0%	$1,132,555	0%	83%	17%	52%	48%	0%	$517,146
Amsterdam, NY	0%	100%	0%	0%	20%	80%	$831,302	0%	100%	0%	0%	7%	93%	$236,368
Average	48%	42%	10%	61%	18%	21%	$144,860,467	46%	48%	7%	61%	15%	23%	$42,805,115

* Proportion based on combined spending for FY 1992, FY 1993, and FY 1994.

Only three sites planned to spend more than 25 percent of their funds for modernization work in developments exclusively for the elderly over the first three years of CGP. Cheyenne allocated just under half of its funds for work in elderly developments, which are located in older buildings that have been purchased and rehabbed by the PHA. Lucas had treated most of its family units under CIAP, and Dade had been able to address many of the needs in family developments using CIAP and other funds.

3.4 SUMMARY

The CGP program provides housing authorities with a much higher degree of discretion and flexibility than they had under CIAP. The PHAs in this study have used this flexibility to tailor their modernization spending to the needs of their individual developments. The majority of sites are using a combination of comprehensive and item-specific modernization strategies, comprehensively treating some developments while still addressing specific work items at others. In conjunction with these efforts, most PHAs are continuing to complete work begun under CIAP; in most cases, they are using these funds as originally budgeted and are not reprogramming them for use under CGP. Further, the large, urban PHAs have sought other sources of funding to treat their most distressed developments. Indeed, CGP accounts for a surprisingly low proportion of total funds, when all of these sources are counted.

There is a great deal of variation in planned spending patterns across the 15 sites. While the majority of funds are to be expended for hard costs related to physical needs, several sites have planned large non-dwelling expenses for special purchases or projects. As noted above, Chicago is spending an extraordinarily high proportion of its CGP funds for security, well above the 10 percent cap for management expenses. Surprisingly, with the exception of Cheyenne, expenditures for work items related to HUD mandates for LBP abatement and Section 504 compliance account for only a modest proportion of CGP funds across sites. However, several sites were unable to break out abatement or Section 504 costs embedded in other modernization work. Spending patterns by development type show that expenditures (as well as needs) tend to be concentrated in the larger family developments in most PHAs. Finally, in the area of management expenditures, PHAs are expending the largest share of funds for resident services. This has included significant expenditures in a few sites for Section 3-related employment and training activities, although expenditures for this purpose are small overall. Only a very few sites have linked any management expenditures directly to PHMAP, and only two sites (Chicago and Baltimore) are required to make any other specific management improvements.

CHAPTER 4
PHA PERSPECTIVES ON THE CGP FORMULA AND PROGRAM ADMINISTRATION

This chapter highlights PHA perspectives on the CGP program, based on the experiences of the 15 agencies included in the study. The focus of this discussion is on how CGP affects PHAs' ability to plan for and meet modernization needs. Information is drawn from interviews with a range of PHA staff at each site, as well as from interviews with HUD Field Office personnel.

4.1 FORMULA FUNDING LEVELS AND ADEQUACY

For almost all of the sites included in this study, CGP has provided a major increase in funding as compared to CIAP. This increase results both from differences in the way funds are allocated and from an overall increase in modernization appropriations in recent years. While needs continue to exceed available funds in the majority of these PHAs, the sizable increase relative to CIAP — plus the fact that CGP allocations have typically increased in each of the last three years — has contributed to positive assessments of the CGP program on the part of most study sites.

Exhibit 4-1 presents information on each PHA's CGP formula amount as compared to funding received under CIAP. As shown, CGP grants in FY 1992 ranged from $333,133 in Amsterdam to nearly $118 million in Chicago. On average, these sites received just over $15 million in FY 1992. CGP grants have, for the most part, increased since FY 1992. Column 2 of Exhibit 4-1 shows the average annual grant amount that would be received by each of the sites over the first five years of the program, assuming that FY 1994 levels continue for FY 1995 and FY 1996.[1] As indicated, CGP grant amounts have increased since FY 1992 in all sites except Athens and Cheyenne. Based on the five-year projection, the 15 agencies will receive an average of $17.5 million in CGP funding per year.

Comparative data shown in Exhibit 4-1 for the CIAP program include the average annual amount received by each PHA for the eight years between FY 1984 and FY 1991 (column 3)[2] and the average for the five most recent CIAP years (column 4). The last two columns show, respectively, the ratio of FY 1992 CGP funding to average annual CIAP funding over the eight year period and the same ratio based on five years of funding under each program.

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[1] For the two small PHAs that joined the CGP program in FY 1993, these projections are based on actual awards for two years; the three future years are assumed to be the same as FY 1994.

[2] Data are based on FY 1984-FY 1992 for the two small PHAs.

Exhibit 4-1

Comparison of CGP and CIAP Funding Levels

Site	PHA Size (Units)	CGP		CIAP		Ratios	
		(1) Actual Funding FY 1992	(2) Projected Avg. Annual Funding Five Years[a]	(3) Average Annual Amount FY 1984 - FY 1991[b]	(4) Avg. Annual Amount Last Five Years	(5) Ratio CGP/CIAP FY 1992[c]	(6) Ratio CGP/CIAP Five Years[d]
Chicago, IL	40,686	$117,894,299	$140,388,128	$39,023,761	$57,447,175	3.02	2.44
Baltimore, MD	18,088	$35,611,578	$39,408,619	$24,973,294	$31,559,471	1.43	1.25
Dade County, FL	10,962	$14,128,768	$15,441,921	$10,474,395	$15,619,032	1.35	0.99
St. Louis, MO	6,769	$20,450,179	$23,097,888	$5,472,775	$7,241,041	3.74	3.19
Richmond, VA	4,461	$6,570,559	$7,358,541	$4,643,117	$4,658,280	1.42	1.58
Oakland, CA	3,306	$9,354,195	$10,521,496	$4,759,115	$6,544,188	1.97	1.61
Lucas, OH	3,253	$5,248,479	$5,824,657	$5,750,535	$8,108,825	0.91	0.72
Hartford, CT	2,951	$6,303,444	$7,960,188	$2,962,072	$4,339,316	2.13	1.83
Camden, NJ	2,333	$4,647,927	$5,120,811	$10,571,029	$11,168,331	0.44	0.46
Athens, GA	1,287	$1,785,467	$1,735,086	$1,544,317	$2,277,512	1.16	0.76
Laredo, TX	942	$1,418,196	$1,588,378	$802,183	$1,075,853	1.77	1.48
Owensboro, KY	614	$1,090,535	$1,237,063	$462,039	$174,130	2.36	7.10
Hammond, IN	599	$1,338,480	$1,520,231	$526,119	$841,791	2.54	1.81
Cheyenne, WY	266	$335,057	$324,272	$327,015	$569,087	1.02	0.57
Amsterdam, NY	265	$333,133	$352,271	$586,232	$531,880	0.57	0.66
Average	6,452	$15,100,686	$17,458,637	$7,525,200	$10,143,727	1.72	1.76

[a] Assumes FY 1994 funding continues to FY 1995 and FY 1996 for all but small agencies. For small PHAs, FY 1994 funding is assumed to continue through FY 1997.

[b] For small PHAs, the average is based on FY 1984 to FY 1992.

[c] Column 1 divided by Column 3.

[d] Column 2 divided by Column 4.

As indicated in column 5, CGP funding for FY 1992 reflected an increase over average CIAP experience in all but three sites.[3] The magnitude of the increase was quite dramatic in some cases, with three sites approximately doubling their CIAP average and two other sites more than tripling the average amount of funding received under CIAP.

Since PHA perceptions may be colored more by recent experience, we also compared expected annual CGP funding over the first five program years with funding for the last five CIAP years (column 6). As shown in the exhibit, the magnitude of the increase is moderated in many cases, but most sites still fare substantially better under CGP than they did under CIAP. However, three more sites — Athens, Dade County, and Cheyenne — move into the group of agencies with reduced funding relative to the old system, because most of their CIAP funding was received towards the end of the 1984-1991 period. At the other extreme, Owensboro had received very little CIAP funding in recent years owing to its low level of modernization needs. Here, the five-year CGP average increases to more than ***seven*** times the level of funding received over the last five years of CIAP. Other sites still showing major increases are Chicago, St. Louis, Hartford, and Hammond.

The increases in funding experienced by most sites undoubtedly played a role in their positive comments on the CGP program. Overwhelmingly, CGP was viewed as an improvement over the CIAP approach, both because of the higher level of funding and the greater freedom under CGP for PHAs to set spending priorities. Predictability of funding was also a factor in the sites' favorable opinions of the program, as will be discussed in more detail below.

The only sites that seemed to have negative perceptions of CGP were Athens and Cheyenne. In Athens, the staff believed that the PHA was in an excellent competitive position under CIAP, due to its good management performance and the fact that few of its units had yet been modernized. Under CGP, the authority does not benefit from positive management factors; moreover, the formula funding amount is low compared to recent CIAP awards, so that the modernization process will be stretched out over many years. Athens staff are also concerned about the way the formula was calculated; Athens was one of the few sites that received a lower level of funding after the first CGP year, and staff speculated that this may have been the result of an error in the data used to produce the formula.

Cheyenne's dissatisfaction with the CGP program was also based on the fact that formula funding was lower than its most recent CIAP grants. In addition, the authority felt that it had to devote virtually all of its first-year funding to meeting mandates for LBP abatement. Interestingly, Cheyenne's physical needs assessment suggested a modest overall level of need which could be fully addressed within the first five years of CGP funding. However, the PHA had been using funds to modernize acquisition units and feared that it could not continue to purchase and renovate such units at the level of funding provided under CGP.

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[3] Lucas stayed about the same. Amsterdam dropped substantially. Camden will receive less than half of its previous funding level but had the highest per unit levels of CIAP funding in the 15-site sample.

4.2 Perceived Benefits of CGP

During the site visits, staff at the 15 study sites suggested a variety of different ways in which CGP had benefitted their modernization programs. These benefits included the ability to plan ahead, to incorporate local priorities and strategy preferences into spending plans, and to address modernization needs more systematically (partially as a result of overall higher funding levels). Large and small PHAs were equally likely to perceive substantial benefits in the switch from CIAP to CGP.

4.2.1 Flexibility

As discussed in Chapter 3, several sites adopted more dispersed spending patterns under CGP than was possible under CIAP, given that program's emphasis on comprehensive modernization. Richmond, St. Louis, and Oakland staff all indicated that one of the major advantages of the CGP program was that they could pursue a mixed strategy that involved more than just comprehensive work. As a result, the PHAs' modernization programs were better able to respond to local priorities and meet a broad range of needs at different developments.

In addition to the flexibility to tailor local strategies, many sites indicated that CGP afforded greater flexibility than CIAP in the specific types of work that could be funded. Owensboro and Amsterdam were able to fund amenities and "quality of life" items that they did not believe would be funded under CIAP. Several other sites were pleased with the ability to use CGP funding for management improvements and resident services. In Oakland, a city representative who sits on the authority's CGP Planning Committee commented favorably on the breadth of management improvement items that were allowed, saying that committee members felt empowered by the freedom they had in allocating funds: when they asked PHA staff if CGP funds could be used for a particular purpose, the answer was always "yes." Senior management staff in Oakland also commented positively on the flexibility of the CGP program, viewing it as step toward "true fungibility" (by which they meant a combined operating and capital subsidy).

A final aspect of flexibility mentioned by the sites was the ability to modify plans and shift work items across years. This was particularly important for Dade County, when it was faced with widespread damage from a natural disaster. The hurricane response showed that reserve funds can be accessed quickly at the national level, according to Dade County staff; moreover, Dade County was able to reprogram CGP spending to meet changing needs. The ability to deal with emergencies was cited as an advantage of CGP by several other sites faced with unexpected breakdowns or system failures.

While most sites were pleased with the level of flexibility afforded by CGP, a few indicated areas where additional flexibility is needed. For example, Camden staff believed that the 7 percent cap on administrative costs is too restrictive. They would also like to see relaxation in the time accounting methods used for this function. Several sites, including Athens, noted that the PHA's flexibility is often limited by the need to get resident approvals

for changes. Athens would like increased flexibility to make spending shifts without going through the full resident participation process.

4.2.2 Predictability and Reliability of Funding

Many of the 15 study sites commented on the advantage of knowing funding amounts in advance under CGP and being able to plan for future years. Equally important was the freedom from having to waste time on planning efforts that would never be funded. As staff at a number of PHAs pointed out, much time and effort was invested in unsuccessful CIAP applications. Moreover, even when the PHAs won CIAP funds, the amount was never what had been requested; line items were typically struck by HUD in order to meet the budget, leaving staff to do basically the same job but with less funding. By contrast, the comprehensive plans prepared under CGP reflect real work rather than a "wish list" of items, only some of which would be funded. As staff in Lucas put it, now when they develop work item specifications and implementation schedules, they know that the job will, in fact, be done. A related benefit is that jobs that require more than one year of funding to complete are more secure; under CIAP, some jobs had to be done in phases, and funding in later years was not always adequate.

Understandably, the two sites that experienced a decrease in funding after the first CGP year were less likely to view CGP as reliable or predictable. Also, a few sites expressed concern that the relatively high funding levels appropriated by Congress in recent years would not last into the future.

In Dade County, the PHA cited two unique benefits related to the predictability of CGP funding. The first is the ability to use the program to move towards site-based capital planning; Dade County plans to decentralize as many management functions as possible to the development level, and, ultimately, to provide developments with a project-based suballocation for modernization funding. CGP has allowed the authority to develop and test a process for site-based planning and also permits the authority to disperse its funding across all of its properties. In addition, the predictability of CGP funds allows the PHA to coordinate better with other county departments and to participate in the County's capital planning process and tax-exempt bond issues.

Finally, several of the 15 sites noted that the predictability of CGP funds had important administrative benefits. In Oakland, for example, the PHA was able to staff-up its modernization program with the assurance of continued, predictable funding. The ability to retain good staff was also mentioned as a benefit of CGP funding predictability, as was the ability to even out workloads through better modernization planning.

4.2.3 Better and More Rational Planning

Staff at a wide range of sites provided examples of ways in which the CGP formula system allowed them to approach modernization planning more rationally. As staff in Richmond

pointed out, building systems fail at different times; thus a modernization program focused only on comprehensive modernization by its nature encourages early replacements. By contrast, CGP accommodates the uneven nature of this work and also allows the PHA to reschedule items when new needs arise. Richmond staff also noted that they are no longer faced with increased costs due to delaying needed work until funding becomes available. (A typical example is delaying replacement of a leaking roof, which then results in the need for structural repairs.) Another problem that CGP avoids is the practice — apparently widespread under CIAP — of HUD's striking work items (due to budget constraints) which then have to be added back later, typically at greater expense.

Generally, it appears that CGP has allowed the PHAs to take a long term perspective toward modernization planning in a way that was previously impossible. This change was important enough to the CGP coordinator in Amsterdam to make him prefer CGP to CIAP, even though average funding levels for that PHA are lower. Several sites said that they found the CGP planning process constructive and useful, even if time-consuming. For example, in Oakland, where the process was particularly thorough, staff say that the PNA effort helped them develop a rational approach for determining priorities across the PHA's 260 scattered sites. Chicago provides a counter-example, however; despite the advantages of CGP, this authority is still unable to plan rationally, due to the overwhelming level of needs and the constant diversion of funds to emergencies and security.

4.3 Problems and Issues

Both modernization staff and top management at the 15 PHAs were on the whole extremely positive about the CGP program. Although staff at Athens and Cheyenne were unhappy with the level of funding provided, there were relatively few problems identified in the interviews. Two issues did come up in a number of sites, however. The first relates to HUD oversight, and the second relates to resident participation.

The oversight issue focuses on the potential for problems and/or program abuse, given the substantially reduced role of HUD under CGP. As will be described in more detail below, the vast majority of the PHAs found reduced HUD involvement to be a positive feature of the program. However, a few (mostly smaller) agencies were either concerned that they might not be doing everything correctly or missed the technical assistance and support they used to receive when working more closely with HUD staff on CIAP issues. In addition, two of the larger PHAs noted that HUD played a useful role in CIAP, often buffering the staff from demands made by residents or PHA board members. Several of the PHAs that worried about lack of HUD oversight said that the potential for problems was greater for "other" PHAs, particularly those with larger modernization programs.

A second issue mentioned in several sites concerned the role of residents in CGP decisionmaking. It should be noted that all of the sites welcomed resident input generally and said that resident participation was important to the program, even though the process of gaining that input was time-consuming. But problems arose when staff felt that residents' desires

conflicted with their professional judgement regarding modernization strategy or implementation. As was described in Chapter 2, this is a particularly important issue in Baltimore, where CGP decisionmaking is controlled by a committee with strong resident participation. Staff feel that the committee has pushed the authority towards a more piecemeal approach in order to spread improvements more broadly. Staff in this site also believe that resident input has diverted management funding away from the systems improvements favored by the staff and towards spending for resident initiatives. In St. Louis, staff are quite positive about most aspects of resident participation. However, they note that participation has been defined to include resident membership on technical selection panels for A&E services, which they feel is inappropriate given the nature of these evaluations.

4.4 Impact on Administrative Cost and Burden

During the on-site interviews for this study, PHA staff were asked whether CGP was likely to have an impact on the costs of administering modernization. None of the sites had directly monitored this issue, so their responses reflect a mix of impressions and theory. Interestingly, respondents were divided as to whether CGP was less burdensome than CIAP, more burdensome, or the same. Factors that led some sites to report reduced administrative burden (and therefore cost) included less HUD oversight and fewer reviews. In addition, these sites thought that CGP was more administratively simple, once the initial investment in planning was made. As noted above, a positive administrative impact mentioned in several sites was the ability under CGP to maintain a consistent staff level and to even out the flow of work from year to year.

Factors associated with increased burden, as reported by the sites, included the time spent soliciting and managing resident participation and the fact that several sites had moved to more dispersed spending plans which involved a greater number of contracts and thus more staff time. Chicago found CGP paperwork to be extremely burdensome since, due to the size of the agency, each submission is a massive document. The front-end planning effort was also clearly a substantial effort for all of the agencies.

4.5 Impact on Spending Rates

Exhibit 4-2 provides information on CGP obligation and spending rates taken from the September 1994 Performance and Evaluation reports. Looking at data for FY 1993, we see that CGP obligation rates after one year ranged from 8 percent in Athens to 86 percent in Laredo. The typical site among the 15 had obligated 41 percent of its CGP funds after one year. Spending rates for FY 1993 ranged from zero in Cheyenne to 60 percent in Chicago, with the average site having expended 20 percent of its funds.

The exhibit provides similar data for the sites' FY 1992 CGP grants (reflecting CGP obligation and expenditure rates after two years), as well as data drawn from HUD reporting systems for the last year of CIAP (reflecting three years of obligations and expenditures).

Exhibit 4-2

Obligation and Spending Rates Under CGP and CIAP

Site	FY 1993 CGP Obligations and Expenditures as of 9/94 (One Year After Award)					FY 1992 CGP Obligations and Expenditures as of 9/94 (Two Years After Award)					FY 1991 CIAP Obligations and Expenditures as of 9/94 (Three Years After Award)				
	Total Grant Amount	Amount Obligated	% Obligated	Amount Expended	% Expended	Total Grant Amount	Amount Obligated	% Obligated	Amount Expended	% Expended	Total Grant Amount	Amount Obligated	% Obligated	Amount Expended	% Expended
Chicago, IL	$135,432,295	$97,251,301	72	$81,489,440	60	$117,894,299	$101,127,741	86	$83,587,678	71	$108,000,000	$101,727,170	94	$96,331,448	89
Baltimore, MD	$42,413,460	$25,418,076	60	$12,500,000	29	$35,611,578	$29,704,856	83	$24,655,914	69	$32,600,000	$32,562,669	100	$20,201,762	62
Dade County, FL	$15,973,576	$6,069,886	38	$2,881,963	18	$14,128,768	$7,173,224	51	$2,925,687	21	$49,844,223	$49,691,181	100	$27,865,388	56
St. Louis, MO	$23,512,549	$6,327,393	27	$2,940,389	13	$20,450,179	$7,992,375	39	$3,177,582	16	$3,233,348	$3,233,348	100	$3,299,432	102
Richmond, VA	$7,679,887	$2,669,992	35	$1,318,413	17	$6,570,559	$4,303,999	66	$2,128,368	32	$2,498,935	$1,815,424	73	$1,250,573	50
Oakland, CA	$10,838,135	$3,929,428	36	$1,804,203	17	$9,354,195	$4,552,212	49	$3,787,071	40	$7,783,000	$2,057,908	26	$1,858,313	24
Lucas, OH	$6,118,257	$1,033,954	17	$399,882	7	$5,248,479	$2,665,652	51	$2,211,537	42	$18,988,559	$17,943,164	94	$14,846,878	78
Hartford, CT	$7,200,792	$1,845,670	26	$774,543	11	$6,303,444	$2,623,825	42	$1,946,458	31	$4,827,164	$4,827,164	100	$3,304,012	68
Camden, NJ	$5,269,755	$3,204,618	61	$806,301	15	$4,647,927	$2,056,290	44	$107,270	2	NA	NA	NA	NA	NA
Athens, GA	$2,032,587	$167,245	8	$11,830	1	$1,785,467	$218,870	12	$210,810	12	$7,696,823	$5,391,109	70	$3,090,421	40
Laredo, TX	$1,577,980	$1,350,768	86	$722,661	46	$1,418,196	$1,404,528	99	$942,657	66	$375,552	$375,552	100	$375,552	100
Owensboro, KY	$1,397,657	$525,645	38	$97,859	7	$1,090,535	$783,335	72	$499,064	46	NA	NA	NA	NA	NA
Hammond, IN	$1,614,056	$1,258,653	78	$835,511	52	$1,338,480	$1,329,348	99	$1,291,656	97	NA	NA	NA	NA	NA
Cheyenne, WY	$335,576	$45,054	13	$0	0	NA	NA	NA	NA	NA	$312,765	$241,485	77	$236,764	76
Amsterdam, NY	$333,133	$61,844	19	$26,998	8	NA	NA	NA	NA	NA	$536,122	$496,328	93	$491,330	92
Average	$17,448,646	$10,077,302	41	$7,107,333	20	$17,372,470	$12,764,327	61	$9,805,519	42	$19,724,708	$20,032,955	93	$15,741,079	76

NA indicates not applicable.

Unfortunately, we do not have historical data that would enable us to compare CGP with CIAP after only one year (or two years) each.

The data show that many sites seem to be having difficulty obligating CGP funds within the expected two-year timeframe. Five of the 13 PHAs with FY 1992 grants had obligated less than half of these funds as of September 1994. Several of the PHAs with lower obligation rates also show low obligation or spending rates under CIAP. At least two of them (Oakland and Athens) typically need to aggregate funds across program years in order to undertake comprehensive modernization at their larger developments.

In terms of the sites' perceptions, many PHAs thought that obligation and spending rates had accelerated as a result of CGP. For example, staff in Hammond believed that hiring a full-time modernization coordinator had allowed the PHA to spend its modernization funds more quickly than in the past. In Laredo, it was also argued that the more consistent staffing levels under CGP resulted in higher obligation and expenditure rates. Staff in Dade County felt that obligation rates had increased partly as a result of fewer HUD reviews to slow the process down. Finally, in Camden the staff expected faster spending under CGP due to better phasing and sequencing of the work. It should be noted, however, that PHAs do not always share HUD's objectives for rapid obligation and expenditure of funds. In particular, sites that need to accumulate funds from several CGP years for larger jobs believe that the emphasis on obligating funds is counterproductive and should be secondary to overall efficiency in spending.

4.6 Administration and Processing

From an administrative perspective, there were few complaints or insights offered by the PHAs about CGP. A large number of sites mentioned the LOCCS (electronic funds transfer) system as a positive advance over the past several years.[4] Although this is not a part of CGP, the requisition and payment process for modernization funds appears to be much easier using this system.

Regarding CGP processing, the most important change from the perspective of the sites was that HUD approvals and reviews were no longer required. PHA staff no longer need Field Office approval for previous participation reports, plans and specifications, the bidding process, or change orders. They are also no longer required to submit line item justifications for work items. PHA staff with experience under both programs felt that these added a great deal of work and time under CIAP, and they are happy to be relieved of them under CGP.

None of the 15 study sites reported any major problems completing their comprehensive plans or other CGP documents or any need for Field Office assistance or data. All of the PHAs reported submitting these on time. Only four suggestions in this area were made: putting the Performance and Evaluation report on the same schedule as the Annual Statement (in order to save time associated with the resident participation process); moving from an up-front approval

[4] A few sites had problems with low ceiling amounts on payment requests.

process to one of post hoc review; providing more flexibility in the timing of resident input; and providing PHAs with software to assist them in CGP tracking and reporting. Staff at one site said that they found the narrative reporting under CGP to be a useful addition, while staff at another PHA stated that the process and documentation support the program well.

4.7 Relationship with HUD Field Offices

The PHAs included in this study generally reported that HUD Field Offices were responsive and were able to complete their CGP reviews on time. Only three agencies reported any delay in the review of the comprehensive plans or the signing of the ACC, and this was only in the first year. HUD's reorganization at the Regional and Field Office levels appears to have had little, if any impact, on the administration of the program at most sites, although several reported shifts in the personnel handling their PHA.

In general, PHA staff reported an improvement in their relationships with the Field Offices. One site attributed this to a more general switch in HUD's approach to troubled agencies. Another indicated that HUD's reduced oversight role — plus the fact that Field Offices are no longer involved in the modernization funding decision — had taken the pressure off of the relationship. Under CGP, HUD is doing significantly less monitoring than under CIAP, and sites have more freedom. As noted elsewhere, a few PHAs have mixed feelings about this level of freedom, and some would like a closer working relationship with HUD staff. Overall, however, the vast majority of the PHAs were pleased with HUD's hands-off role under CGP.

HUD staff contacted for this study confirmed that they had generally good working relationships with the PHAs. However, a number of the Field Office monitors expressed concern about the extent of discretion given to PHAs under CGP and the ability of Field Office staff to monitor PHA's work effectively. In a few cases, more specific concerns were expressed relating to the PHA's ability to handle the increased responsibility and funding level of CGP.

CHAPTER 5
CGP AT THREE INDIAN HOUSING AUTHORITIES

Across the United States, 183 Indian Housing Authorities, representing 267 tribes and 199 Alaskan Villages, administer a variety of assistance programs to low-income households. Three Indian Housing Authorities (IHAs) were selected by HUD for inclusion in this study of CGP. Information on program implementation at these IHAs was collected from a review of each site's CGP documents and through interviews with IHA officials, residents, local government officials, and Office of Native American Programs (ONAP) staff from HUD Field Offices. However, unlike the PHA sites, all data collection for IHAs was completed by mail or by telephone, and no site visits were made.[1] As a result, the data for IHAs are somewhat less complete than those for the PHAs. This chapter presents information—to the extent available—on the planning processes, modernization strategies, and spending patterns of the IHAs. It also discusses several issues of particular relevance to IHAs implementing CGP.

The guidelines for IHAs in the CGP program are essentially the same as those for PHAs. However, the housing stock addressed by CGP is different. In addition to administering the low-rent public housing program (which serves roughly 27,000 families in IHA's nation-wide), IHAs also administer the Mutual Help program (serving roughly 50,000 households nation-wide), a lease-purchase homeownership initiative for low-income Native Americans. Under Mutual Help, the IHAs lease homes to prospective owners, known as "homebuyers," for a period of up to 25 years. During the lease period, the homebuyer makes monthly payments based on income, and any payment in excess of the basic administrative fee is credited to the homebuyer's equity account. Participants are considered eligible to purchase the home when their equity account and reserves are sufficient to pay the outstanding balance as calculated by the IHA.

Under the Mutual Help program, the responsibilities of the IHA and the tenant differ from under the standard rental situation. Mutual Help homebuyers are responsible for utility costs and for maintenance on their units. The IHA assumes responsibility only for items related to health and safety, physical accessibility, correction of development deficiencies, energy audits, and lead-based paint testing and abatement. Under CIAP, Mutual Help units were not eligible for comprehensive modernization until a statutory change implemented in 1992 made them eligible for one-time, comprehensive modernization under either CIAP or CGP. In a subsequent statutory change, implemented in 1993, the restriction limiting Mutual Help units to a one-time grant was removed. As a result of that change, Mutual Help developments became eligible for the same physical and management improvements as rental developments. CGP is seen as a means to upgrade the Mutual Help units before the homebuyers take ownership.

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[1] The three sites were selected from among sites included in another HUD PD&R study focusing on the housing needs of Native Americans. To conserve resources, some initial questions on modernization issues were included in the on-site interviews for that study. Interview notes and site summaries were provided for use in this study.

The three agencies examined for this study all administer both the low-rent and Mutual Help programs. The three agencies are briefly profiled below.

Association of Village Council Presidents Regional Housing Authority (AVCPRHA)

This authority manages 1,006 Mutual Help units and 20 low-rent units in 58 developments in 43 villages in northwest Alaska. Most of the stock has been built since 1978. Approximately 20 percent of the units are modular housing. Half-houses are shipped to Bethel (site of the IHA's administrative offices) on barges, flown to the site, and assembled. Building conditions vary considerably from village to village. Some development sites are located on swampy tundra, others in wooded areas, and still others on barren hillsides. One IHA staff member estimated that houses with a 50-year life in the lower 48 states might only be expected to last 25 to 30 years in this region's arctic climate.

AVCPRHA has a history of problems with poor construction and materials quality, inappropriate design, vandalism, overcrowding, and lack of homebuyer maintenance. In combination with the extremely severe climate and high construction and freight costs in Alaska, these factors have resulted in extensive modernization need, despite the relatively young housing stock. The agency's CGP Physical Needs Assessment identified $42 million in need, or an average of $41,800 per unit.

Gila River Housing Authority (GRHA)

This IHA is based in Sacaton, Arizona. The agency's staff administers 696 low-rent and 405 Mutual Help units in 32 developments, spread across the 1,800-square-mile Gila River Indian Community Reservation. Management deficiencies, high vacancy rates, rent delinquencies, and lack of maintenance are significant problems for the agency. There has also been frequent turnover in executive directors and senior staff, resulting in a lack of continuity in agency priorities and program implementation. The IHA's Board has recently taken an active role in ensuring management improvements by bringing in new staff; with CGP funds, the Board has hired a management consultant to conduct a comprehensive assessment of agency operations and help resolve identified problems. The Board has also been actively involved in the implementation of CGP; the CGP coordinator reports directly to the Board at monthly CGP meetings.

GRHA's Physical Needs Assessment identified $16 million in need, or roughly $12,000 per unit. Even though the first CGP funding cycle was in FY 1992, the program is really only getting started in Gila River. This delay was partly due to staff turnover in the modernization department, as well as a change in executive director and accompanying changes in CGP priorities.

Rosebud Housing Authority (RHA)

RHA administers 805 low-rent units and 223 Mutual Help units in 23 developments on the Rosebud Reservation in south-central South Dakota. There was steady development of HUD housing on the reservation through the 1960s and 1970s. A few units were added in 1982 and 1983, followed by a period of limited development. Much of the older, low-rent stock has had little or no modernization since construction, resulting in some badly deteriorated units.

The reservation's economy is very depressed, contributing to rent payment problems and deferred maintenance. According to local and HUD respondents, RHA's modernization needs reflect this history of deferred maintenance. The agency's Physical Needs Assessment identified $17 million in need, or an average of almost $17,000 per unit. The agency has also experienced a great deal of senior staff turnover in recent years, including three modernization coordinators since 1992.

The three IHAs included in this study have several characteristics in common. Each agency manages about 1,000 units. Only about 8 percent of all IHAs manage 1,000 or more units; thus, these three agencies are among the largest IHAs in the country. Most of the stock is scattered-site, single-family homes. In some cases the homes are clustered, but in many cases they are dispersed over a large geographic area. Most of the housing is for families (67 to 97 percent) and consists of relatively large units to accommodate large, often multigenerational families. The housing stock is relatively new; all of the units have been built since 1960, and many (40 to 80 percent) have been built since 1980. However, despite the relatively young housing stock, many units have significant modernization needs due to deferred maintenance and resident vandalism and neglect.

The distribution of units by program type differs among the three IHAs. AVCPRHA's stock is 99 percent Mutual Help, with just a few low-rent units for the elderly. Gila River's stock is roughly half Mutual Help and half low-rent, and Rosebud's stock is three-quarters low-rent units.

Two of the reservations served by these IHAs are located in remote areas. AVCPRHA's service area covers a vast area (equal in size to the state of Montana) in rural Alaska. The region's only town has a population of just 5,000 residents; approximately 250 to 300 people live in each of the region's villages. There are no paved roads leading to these villages, so they are only reachable by air or, in some cases, by river. Village economies are largely dependent on federal assistance, dividends from Alaska's "permanent fund" (earnings on oil revenues which are distributed to Alaska residents), and subsistence activities.

Rosebud Reservation in South Dakota, while not as isolated as AVCPRHA, is also far from any major employment centers. Some residents are involved in ranching or agriculture; most who have non-agricultural employment work for one of the tribe's federally funded programs. Local respondents estimated the unemployment rate to be as high as 80 to 90 percent, including discouraged workers.

Gila River's location, only 25 miles southwest of Phoenix, is less remote, but the reservation shares many of the economic problems of the other two reservations. Unemployment rates are high, employment opportunities are relatively limited (although somewhat better), and most residents do not have reliable transportation to reach jobs in the Phoenix area.

5.1 The Planning Process

5.1.1 Physical Needs

The three IHAs in this study all used in-house staff to develop their initial PNAs. Exhibit 5-1 summarizes the process in each site. As shown, AVCPRHA and Rosebud relied on staff from their modernization departments, while a senior maintenance staff member prepared the Gila River documents. All three agencies used annual inspection reports as one source of data. AVCPRHA also conducted site visits to selected developments and used written and verbal comments from residents. Gila River and Rosebud staff used records on work that had not been completed under CIAP. Rosebud also reviewed work orders for needed work items.

Only Gila River submitted a fully revised PNA during the period of this study. The first PNA had been completed "somewhat haphazardly," according to the current CGP coordinator, and with very limited documentation. A new PNA was submitted in FY 1994.[2]

Priority Needs and Mandates

Each IHA was required by HUD to establish priorities among the work items identified in the PNA. Exhibit 5-2 shows the proportion of hard cost needs that were determined by the IHA to be high priorities or to reflect mandates (including lead-based paint abatement and Section 504 improvements). As discussed above, few Section 504 or lead-based paint-related needs were identified by the IHAs, largely due to the relatively new housing stock. Also, staff from the housing authorities explained that Section 504 improvements are undertaken as needed, based on the requirements of the current residents of units being modernized; these needs were not identified as part of the needs assessment process.

Staff from both Rosebud and Alaska assigned top priority to mandates and emergency items and then established additional priorities on a development-by-development basis. Information on priorities from the original FY 1992 plan was not available for Gila River. However, staff submitted an updated plan, including a revised PNA and MNA in FY 1994.

The IHAs identified only limited physical needs associated with mandates. Because only 18 percent of AVCPRHA's stock was built prior to 1980, needs associated with lead-based paint (LBP) abatement are small. The agency estimated $22,500 in LBP testing need but did not

[2] Because the earlier documents are not complete, the more recent Gila River PNA and accompanying five-year plan are used for analyses of needs and planned spending in this chapter.

Exhibit 5-1

Preparation of Physical Needs Assessment

Site	IHA Size	Who Prepared PNA	Updates	Reported Need: Total (Per Unit)	Sources of Information
AVCPRHA	1,026	Modernization Staff	No	$42,885,004 ($41,798)	Inspection reports, site visits, written and verbal resident comments
Gila River Housing Authority	1,101	FY 1992: Maintenance staff FY 1994: Modernization staff	Full Update	$14,023,400 ($12,737)	Inspection reports, records on uncompleted CIAP work.
Rosebud Housing Authority	1,028	Modernization Staff	No	$17,360,561 ($16,888)	Inspection reports, work orders, records on uncompleted CIAP work.

Exhibit 5-2

Priority Needs and Mandates (Hard Cost)

Site	Total Need	Total Hard Cost Need	Total Priority 1 Need	Percent PI Need	Total LBP Need	Percent LBP Need	Total 504 Need	Percent 504 Need
AVCPRHA	$44,719,088	$42,885,004	$2,394,000	6%	$22,500	<1%	$220,000	<1%
Gila River	$16,847,600	$14,023,400	ND	ND	ND	ND	0	0%
Rosebud	$19,125,081	$17,360,561	$859,630	5%	0	0%	$155,720	1%
Average	$26,897,256	$24,756,322	$1,626,815	6%	$11,250	<1%	$125,240	<1%

Note: ND indicates data are not available.

estimate abatement costs. The agency's Section 504 needs amounted to $220,000 (less than 1 percent of total need.) At Rosebud, no LBP testing or abatement needs were identified, and Section 504 need was limited to $155,720 (or about 1 percent of total need.) Gila River did not report *any* mandate-related needs in the agency's PNA.

At AVCP, foundation repairs, fuel tank replacement, fire escapes, and stove replacements were identified as Priority 1 items, based on resident input and staff recommendations. The cost of these Priority 1 needs in the developments in the first five-year plan totaled approximately $2.4 million, or 6 percent of total need.[3] Anticipated funding would be more than adequate to cover the hard cost for Priority 1 items and mandates.

Priority items at Rosebud (in South Dakota) include furnace replacement, fire protection improvements (extinguishers and smoke detectors), and electrical and plumbing upgrades. The total cost of these items was estimated to be $859,630 or approximately 5 percent of total physical needs.

Priority needs at Gila River (in Arizona) in the agency's revised PNA are: roof repair, evaporative coolers, floor tiles, kitchen cabinets, plumbing and heating upgrades, exterior upgrades, and septic tank replacements. Several of these needs arise from the extremely poor water quality on the reservation, which contributes to rapid deterioration of pipes, fixtures, and tile. The estimated costs of individual work items were not detailed in the PNA, and the five-year plan does not detail improvement activities by development. Thus, it is not possible to determine the cost of Priority 1 needs for this authority.

Completeness and Accuracy of the Estimates

The apparent completeness and accuracy of the original PNAs varied across the three IHAs. While no large categories of need seem to have been omitted or understated (as was observed for several of the PHAs in this study), some of the interview respondents indicated that needs were not based on thorough assessments. As mentioned above, Gila River's original PNA was not considered to be comprehensive; the agency's original PNA shows total need of $9.5 million compared to the FY 1994 revised physical need figure of roughly $16 million. HUD staff interviewed about AVCP's planning process questioned the accuracy of this agency's needs assessment as well. In this case, however, the HUD staff member thought it likely the assessment overestimated the extent of the IHA's need.

IHA staff comments seem to indicate that the agencies did not attempt to conduct a thorough analysis of needs related to mandates. The stock is relatively new, and needs relative to LBP abatement and accessibility were not anticipated to be substantial. The approach taken by all three IHAs to Section 504 requirements was to assess the needs of the occupants of the

[3] Detailed cost figures for the first priority needs in the non-targeted developments were not available. The percent of need attributed to first priority needs is thus somewhat understated.

units being modernized and to make accessibility improvements as needed; these needs were ***not*** identified as part of the PNA process.

Among the three IHAs, Alaska's AVCPRHA reported by far the highest per unit physical needs, estimated at $41,748. Per unit needs range from $9,000 in several newer developments to almost $300,000 in one small development requiring extensive interior and exterior work as well as water and sewer work. Foundation improvements are a costly item needed in a number of developments; other needed improvements are intended to address deterioration caused by moisture penetration and severe weather. Overall, AVCPRHA's expected CGP funding would be sufficient to address approximately 43 percent of total needs over the first five years of CGP. Per unit needs for the other two Indian housing agencies were more modest and fell close to the median for the 15 PHAs examined in this study. Gila River's per unit needs averaged $12,737; anticipated five-year funding for this site would cover roughly 85 percent of identified need. Per unit needs for Rosebud were $16,888, and expected CGP funding would cover about two-thirds of this amount over 5 years.

The IHAs used experience with past modernization projects to estimate costs for the needs identified in the PNAs. Rosebud staff reported that they developed cost estimates based on cost sheets from past modernization projects and used a contractors' estimating book for labor costs. Actual costs have run higher than anticipated, due to inflation in construction costs (especially lumber) and higher wage standards issued by HUD. AVCPRHA staff said their cost estimates were developed based on past modernization work, and they conceded that the CGP estimates have not always proven accurate. The modernization coordinator said costs generally differ because of unanticipated problems encountered once work begins. He cited an example of a home scheduled for exterior envelope work where workers discovered extensive dry rot in the walls, resulting in a substantial increase in the cost of the work.

5.1.2 Management Needs

The approach taken for developing the Management Needs Assessment (MNA) was similar across the three IHAs, although the needs identified were quite different. All three focused first on deficiencies identified in HUD audits and ACA reviews;[4] administrative and financial system improvements and training needs were also commonly cited. Two of the three agencies acknowledged that their assessments were tailored to approximate expected funding, and were not truly comprehensive assessments of management needs. Security accounted for a smaller proportion of need than among the PHAs examined in this study, and relatively few resident services needs were identified. Respondents in all three sites mentioned that HUD has placed more emphasis on resident services in the last couple of years, implying that the IHAs themselves have only recently begun to consider resident service needs as a part of their plans.

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[4] The Indian Housing Authorities are not covered by the PHMAP system. Instead, HUD conducts Administrative Capability Assessments (ACAs). Requirements for management improvements are based on ACA ratings, as well as on other reviews and audits.

The percentage of total need attributable to management improvements ranged from 2 percent for AVCPRHA to 8 percent for Gila River. Total management need amounted to $752,866 for AVCP, $955,000 for Gila River, and $942,460 for Rosebud. The following sections summarize the nature and extent of management needs identified by the three IHAs.

Functional Areas of Management Need

As shown in Exhibit 5-3, areas of management need differ substantially for the three IHAs. AVCPRHA and Gila River's needs are concentrated in two or three areas of need (administration and finance and resident services for AVCPRHA; administration and finance, personnel, and security for Gila River), while Rosebud's needs are broadly distributed across the categories identified in the exhibit. The percentage of need within a category also varies considerably. For example, while all three IHAs identified administrative and finance needs, this category represents 93 percent of AVCP's need, in contrast to 25 percent of Rosebud's and just 8 percent of Gila River's management need.

As mentioned above, resident services do not represent a large proportion of identified need. Of the three IHAs, Rosebud allocated the highest proportion of funds to needs associated with resident services (11 percent). Identified needs included establishing youth recreation and drug elimination initiatives and developing tenant and homebuyer mini-courses (to teach basic home maintenance). AVCPRHA planned to hire a resident services coordinator, but staff were uncertain about what the new staff member would be able to accomplish in the Alaskan region's vast geographic area, where travel is so difficult. Gila River did not identify any resident services needs in its MNA.

Relationship to Mandates

Exhibit 5-4 identifies, for each IHA site, the amount and proportion of management needs that are mandatory versus discretionary. Mandatory improvements are those that are required by the ACA or other HUD reviews. All three IHAs were mandated to review and update their administrative policies and procedures. HUD and IHA respondents said that staff turnover often creates inconsistencies in management and program implementation, procedures often are not written down, and staff are not well trained. Both Gila River and AVCPRHA planned to hire consultants to assess policies and procedures and make recommendations for changes, while Rosebud staff planned to conduct in-house reviews.

The only other mandatory need identified by AVCPRHA was a HUD requirement to settle several site control disputes among the tribe, the housing authority, and private land-owners. All mandatory needs together represented 13 percent of AVCP's total management need. Discretionary items (the remaining 87 percent) included construction of a warehouse and new IHA office space, purchase of additional vehicles, and hiring a resident services coordinator.

Exhibit 5-3

Management Need by Functional Area

Site	Total Mgmt. Need	Leasing and Tenant Functions		Property Management		Administration and Finance		Personnel		Resident Services		Security	
	Dollars	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
AVCPRHA	$752,866	$0	0%	$0	0%	$702,866	93%	$0	0%	$50,000	7%	$0	0%
Gila River	$955,000	$0	0%	$0	0%	$80,000	8%	$725,000	76%	$0	0%	$150,000	16%
Rosebud	$942,460	$177,010	19%	$30,000	3%	$239,850	25%	$151,970	16%	$103,630	11%	$240,000	25%

Exhibit 5-4

Mandatory and Discretionary Management Need

Site	Total Management Need	Total Mandatory Need	Percent Mandatory	Total Discretionary Need	Percent Discretionary
AVCPRHA	$752,866	$100,054	13%	$652,812	87%
Gila River	$955,000	$365,000	38%	$590,000	62%
Rosebud	$942,460	$202,010	21%	$740,450	79%
Average	$883,442	$222,355	24%	$661,087	76%

Gila River's mandatory needs represent 38 percent of total management need. Included in this category was training for staff in a variety of administrative areas: senior management; accounting; maintenance; and also training for the GRHA board. Overall, training made up 76 percent of Gila River's total management needs (roughly evenly split between mandatory and discretionary needs.) Computers and security staff comprised the remainder of discretionary needs.

In addition to the requirement to revise IHA policies, Rosebud's mandatory needs were related to developing physical inventory and automated inspection systems and hiring staff to improve TARS performance. Discretionary needs represent 75 percent of total management need; major items include hiring personnel and finance staff, developing maintenance courses for homebuyers, and establishing a preventive maintenance program.

5.1.3 Resident and Local Government Involvement

In all three sites, virtually every respondent indicated the IHAs made substantial efforts to provide opportunities for resident and local government involvement in the CGP planning process. However, by all accounts, very few residents or local officials actually participated. In Alaska, the participation process was hampered by the timing of the planning period. HUD's program deadlines required that the public meetings be held in the winter months, when travel is extremely difficult. The other two authorities also had logistical problems. However, it is not clear why participation was so low; possible explanations offered by IHA staff ranged from lack of complaints to a lack of interest in participating in government initiatives. Given the vast distances involved and the difficulty of travel at these three sites, it may be that it is simply not possible to increase participation substantially.

Housing authority staff estimated that more homebuyers than low-rent tenants participated in the planning process, but overall the numbers were still low. One housing authority official said the homebuyers in the Mutual Help program do not see themselves as potential owners, but rather as tenants; they assume the agency, as landlord, will take care of the homes. Comments from IHA staff and residents indicate a need for more training for Mutual Help homebuyers on the requirements of the program. Local government officials were not very active in the planning process either, although all acknowledged they had opportunities to review and comment on the local IHA's plans.

The three agencies followed similar procedures for soliciting resident and local government input. All three IHAs held advance meetings during which physical and management needs were discussed. The meetings were publicized with flyers and radio announcements. Rosebud also mailed a survey to residents, but the response rate was low.

Rosebud staff had prepared a fairly thorough needs assessment, which they presented at the advance meetings for comment. AVCPRHA staff prepared what they described as a preliminary list of needs, before the meetings, as a starting point for discussion; they then added resident suggestions from the meetings. Gila River's modernization coordinator explained (and

a resident confirmed) that the agency did not prepare a needs list prior to the meeting; rather staff began with residents' suggestions and then added items identified in housing authority documents such as inspection reports and work orders.

Residents interviewed for this study indicated that they felt that resident concerns had been incorporated into the housing authorities' plans. One resident mentioned that a set of common needs was identified for most of her agency's developments. Resident input determined which of the needs were the top priorities within different types of developments. For example, security upgrades were considered important for elderly developments and more densely built subdivisions, while exterior upgrades were ranked more important by residents of scattered-site family developments (where security has not been much of a problem).

Respondents in all three sites commented on the "mixed message" CGP creates regarding the responsibilities of homebuyers in the Mutual Help program. According to the rules of the program, homebuyers are responsible for maintenance of their units. However, the CGP regulations permit one-time modernization of Mutual Help units. During the planning process, each IHA made it clear that CGP funding would not be used to remedy problems resulting from homebuyer vandalism or neglect of maintenance. The housing authorities stressed that routine maintenance was the homebuyers' responsibility, but residents sometimes argued that deteriorated conditions resulted from faulty construction and poor materials quality, rather than from homebuyers' negligence. As might be expected, there were disagreements between homebuyers and IHA staff in each site over the responsibility for certain work items.

5.1.4 Funding Levels and Other Sources of Funds

Only Alaska's AVCPRHA reported plans to use reprogrammed CIAP funds to support CGP activities. The agency planned to use $515,000 in reprogrammed funds for office renovations. Neither of the other IHAs indicated they planned to use CIAP funds for CGP activities, and none of the three identified any other financial sources (such as operating funds) for their modernization efforts under CGP.

CGP annual grant amounts are quite a bit higher than the amounts these IHAs had typically received under CIAP. AVCPRHA's average CIAP grant for the years 1987 to 1991 was approximately $1.6 million, ranging from a low of $450,000 in FY 1989 to a high of $4.1 million in FY 1991. According to AVCPRHA staff, CIAP funding was only adequate to address the most urgent emergencies in most years. By comparison, the agency's annual CGP grants were $2.8 million and $3.4 million in FY 1993 and FY 1994 respectively. Rosebud's CIAP history shows funding ranging from $28,100 in FY 1990 (when RHA received funding only for LBP testing) to almost $2.1 million in FY 1989; this compares to $2.2 to $2.4 million in CGP grants for FY 1993 and FY 1994 respectively. CIAP award amounts were not available for Gila River. However, an ONAP representative from the HUD Field Office indicated that the agency had been reasonably successful in competing for CIAP funding. Even so, annual grants under CGP are roughly twice what Gila River received in a successful year under CIAP.

5.1.5 IHA Perspectives on CGP

IHA staff assessments of CGP were generally positive. AVCPRHA staff and other Alaska respondents generally agreed that CGP has been very successful so far. While the agency's needs are great, respondents are optimistic that CGP will permit them to address the critical needs in the AVCP housing stock. The more predictable funding flow in this program allows them to respond quickly to emergencies (such as frequent weather-related problems like burst water pipes) and to "make promises and keep them," in the words of one IHA staff member. Rosebud staff also praised the flexibility of the program and the convenience of the LOCCS system. While the funding level is not enough to meet all of the agency's needs, the modernization coordinator said he would not have the administrative capacity to run a larger program effectively. Relocation of residents while their units are modernized is also a major problem due to the lack of alternative housing. The CGP coordinator for Gila River confirmed resident complaints that CGP implementation has been very slow in this site. However, the delays have been due to local staff turnover and changing priorities (as will be discussed further below), not to the design of the CGP.

A few respondents were somewhat more cautious in their enthusiasm for the CGP. One ONAP representative from a HUD Field Office expressed concern that the magnitude of funding available may contribute to waste. He said some IHAs are essentially rebuilding units, including some work items that may not be necessary. An IHA respondent described CGP as "the best thing to happen to IHAs in a long time" but also referred to the program as "a local political nightmare." In his experience (which included work with two IHAs), balancing the competing interests of communities, the tribes, and the housing authority has been a significant challenge. In the past, IHAs could sometimes hide behind program regulations and HUD mandates in order to sidestep local politics. CGP's flexibility actually makes it more difficult to avoid confronting local conflicts. (This sentiment echoes comments made by several PHA staff in the site visits to those agencies.)

Most residents had generally positive assessments of their experience with CGP. One homebuyer who is also a tribal official commented that residents of his community are pleased that work is being done, and the quality of that work is good. This respondent and others also expressed optimism that hiring local labor through force account would contribute to increased incomes and skill development and had the potential for avoiding past problems with lack of accountability for poor workmanship.

5.2 Modernization Strategies and Spending

The overall strategies adopted by each IHA are specific to their local situations. The agencies' needs and spending patterns—as reflected in the FY 1992-1994 Annual Statements—are summarized in four exhibits. First, Exhibit 5-5 shows planned spending by budget categories (i.e., spending for physical needs, management, non-dwelling expenses, administration, other, and reserves). Exhibit 5-6 shows how IHAs have allocated funds to needs identified as Priority 1 in their PNAs. Exhibit 5-7 shows the distribution of planned management spending between

Exhibit 5-5

Planned Spending by Budget Category - FY 1993 and FY 1994
(Percent of Total Spending)

Site	Hard Cost for Physical Needs	Management	Non-dwelling	Administration	Other	Reserves
AVCPRHA						
FY 1993	84%	3%	5%	7%	1%	0%
FY 1994	84%	3%	4%	10%	0%	0%
Gila River						
FY 1993	60%	6%	27%	7%	2%	0%
FY 1994	80%	3%	7%	6%	3%	0%
Rosebud						
FY 1993	78%	10%	4%	5%	3%	0%
FY 1994	78%	11%	1%	7%	3%	0%

Exhibit 5-6

Physical Needs, Overall Strategies, and Spending Patterns

Site	Strategy	Physical Needs Assessment				Planned Hard Cost Spending: FY 1993 & 1994			
		Priority 1		All Other		Priority 1		All Other	
		Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
AVCPRHA FY 1993 FY 1994	Item-specific	$2,394,000	6%	$40,491,004	94%	$531,520 $417,500	19% 12%	$2,316,000 $3,019,370	81% 88%
Gila River FY 1993 FY 1994	Mixed	ND	ND	ND	ND	$443,000 $380,000	26% 16%	$1,265,636 $2,007,512	74% 84%
Rosebud FY 1993 FY 1994	Comprehensive	$859,630	5%	$16,500,931	95%	$442,328 $160,060	25% 9%	$1,311,910 $1,596,798	75% 91%

Note: ND indicates that data are not available.

Exhibit 5-7

Planned Management Spending

Site	Management Needs Assessment				FY 1992-FY 1994 Spending for Management Needs			
	Mandatory		Discretionary		Mandatory		Discretionary	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
AVCPRHA	$100,054	13%	$652,000	87%	$100,054	27%	$270,000	73%
Gila River	$365,000	38%	$590,000	62%	$104,200	42%	$146,000	58%
Rosebud	$202,010	22%	$740,450	78%	$183,400	26%	$510,425	74%

mandatory and discretionary needs. Finally, Exhibit 5-8 shows needs and planned spending by program type (i.e., Mutual Help versus rental.) The following sections highlight spending patterns and issues for each IHA.

5.2.1 AVCPRHA

According to AVCPRHA staff, the IHA cannot afford to pursue a comprehensive modernization strategy, because the costs are too high and the needs throughout the region are too great. Therefore, the agency decided to take a more item-specific approach designed to address the most critical needs. In the first five years, work was planned in 44 of the IHA's 58 developments. In general, work at each development was to be spread over two to three years, following a sequence from mandates, to foundation and ventilation upgrades, to exteriors, and finally interiors. There were several additional considerations in establishing priorities. First, 16 developments were not targeted for modernization in the comprehensive plan because of various legal disputes. Second, the agency had to consider not only costs and critical needs but also efficient planning in scheduling the sequence of work. Because the IHA's service area is so vast, the housing authority also considered economies of scale to be gained by addressing common problems in villages with particular unit designs.

Hard cost for physical needs totaled 84 percent of all spending for each year, emphasizing the importance the agency places on physical needs (see Exhibit 5-5). Originally, Priority 1 needs represented about one-third of planned spending in the first three years. Despite grant amounts that were higher than anticipated, the FY 1993 and FY 1994 Annual Statements indicate that the proportion of funds going to Priority 1 needs declined, both in dollar terms and as a percent of total funding (see Exhibit 5-6). In general, high priority but lower cost work items were undertaken.

Spending for management at AVCPRHA was initially planned to range from 3 to 5 percent of the annual grant, well below the 10 percent cap. According to the FY 1993 Annual Statement, management improvement spending budgeted in that year was somewhat lower than originally planned. Funding for a resident services coordinator was budgeted at approximately $50,000 per year. The first priority was construction of additional office space, which was undertaken using $515,000 in reprogrammed CIAP funding. Funding for resolving site control issues has been carried over through both years.

5.2.2 Gila River

Under Gila River's original comprehensive plan, mandates and the agency's oldest developments were to receive priority, followed by the newer stock. However, in the fall of 1993, a newly appointed executive director instructed staff to use force account labor and to

Exhibit 5-8

Planned Spending by Subsidy Program

Site	Physical Needs Assessment Needs by Subsidy Program						FY 1992-FY 1994 Spending by Subsidy Program					
	Mutual Help			Low-rent			Mutual Help			Low-rent		
	Dollars	%	Per Unit $	Dollars	%	Per Unit $	Dollars	%	Per Unit $	Dollars	%	Per Unit $
AVCPRHA	$42,595,004	99%	$42,341	$290,000	1%	$14,500	$8,480,890	99%	$8,430	$35,000	<1%	$1,750
Gila River	$6,329,500	45%	$15,628	$7,693,9000	55%	$11,054	$2,499,818	67%	$6,172	$1,252,000	33%	$1,799
Rosebud	$4,915,178	28%	$22,041	$12,445,383	72%	$15,460	$0	0%	$0	$5,107,160	100%	$4,968

target the agency's 75 vacant units before working on occupied units.[5] The significant number of Gila River vacancies is largely attributed to the local perception that some low-rent subdivision developments are unsafe. New residents have refused to move to these communities, and the vacant units have become targets of vandalism. In addition to improvements on vacant units, GRHA's other CGP priorities are Mutual Help units that will soon be paid off and older low-rent program units.

Annual statements for FY 1993 and FY 1994-95[6] indicate approximately $4 million in planned work on vacant and occupied units in 5 Mutual Help developments and 10 low-rent developments. Two of the developments received "almost-comprehensive" improvements; only one or two items in the PNA were not addressed. The remainder received more item-specific attention, generally focusing on some (although usually not all) of the developments' Priority 1 and 2 work items. In FY 1993, planned total spending for Priority 1 items was $443,000, or 26 percent of total planned expenditures (see Exhibit 5-6). In FY 1994-95, Priority 1 needs totaled $380,000, or 16 percent of total planned spending.

The FY 1993 Annual Statement indicated that LBP testing would be carried out in seven developments at a cost of $52,000 (or roughly 3 percent of total hard cost). The CGP coordinator reported that no abatement needs were identified. Section 504 improvements were planned for one unit in each of two developments, at a cost of $3,000 per unit. The FY 1994-95 Annual Statement and Five-year Plan do not indicate any future Section 504 or LBP abatement work, although LBP testing appears frequently in the development-level detail in the PNA. According to the coordinator, Section 504 needs will be addressed based on the needs of the units' occupants, but anticipated costs have not been separately calculated.

Homes developed under the Mutual Help program were scheduled to receive proportionately more CGP funding than low-rent units (see Exhibit 5-8). Spending for Mutual Help homes totals 67 percent of total spending and averages $6,172 per unit; however, these units represent only 37 percent of the agency's stock and account for only 45 percent of total need. Budgeted spending for units in the low-rent stock totals 33 percent of all spending or $1,799 per unit, as against 55 percent of need and 63 percent of the agency's total units.

Management spending to date has been budgeted for hiring an outside management consultant to assess the agency's policies and procedures. A consultant was hired in the summer of 1994 and was still working with the agency as of January 1995. Additional funding was budgeted for hiring more staff to address management deficiencies, bringing the FY 1993 total for management improvements to $158,000, or 6 percent of the CGP grant. The FY 1994-95 Annual Statement indicates on-going funding for the management consultant, plus funding for security services and computer equipment. Spending for management improvements totals about 3 percent of budgeted FY 1994-95 spending.

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[5] The force account mechanism allows housing authorities to hire local labor directly rather than hiring contractors.

[6] A two-year Annual Statement was prepared for this period.

5.2.3 Rosebud

As at Gila River, Rosebud's priorities also recently changed with changes in IHA leadership. RHA staff decided, early in the planning process, that CGP funding would be used to undertake comprehensive modernization and would be targeted first to the low-rent stock. However, there were internal disagreements over the sequence of planned CGP work *within* the low-rent stock. The original Rosebud plan targeted the oldest developments first. The Board of Commissioners disagreed with this strategy, however, and re-ordered planned work to address different developments. According to the modernization director at the time, these newly selected developments were chosen because they had not had CIAP-funded modernization and—although not as old—were in greater need of work.

The agency is generally taking a comprehensive approach to modernization, although there is some funding budgeted for IHA-wide special-purpose items (such as Section 504 improvements for the RHA offices). The initial comprehensive plan targeted 10 of the IHA's 23 developments, at a rate of one to three developments per year. The remainder of RHA's developments were not targeted for CGP-funded modernization; one had recently been comprehensively modernized with CIAP funds, and a second was new and had few needs. The rest of the developments are Mutual Help housing built since 1985, with few or no Priority 1 needs.

Overall, planned spending by program type was roughly proportionate to the share of Mutual Help and low-rent housing in RHA's stock. Approximately three-quarters of both physical need and planned spending in the initial five-year plan were in the rental stock. However, there is no planned spending for FY 1992 through 1994 in the Mutual Help developments (see Exhibit 5-8), because RHA decided not to target these units in the first three years of the comprehensive plan.

Priority 1 needs accounted for 5 percent of overall needs. In FY 1993 and 1994, Priority 1 need items amounted to 25 percent and 9 percent of planned spending respectively (see Exhibit 5-6.) LBP and abatement needs were not identified in the original Rosebud PNA; however, CIAP-funded testing did identify abatement needs, which were addressed in FY 1993. Similarly, Section 504 needs exceeded the level indicated in the original PNA. LBP abatement costs were expected to total about 10 percent of total hard cost, and Section 504 improvements were budgeted at roughly 12 percent of total hard cost.

Rosebud's mandatory management needs represent about 22 percent of total management need and 24 percent of expected spending. Planned spending in FY 1992-94 reflects approximately these proportions as shown in Exhibit 5-7. According to interview respondents, finance and personnel staff have been hired, RHA has completed rewriting the agency's policies, and home maintenance courses have been developed. The resident services needs addressed in the MNA have not, however, been included in FY 1992-94 budgets.

5.3 PERSPECTIVES AND CONCLUSIONS

Overall, staff at AVCPRHA, Gila River Housing Authority, and Rosebud Housing Authority believe that the Comprehensive Grant Program is a significant improvement over CIAP. While funding may not be sufficient to meet all of the agencies' needs, funding levels and the program's flexibility will help all three IHAs to address critical physical and management needs. Staff from all three sites commented that they have received adequate support from HUD Field Office staff, but the IHAs also appreciate the greater independence and discretion CGP offers them. One homebuyer commented that, by the end of the five-year planning period, most homebuyers in the Mutual Help program will have structurally sound units that do not need extensive homebuyer-paid repairs. CGP funding is being used to address physical needs in older Mutual Help developments that are, on average, roughly 20 years old. Many of these developments have substantial needs resulting from deferred maintenance. While it was suggested by some that homebuyers are being relieved of their obligation to maintain their units, this respondent felt the housing authority was simply correcting construction problems that were the IHA's responsibility in the first place.

An important factor in the sites' level of satisfaction with the program seems to be the relative success of using force account labor (which all three are using to some extent), both as an employment and skills development strategy and as a way to create greater local accountability for the projects. Staff and community representatives speculate that the program design has the potential to increase accountability, but much depends on resident willingness to get involved. As more work is completed, and the program becomes more visible, community participation may increase.

Very few respondents said they were familiar enough with the CGP formula to comment on the appropriateness of funding levels. Of the three agencies, AVCPRHA is expected to receive the smallest amount of funding as a proportion of need, yet staff there were still reasonably satisfied that funding would be adequate to meet many of the housing authority's pressing needs. In addition, respondents at two of these agencies commented that they would not have the administrative capacity to administer larger CGP grants.

One ONAP staff member from a HUD Field Office expressed concern that HUD has over-estimated the capacity of agencies of this size and level of expertise to undertake this scale of modernization. In addition to staff skills and capacity, the agencies need streamlined accounting, contracting and purchasing procedures, which the Field Office representative thinks are not always present in some IHAs. Field Office ONAP staff also commented that some IHAs need substantially more training and technical assistance to implement CGP effectively, but limited HUD budgets do not permit Field Office staff to provide the level of on-site support the agencies require.

IHA respondents at all three agencies shared the view that IHAs should not be covered by a separate modernization funding allocation system. While the funding available is not sufficient to accommodate all of the agencies' needs, respondents felt the CGP system allocated shares of funding fairly. Despite the very different operating environments of IHAs as compared

to PHAs, staff of the IHAs included in this study saw no reason for a separate allocation geared specifically to IHAs needs. In fact, IHA staff believe that a separate funding system would only force IHAs to compete with politically more powerful PHAs for limited modernization funding.

CHAPTER 6
LEAD-BASED PAINT TESTING AND ABATEMENT

Public and Indian housing authorities are required to conduct lead-based paint (LBP) testing and abatement in all authority-owned or -operated dwellings in which children live or are expected to live. This mandate is the result of a regulatory framework put in place by the federal government more than 20 years ago, to reduce the public's exposure to lead. Lead—and specifically, lead-based paint (LBP)—is the most common environmental hazard to young children in the United States, causing impairments to almost every body system. The federal directive to remove this hazard from all residences, the Lead-Based Paint Poisoning Prevention Act (LBPPPA),[1] was enacted in 1971 and amended in 1973. The Act requires the federal government to establish rules to remove lead-based paint hazards from all housing built before 1950. The HUD regulations implementing this Act were issued in 1976.

In 1990, HUD issued "Interim Guidelines for Hazard Identification and Abatement in Public and Indian Housing" based on the 1987 and 1988 amendments to the LBPPPA. These guidelines govern housing authorities' compliance with the provisions of Section 202 of the LBP Poisoning Prevention Act and provide comprehensive technical guidance on testing, abatement, cleanup, and disposal of LBP in Public and Indian housing built before 1978.[2]

Under the Interim Guidelines, PHAs and IHAs are required to provide notification to all tenants, applicants, and homebuyers of pre-1978 family developments that the property may contain lead-based paint, and they must explain the hazards of LBP. Housing authorities are to randomly test for the presence of LBP in public housing family developments built before 1978, and they must complete this testing for all properties by the end of 1994.[3] PHAs and IHAs are to abate LBP hazards in those developments for which test results equal or exceed the allowable maximum established in the LBP Poisoning Prevention Act (Revised Guidelines), or the standards set by the Secretary of HUD, whichever are more stringent. In 1971, LBP was considered a hazard when it exceeded 1 percent by weight; by 1991, the standard had been changed to 0.5 percent. PHAs may also be required to comply with more stringent state and local standards. However, no deadline has yet been established for the completion of LBP abatement.

In addition to testing a random sample of dwelling units and common areas within each family development for the presence of lead-based paint, housing authorities are required to test any dwelling units or PHA-owned or -operated child care facility used by children identified as

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[1] Public Law # 42, U.S.C. Sections 4821-4826).

[2] The Official Revised Edition of these interim guidelines was published in September 1990. HUD expects to publish the latest official revisions to the guidelines in June 1995 in response to Title X of the Housing and Community Development Act of 1992.

[3] This requirement does not extend to elderly housing developments.

having an elevated blood lead level within five days of notification. If a tested unit contains LBP, the housing authority must either: a) assign the family to a post-1978 or lead-free unit; or b) abate the unit within 14 days of hazard identification. After testing, the authorities are required to provide all positive results of LBP tests to tenants and homebuyers. The housing authority must dispose of LBP debris in accordance with federal, state, and local requirements. Housing authorities may use modernization funds (CIAP, MROP, and CGP) to conduct both testing and abatement activities.

According to a national assessment of the incidence of LBP in public housing conducted in 1986, about half the units in family developments constructed prior to 1973 require abatement.[4] The cost for this abatement nationwide was estimated at $446 million in 1986 dollars. This estimate includes the cost of abating all units constructed prior to 1978, emergency abatement for any units housing children with elevated blood lead levels, and thorough abatement of any units that undergo comprehensive modernization. However, this estimate is based on the old standard (1 percent by weight). Adjusting this estimate to reflect the current standards and inflation would likely increase the costs significantly.

6.1 Extent of Need and Spending for Abatement

Under CGP, PHAs are mandated to include their LBP testing and abatement needs as part of the physical needs assessment process. PHAs were required to complete LBP testing by December 1994, but (as noted above) no deadline was set for the completion of abatement activities. However, all of the housing authorities in this study that had abatement needs expected at least to begin addressing them within the first five years of CGP.

Because costs for LBP testing were difficult to break out in many cases, we did not look systematically at expenditures for testing across sites.[5] Many sites were still finishing this work at the time of the site visit. In addition, several sites (e.g., Richmond and Hammond) had allocated funds for follow-up testing to assess abatement work for later years of CGP.

Exhibit 6-1 shows the extent of LBP abatement needs at the 15 PHAs and three IHAs in the study as well as planned spending for the first three years of CGP. As shown in the exhibit, reported LBP needs range from zero to 22 percent in the sites for which there are valid estimates. There are four sites where the full extent of abatement need is unknown, for one of two reasons: 1) testing had not been completed at the time of the site visit and no estimate for abatement was available; or 2) a factor for LBP abatement had been included in the needs assessments (according to staff), but the data did not permit them to break this out from other rehabilitation work.[6] It should be noted that these sites include some of the largest PHAs with the oldest stock, where LBP abatement need is likely to be the greatest.

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[4] The Cost of Lead Based Paint Abatement in Public Housing, Abt Associates Inc., 1986.

[5] PHAs sometimes counted them as administrative costs and sometimes as hard costs.

[6] This was especially likely to be a problem at PHAs which were planning comprehensive modernization or interior unit work, and the abatement was part of a larger scope.

Exhibit 6-1

Level of Need and Spending for Lead-Based Paint Abatement

Site	Total Need	Total Hard Cost Need	PNA		FY 1992 Annual Statement		FY 1993 Annual Statement		FY 1994 Annual Statement		FY 1991 CIAP	
			Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Chicago, IL[1]	$1,285,476,520	$870,988,396	ND	ND	$2,950,000	3.9%	$4,155,337	5.1%	$7,362,038	10.4%	$295,327	0.3%
Baltimore, MD[1]	$575,338,107	$506,071,482	ND	ND	ND	ND	ND	ND	ND	ND	$370,000	1.1%
Dade County, FL	$104,400,000	$91,239,000	$0	0.0%	$0	0.0%	$0	0.0%	$500,000	3.4%	$1,836,805	3.7%
St Louis, MO	$247,636,623	$225,844,103	$4,529,982	2.0%	$1,171,845	7.1%	$2,358,137	11.4%	$0	0.0%	ND	ND
Richmond, VA	$38,806,497	$32,516,545	$3,420,550	10.5%	$1,261,000	22.6%	$1,760,250	27.9%	$870,164	13.2%	$0	0.0%
Oakland, CA	$209,821,279	$182,510,025	$5,000,000	2.7%	$5,000	0.1%	$111,056	1.4%	$26,473	0.3%	$0	0.0%
Lucas, OH	$34,476,920	$26,975,720	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$86,400	0.5%
Hartford, CT[1]	$155,665,110	$147,021,910	ND	ND	$0	0.0%	$0	0.0%	$1,438,392	21.0%	$0	0.0%
Camden, NJ[1]	$24,902,944	$19,605,720	ND	ND	ND	ND	ND	ND	ND	ND	$0	0.0%
Athens, GA	$30,306,435	$28,208,444	$1,604,000	5.7%	$0	0.0%	$42,000	3.4%	$18,000	1.3%	$183,180	2.7%
Laredo, TA	$15,576,623	$13,424,925	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
Owensboro, KY[2]	$4,584,267	$3,689,780	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	NA	NA
Hammond, IN[2]	$8,693,298	$7,805,668	$0	0.0%	$54,540	4.9%	$0	0.0%	$1,500	0.1%	$76,870	7.0%
Cheyenne, WY[3]	$1,414,340	$1,132,555	$245,355	21.7%	NA	NA	$245,355	91.0%	$1,500	0.6%	$0	0.0%
Amsterdam,NY[3]	$1,599,520	$831,302	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
Rosebud, SD	$19,125,081	$17,360,561	$0	0.0%	$0	0.0%	$168,660	9.6%	$0	0.0%	$0	0.0%
AVCP,AK	$44,719,088	$42,885,004	$0	0.0%	$0	0.0%	$0	0.0%	ND	ND	$0	0.0%
Gila River, AZ[4]	$16,847,600	ND	ND	ND	ND	ND	$0	0.0%	$0	0.0%	ND	ND
Average	$156,632,792	$123,228,397	$822,216	2.4%	$302,355	2.1%	$491,155	8.3%	$567,670	2.8%	$158,255	0.8%

Note: ND indicates data are not available.

[1] In Hartford, no estimate of LBP needs was available. In Baltimore and Camden, LBP needs could not be broken out from other costs. Chicago did not include LBP needs in its PNA, but the working estimate for such needs is $138 million.
[2] No CGP grant in FY 1991; figures represent FY 1990.
[3] PHA did not begin receiving CIAP until FY 1993.
[4] No FY 1992 Annual Statement was available at this site.

Because some sites did not yet know their complete abatement needs, and because costs for LBP abatement were often embedded in the cost for major rehabilitation, the full impact of LBP abatement on CGP spending at the 18 sites is unknown. For example, both Baltimore and Camden indicated that they planned extensive abatement as part of comprehensive modernization at their developments. However, the annual statements identify only the cost of abatement outside of comprehensive modernization -- that is, emergency abatement or abatement in developments not targeted for comprehensive treatment. In the other sites, the annual statements appeared to show the full scope of planned LBP work; nevertheless, it is possible that some embedded costs may have been overlooked.

With this caveat in mind, Exhibit 6-1 shows that planned expenditures for lead-based paint abatement accounted for a small share of CGP spending at most sites. Six of the PHAs and all of the IHAs indicated no need or very little related to LBP; consequently they show virtually no expenditures in this category. Amsterdam had completed its LBP testing under CIAP and identified no abatement needs in its developments. Three other PHAs (Hammond, Lucas, and Owensboro), had addressed LBP abatement as part of comprehensive modernization completed under CIAP. Finally, Laredo and Dade County both received special-purpose CIAP awards for LBP abatement. Although Dade showed zero LBP need in its PNA, the latest round of testing revealed some small additional problems which will be handled with a combination of CGP and operating funds.

Likewise, the three IHAs reported little or no abatement need, probably because most of their stock was built after 1978. Two of these sites had completed testing using CIAP funds and indicated that the testing had identified no abatement need. Rosebud had identified a modest amount of LBP abatement need and planned to expend about 10 percent of its funds in FY 1993 to complete the necessary work.

Several sites with more substantial LBP needs did not include any of these costs in their PNAs. For example, Chicago has an internal estimate of over $138 million in abatement needs, none of which were reflected in the PNA.[7] Nevertheless, Chicago allocated only a small amount of its hard cost spending for LBP abatement (4 to 10 percent in each year), sufficient only to cover emergency abatement work. Staff felt the need was so large that it could not realistically be addressed with existing funds. Instead, the authority is waiting for completion of more extensive testing and hopes to address its larger needs as part of major reconstruction and redesign efforts. Hartford also excluded LBP abatement costs from its PNA, in this case because testing was not yet complete. Nevertheless, staff were so concerned about LBP that they budgeted 100 percent of their CGP funds for abatement in the last three years of the initial five-year plan. Although testing is now finished, the PHA still does not have an overall estimate for abatement needs; nevertheless, staff budgeted 21 percent of the FY 1994 grant for abatement at unspecified locations.

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[7] This figure comes from an in-house estimate, based on a 10 percent sample of units. Staff believe that it is probably too low.

Only two sites (Cheyenne and Richmond) showed LBP abatement needs over 10 percent in their PNAs. Cheyenne's stock consists primarily of older buildings that the PHA has acquired and renovated, while the majority of Richmond's stock was built prior to 1960. Cheyenne, which has few other needs, allocated nearly all of its CGP funds during the first program year in order to complete the abatement work. Richmond allocated a quarter of its CGP funds for abatement in FY 1992 and FY 1993, and about 13 percent in FY 1994.

6.2 Adequacy of the Formula for Meeting Abatement Needs

Because actual needs were not known at several sites, the true impact of the LBP abatement mandate on CGP funds is not known. Indeed, staff at one site with older stock were so concerned about LBP abatement that they assumed all funds would have to be allocated for this purpose after the first two years of CGP. Likewise, staff in Chicago believed the agency's LBP needs would prove to be so great that it would be impossible to address them except as part of major modernization efforts. Thus, while LBP needs appear to be relatively modest at most PHAs, it will be at least another year before the full impact of abatement costs on CGP funds is clear.

However, these figures indicate that at the sites where actual abatement needs are known, the CGP formula should be adequate to address these needs while still completing other necessary modernization work. Further, while Chicago's internal abatement need estimate is high, if it were proved to be accurate, it would account for less than 10 percent of the authority's total needs. If lead were to account for such a modest amount of need at even the most "high-risk" PHAs, then it would appear that the CGP formula would be adequate for addressing abatement needs.

CHAPTER 7
MEETING REQUIREMENTS FOR ACCESSIBILITY

Under CGP, PHAs are mandated to complete the process of bringing their developments into compliance with Section 504 regulations. Section 504 of the Rehabilitation Act of 1973 (P.L. 93-112) is intended to ensure that qualified individuals with handicaps are able to participate in and receive the benefits of programs and activities supported by federal financial assistance. In particular, it prohibits the exclusion of individuals with handicaps because a recipients' facilities are inaccessible or unusable.

Accessibility requirements for public housing authorities were issued in June 1988.[1] The HUD regulations mandate that housing authorities make five percent of the units in each development—or at least one unit, whichever is greater—accessible for mobility-impaired tenants. In addition, two percent of the units must be made accessible for hearing- or visually-impaired individuals.[2] Any developments constructed after July 11, 1988, or developments with more than 15 units that are substantially altered after that date, must be made readily accessible to and usable by individuals with handicaps, and the units must comply with the five percent-two percent requirement.[3] In addition, when other renovations are made to existing properties, accessibility must be provided "to the maximum extent feasible." PHAs may also be required to make modifications in existing developments that are not undergoing alterations, to bring them into compliance with the Section 504 requirements. Finally, PHAs may be required to comply with other state or local regulations regarding accessibility which exceed the federal requirements.

In addition to adapting units for use by handicapped individuals, PHAs must also remove any barriers from common areas and development sites.[4] Basic site accessibility requirements include: accessible routes from public transportation stops along the property; parking spaces with adequate space on either side for loading and unloading passengers; passenger loading zones located outside of buildings; and curb cuts on sidewalks, allowing access for individuals using wheelchairs or walkers. In addition, PHAs must ensure that a disabled individual may travel across or within the site, such as along the sidewalks and into a building. Finally, handicapped tenants must have access to all buildings and facilities on the property (such as community buildings, central administrative offices, rental offices, laundry rooms, and storage areas) and the route to each building or facility must be accessible.

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[1] Federal Register, June 2, 1988, pp. 20216-20254. The regulations are found in 24 CFR Part 8.

[2] HUD may prescribe a higher percentage or number than this if a need can be demonstrated.

[3] Substantial alterations are defined as alterations which exceed 75 percent of the total development costs.

[4] The site is the parcel of land on which the project is located.

Housing Authorities were required to have a Section 504 transition plan developed by July 1990. This plan was to identify obstacles in PHA facilities (dwellings and common areas), describe plans for adaptations to make these facilities accessible, and specify the schedule for completing the necessary work. PHAs were to make the required physical modifications to existing housing and non-dwelling facilities by July 1992, although HUD could grant a two-year (or more) extension if necessary. Because of this requirement, many PHAs in this study had addressed substantial portions of their Section 504-related need using CIAP funds, prior to the start of CGP.

7.1 Extent of Need and Spending for Accessibility

Exhibit 7-1 shows Section 504-related need and spending patterns for the 15 PHAs and three IHAs in this study. In general, needs associated with Section 504 were relatively modest across the 14 sites for which data were available. As indicated, reported accessibility needs range from under one percent to 13 percent of the total. However, as discussed in Chapters 2 and 3, some sites could not provide specific figures for either need or planned spending, because most work related to accessibility was planned as part of comprehensive modernization. Because of this problem, four sites (Chicago, Baltimore, Lucas, and Camden) were unable to provide accurate figures for their level of Section 504-related need. Therefore, the figures in Exhibit 7-1 understate the actual level of need across all 18 sites.

Only one site (Owensboro) reported Section 504-related needs that were more than 10 percent of its total reported hard cost need. In contrast, five PHAs and two IHAs listed needs that accounts for two percent or less of their total hard cost need. The third IHA (Gila River in Arizona) also reported no accessibility-related needs, although the PNA was unavailable for review at this site. As noted above, many of the housing authorities in this study had brought most of their stock into compliance with the Section 504 regulations using CIAP funds.

Because of this relatively modest level of need for accessibility adaptations, most housing authorities in this study planned to address all identified needs in the first few years of CGP. As shown in Exhibit 7-1, two sites (Hammond and Hartford) allocated about 40 percent of their FY 1992 funds to address Section 504-related needs; three others (Athens, Laredo, and Owensboro) planned to spend about 25 percent of their FY 1992 funds for this purpose. Only two sites (Athens and Owensboro) allocated any substantial amount of funding for Section 504 needs in FY 1993, and no PHA planned to spend more than a modest amount in FY 1994. In some sites (e.g. Chicago and Hartford), Section 504-related expenditures were planned only for management offices.

Unlike the PHAs, the three IHAs intended to address 504 needs on a case-by-case basis, making adaptations to dwelling units as required for their current occupants. It is interesting that the IHAs have chosen to allocate such small amounts of funding to accessibility, given that anecdotal remarks in the case studies suggest that the populations suffer from high rates of disability. Only one IHA site (Rosebud, in South Dakota) planned to expend more than 10 percent of its funds in any year for Section 504-related work; according to the case study, this

Exhibit 7-1

Level of Need and Spending for Accessibility

Site	Total Need	Total Hard Cost Need	PNA		FY 1992 Annual Statement		FY 1993 Annual Statement		FY 1994 Annual Statement		FY 1991 CIAP	
			Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Chicago, IL[1]	$1,285,476,520	$870,988,396	ND	ND	$1,525,000	2.0%	$2,115,163	2.6%	$1,612,890	2.3%	$987,353	1.0%
Baltimore, MD[1]	$575,338,107	$506,071,482	ND	ND	ND	ND	ND	ND	ND	ND	$1,,372,567	4.0%
Dade County, FL	$104,400,000	$91,239,000	$5,998,936	6.6%	$388,000	3.6%	$219,000	1.9%	$250,000	1.7%	$19,000	0.0%
St Louis, MO	$247,636,623	$225,144,193	$2,373,215	1.1%	$2,373,215	14.3%	$0	0.0%	$425,000	2.0%	ND	ND
Richmond, VA	$38,806,497	$32,516,545	$712,704	2.2%	$712,704	12.8%	$0	0.0%	$0	0.0%	$577,716	23.0%
Oakland, CA	$209,821,279	$182,510,025	$7,997,875	4.4%	5,000	0.1%	$111,056	1.4%	$26,473	0.3%	$0	0.0%
Lucas, OH	$34,476,920	$26,975,720	ND	ND	ND	ND	ND	ND	ND	ND	$21,000	1.0%
Hartford, CT	$155,665,110	$147,021,910	$2,421,300	1.6%	$2,017,194	41.7%	$408,880	7.5%	$0	0.0%	$0	0.0%
Camden, NJ[1]	$24,902,944	$19,605,720	ND	ND	ND	ND	ND	ND	ND	ND	$72,000	0.0%
Athens, GA	$30,306,435	$28,208,444	$1,032,500	3.7%	$515,500	29.4%	$769,000	62.9%	$0	0.0%	$183,180	3.0%
Laredo, TA	$15,576,623	$13,424,925	$285,679	2.1%	$285,679	26.9%	$0	0.0%	$0	0.0%	$0	0.0%
Owensboro, KY[2]	$4,584,267	$3,689,780	$495,550	13.4%	$242,500	26.2%	$225,000	21.0%	$0	0.0%	NA	NA
Hammond, IN[2]	$8,693,298	$7,805,668	$607,500	7.8%	$451,610	40.6%	$0	0.0%	$0	0.0%	$0	0.0%
Cheyenne, WY[3]	$1,414,340	$1,132,555	$13,000	1.1%	NA	NA	$13,000	4.8%	$1,500	0.6%	$0	5.0%
Amsterdam,NY[3]	$1,599,520	$831,302	$25,500	3.1%	NA	NA	$25,500	12.0%	$0	0.0%	$350,927	53.0%
Rosebud, SD	$19,125,081	$17,360,561	$155,720	0.9%	$77,860	4.9%	$202,338	11.5%	$0	0.0%	$20,000	2.0%
AVCP,AK	$44,719,088	$42,885,004	$220,000	0.5%	$140,000	5.2%	$70,000	2.5%	$60,000	1.7%	$0	0.0%
Gila River, AZ[4]	$16,847,600	ND	ND	ND	ND	ND	$6,000	0.4%	$0	0.0%	ND	ND
Average	$156,632,792	$123,189,513	$1,241,082	2.7%	$485,237	11.5%	$231,385	7.1%	$131,992	0.5%	$200,208	5.1%

Note: ND indicates data are not available.

[1] Section 504 related costs are embedded in the costs for comprehensive modernization.
[2] No CIAP grant in FY 1991; figures represent FY 1990.
[3] PHA did not begin receiving CGP until FY 1993.
[4] No FY 1992 Annual Statement was available at this site.

amount may not be sufficient to address all of its needs. AVCP (in Alaska) budgeted only modest amounts in each of the three years, and Gila River reported no needs related to accessibility.

Thus, according to these figures, 11 of the 18 study sites planned to complete all or most Section 504-related work by FY 1994. However, in sites undertaking extensive comprehensive modernization, meeting the needs listed in the PNA does not necessarily imply that the authority has brought all of its properties into compliance with Section 504. Even sites such as Dade, which planned to complete the work laid out in their Section 504 transition plans in the first two years of CGP, would still be required in any future modernization work to adapt five percent of the units for physically impaired tenants and two percent for visually or hearing impaired tenants. These costs for accessibility adaptations should have been included in the PNAs, either directly or as a factor in the costs for comprehensive modernization, but may not have been in all cases.

7.2 Adequacy of the CGP Formula for Meeting Accessibility Needs

The data from the 18 study sites indicate that CGP formula amounts are sufficient to address Section 504-related needs at most sites. With the exception of a few of the larger housing authorities, most sites expect to have completed the work listed in their PNAs in the first two years of CGP. However, at some sites (e.g. Hartford and Chicago), the planned spending is only for adaptations for management offices and common areas; it will not address the need for dwelling unit adaptations to comply with the five percent-two percent rule.

However, the situation in sites planning extensive comprehensive modernization is more complex. First, three of the sites with the greatest need (Chicago, Baltimore, and Camden) were unable to break out specific figures for Section 504-related need from their overall costs for comprehensive modernization. As all three sites are funding at least a portion of their comprehensive modernization projects from other sources (continuing CIAP or HOPE VI), it is unclear how much of their CGP funds will be needed to bring these developments into compliance with Section 504. Second, as noted above, some sites are planning to complete all work listed in their transition plans in the first years of CGP, but they may still expend CGP funds for accessibility-related work items as part of later comprehensive modernization efforts.

CHAPTER 8
CONCLUSIONS

The purpose of this study was to assess the early implementation of the Comprehensive Grant Program and to examine whether the promises of this approach are being realized. As stated in the CGP handbook, HUD believes that the ultimate success of the CGP approach will depend on the housing authorities themselves—their capacity to accurately estimate needs and develop effective modernization strategies—and on residents and local government officials who are responsible for ensuring local accountability for how the funds are spent.

CGP itself is a significant change from HUD's previous modernization strategy. It also represents an important step toward greater local control of capital spending, and, ultimately, can facilitate the transition to a more private-market approach to public housing management. CGP provides PHAs and IHAs with an annual formula allocation for modernization needs and allows them a great deal of flexibility in determining the nature and timing of modernization work. A new rule permitting full fungibility of CGP funds, implemented in FY 1995, will allow even more flexibility for PHAs to shift funds across program years. HUD's role under CGP has been limited to reviewing the PHAs' and IHAs' applications and providing support to the housing authorities as needed. Thus, the findings from this initial assessment may offer some insights into how an expanded capital grants system and greater local control of public housing might work.

8.1 SUMMARY OF FINDINGS

8.1.1 Modernization Planning

CGP requires housing authorities to undertake an extensive planning process, including a thorough assessment of the physical and management needs of their public housing stock and the development of a five-year plan for spending CGP funds. Among the 15 PHAs and 3 IHAs included in this study, we found considerable variation in the sites' approaches to this planning effort and in the accuracy and completeness of the planning documents. Four of the PNAs submitted by the sites contained substantial omissions or inconsistencies. In addition, differences in the types of work included across the sites (e.g., whether redesign costs were considered or the extent to which long-term replacements were included) make the PNAs a poor basis for assessing relative needs across housing authorities. Despite these inconsistencies, the process of developing the needs assessments appears to have been quite useful for many of the PHAs, allowing them to take stock of their physical needs and helping them set priorities for modernization work.

PHAs treated their management needs quite differently from their physical needs. Rather than an exhaustive list of needs, the MNAs typically reflected a five-year spending plan, based

on the expected amount of the CGP formula and the PHA's decision about what proportion of funds should be allocated to management improvements. Management improvements related to PHMAP indicators were included at only a handful of sites and accounted for a small proportion of management needs. The greatest areas of management need identified at most PHAs were resident services and security. This may to some extent reflect the role of residents in the planning process.

Because HUD has a limited oversight role in CGP, resident and local government involvement is viewed as essential. The PHAs in this study appear to have taken the resident participation requirement very seriously, and most developed multiple avenues for resident involvement. The residents and staff interviewed for this study were satisfied with resident participation and input at the majority of the PHAs, although the smaller PHAs (generally with few outstanding needs), as well as the three IHAs included in the study, experienced some difficulty in generating resident interest. Resident input tended to focus on getting funds allocated for a few priority items, often items related to security or unit "livability." Although staff were more likely to focus on systems or infrastructure needs, in all but one site a balance was achieved that reflected the views of both groups. Local government officials played a more limited role in CGP planning. In a few sites, local government representatives sat on a planning committee; in most cases, however, their role was limited to reviewing and giving formal approval to the PHA's plan.

8.1.2 Planned Spending Patterns

The study examined the proposed spending of the authorities based on their original five-year plans and their more detailed annual statements for FY 1992, FY 1993, and FY 1994. It is important to remember that these are ***planned***—not actual—expenditures, since CGP is still too new for much actual capital spending to have occurred. Based on the extent of change already observed in the plans over the past three years, it is possible that actual expenditures may differ substantially from current plans.

With this caveat in mind, the PHAs in this study appear to have used the flexibility inherent in CGP to expand and broaden spending for item-specific as opposed to comprehensive modernization of properties. Nevertheless, the change is moderate. Due to the growth of special purpose set-asides under CIAP, the average proportion of spending among the 15 PHAs for comprehensive work during the last year of CIAP was only 63 percent; the comparable figure for CGP in FY 1994 was 50 percent. Many of the PHAs have chosen what might best be characterized as a mixed strategy, and almost all authorities do some of work of each type.

Spending patterns vary considerably across the 15 sites and are discussed extensively in Chapter 3 of this report. As expected, costs for physical improvements accounted for the majority of planned expenditures, typically amounting to between 68 and 76 percent of the grants. Planned management expenditures were typically somewhat less than the maximum 10 percent in most years. Only Chicago exceeded 10 percent for management, budgeting 41

percent of its FY 1994 grant for management—virtually all of this for security.[1] Budgeted expenditures for administration were typically in the 6 to 7 percent range, and other costs averaged 5 to 6 percent of the total. Two of the 15 PHAs planned to place a portion of their CGP funds in reserve.

Planned spending for needs identified as high priority by the sites was fairly high during the first program year (66 percent of the total) but fell to about 30 percent by FY 1994. The types of work identified as Priority 1 items most often included heath and safety items, structural work, lead-based paint (LBP) abatement, and Section 504 accessibility work; however, the range was quite broad across the PHAs. Not surprisingly, larger family developments accounted for the majority of both needs and funding at most PHAs. Only three sites planned to spend more than a quarter of their funds for work in developments exclusively for the elderly. The nature of the work also tended to differ by development type, with family developments more likely to receive comprehensive treatment, and elderly developments likely to receive more item-specific treatment.

Management spending has been only loosely tied to PHMAP indicators, with just four of the PHAs explicitly identifying any PHMAP-related expenditures. The largest areas of management spending were for security and resident services. The latter has included various initiatives for resident employment and training that help meet Section 3 requirements. However, such direct spending is not substantial. At the time of the study, several of the PHAs were in the process of amending their procurement procedures in order to incorporate Section 3 goals into their construction contracts.

Most of the sites have other sources of funding available in addition to CGP, although few sites reported on these in their CGP planning documents. Only two sites reprogrammed unobligated CIAP funds for use in accordance with CGP rules, both because the planned work was still appropriate and because it did not seem worth the administrative effort to make the change. The study also examined obligation and expenditure rates under CGP. It appears that many of the PHAs are having difficulty obligating CGP funds within the two-year period specified by the program. Five of the 13 PHAs that received FY 1992 grants had obligated less than 50 percent of these funds as of September 1994.

The three IHAs' experience under CGP has been somewhat different from that of the 15 PHAs, due to substantial distances between properties and also due to the nature of the housing stock, which is primarily single family (much of it developed under the Mutual Help program). Issues related to IHA planning include the inability to do the kinds of on-site inspections done by the PHAs and rather low levels of resident participation. Like PHAs, the three IHAs in the study adopted varying modernization strategies, ranging from comprehensive modernization at Rosebud (South Dakota), to an emphasis on vacant units in Gila River (Arizona), to fairly dispersed spending across the 44 developments operated by Alaska's AVCP. Based on the first three years, AVCP planned to spend virtually all of its CGP funds on Mutual Help homes

[1] Chicago requested and received approval for a waiver from HUD that allows this high level of management spending.

(consistent with its stock); Gila River planned to spend 67 percent in Mutual Help units, and Rosebud did not plan to spend any funds for this unit type. Use of CGP funds in Mutual Help units led to some controversy at the sites where such spending was planned. Because Mutual Help buyers are responsible for routine maintenance on their units, IHAs would not undertake repairs where owner neglect was considered to have caused the problem. Residents, on the other hand, were likely to attribute the same conditions to poor construction or other factors beyond their control.

8.1.3 Adequacy of the Formula

The CGP formula is a mechanism for distributing CGP funds, based on the relative backlog and accrual needs of all of the authorities in the program. The formula prediction of needs was developed from previous HUD research that enabled the Department to relate modernization costs to the characteristics of the PHAs/IHAs and their developments. As noted above, the estimates of need produced by the 15 PHAs included in the study proved to be a poor basis for measuring relative need, due to the varying approaches used. While the study developed a set of adjusted needs estimates for comparison against the formula predictions, the two sets of figures still could not be fully reconciled.

In terms of the funding levels provided through the formula, it is not expected that needs at all PHAs/IHAs will be covered in a single year, or even five or more years of CGP funding. The needs figures reported by the 18 sites ranged from just over $5,000 per unit to over $63,000 per unit. Needs at the five medium and small PHAs averaged about $12,000 per unit, as compared to $28,000 per unit for the six large PHAs and $29,000 for the four extra-large PHAs. The proportion of need that could be covered with five years of CGP funding also varied substantially—from 25 percent of reported needs in one site to over 100 percent in four sites. All but three of the PHAs were receiving more funding under CGP than they had historically received under CIAP, in some cases two and three times as much. These changes reflect both distributional shifts resulting from the move to the formula approach and increasing levels of Congressional appropriations for modernization funding in recent years.

None of the staff from the housing authorities included in this study had a firm understanding of how the CGP formula worked or how, specifically, the characteristics of their agencies' housing stock contributed to the allocations. However, the majority were pleased with the level of funding they received under CGP, and all of them thought that the formula was fair.

An issue of considerable importance is how well the formula accommodates current, federal mandates, including LBP abatement and Section 504 compliance. Neither of these factors was included in the regression equations used to derive the formula estimates. Unfortunately, at three of the larger PHA sites (Camden, Baltimore, and Hartford), there is no available estimate of LBP abatement need. In Chicago, staff are using an in-house estimate of $138 million, which is large in absolute terms but still accounts for less than 10 percent of the authority's total needs. Altogether, six of the 15 PHAs reported little or no LBP abatement

need, six reported needs between 2 and 22 percent of total needs, and three were unable to provide any estimate of LBP needs. In terms of planned spending for LBP abatement, overall levels were quite low, with only a few sites budgeting as much as a quarter of their annual budgets to meet their LBP abatement needs. The exception was Cheyenne, which budgeted virtually all of its FY 1992 grant in order to complete its abatement program.[2] Thus, although we are missing data for several larger PHAs—arguably those most likely to have high abatement needs—the majority of the sites had LBP needs that accounted for only a small fraction of total need. This suggests that the exclusion of LBP from the formula probably has not had a large impact on formula shares. Information on Section 504 needs is also missing for three large sites (Chicago, Baltimore, and Camden); again, however, the fraction of need is under 10 percent in all of the other sites except one.

While the IHAs included in this study differ considerably from the PHAs—in terms of the characteristics of the stock and the nature of needs—the three IHA sites expressed a similarly high degree of satisfaction with the CGP program. IHA staff were also wary of any shifts that might lead to a separate system for IHAs, believing that they would lose out to the PHAs. None of the three IHA sites identified any significant needs related to LBP abatement. Although Section 504 compliance costs were understated at all three sites (because the agencies planned to handle unit modifications on a case-by-case basis), none of the agencies anticipated that these costs would be high.

8.1.4 PHA and IHA Perspectives on the Program

Staff at the 18 authorities included in this study noted many benefits of CGP, particularly the ability to incorporate local priorities and strategy preferences into spending plans, the ability to plan ahead, and the ability to address modernization needs more systematically. Only two sites—both of which had received lower funding under CGP than under recent CIAP grants—expressed dissatisfaction with the approach, and even these PHAs had favorable comments about CGP's flexibility.

Few of the 18 sites mentioned problems related to CGP implementation. One potential problem that concerned some PHA staff was HUD's reduced oversight role, which they felt created the potential for waste or abuse. Some of the smaller PHAs noted that they missed the technical assistance and support that they received from HUD under CIAP. A few larger authorities also said that HUD's role under CIAP had been useful to them as a buffer in dealing with residents or members of the PHA Board. Another issue that was mentioned at a few sites involved the role of residents in decisionmaking. While the vast majority of sites said that resident participation requirements were important and beneficial, staff at one PHA believed that resident control of CGP decisionmaking has resulted in an ineffective allocation of funds and interference in the implementation of modernization activities.

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[2] While Cheyenne showed a relatively high proportion of needs attributable to LBP (22 percent) this is partially explained by the rather small dollar amounts involved. Abatement costs are for older housing recently acquired by the PHA.

Housing authority staff interviewed for the study raised few concerns about processing issues. None reported any difficulties in completing their comprehensive plans or any need for Field Office assistance in preparing them. Further, the PHAs and IHAs in this study generally reported that HUD Field Offices were responsive and able to complete CGP reviews on time. Overall, the majority of the PHAs were pleased with HUD's reduced role under CGP.

8.2 Conclusions and Implications for Future HUD Policy

Overall, the shift to the CGP formula approach appears to have produced a situation in which housing authorities are better able to plan for their modernization needs and to tailor their modernization strategies to local circumstances. Principal conclusions of the study are as follows:

- The transition from CIAP to CGP appears to have been smooth and relatively uncomplicated. The PHAs and IHAs included in the study reported very few delays in HUD's review of documents or the execution of contracts; moreover, the authorities were able to prepare and submit detailed needs assessments and spending plans within the deadlines set by the program.

- The PHAs and IHAs are generally pleased with the design and administration of the CGP program, which they view as a significant improvement over CIAP. Key advantages of CGP include the predictability of annual funding, flexibility in setting spending priorities, and fewer requirements for HUD review and approval.

- In developing their needs assessments and spending plans, the PHAs and IHAs have made concerted efforts to involve residents and local governments as required under CGP. In most cases, this has resulted in substantial involvement and participation by residents. By contrast, local government involvement has tended to be limited.

- Although useful for planning purposes, the needs assessments developed by the authorities vary considerably in completeness and approach and, thus, cannot be used as measures of true modernization need. As a result, the study could not assess how well the distribution of funds under the formula matches the distribution of PHA/IHA need.

- Overall, PHAs and IHAs appear to have used their increased discretion under CGP to fund a greater proportion of non-comprehensive improvements than was possible under CIAP. The authorities included in the study were evenly divided between those that focused their efforts on comprehensive modernization of individual projects and those that had adopted a more item-specific approach. However, almost all sites planned some work of each type, and many cited the

ability to adopt a "mixed strategy" as an important benefit of the program.

- Spending for mandates—lead-based paint abatement and Section 504 accessibility—has been modest at most of the sites and does not appear to impede spending for other items. However, this conclusion is tempered by the fact that several larger sites lacked information on this issue.

- IHAs, despite operating environments that differ from those of PHAs, were satisfied with the CGP program and saw no need for a separate formula geared specifically to Indian Housing programs.

It is important to note that the study is based on a limited number of PHAs and IHAs and therefore the results cannot be generalized to the universe of housing authorities.

For the future, CGP will continue to serve as the basis for distributing capital funding for PHAs and IHAs. One of the more interesting aspects of CGP, observed in Dade County, is how CGP might facilitate a move towards a more private market, capital asset model of public housing management. Under this approach, the agency is using its current modernization funding, first, to address building system needs that will ensure the viability of all developments; and second, to enhance curb appeal so the properties will be attractive to applicants, residents, and the surrounding community. Once initial improvements are made, the agency plans to shift control of modernization funds to the development level (through a suballocation of CGP funds). In conjunction with project-based budgeting and decentralization of management functions, this approach is more like the private-market model, in which operating and capital decisions are made together for specific properties.

The study results also raise some issues about CGP for smaller sites. Several of the smaller PHAs expressed concern about reduced levels of HUD oversight under CGP and seemed to miss the closer working relationships they had with Field Office staff under CIAP. In addition, although the study sites were selected partly to reflect differences in the extent to which CGP was able to cover reported need, some of the smaller authorities may not have sufficient needs to warrant a steady stream of modernization funds. The four smallest authorities in the study all have a history of good management and relatively low-maintenance stock, meaning that they began CGP with only a modest backlog of needs. Five years of CGP formula funding will be sufficient to meet 100 percent of known needs in three of these sites and just under 90 percent in the fourth. For example, Hammond, a medium-sized authority, planned to use its CGP funds for comprehensive treatment of a relatively new development. Once this work was completed, staff were unsure what purpose they would have for additional modernization funds. Owensboro, another medium-sized authority, had been able to devote some of its operating funds to modernization for a number of years and began CGP with relatively little need. The agency planned to put much of its CGP funding into a replacement reserve for future needs. Amsterdam also had little backlog and intended to use most of its CGP funds to construct a new community building. Finally, Cheyenne—a fairly new authority—had been using its CIAP funds to acquire and rehabilitate older scattered-site units.

Although we do not know whether these smaller sites are typical of their size group, the small sites included in the study, as well as some larger PHAs with good management histories, appear to be able to address all of their backlog needs over a relatively short timeframe. As staff in Owensboro pointed out, the funds placed in reserve now will undoubtedly be needed in the future to deal with the accrual of new needs as buildings age.

The situation is quite different for the larger PHAs in the study, where the five-year CGP funding ratio is less than 50 percent in many cases. However, these PHAs also have the opportunity to compete for MROP and HOPE VI funds, which can be used to treat or replace specific troubled developments. Receipt of these other funds has significantly boosted the proportion of total need that can be met in several sites. They also allow PHAs, local governments, and HUD—together—to focus on comprehensive solutions for the most difficult public housing sites.

Both the low backlog needs of some of the smaller sites and the expected treatment of troubled projects under HOPE VI and MROP suggest that the adequacy of the CGP formula bears watching over several years. Needs will change as work is completed, and the balance between backlog and accrual may need to be adjusted. While the current study provides insights into the operation and administration of CGP, it seems clear that the formula will need to be evaluated more rigorously in the future.