

**INSPECTOR GENERAL'S REPORT ON THE
HOUSING AUTHORITY OF NEW ORLEANS**

FIELD HEARING
BEFORE THE
SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS
OF THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED SEVENTH CONGRESS
FIRST SESSION

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JUNE 4, 2001
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INSPECTOR GENERAL'S REPORT ON THE HOUSING AUTHORITY OF NEW ORLEANS

MONDAY, JUNE 4, 2001

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to call, at 1:30 p.m., in room C-501, Ceremonial Courtroom, Hale Boggs Federal Office Building, New Orleans, Louisiana, Hon. Sue W. Kelly, [chairwoman of the subcommittee], presiding.

Present: Chairwoman Kelly.

Also Present: Representatives Baker, Vitter and Jefferson.

Chairwoman KELLY. This hearing of the House Financial Services Subcommittee on Oversight and Investigations will come to order. Without objection, all Members' opening statements and questions will be made part of the record.

For the information of the people who are testifying and those in the audience, there will be a period of time in which your testimony will be recorded. You have 5 minutes to testify, at which point, 4 minutes into it, if you're getting close, I'm going to tap the end of this gavel. Don't get alarmed. It just means you're coming close toward the end. A minute is still a pretty long time, so keep talking. I'll let you know. I'll really bang the gavel if you go way over. But, we really are here to hear what you have to say, so feel comfortable about saying it, because that's why you're here and we're glad you're here.

This afternoon, we're going to discuss the report issued last month by the Inspector General of HUD on the Housing Authority of New Orleans and the distressing problems that were disclosed in that report.

In 1996, the subcommittee held a hearing here chaired by a different subcommittee chairman, but in this same building, on the problems that HANO has had in providing a safe, decent, and sanitary housing. The Inspector General's report calls into question claims of improvements made by the HANO under the Cooperative Endeavor Agreement.

It's my hope that we will identify how HANO's problems have affected the lives of the thousands of residents who depend on it for housing and to search for ways to improve their living conditions. All of us, regardless of where we live, want to make a better life for our families. We need a place where our children can grow without fear, without danger. We need an open, clean, peaceful neighborhood. HANO residents deserve management that quickly

responds to maintenance requests, keeps its promises to make long-term neighborhood improvements, and wisely spends its funds.

I want to begin by thanking my colleague on the Financial Services Committee, Congressman Richard Baker, a deeply concerned Representative from nearby who both brought this situation to my attention and asked me to convene this hearing. We're grateful for his support and his expertise on this issue. Also later this afternoon, we will welcome Congressman William Jefferson, who represents this area. For his hospitality, we welcome him and thank him for welcoming us to this great city and we welcome Congressman David Vitter, a strong advocate for the people of Louisiana.

Both Congressman Baker and Jefferson were here 5 years ago, and I can understand the passion and frustration that they must feel for trying again to get a handle on the problems at HANO and see some real improvements. We also want to thank Chief Judge A.J. McNamara of the Eastern District of Louisiana and his staff for their cooperation in using this courtroom.

The Inspector General's recent report on HANO raises some really troubling questions about events over the past 5 years. The report states that after spending over \$139 million of the \$243 million it received for modernization of the units in these past 8 years, HANO has not revitalized even one of its conventional sites. The report also states that management at HANO has constantly changed without improvement in results. In fact, HUD's own staff wrote that HANO can plan, but not implement, and that whatever progress has been touted as "all"—and I'm quoting from the report—"smoke and mirrors" end of quote.

HANO's most recent scores on HUD's public housing assessment system are, once again, failing, after claiming they made improvements for the last 2 years. That claim might have been shaky at best, according to the report, since HUD management in Washington wouldn't even allow its own New Orleans Housing Office to verify the earlier report.

The bottom line is that hundreds of millions of dollars have been spent by HANO in the last 10 years, but apparently without a lot of positive result. Five years ago, the HUD Investigator General testified that, and I'm quoting: "The best path for HUD is a total takeover of the authority."

Last month, the same IG official concluded that HANO cannot renovate, demolish, build, or manage its units. That is where HANO was 5 years ago, and 5 years of operating under a cooperative endeavor agreement hasn't changed that fact. I do not doubt that there have been some positive actions taken in the last year to stop the bleeding, but it might be time for some more drastic action to help HANO's residents finally get the housing and management that they're entitled to.

At this point, I'd like to let Members of the subcommittee and their staff know that it's my intention to enforce the 5-minute rule and I will hope that we will cooperate with this. I want to advise everyone here, we have plenty of time to hear everyone's viewpoints, but I also want to remind you that we need to maintain decorum that is required in all congressional hearings and in Federal

courtrooms. So please do not applaud or comment loudly for a particular witness or a subcommittee Member.

At this time, I'd like to turn to Congressman Baker for his formal opening statement. Thank you, Congressman Baker.

[The prepared statement of Hon. Sue W. Kelly can be found on page 50 in the appendix.]

Mr. BAKER. Thank you, Chairwoman. I certainly appreciate your willingness to travel from New York to come to this great city and to be of help to us in this most difficult problem.

I must first confess to those who are today though, Madam Chairwoman, I have a difficult mission ahead of me. I'm an LSU graduate and I have to say you Tulane Greenway supporters, congratulations. That doesn't flow off my lips very easily, but I've said it. My dad is a Tulane grad and my daughter is a Tulane grad. They often refer to me as the only illiterate in the family, so I hope you carry the Louisiana banner proudly to the World Series and bring back home that title for us one more time.

This is a very difficult problem, Madam Chairwoman, Congressman Vitter. Unfortunately, it is a frustrating, long-standing problem. I have been involved in these discussions with prior secretaries of HUD, with other folks within the Inspector General's office, with all levels of HUD officials. When I first began this effort some years ago and traveled through many of the projects and spoke to the residents, I left this city with a very heavy heart, realizing that the United States Government was the largest slum landlord operator in the United States. And it has been a continuing haunting realization that we are simply not making the progress that any reasonable person should expect for the quality of lives for the individuals affected.

It's my hope that the subcommittee, after listening to the testimony today, will explore any and all alternatives and spare no effort in pursuit of an appropriate resolution.

This time, for the first time, I'm hoping that this subcommittee with this committee's leadership, working with the officials at HUD, that we can make changes that residents will see as being real. This is not just about a waste of taxpayer dollars. It's not just about Government inefficiency. It is, however, about the quality of people's lives. I don't want to go through another 5 year window and sit in this courtroom again with other Members of Congress and read another Inspector General's report that tells us that no matter how many dollars we spend, no matter how hard we try, that people still continue to live in the worst abysmal conditions one can imagine.

So, I thank Congressman Vitter for his willingness to participate. I am appreciative that Congressman Jefferson will be here later this afternoon. And Chairwoman Kelly, I am extremely appreciative for your willingness to come to the city, take the necessary report back to Chairman Oxley, and let's all join hands together. This is not a partisan issue. It's not a Federal/State battle. It is a problem for all of us that we ought to be able to join hands and get this fixed this time the right way. Thank you very much.

[The prepared statement of Hon. Richard Baker can be found on page 75 in the appendix.]

Chairwoman KELLY. Thank you very much, Mr. Baker. We'll now go to Congressman Vitter for his opening statement.

Mr. VITTER. Thank you very much, Chairwoman Kelly, for your leadership for coming to our part of the world to address this important issue and thank you, Richard, for your leadership over many years on this troubling matter. The last time this subcommittee met here to discuss the issue was 1996. I was not a Member of Congress then and really, I'm coming to the issue in a fairly new and fresh way as a Member of Congress.

But I did grow up in the area. I have continued to read about the news accounts of this very troubling matter and so, just as a citizen looking from afar, I've long been concerned about this decay of the housing stock of New Orleans that has not only a remedy has failed to be found by the housing leadership, actually the decay has been led by HANO and mismanagement there. And so I'm very interested in the issue as a resident of the region of southeast Louisiana and, pending what we hear at this hearing, I certainly fully support the idea that we now need to do something fundamentally dramatically different. We have been talking about this problem and we have been negotiating interim stop gap measures for well over 5 years and nothing fundamental has apparently changed. So I'm very, very eager to hear from residents and hear from anyone interested in what we should do differently so that we can move beyond these recurring themes and recurring problems with some more dramatic action. And I thank you for letting me be a part of this hearing. I'm not a Member of the committee or the subcommittee but, as a local representative, I'm certainly very interested in and I appreciate the invitation to be here.

Chairwoman KELLY. Well, I thank you very much. There are no more opening statements from the congressional Members here, so we're going to begin with our first panel. Before us today we have Ms. Deborah Davis who's the Chairwoman of the Desire Resident Council Association and she's a 44-year resident. In addition, we have Ms. Laura French, former Chairwoman of the Residents' Council and a resident of the St. Bernard Apartments who's lived in HANO facilities for 55 years.

You're both aware that this subcommittee is holding an investigative hearing and, when doing so, that the Chair may decide to take testimony under oath. Do either of you have any objection to testifying under oath? The response is no. That's fine. The Chair advises you that under the rules of the House and the rules of this subcommittee, you're entitled to be advised by counsel. Do any of you desire to be advised by counsel during your testimony today? The response is no. Thank you very much.

In that case, if you would please rise and raise your right hand, I'm going to swear both of you in.

[Witnesses sworn.]

Chairwoman KELLY. Thank you very much. Each of you is now under oath. Without objection, your written statements will be made part of the record. You're each now going to be recognized in turn to give a 5-minute summary of that testimony.

Ms. Davis, we'd like to begin with you.

**STATEMENT OF DEBORAH DAVIS, CHAIRWOMAN, DESIRE
RESIDENT COUNCIL ASSOCIATION, NEW ORLEANS, LA**

Ms. DAVIS. Thank you. I want to thank everybody for the opportunity to sit before Representatives of the House and also Congressmen and allowing us the opportunity to vent as we discuss some of the experiences of redeveloping Desire. One of the things I'd like to touch upon at this time is the living conditions. Desire, though it may have been built with brick veneer, was built very strong. It lasted 44-plus years. And we are content that even in this leased state, it's still a home to us. It's still strong and it's still a neighborhood to residents who still reside in Desire.

In 1992, the National Committee for Distressed Housing paid New Orleans a visit and found that there was some discrepancy in the way of management and how they would appropriate the funding, and they found that Desire was distressed because of poor management and the lack of funding being invested in the public housing. So they allowed, by the grace of God, we were blessed with a HOPE VI grant. This HOPE VI grant is supposed to create opportunity of home ownership for people everywhere and not only for people everywhere, the economic development, the counseling necessary for residents who've been through distressed conditions, de facto demolition. Mismanagement at that time was at its worst. And at this time we're still waiting on the remedies that this good initiative was supposed to bring to our neighborhood and our community.

One of the problems was that, because of the fact that we were granted a HOPE VI grant to the tune of \$44 million, some of the funding and comp which was directed to stabilize the community until all agreements were signed, until all approval from HUD was adhered to, was drawn back. So we experienced the lack of maintenance. On the bad side, we experienced a tremendous amount of lack of maintenance.

To this day, the monies have not been let other than to hire a program manager and to allow some planning and contract negotiation to take place with developers, and we're still at this point still waiting. The only difference with that is that although it may be the process to handle good business, we find that this process does not take care of the human side, which was very necessary, was more necessary to us than the brick and mortar itself, because when a community goes through de facto demolition, it leaves a tremendous amount of scars on the individual lives, the children who live there, the seniors who live there and also the young adults. They bear the scars of no one caring.

So as a result of that, one of the initiatives that was supposed to be was the community support services, which would allow residents to get the proper counseling, having gone through this distress. Oh, lord. It would allow residents also to be trained and placed in job training opportunities so that when Desire, in all its opportunity and all of the great wisdom that was going to be applied, residents would be ready to meet the opportunity. We find that we are not. We're not advocating taking the funds away, because it doesn't take away the problems or the experience that we bear in our bodies and in our emotions. We're saying we're still waiting. It's a good program. It was, even though HOPE VI was de-

signed by a Republican, we found at that time and were elated that somebody cared enough to really come in and look into the problems that residents had been facing for years and that we—and also that they would look at us as human beings, not as the problem, because residents did not tear Desire down. Residents did not cause the lack of economic development not to be afforded in our community or residents didn't cause the fact that we are not able to become a tax file base or have experienced all the amenities that normal Americans would have in their lives.

In fact, we've been penalized and we're just afraid that as we speak we're experiencing the slow wheel of slavery all over again just because we're not being able to transition and to mainstream America through economic development. We're not lazy people. Very creative people. God has kept us with the dignity of being called a race of people, of being called humans. He's reserved that in us. And now they're ready to take back and steal HOPE against hope that someone would undo the—that prohibit us from moving forward because this was not a complicated process. This is not. In fact, residents believe they can do it themselves with the necessary experience behind some professionalism, consultants and developers. We can do it ourselves.

The other broken promise. One of the other things I'd like to touch upon is that the MOU design, because the grant agreement didn't allow the residents enough participation to help design their future. So the Housing Authority established a grant agreement in which we find that at this time they're not adhering to it, because the process of setting forth developers' agreements and having input into developing those agreements and implementing those agreements was taken away from us. But we are hopeful that through discussion and those things we'll get back on track.

Also, one of the broken promises was that the amount of money afforded Desire community and its neighborhood, we had hoped that the Section 3 component, which allowed Federal dollars to be contracted out and that these contractors, developers, would come back in turn, you know, relinquish some of the funding so that we are able to get the proper training, even some secondary schooling, jobs creation, business creation, with the amount of money. That's one of the broken promises that has not been kept.

Another one is that we had hoped the amount of units, we find ourselves now, because of all of the revisions that have taken place, the amount of units that has been decided to be replaced, I think when the dust cover, there's something like 260 some odd units whereas you had over 1,100 people who transitioned out of Desire to relocate somewhere else in some minority community. What we find ourselves now is that, because of the housing stock in New Orleans that were not adequate, we do not have enough housing that would adequately satisfy the waiting list necessarily, the people who trust this process to come back online. We need more units in the tune of some 800 subsidized units. In fact, the whole agency ought to be looking more at adding rather than tearing it down, because we experienced a type of hopelessness now.

[The prepared statement of Deborah Davis can be found on page 76 in the appendix.]

Chairwoman KELLY. Ms. Davis, I thank you very, very much for your testimony. I want you to know that this morning I went out with some of the people from HANO. I went to Desire and what you're bringing up is a question I asked them. I saw the buildings had been demolished and I said, what's happened to the people and are there enough units available for these people to be housed in? And I have to say that the response I got from a couple of them was exactly the thing you just did. They shook their head. They've been tracking as many people as they possibly can, but you know and I know there are people who we don't know where they went, because the units were knocked down and there was no track that got to follow them, because it's been happening for some time.

The other thing I saw there that just broke my heart. I'm the mother of four children and grandmother of six. I saw two little boys coming back from the store. They had a bag. Each of them was carrying a bag. They'd gone probably to the store for their mama, and they were standing on the street corner waiting to cross that street. Two little boys about 4, 6, 7 years old. What a place to have to raise children. What a terrible thing to raise children in a situation like that where they grow up. How can they have hope? How can they know something that goes beyond and know that their lives can reach beyond?

I think that it's wonderful that you're here to testify. I just want to say one more thing. The first trip I made to New Orleans, I got here in 1947. I was with my parents and my family. We got on a banana boat, because my dad was very adventuresome. We took that banana boat down to pick up bananas in Honduras, Guatemala, and some other places. We stopped off in Cuba. And it was there I had an experience where we slept in a place where there were rats scratching in the walls and I was afraid and I was afraid to get out of bed and get my mama and I was afraid when I heard the rats running under my bed that if I fell asleep and my hand fell over the bed, the rat would bite me and you know and I know a rat will get a piece out of you before you even wake up.

We can not have children growing up in that kind of a situation. I felt that fear. I don't want to see any child in America grow up like that. So I really do thank you so much, because this is about the mothers and the children in those projects. That's why I came down here. Thank you for your testimony. Let's move now to Ms. French.

Ms. Davis, you have something you want to say?

Ms. DAVIS. Yes, if you could permit me. Desire, although look hopeful at this time, but there are residents that is there now, if you move them, I'm not saying that things shouldn't change. I'm saying bring the necessary remedy in to alleviate some of the problems that's going on. If we move some of those seniors now, they will die in the process. And ma'am, they've just been through too much and we love them, we love our neighborhood. We take care of one another. All we're asking is that the necessary funding and wisdom be applied to alleviate more—because somebody prep—you know, if we leave it now, it's prepped to be sold. It's our neighborhood, and there is not another neighborhood in the City of New Orleans besides the rich and famous neighborhood that we would

rather live in, because Desire allows us to love one another and to be neighbors. That's what I want to say.

Chairwoman KELLY. That's beautiful. Thank you, Ms. Davis.
Ms. French, let's go to your testimony now, please.

**STATEMENT OF LAURA FRENCH, RESIDENT, ST. BERNARD
APARTMENTS, NEW ORLEANS, LA**

Ms. FRENCH. First I would like to say good evening to the panel. If I may, I would like to say to Congressman Baker, I heard of this hearing 5 years ago the day of the hearing, when it was over, because I would imagine I would have been here and begged someone to hear, because it's the same cry. But I would like to start, if I may, by reading a letter that I started writing to Mr. Cochran on behalf of our problems at St. Bernard.

My name is Laura French. I live at 4090 Gibson Street, Apartment 8, northern Louisiana. I'm located in the St. Bernard housing development. To Mr. Andy Cochran, U.S. House of Representatives, HOB, Washington, DC. Dear Mr. Cochran, this letter is to follow up our telephone conversation. As I stated on the telephone, residents of the St. Bernard housing development are experiencing discrimination. Our civil rights are being violated and we are being held hostage in our too small apartments for our family size.

Mr. Cochran, I've lived in the St. Bernard for a long, long time. I've been on the resident council for over 20 years. For the past 10 to 15 years we've had to live under dictatorship, being forced to live by rules and regulations that are not applied to persons in prison or the penitentiary systems. As I said before, we need someone to help turn this situation around, not someone who is just going to listen. I've been singing this tune for the past 5 years to congressmen, Senators, city council persons. We made the front page of the *Times-Picayune* for having residents living in overcrowded conditions, yet all of this fell upon deaf ears.

I would hope something positive comes out of this trial. I know the residents need something positive to happen in their lives during this crisis. As I stated on the telephone, we need someone to take action on these matters. Attachments are a page with some of the problems and a page with names of persons living in overcrowded apartments. Overcrowded families, families living in overcrowded apartments. There are families with up to four or more persons living in 1-bedroom units. Some of these families have been in these apartments for over 10 years. Some households have teenage sons and daughters. Even though these families have been living under these conditions for years, they have to live like this even longer since the U.S. Congress has mandated the demolishing of housing developments and placing the people here in the St. Bernard development community center. In April of 1998, like thieves in the night, HANO set the wrecking ball to the 1400 block of Milton Street, 1412 through 1450. Three buildings, consisting of 24 1-, 2-, 3- and 4-bedroom apartments were demolished. The Housing Authority was supposed to build a community center on that property. In January, 1999, in an ANROC meeting, Mr. Ron Mason, executive monitor for HANO at that time stated he had bad news for some of the leaders. There wasn't any money to build community

centers and the St. Bernard development was one of the sites that would not get a community center.

Demolition process. The Imperial Drive site was demolished. Desire, Florida, St. Thomas and C.J. Peete are in the process of being demolished. St. Bernard is the home site for all of the residents from these sites. That is fine, because we feel that it could have been St. Bernard up for demolition. HANO and HUD are placing families from these sites in St. Bernard. The only problem I have with this is they're all still giving these families 3- and 4-bedroom apartments with two and three people on the lease while forcing our residents to move out of their apartments into smaller units. Example: HANO placed a lady and three small boys from the Imperial Drive site into a 4-bedroom apartment. The oldest brother is not 7 years old yet. HANO forced a family with four dogs and a 2-year-old out of a 4-bedroom apartment and placed a family with two people from Imperial Drive in that 4-bedroom apartment.

Housing Authority's waiting list. There are people who left their apartments to drug activity, did time in jail, they return from jail and they receive apartments before persons who were on the waiting list before these people ever applied for a project in the first place.

Rodents. Over the years some apartments in the St. Bernard apartments have always had problems with mice from time to time. In 1997 HANO had the vents of the concrete base of the building welded closed and the iron gates locked. When they did, cats were locked under the buildings and all the cats died. The poor cats cried until they died under these buildings. After this happened, the rats started coming into the apartments any way they could. They ate their way through the walls, air conditioner closures, clothes dryer vents, through toilet commodes, up the bathtub drain, through holes in the floor that contractors left open after renovation in the 1980s. The rats had full run of these apartments. When finally a few cats did begin to come around, the rats pulled switchblades on the cats and most of them fled.

Roaches are a problem in a development simply because some of the residents don't fight them and the HANO has nothing to give us to help to combat the roach problem. In these apartments, everyone has to fight the roaches together or the roaches run from apartment to apartment and no one will get rid of the roaches.

Dogs. HUD and HANO have given permission for residents to have dogs. The residents have to pay a \$75 fee and register the dog as a live-in. There are too many pit bulls, Dobermans, Rotweilers and every dog you can possibly name. There are too many people living on the site for people to be allowed to have dogs. Most of the seniors don't want dogs as pets or companions. Besides, the dogs mess all over the place and we step in poops daily because the dogs don't wear Pampers. They are trained only to mess outside. HANO will let you pay \$75 to have a dog in your own zero rent.

I'm sorry. I have to apologize. I had to stop it because our summer program was coming in and I had to start writing for the summer program. But I just want to say to the panel. It hurts. We are people living in 1- and 2-bedroom apartments. I mean large families. Mothers with three to maybe five children. Even in 2-bedroom apartments. You have teenagers sleeping together, 14, 15, boys and

girls. They've been living like this for a long time. Now that the demolition is being done, they have to stay here because HUD said demolition comes first. So if you've been living like this, you're going to continue living like this, because they have to get the residents who are coming from the sites who are having demolition settled. It's unfair. We all are people. We all are human. I don't think we should have to live like this.

Chairwoman KELLY. Thank you very much, Ms. French.

There is one correction I'd like to make. You said that the U.S. Congress had demanded that the units be demolished. This is not true. Congress serves a function of appropriating money. It is the Housing and Urban Development agency, which comes under the Executive Branch of the Government that allows HANO to demolish these apartments. So I wanted to clear that up. Congress can make laws that govern the amount of money that goes to these agencies. We can also make some other laws, too, but in this particular instance, it was not the Congress that caused the demolition of any of these units.

Ms. French, you wanted to say something.

Ms. FRENCH. I'd just like to say, Ms. Kelly, whenever we question the Housing Authority about something and it's always "HUD did it" or "the Congress mandated it." I asked, "Let me see this. Where is this?" "Oh, we're going to get it for you. We're going to get it to you." Whatever. I haven't seen anything yet. The only thing I remember is in 1995, I believe, then-President Clinton did the one strike policy on television. But I haven't seen anything. But when they tell you "HUD mandated it" or Congress, those two entities. I've asked over the years, "Let me see where HUD has said this." "Oh, we're going to get it for you. So-and-so, you find it. You get it for her and give it to her." And it just goes on and on.

But, I would like to ask you, Ms. Kelly, also. You said about your visit to Desire. Did you visit St. Bernard?

Chairwoman KELLY. We did not. We didn't have enough time. We managed to get to B.W. Cooper, St. Thomas, Fisher, Florida and Desire. That was all we were able to fit in this morning. We had a pretty busy morning, because I kept popping out of the van and going into some of these places. I felt it was important that we actually look at what the conditions are. So we didn't get a chance, but I promise you, Ms. French, that if I get back down here, if you'll let me, I'll come and you can take me for a walk. Will you do that for me?

Ms. FRENCH. Yes, I would. And if you can't come, if you can send someone, I would appreciate that very much. We need someone to see what we're saying about our living conditions at the St. Bernard development.

Chairwoman KELLY. That's what I tried to do as much as possible this morning. We will continue to try to work with you. I'm just so saddened by the conditions. As Ms. Davis pointed out, we know that these are neighborhoods. We know that you love each other, you support each other. We know you know your neighborhoods and it's important that we keep that neighborhood going if we possibly can. So I wanted to say to you, I don't know who told you that they would get back to you about these mandates from HUD and so forth, but HUD can mandate. Congress doesn't do

that, but HUD does. Congress can dry up the money, Congress can do some other things. But if they promised you that, you keep on them and, if they don't get back to you, you've got Mr. Cochran's address now. You write to him. All right? That goes for you, too, Ms. Davis. You write to him. You write to me. Write to any one of us. Mr. Baker here is a Representative, Mr. Vitter. You write to Mr. Jefferson. We'll get back to you.

Ms. FRENCH. I've written to Mr. Jefferson on a couple of occasions.

Chairwoman KELLY. Well, we'll talk to him about that. Right now, I just have a couple of questions if I can find them here. There's a couple of questions. One, have either one of you ever seen any results from something called the Institute for Resident Initiatives?

Ms. DAVIS. Well, Desire opted not to use the Institute for Resident Initiative, because of the fact that we realized that HUD was not going to duplicate programs and we needed TA. We needed somebody to come in and at least help us expand on the program that residents are already running. So we opted not to take the funding or to use the Institute of Resident Initiatives.

Chairwoman KELLY. That was an election you made?

Ms. DAVIS. Yes.

Chairwoman KELLY. OK. What about you, Ms. French? Have you seen anything?

Ms. FRENCH. Frankly, the Institute for Resident Initiatives is now National Center for the Urban Communities.

Chairwoman KELLY. I'm sorry. I didn't hear that clearly.

Ms. FRENCH. The Institute for Resident Initiatives is now the National Center for the Urban Communities. Is that the same program? That's what I'm trying to say.

Chairwoman KELLY. No. It's at Tulane.

Ms. FRENCH. Yes. Tulane University.

Chairwoman KELLY. Have you ever seen any results, anything from it?

Ms. FRENCH. Ms. Kelly, I don't know if I have to raise my hand or raise my feet. I would like to take the 5th on that.

Chairwoman KELLY. Well, OK. I just wondered, because they've been getting about \$2 million a year and I wondered if either one of you have seen any results from the programs?

Yes, Ms. Davis.

Ms. DAVIS. Just one. After the revision in 1999, Desire Revitalization Revision, they did a campaign to go out and sell the idea of Section 8 to residents and we lost hundreds of residents, because of the grass is greener on the other side theory. So that's about all. Also we compete against their basketball team.

Chairwoman KELLY. They took the Section 8. They got people on Section 8?

Ms. DAVIS. Well, they encouraged some of our residents to take it and now they're having problems, because the income does not support the Section 8 theory.

Chairwoman KELLY. Thank you. Are either one of you aware of the use of Drug Elimination grants in the Housing Authority and, if so, I'd like to know how effective they have been. Yes, ma'am.

Ms. FRENCH. We were getting about \$25,000 Drug Elimination funds to run a 36-week after-school program and that wasn't so successful. Our program is successful, but it could be even more. For the—program trying to spend \$25,000 for 36 weeks on about 60 to 80 children. And I don't find that as enough funds to run it, but we don't know who you go to to ask for more.

Chairwoman KELLY. Perhaps this hearing will—

Ms. FRENCH. We have a beautiful program at St. Bernard, because we feed them hot meals and we have TOW tour and we just have arts and crafts. We have good programs, but you get what you pay for, and when you have to pay people little money, you get a little service. And we tried to ask for raises, but they say HUD and the Congress don't allow you to get more than whatever.

Chairwoman KELLY. HUD, Ms. French, not Congress.

Ms. FRENCH. I'm only saying what they told me. I can only say what they tell me. Yes, we received \$25,000 for 1998-1999 and 2000 and maybe for 2001. But they say it's the last year for it.

Chairwoman KELLY. Thank you very much. I've run out of time, so I'm going to move on and ask my colleagues to ask questions.

Mr. Baker, will you please.

Mr. BAKER. Thank you, Madam Chairwoman.

Ms. French, you commented that there was a fellow who got convicted over a drug problem and got access to a unit before people who had been on the waiting list for some time.

Ms. FRENCH. OK. Let me say this. For instance, and I want to say it all. I'm not about putting anybody out. Everyone needs somewhere to live. If you committed a crime and you did your time or whatever, I don't think that should take away from you having another chance.

Mr. BAKER. No. Sure.

Ms. FRENCH. OK. There are persons who are on the waiting lists for an apartment with the Housing Authority and this guy, he received an apartment. He was on the waiting list also, I would assume. Somewhere in there, I don't know how long he had that apartment, a year, a month, or whatever, something happened with drug activity. I don't think it was on the site. But, by the same token, he had to move. He went to jail. So lo and behold, he got out of jail and had an apartment. I didn't know this, just through another tenant. Tenants come and talk to me. They see things. How did he get another apartment? My daughter has been waiting. My daughter was waiting for an apartment when he had an apartment. So anyway, it wasn't about him not having an apartment. I was wondering about this speedy process.

Mr. BAKER. Right. That's my question. What do you think went on in making that decision?

Ms. FRENCH. I think it was who you knew.

Mr. BAKER. OK. That's what I wanted to know. Because my time is limited, I've got a couple more. Other than this fellow being caught by the police and taken to jail, that got him out of the facility for some time while he was paying his dues.

Ms. FRENCH. Yes.

Mr. BAKER. Do you feel that there's a method that's good today where if you have a problem resident, understanding that you don't want to see anybody without a place to live, but if you've got that

fellow behind the door with that big Rotweiler who's doing things you didn't want to have done around your family, is there a way to get that person out of that unit today?

Ms. FRENCH. Well, they more or less put them out for drug activity, if the door is kicked in or if you're caught with drugs. If you're on a lease, you don't even have to be in St. Bernard, you can be in St. Rose. If you're caught with drugs and you're on the lease in the development, you're put out.

But let me say this, Mr. Baker. The guy is back and he's not a problem. The only problem is how he got back before. People are still waiting when he was there before. The Rotweilers and all the big dogs from time to time, they fight. Sometimes they are so big or so strong when they be walking with the owner on the leash, they get away from the person walking them or what-have-you.

In St. Bernard we may be listed as 1400 units and that's what we have there, 1436 units, but you would think that's 1436 families. No, sir. We're about 5,000 or more strong, because a lot of these people are doubling up also. But it's too large a place for dogs, especially vicious dogs, and they are all vicious, because when you raise them in the house, people get them as puppies and raise them in a house, then they go to eating up their furniture, their shoes or what-have-you, then they put them out. It's not my dog any longer. Then he's biting and running behind everybody in the neighborhood.

Mr. BAKER. Let me ask a follow-up of both of you before my time is up. Is it your opinion today—and both of you are long-term residents of two different projects. I believe you, Ms. French, serve on a resident council and Ms. Davis, you've been very active in public housing issues. Do you have confidence today that the Housing Authority of New Orleans can fix the problems you have or do you think it's time to make some significant change?

Ms. DAVIS. I have confidence that they are able to fix what it is that's necessary, providing they have the proper leadership, both from the persons who appropriate the funding and HUD.

Mr. BAKER. Well, if you knew there was \$84 million in the bank account they haven't spent, what would your opinion be then?

Ms. FRENCH. \$84 million for Desire. \$84 million for the sites in general?

Mr. BAKER. For the operation. I mean it's not enough to solve the problem. My point is that there are resources that have been made available by the Congress to the Authority, which haven't been spent and that was when I was here 5 years ago, Ms. French, it was the same explanation then. "If we had the resources, we could fix it." Well, what I'm telling you is there's a lot of resources that haven't been spent during this 5-year period while we've been saying "fix it or else." Is it time for "or else"?

Ms. FRENCH. Does that mean you all will take the \$84 million back?

Mr. BAKER. No, ma'am. What it would mean is we'd have a different set of people. We'd take the switchblades from the rats, we'd make smaller dogs or no dogs, we'd put paint on the walls, we'd put screens on the door, we'd put glass in the windows. We'd have people come down and make a difference tomorrow instead of telling you that Congress hasn't given us the money. We'd make folks

do what should have been done already. I've never met a Government operation that couldn't spend the money we sent them.

Ms. FRENCH. That's right.

Mr. BAKER. And I'm just saying if that's what's going on here, wouldn't you, as representatives of the residents, be willing to accept a new effort, a new way of doing it?

Ms. FRENCH. Yes, sir. By all means.

Ms. DAVIS. Yes.

Chairwoman KELLY. Thank you very much, Mr. Baker.

Mr. Vitter.

Mr. VITTER. Thank you very much, Ms. Davis and Ms. French. I really appreciate your being here. Really appreciate your testimony. And I was not able to go on the tour this morning, but I will absolutely take you up on your offer and I'm here every weekend, so I will do it within the next 2 weeks and I'll get your name and contact information from the staff and I'll be at St. Bernard and then I'll be at Desire and personally I'll look forward to that.

As was mentioned, this subcommittee was here 5 years ago trying to kick off a new effort at the local level, trying to make sure things were really changing. I just want to get a sense of what's changed on the ground in those 5 years. We've heard about a lot of demolition. There's obviously been a lot of demolition. What's changed in terms of safety or gas problems, fire hazards, electrical problems? What's life been like on the ground in those 5 years?

Ms. FRENCH. It hasn't been good. Life hasn't been good, especially to—I keep stating about people. To live overcrowded. Let me say it to the panel. I raised six children in St. Bernard. I had four in a 1-bedroom apartment. No one told me to lay down and make all those babies, but, by the same token, I had them. There were larger apartments. But I had four children in a 1-bedroom apartment. I had six in a 2-bedroom apartment. So I know by experience of having to live overcrowded.

And this is more or less what I'm asking that they relieve the overcrowdedness of our people. You can take a little paint brush and put a little mortar and everything on the walls and they'll look nice. But if people are living in overcrowded conditions, that apartment is about to bust, so that little paint and what-have-you is not going to last long.

Mr. VITTER. Ms. French, in the 1996 hearing, the subcommittee heard from another resident, Mrs. Demery, a former resident, and she spoke about how her son had fallen from a third floor window which had long since lost its glass and frame and her son suffered very serious permanent brain damage, physical disability. She also said two others had recently fallen from similar windows to their death. Do you know if these third story windows have all been fixed in St. Bernard?

Ms. FRENCH. I would assume some of them have been fixed at the St. Bernard. I remember the Demery case.

Mr. VITTER. I'd like to assume all of them have been fixed. Do we know the answer to that one way or the other?

Ms. FRENCH. May I also say this here. I remember the Demery case, but right now the Housing Authority is in the process of removing the windows in LA113. That's something I don't know if you all are familiar with. One-eight means the older unit at St.

Bernard, 113 means the newer units. They're in the process of taking—they want to remove our old windows and replace them with the newer storm windows or what-have-you. Somewhere in the early 1980s, they removed the old windows from 18 and put these storm windows in and we don't want them at 113 because the storm windows are no good. It's nothing but aluminum snap-in, and when bricks or stones is coming, the windows leave before you. We don't need them. Not that we don't want them. We don't need them. We are satisfied with our old windows. They may need a little trim to stop them from squeaking or whatever like that. We don't need those new windows.

Mr. VITTER. Do you know if all those broken out windows, particularly on higher floors, third floor, have been closed up?

Ms. FRENCH. There are some third floor windows that are still broken out where people live. Yes.

Mr. VITTER. Mrs. Demery, again 5 years ago, also testified about the loss of her 8-year-old niece.

Ms. FRENCH. That's Aquinetta Demery.

Mr. VITTER. Due to a fire.

Ms. FRENCH. Is that Aquinetta Demery?

Mr. VITTER. Judy.

Ms. FRENCH. Aquinetta.

Mr. VITTER. I'm being told this is a Judy Demery. But anyway, she talked about the loss of her 8-year-old niece from a fire due to faulty wiring. In your opinion, your observation, what's gone on with electrical problems and wiring in those 5 years?

Ms. FRENCH. Well, it was wired too fast back in 1979-80. It was wired too fast. When they wired our apartments, they was rolling. They was wired too fast, and no one really came around and checked it. We did have a lot of faulty wiring and it's sad to say that a lot of people who had fires back then got put out because they said they was the tenants' fault.

Mr. VITTER. And just in the last 5 years, what do you think has happened with that wiring? Has it been fixed? Has it been corrected?

Ms. FRENCH. No indeed. No, it hasn't. No, it hasn't.

Mr. VITTER. And also the subcommittee, at that time 5 years ago, heard that fire alarms had been installed during the so-called renovation, but the residents said they've never been checked, they've never been really inspected. What do you think the state of the fire alarms is?

Ms. FRENCH. They were checked. I would say they all were checked in some way, inspected, what-have-you. But from time to time I guess—I don't know if they're run by battery, but sometimes they go off just from a little smoke from your apartment. But, I would say that you would need, in a site that big, that large, why would you just let the whole maintenance contractor that come out every so often check for fire. You should have someone hired to check this daily, just go around to the apartments for to be checking now and then, every so many years or what-have-you. Check them and make sure they're working.

Mr. VITTER. Ms. Davis, what about Desire? We've heard about demolition and then overcrowding which has gotten worse because of that. What about basic conditions? Public safety, electrical wire,

windows, these sorts of things we're talking about? What do you think has happened to the condition of that in the last 5 years?

Ms. DAVIS. Well, in the last 5 years, preventive maintenance implementation has—we haven't experienced that and that's what we're lacking. Someone, after they do HQS inspection and you find a problem with the apartment, will come back and remedy the apartment. And so in the last 5 years, I believe that even in the last 5 years, maintenance was kept up. Residents would be more stabilized and not relocate under duress because many of them relocated because nothing was being repaired.

Mr. VITTER. So again, besides the demolition and the increased overcrowding, has anything significant happened on the ground in these last 5 years?

Ms. DAVIS. Besides demolition?

Mr. VITTER. Yes.

Ms. DAVIS. Nothing. I mean we're still waiting on units to come online so we can transition to this newer safe and decent and sanitary units.

Mr. VITTER. I appreciate hearing from both of you and I'll look forward to meeting you at St. Bernard and Desire within, say, a couple of weeks. I'll look forward to that visit.

Chairwoman KELLY. Thank you very much, Mr. Vitter.

The Chairwoman notes that Members may have additional questions for this panel which they may wish to submit in writing so, without objection, the hearing record is going to remain open for 30 days for Members to submit written questions to the witnesses, all witnesses, and place their responses in the record. This first panel is excused with our great thanks and appreciation for your time, and we will now empanel the second panel. Thank you both very, very much for wonderful testimony today.

Ms. FRENCH. Thank you.

Chairwoman KELLY. Gentlemen, are you ready? For our second panel, we're very thankful that Mr. Chet Drozdowski, the Director of the Office of Public Housing here in New Orleans, has joined us. Next to him we have Mr. Rod Solomon. Mr. Solomon is the Deputy Assistant Secretary for the Policy, Program and Legislative Initiatives Assistant in HUD's Office of the Public and Indian Housing. He is testifying in the stead of Paula Blunt who was originally scheduled to be here with us today. She is the Acting General Assistant Secretary for HUD's Office of Public and Indian Housing. But she was unable to be here because of a medical emergency in the family. So Mr. Solomon, we do welcome you and thank you for being willing to step in and speak with us here today.

After Mr. Solomon, then we're going to hear from Mr. D. Michael Beard, the District Inspector General for the HUD Office of Inspector General. Mr. Beard testified at the 1996 hearing on HANO. Gentlemen, you are all aware that this subcommittee is holding an investigative hearing. When doing so, the Chair may decide to take your testimony under oath. Do any of you have any objection to testifying under oath? The Chair then advises each of you that under the rules of the House and the rules of the subcommittee, you're entitled to be advised by counsel. Do any of you desire to be advised by counsel during your testimony today? In that case, would you please rise and raise your right hand and I'll swear you in.

[Witnesses sworn.]

Chairwoman KELLY. Thank you very much. All of you are now under oath. Without objection, your written statements are going to be made part of the record. You will each now be recognized to give a 5-minute summary of your testimony, and we'll begin with you, Mr. Drozdowski.

**STATEMENT OF CHESTER J. DROZDOWSKI, DIRECTOR, HUD
OFFICE OF PUBLIC HOUSING, NEW ORLEANS, LA**

Mr. DROZDOWSKI. Good afternoon, ladies and gentlemen. I would like to take the opportunity to thank the subcommittee for the opportunity to testify this afternoon. It is very rare indeed that the director of a field office has the opportunity to present his perspective on a particular issue.

The ARD report issued by the Office of the Inspector General on 11 May 2001 is, in my opinion, a highly accurate representation of what has happened at the Housing Authority of New Orleans for the period beginning just after the Cooperative Endeavor Agreement was signed in February, 1996 to a period which ends just about December, 1999.

My comments this afternoon will touch on the four questions from a director's perspective that have been posed by the committee in its letter to Secretary Martinez and will also look at a number of issues raised by the Office of the Inspector General including the Field Office's attempt to verify the Housing Authority's public management assessment scores in 1998 and to correlate the 1998 scores with the HANO's current advisory scores under the public housing assessment system. The comments made are relative to the period of time covered by the Inspector General's report.

During that time, the Cooperative Endeavor Agreement had minimal impact on the quality of housing for the residents of the Housing Authority of New Orleans. During that period of time, no major relocation took place at the two HOPE VI construction sites of Desire and St. Thomas. Only minimal demolition took place at either of the two HOPE VI sites during the 3½ year period. However, during the latter part of 1998, there were some modernization projects that were started at selected sites throughout the Housing Authority.

During the same period of time, some internal improvements of the Housing Authorities were noted. While there were recruitment of key management employees and some restructuring of the Housing Authorities organizational operations which all had a positive effect at the time, HANO began to experience major difficulties in its Section 8 department. This key department, the major component in its relocation program, would subsequently collapse in the mid-year 2000.

From the field office perspective, the Cooperative Endeavor Agreement was expected to get new management and direction into the Housing Authority of New Orleans. It was further expected to apply aggressive action to: One, relocate the residents from the HOPE VI construction sites; Two, demolish units which had been approved by the department as part of HOPE VI; Three, engage the HOPE VI construction program; Four, improve the mainte-

nance of the Housing Authority; Five, develop plans of action for the demolition of units identified as no longer viable to be maintained by the Housing Authority; and Six, to reorganize its internal operating structure. The Housing Authority made little progress in any of the aforementioned.

During the first 2½ years of the Cooperative Endeavor Agreement, there appeared to be an all-out effort to achieve a passing score of at least 60 percent on the department's PHMAP assessment program. It appeared to be the ultimate end game strategy of the Cooperative Endeavor Agreement. To the casual observer, getting off the trouble list might have appeared to be a major accomplishment, but for those who knew the ins and outs of the program, getting a passing score was not an accomplishment at all. There was very little correlation between the self-certified assessment program and the public housing inventory stock that is safe, sanitary and decent.

HANO crossed the mystical management trouble threshold in 1997 when an appeal was granted by HUD headquarters. Later in the year, in July of 1999, HANO subsequently appealed their troubled modernization status. After a review of the information, my staff recommended to me to deny the appeal as the Housing Authority had not provided sufficient justification. HANO was advised of their appeal status. Under the PHMAP regulation, an appeal denied by field officer director may be appealed directly to the assistant secretary.

In November, 1998, HUD headquarters reversed my decision and in December, 1998 I was instructed to inform HANO that they had successfully appealed their PHMAP score. The Housing Authority was given a passing score effectively taking them off of the modernization troubled list.

The following calendar year in 1998, HANO certified to a management score of 85.16 and an overall modernization score of 64.70. A review of my staff certified that the information provided once again raised a number of skeptical concerns. It is at this point that I requested necessary travel and per diem funds to bring a team together from my Mississippi Program Office to perform a confirmatory review of HANO's documentation and verify, among other things, the quality of maintenance and accuracy and timeliness of the required inspection of units.

A series of email followed my initial email request. Headquarters did not provide necessary funds of approximately \$5,500 to bring a team to examine the Housing Authority's documentation and housing stock citing that I had failed to lay out a sufficient case for the confirmatory review.

The PHMAP program has been replaced by the assessment system. The management component of the PHMAP program is still self-certified and, to this date, the Housing Authority has still received failing scores. Since 1981, the Department of Housing and Urban Development has provided for the Housing Authority slightly over \$1,100,000,000, \$800 million of which has been provided in the last 10 years. It is difficult to explain to the residents living in HANO properties or to the citizens of New Orleans or Louisiana or someone living in upstate New York or Des Moines what the im-

fact of \$1 billion has made to the quality of life or the sustainability of the housing program in New Orleans.

[The prepared statement of Chester J. Drozdowski can be found on page 80 in the appendix.]

Chairwoman KELLY. Thank you very, very much.

Next we have Mr. Rod Solomon. Mr. Solomon, thank you very much. I apologize for the fact that we don't have a name tag in front of you, but we know who you are.

STATEMENT OF ROD SOLOMON, DEPUTY ASSISTANT SECRETARY FOR POLICY, PROGRAM AND LEGISLATIVE INITIATIVES, OFFICE OF PUBLIC AND INDIAN HOUSING, HUD

Mr. SOLOMON. Thank you, Congresswoman, and I'm very pleased to have the opportunity, even without a name tag, to appear before the subcommittee on behalf of Secretary Martinez. On his behalf, I want to thank the Congresswoman, Congressman Baker, Congressman Vitter, and Congressman Jefferson, for holding this critical hearing on providing the tenants of the Housing Authority of New Orleans decent, safe and sanitary housing. That is the most basic mission of the Housing Authority, and the new Administration is committed to taking every reasonable step to see that that mission is carried out as well as possible.

In coming in and looking at this situation, HUD's actions will be based on its own prior experience and evaluations such as that of Mr. Drozdowski who, of course, has been here on the ground seeing this firsthand, and other evaluations. In that regard, we will be considering carefully the audit report that you are just about to discuss and the work of the congressionally-mandated National Advisory Council with which you, Mr. Baker and others of you have been closely involved.

HUD will promptly take any actions to implement remedies that clearly and permanently promise to improve the living situation of the residents. I also want to note the compelling testimony that you just heard from Ms. French and Ms. Davis. That will also certainly be reported promptly to headquarters and HUD's leadership will be made aware of it.

Secretary Martinez is committed to improving the living conditions at HANO, as he is with public housing nationwide. We have a new Deputy Secretary, Alfonzo Jackson, who has been confirmed but not sworn in yet, who has administrative experience running three large and formerly troubled housing authorities across the Nation. The Secretary has asked him personally and immediately to work on this matter directly and to look over what we have and propose remedies.

Madam Chairwoman, the subcommittee asked a number of specific questions. My written statement responds to them, and I will be glad to answer any questions you have on them, but in the interest of moving the hearing along, I would thank you now and wait for questions later.

[The prepared statement of Rod Solomon can be found on page 85 in the appendix.]

Chairwoman KELLY. Thank you very much, Mr. Solomon.

Next we have Mr. Michael Beard.

**STATEMENT OF D. MICHAEL BEARD, SOUTHWEST DISTRICT
INSPECTOR GENERAL, OFFICE OF THE INSPECTOR GEN-
ERAL, HUD**

Mr. BEARD. Thank you, Chairwoman Kelly. I'm very pleased to be invited back to testify again.

Our most recent report, published in May, deals with three major topics: the status of the Cooperative Endeavor Agreement; the authority's progress on its modernization; and how HUD itself had reacted to Congress's request for an advisory council. I'd like to get right to the bottom line here.

Over to my right I have a chart up for the subcommittee to see. It is funding provided to HANO since 1992. I picked 1992, because that's the year where HUD really first started to try to turn HANO around. Since 1996 when the Cooperative Endeavor came in, it runs about \$440 million, but I want you to know since 1992, \$832 million made available to the Housing Authority of New Orleans.

Over here is Tracy Edwards. She's a member of my staff. Last week, Tracy and some of her compatriots from our office went out and took 100 photographs for the purposes of coming to this hearing. The first photograph that she is going to show you is of an occupied building at the corner of Senate and Hamburg Street at St. Bernard. You will notice that half the building is occupied and the other half is under active construction. The resident who lives in the occupied half told us that the construction has been going on since around 1998 or 1999 off and on. So they've lived in this building under construction looking like that since 1998 or 1999 off and on.

The second picture that she will show you is an abandoned building at C.J. Peete. Now there are abandoned buildings all over in all the projects. I want you to note that this one has lots of broken windows, easy access for any kids to get in there and play around and fall out these windows. There's boards up there hanging off the top of the roof that any good wind would bring down. This is somewhat typical. There's vacant buildings all over the place.

The third picture she's going to show you is of a building in St. Thomas. That woman standing up there on the balcony, she is the single tenant in that building. She's 70 years old. She has to climb three flights of stairs that are filled with trash and debris to get up to her apartment. See the broken windows that are in the building that she lives in?

The next picture Tracy is going to show you is a picture of a ceiling in a stairwell in a building in Arborville on Conte Street. The stairwell reeks of mildew. I mean it literally bowls you over when you walk into the stairwell. A resident told us that dirty bath water leaks from that pipe that's in the ceiling any time someone takes a bath. The leak has damaged the ceiling and walls. The water now collects in the stairs causing a safety hazard.

Tracy, being the nice lady that she is, was able to talk herself into several apartments. I've got a few highlighted photos from some of the apartments that she got into. This is a stove that's in a unit at Fisher on Whitney Avenue. The resident told us that only two burners work and she has reported this problem repeatedly to HANO and yet she's still having to cook her family suppers on that stove.

We have plenty of internal photographs to show you that literally, my staff members said tears came to their eyes when they were in these places. And this next one is gross. We're going to show you a bathroom at another unit at Fischer on Whitney Avenue. I want you to take a look at that table that's sitting in the bathtub. The lady took that table away from the hole in the wall and set it in the tub to show the auditors the hole in the wall. The smell drove the auditors out of the bathroom. The bugs that came crawling out of the wall grossed them out. She told them she has had this bathroom looking like that for 3 years. Tracy has just a couple more photos of that same bathroom. The tenant told Tracy that the smell often makes her ill. You can certainly see why. \$832 million over the last 5 years for the Cooperative Endeavor Agreement, \$400 million, this is the way the place looks.

HUD removed HANO from their troubled list back in 1998. That took care of two of the three conditions for the Cooperative Endeavor Agreement to go out of existence and yet it is still in existence. Five years ago, I testified here in this very room talking about the troubles then and we heard plenty of testimony that said things are going to be fixed. They're not.

[The prepared statement of D. Michael Beard can be found on page 88 in the appendix.]

Chairwoman KELLY. Thank you very much, Mr. Beard. Those are amazing, just amazing pictures. Tracy, thank you very much for your help.

I'd like to just ask you, Mr. Drozdowski, and Mr. Beard repeated also, the fact that HUD allowed HANO to manipulate itself off of the troubled list in 1998. Specifically, then-Secretary Cuomo prohibited you from performing a confirmatory review, according to your testimony. Do you believe that that may be the reason that HANO was removed from the list?

Mr. DROZDOWSKI. Yes, indeed. A confirmatory review would have done a number of things. First of all, it would have checked the work orders to make sure that we could have followed that trail of work to be done to prevent this sort of thing from happening at the Housing Authority. It was certainly within the best interest of the department to make sure that there was increased department surveillance at the Housing Authority of New Orleans. It had been troubled for a number of years, 20 years to be exact, and the history showed that very little got done at any given time in its past.

Chairwoman KELLY. Mr. Solomon, do you think HUD would allow that to happen again?

Mr. SOLOMON. No.

Chairwoman KELLY. That was a succinct answer.

In your opinion, Mr. Drozdowski, what was former Secretary Cuomo's motivation for stopping you from performing that confirmatory review in 1998?

Mr. DROZDOWSKI. Well, I couldn't say Secretary Cuomo specifically. It certainly went up our chain of command through field operations and the person that I was dealing with was out of the office of the Deputy Assistant Secretary for Assisted Housing, Ms. Cousar. We certainly made a case, we thought we made a case, that justified a few thousand dollars to go out and look at the conditions of the Housing Authority and to verify their scores.

Chairwoman KELLY. I'm looking for a quote where I thought I saw his name. I wish that Secretary Cuomo were here better able to explain the actions of HUD at this time. There was a decision made in June by Secretary Cuomo to extend the CEA and continue to placate, according to you, the mayor. I think placating the mayor may have been good party politics in an election year, but it's pretty awful public policy when you see what has resulted with thousands of people living in squalor, pictures just as we've seen. I wish that the Secretary were here. I think it's very disappointing that thousands of residents in this public housing might be used as political pawns. I think it's clear that perhaps by extending that CEA, Secretary Cuomo may very well have been trying to help someone, possibly Vice President Gore, but it wasn't the people who were living in public housing that he was trying to help, and I think that's a real shame.

I have another question of you, Mr. Solomon. I have here in my hand a news story saying that this Administration is eliminating an \$860,000 housing program that used to counsel public housing tenants on kicking drugs and it was a drug program. This program I'm talking about now has been eliminated, because this program just barely got started. The program is called Creative Wellness and what it basically did was trying to use applied kinesthetics. They had a wellness trainer. For instance, she mentioned that sun and earth tones are good and pink and blue drain energy. I assume that the Administration decided to eliminate this particular program because it's more interested in eliminating rats and roaches than it is looking at whether or not pink and blue are particularly good colors for residents to wear. Is this true?

Mr. SOLOMON. Yes. We felt that that program was not a proper use of Federal money, and that the money should be used for activities that were more clearly accepted to be on point for drug elimination.

Chairwoman KELLY. I see I've run out of time, so I'm going to go on to Mr. Baker.

Mr. BAKER. Thank you, Ms. Kelly.

Mr. Drozdowski, I read somewhere, either in a written statement or in other documents, that since 1983, it's your opinion, about a billion dollars or so in funds have been allocated to HANO. Is that correct?

Mr. DROZDOWSKI. That's correct, sir. We did a survey just last week. We went back to 1981, as that was actually one of the first reports that the IG had issued regarding the Housing Authority of New Orleans. Our analysis showed \$1,149,000,000 to be exact.

Mr. BAKER. So that from 1983 to the present moment, \$1,100,000,000 in round numbers has been made available to the Authority.

Mr. DROZDOWSKI. That's correct.

Mr. BAKER. Is it your opinion that it's a lack of funding that's prevented the Authority from making substantive changes in the quality of housing?

Mr. DROZDOWSKI. No, sir. A billion dollars is a lot of money. It can certainly build and repair a lot of units and take down a lot of units. This is just mismanagement of the funds and the inability to get the program off.

Mr. BAKER. So after spending a billion one, your opinion is that the prior Administrations involved in the conduct of the Housing Authority in New Orleans, perhaps officials within HUD, have resulted in inept management of taxpayer dollars for this purpose.

Mr. DROZDOWSKI. I would agree with that statement, Mr. Baker.

Mr. BAKER. Was it your opinion that when you wanted to engage in the confirmatory audit of HANO's scoring that some official at a higher level than your office in DC perhaps engaged in this decisionmaking process and, for some unknown reason, reversed your professional inquiry?

Mr. DROZDOWSKI. Yes, sir. That's correct.

Mr. BAKER. I would want for the record to note that at that time I was engaging in conversations with Secretary Cisneros asking specifically that appropriate action be taken to remedy this problem. In that window, Madam Chairwoman, I requested the Secretary to explore the possibility of a receivership, given the long history of the HANO's under-performance. I received similar treatment, if it's any concern, and my request was not acted upon.

Do you think that a receivership would be an adequate remedy for the problems we face?

Mr. DROZDOWSKI. Yes, sir. In my written statement I do say that the receivership must be put on the table again to revive the Housing Authority of New Orleans.

Mr. BAKER. What other items might be put on that table besides receivership?

Mr. DROZDOWSKI. Well, we've look at, as an organization, as a HUD organization, public housing organization, the possibility of separating the Housing Authority into smaller units. That's a distinct possibility.

Mr. BAKER. So you're suggesting that big mismanagement be made into little mismanagement.

Mr. DROZDOWSKI. Well, it's easier to correct perhaps.

Mr. BAKER. So you would have different people engaged in project by project responsibility. Would that be fair?

Mr. DROZDOWSKI. That would be a fair statement. Yes, sir.

Mr. BAKER. One of the things which the proponents of HANO have made me aware of, and I tend to agree with them, is that the current body of law under which they operate is restricted with regard to making sweeping management decisions and, for that reason, a receivership might be the more advisable, because it would unleash the ability of whoever would be given the responsibility to make changes in a dramatic fashion. Is that view one that has merit?

Mr. DROZDOWSKI. Yes, sir. It does.

Mr. BAKER. Thank you.

Mr. Beard, you've been engaged in this business for some time. It appears that your report of this year is not significantly different than your report of 1996 except that we have a lot more money in this report compared to the 1996 report. Are you basically telling me that conditions have remained the same, gotten worse, or has there been minor improvement, in your view?

Mr. BEARD. Oh, there's been minor improvement, but the conditions are still the same for the tenants.

Mr. BAKER. Is the manner of improvement the demolition of—

Mr. BEARD. There's been some demolition, some new windows, some new doors but, generally speaking, there has been no progress at all during the 5 years on any one of the 10 conventional sites getting any of them turned around.

Mr. BAKER. When the buildings have been demolished, I've read that there is a lack of 4-bedroom units within the market, that the 2- and 3-bedroom units are located on the west bank. There are concentration concerns with relocating families continually to that area. What has happened to the tenants who occupied public housing that's been demolished?

Mr. BEARD. I honestly don't know. I mean we're talking several thousand that have been removed from these projects as they're targeted and demolished. I don't know where they go.

Mr. BAKER. Mr. Solomon, I really don't have a question. I just have a statement, because I understand the Administration's position on this matter. I just wish to state for the record concluding my remarks that these circumstances are intolerable. This is a public embarrassment. People's lives have been ruined. We've had young people falling out of windows, as Mr. Vitter has stated. Permanently injured or killed. This is not something we can stand by and tolerate any longer, and I don't know what action I can take more aggressively than I've taken in the past, but I assure Madam Chairwoman, Mr. Vitter and Mr. Jefferson that whatever it is, I don't care how radical. I would leave the word reasonable on the edge. If it takes tearing things upside down to get this fixed, we have got to start doing it.

Thank you, Madam Chairwoman.

Mr. SOLOMON. Thank you. Perhaps this is unnecessary, but in case I do need to repeat it, I think the Administration understands the urgency of the situation. Again, its leadership will hear your comments directly.

Mr. BAKER. Well, thank you. I just think the Inspector General's report and the comments of the field officer have such enormous credibility for the need for change. There is just not an adequate explanation that can be given. Certainly over the decade we have got to have earned the honor of being the worst in the country, and that is something for which we all share a great degree of shame.

Chairwoman KELLY. Thank you very much, Mr. Baker.

Mr. Vitter.

Mr. VITTER. Thank you, Madam Chairwoman. I just have a couple of comments, probably no questions, but I just find this figure, any of the figures we're talking about, astounding. Since 1992, \$832 million. Madam Chairwoman, in southeast Louisiana we're debating a couple of big potential public construction projects now. One is the new phase of the Convention Center, which is very important for economic development. That would take about \$4- to \$450 million dollars. Another possible project that the New Orleans Saints have been pushing is a brand new stadium for the New Orleans Saints. That would take about \$450 million, \$350 million of which would be public. You could do both of those things immediately at the same time with that amount of money and have change left over and yet we, as taxpayers, have spent that amount of money on HANO since 1992 and we have virtually nothing to show for it. It is just mind-boggling. Like I say, it is the budget for

what would be the two biggest public construction projects in Louisiana history with change left over.

My other comment is to Mr. Solomon, as a representative of the new Administration. I urge you to take this sense of outrage and urgency back to your leadership in Washington. Sometimes I think there is a problem. A new Administration comes to town and is only hearing this hard story for the first time and has not lived through these three and four and five failed reform efforts over the last decade. But you need to read the history and you need to communicate the history, because there have been all of these failed reform efforts. There has been over \$1 billion of spending with virtually no results. So I hope the new Administration digests all that and takes it to heart before it gives HANO just another pass at just another band-aid approach to limping along for the next few years. I really urge you to take that bit of history and that sense of urgency back to your leadership in Washington.

Mr. SOLOMON. Thank you. I will do that.

Chairwoman KELLY. Thank you very much, Mr. Vitter.

I'd like to go back for one minute to the Cooperative Endeavor Agreement. I was running out of time and really didn't get a chance to explore that a little bit. Mr. Drozdowski, how many years do you think it's going to take to bring all the HANO facilities up to code, if ever?

Mr. DROZDOWSKI. I've given some thought to that just over this past week. Given what they're doing now, it would probably be, at the rate they're moving, probably the year 2030 or 2031 to get anything moving.

Chairwoman KELLY. Thirty to 31 years?

Mr. DROZDOWSKI. I would say that, and here's why I'm saying this. It's taken—we've given—it's been 1994 since the HOPE VI for Desire was awarded to the Housing Authority of New Orleans and we still haven't knocked the buildings down. We still have families living at Desire. Construction is scheduled to start probably in the next 16 to 18 months. It's going to take another 3 or 4 years to complete that project. It's a long, involved process and, of course, it also deals with how fast can you move with the funding that is available with the department. It's a long, drawn out process, and we've watched literally, at least since the Cooperative Endeavor was signed, probably 5 years.

Chairwoman KELLY. Do you think that—assuming that it might be continued, when do you think that HANO might just complete even one for the revitalization? I mean just take one.

Mr. DROZDOWSKI. The report that the Inspector General put out is quite accurate for a period of about the beginning to about 1999. Since February of 2000, a lot has started to happen. Buildings have started to come down at St. Thomas, for instance. Some buildings have started to come down at Desire. St. Thomas will probably be the first project that will be completed, and we're looking at a completion date of some time around the year 2003, beginning 2004.

Chairwoman KELLY. So you're thinking that St. Thomas may be—we were out this morning.

Mr. DROZDOWSKI. A lot of work has been done there.

Chairwoman KELLY. Yes. We saw a number of things that have been deconstructed. We saw some flat land. But the question is

what about the permitting process and so on? Do you think we're still looking at 2004 to get some units there?

Mr. DROZDOWSKI. St. Thomas is a very visible and interesting project, and I think there's a lot of support for the St. Thomas project. I think when you go further, the Desire project has less appeal. As you start working on the conventional projects, C.J. Peete and Bernard and the other projects, there's less of an appeal. I think St. Thomas will be completed on time. I think we'll have problems with the rest of the projects.

Chairwoman KELLY. Mr. Beard, would you agree with that?

Mr. BEARD. I'd like to make a couple of points. Ms. French told you very clearly there's no maintenance. That's how that bathroom gets created. I agree St. Thomas might be up around 2003-2004, and that's going to be handed over to a housing authority that doesn't maintain anything. It won't be too long before that building looks like that again. Until they fix the management here, particularly the maintenance, I don't care how many new buildings you build. The problem isn't going to go away.

Chairwoman KELLY. One of the things I'd like to ask you about, gentlemen, is that there's a projected income mix at St. Thomas. Sixty seven percent of the units are going to be market rate. Only 33 percent are scheduled to be public housing eligible units. So they're not all going to be returned to the kinds of people that were removed from those units. Would you care to comment on that?

Mr. BEARD. We did a report a few years ago on the HOPE VI program nationwide, and this was one of the problems that we identified in that report, that HOPE VI comes in and revitalizes a neighborhood and puts in an income mix. But what really happens is the people at the bottom of the scale literally disappear. We did some stories just recently, particularly one in Atlanta. We don't know where those people went that used to live in the Techwood Homes in Atlanta. HOPE VI came in, really made that place a beautiful, livable neighborhood, but where did those people go that used to live there? I think that will happen to a lot of the residents at St. Thomas. They'll be moved out. They will not fit into this mix that we have to make this nice St. Thomas neighborhood. You'll ask me and I'll tell you, I don't know where they're going to. They're just going to disappear.

Chairwoman KELLY. Sounded like Ms. Davis was trying to plead for that neighborhood to stay, and I'm just concerned that the neighborhoods will somehow come back if we're down to bare earth and we come up with a mix like that. It's not bad to have a mix. It's a good thing. But my concern is when we're moving people out and we're talking about thousands of people being moved out while their units get destroyed, where do they go when Ms. Davis pointed out there's not enough housing stock in New Orleans to house those people. Where are they supposed to go if we're tearing down the units? I don't know the answers to these questions. I'm simply raising them and hope that perhaps you have some thoughts that you'd care to share with us. Any one of you may answer that.

Mr. SOLOMON. Well, just generally for these redevelopment efforts everywhere in the country, the basic alternatives for the short run and the longer run are other public housing or Section 8. The Housing Authorities have a responsibility to the residents, as long

as they adhere to their leases and do what they are supposed to do, to house them somewhere. The Government's efforts are supposed to be making this situation better. That means it is incumbent, if we are going to use Section 8, that the Section 8 program be working, and that Housing Authorities—and again, I mean generally—track these families and that this be a coordinated effort. We need to make sure that those responsibilities are carried out.

Chairwoman KELLY. In the testimony of one of you—in a report, I should say, of one of you, I believe it was the HUD IG, Mr. Beard, was it you? You said that the Section 8 housing program is really dysfunctional or non-functioning at all. Is that still the truth?

Mr. BEARD. That's the truth here in New Orleans in that it's the place that they could use to help relocate tenants if it were operating smoothly and efficiently, which it's not. I think the lease rate is somewhere around 60 percent of what they've got available.

Mr. DROZDOWSKI. Sixty eight percent.

Mr. BEARD. Sixty eight percent of what they've got available they've got leased up. So there's a lot of room there they could be using and they're just not operating effectively enough to do it.

Chairwoman KELLY. You have the vouchers available?

Mr. BEARD. Yes, they have vouchers available.

Chairwoman KELLY. Is it the fact that there's no housing available for people who will accept those vouchers and accept those families? Where's the rub here?

Mr. DROZDOWSKI. The Section 8 program has to be worked on a regular basis. The issue, of course, is where do you find the units that are available and suitable for Section 8 rental? What our assessment is in the field office is that the Section 8 program has never been worked effectively. I've talked to my counterparts in Chicago, for instance, where they had the same sort of problem. They brought in a private contractor, contracted out the entire Section 8 program, and the Section 8 program in Chicago is working very well. So I think he's right. The point we should be making is that, at least during the period that we are looking at during the Cooperative Endeavor Agreement, the Section 8 program literally did not function properly and is now suffering the consequences of that mismanagement.

Chairwoman KELLY. Thank you very much. That gives us at least some kind of a picture.

Mr. Drozdowski, do you think the CEA ought to end?

Mr. DROZDOWSKI. Yes, ma'am.

Chairwoman KELLY. Mr. Beard, do you?

Mr. BEARD. Yes, ma'am.

Chairwoman KELLY. Mr. Solomon, will you take that, please, back to the Secretary?

Mr. SOLOMON. Yes, ma'am.

Chairwoman KELLY. Thank you very much.

Mr. Baker, have you further questions?

Mr. BAKER. Yes, Madam Chairwoman. Thank you.

Mr. Beard, I didn't get to ask the question last time that I asked of Mr. Drozdowski as to the remedies in response to we should end the CEA. Do you think receivership is now the appropriate step, and perhaps before you answer let me give you this advisory. I spoke with Ms. Gaffney last week and she has expressed some level

of support for this. So maybe that helps with your decisionmaking on that point.

Mr. BEARD. I think it's the best thing since sliced bread.

Mr. BAKER. Great. I didn't think you needed that other piece of information, but I just wanted to make sure.

As to administrative or judicial, do you have a preference? Receivership.

Mr. BEARD. Judicial.

Mr. BAKER. And what would be your reasoning for that approach?

Mr. BEARD. Complete independence from the political process and the town.

Mr. BAKER. Based on the comments of Mr. Drozdowski concerning Secretary Cisneros, Under Secretary Cuomo's actions with regard to the certification by HUD of the HANO scoring, it would seem to be fairly evident to people that political considerations have driven the expenditures, or the lack thereof, I would say in this case. And again, given the observation that 68 percent of the Section 8 certificates have been used leaving 32 and we still have people in dilapidated housing, there really is no excuse for our current condition.

Before I ask this next question of you, I need to make a preface. The current Executive Monitor, Mr. Nicotera, who I believe will be on our next panel, I believe has done good work since his appointment to this responsibility, but we've taken an intolerable, very bad, difficult situation and made it merely just bad. I have had, in conversations with him, discussions concerning the mechanisms by which we could unleash good professional judgment to do the work that needs to be done, and I intend to pursue that line with Mr. Nicotera in the next panel.

But I make that point in his defense, but then to ask this question. Do you, and perhaps Mr. Drozdowski is the appropriate party or between the two of you for sure, have knowledge that HANO has asked for a waiver from the mandatory demolition rule for four particular projects? And I speak of Cooper, Fisher, Florida and Guste have been determined to be not meeting the appropriate standards or that they should be demolished, that HANO has asked for a 10 year waiver of that requirement meaning—let me translate for those who didn't understand that gibberish—that the current request is for tenants of those four projects which do not meet decent habitable standards by HUD's own measure, are going to be asked to stay there at least 10 more years?

Mr. BEARD. Let me make that very visual for you, Congressman. That bathroom is located in one of those projects. She's lived, she told us, 3 years and they're asking her to stay another 10 until they get her on the fix list. You're exactly right. They have asked for a waiver not to do anything for 10 years to that bathroom.

Mr. BAKER. Well, I just want the resident representatives here to understand what we are trying to communicate. We are here really to try to figure out how to fix this. We are being told that we have money in accounts for various purposes that remain unspent. We're being told that we have properties which don't meet minimum standards to live in, and we're being asked to turn our heads for another 10 years. I think the power of that needs to be

fully understood by those who are worried about change. The one thing we do know is what we have today is not acceptable, and we have to do everything within our power to change it and yet we find ourselves in the posture of being asked to turn our heads for another decade. Frankly, in my conversations with Congressman Jefferson about this matter, that's what disturbed him the most. I realize he's been in Congress now over a decade and he's seen young people grow up in this environment with no evident change in living condition and now he's being asked to turn his head again for another decade. Watch them grow into young adults. That's incomprehensible.

Is it your judgment that the current circumstance and the lack of expenditure of funds can be laid to mismanagement, turnover, lack of a comprehensive plan? I know that Anderson Consulting was paid \$3.7 million about 1998 or so to develop a short- and long-term plan. What happened to the money and where's the plan?

Mr. BEARD. Their draft of that plan we really liked. I don't think anybody ever actually implemented it, but there has been a number of excellent plans made.

Mr. BAKER. You paid \$3.7 million for a plan that was put on a book shelf?

Mr. BEARD. It almost works out that way. I mean they plan and then it just doesn't go any further than that.

Mr. BAKER. I read somewhere, I don't know if it was your comment or a quote from someone else, that HANO loves to plan, but doesn't like implementation.

Mr. BEARD. That's a quote from one of the HUD people.

Mr. BAKER. How much in the aggregate of the \$832 million spent, how much of that has gone into consulting and planning?

Mr. BEARD. I would hate to venture a guess, but I can point out to you that on the Comp Grant Funds that are \$279 million, I think they had somewhere in the neighborhood of \$70 million or \$80 million that went to what's called "soft costs," which is that sort of activity.

Mr. BAKER. So a conservative guesstimate would be \$70 million.

Mr. BEARD. Just out of that one block of the Comp Grant Funds. You'd have to speak to them. HOPE VI has just as large a number of—they all come with their consultants, their planners, their engineers, their lawyers, their accountants. I mean it costs a lot of money to employ them.

Mr. BAKER. To eat here in the city is nice, but it can be expensive, too, I hear. If you had to make a recommendation to this subcommittee based on your analysis today, beyond the question of judicial receivership, are there other elements that you would want to make to us as a part of resolution of this problem?

Mr. BEARD. We've always maintained over the years to get it out of the politics of the local city, and that was our intent this time. When we were recommending smaller entities, we were hoping that someone might be able to focus on one or more of these 10 projects and turn some of them around.

Mr. BAKER. But that would only be subsequent to a determination of a judicial receivership to give them the authority to take appropriate action.

Mr. BEARD. That's right.

Mr. BAKER. I don't want to take inappropriate time. Thank you, Madam Chairwoman.

Mr. BEARD. Let me just emphasize that the Office of Inspector General has been publishing pictures like this since 1983.

Chairwoman KELLY. I thank you, Mr. Baker.

I just want to put this in perspective a little bit. \$3.7 million for the Anderson plan. Before I got to Congress, I rehabilitated real estate. I went out with my kids and we walked through buildings and we would take a look how we could rehabilitate real estate. I hate to see a beautiful building go to waste. So I'm going to throw out some figures.

I come from New York, from the greater New York area north of the city, so I'm not in the city, but I always figure it costs \$400 to fix a window. \$400 and they spent \$3.7 million for a plan that's on a shelf. \$200 for a door, \$50 to put a good dead bolt lock on it. That's what we're talking about in the scale of things. You can put in a whole new kitchen for about \$3,000. And we're talking about \$3.7 million for a plan that's sitting on a shelf.

You know, if you just stop and think about the scale of what we're talking about here, we can talk in terms of millions of dollars, but it's only a few hundred dollars that some of these residents need to rehabilitate a building, to rehabilitate what they're living in, to give them a decent place to live, to rehabilitate. To go in and reconstruct that bathroom with waterproof sheetrock to cover that wall, to put on new tile, to put in a bathroom sink, a toilet, a new tub, you're talking maybe, at the most, \$3,000. \$3,000 and we spent—I shouldn't say "we." The Housing Authority spent \$3.7 million on a plan that's on the shelf.

Mr. BAKER. Will the gentlelady yield?

Chairwoman KELLY. I certainly will yield.

Mr. BAKER. It was my intention, Madam Chairwoman, I had what I called a virtual tour for the subcommittee that I wanted to take you on, primarily those four buildings that were being requested to have the 10 year waiver on the demolition standard. It's apparent with our next panel that we will be pressing the time envelope a bit for you to make your flight, and I may do that at another occasion when you might choose to make it available.

But it is almost inconceivable to me that when we look at the financial condition, you look at the physical condition, when you're talking about fixing those windows, we don't have GAAP accounting standards used here, and the \$10 million of judgments awarded that are on the books as a result of individuals being harmed by the lack of maintenance, if you put that on the books, I believe you would find our organization to be insolvent, much less litigation that is in the pipe and still pending that we don't have resolution for that could run those numbers literally into the hundreds of millions of dollars.

So that lack of maintenance has had a very significant effect far beyond just inefficient expenditure. It's unbelievably costing us huge sums of money, because we aren't maintaining these buildings properly. So one problem leads to another, which is, I think, just getting us to an end result which is just no longer defensible. Thank you.

Chairwoman KELLY. Thank you, Mr. Baker. And you're right. We have gone on.

Mr. Vitter, you have no further comments? We thank this panel very much. I appreciate your being here and I know that there may be additional questions, not only from us, but also from Congressman Jefferson so, without objection, the hearing record is going to remain open for 30 days for the Members to submit written questions for these witnesses and for them to place their responses in the record. This panel is excused and we'll now go to the third panel. I would like to take at this point about a 10 minute break just so everyone can shake their legs out a bit. Thank you.

[Recess]

Chairwoman KELLY. Thank you very much. If you will all please be seated, we're going to start the hearing right now. As you know, we're trying to get this hearing moved along. We move to our third panel before us.

We're pleased to have Mayor Marc Morial. Mayor, your place is here at the table, if you will, please. And Mr. Frank Nicotera, the Executive Monitor of the Housing Authority of New Orleans. You're both aware that this subcommittee is holding an investigative hearing and, when you do so, the Chair may decide to take testimony under oath. Do either of you have any objection to testifying under oath?

Mr. NICOTERA. No, ma'am.

Chairwoman KELLY. Mr. Mayor, you do?

Mayor MORIAL. I'm raising my hand.

Chairwoman KELLY. Well, that was fast. Then the Chair advises you that under the rules of the House and rules of the committee, you're entitled to be advised by counsel. Do any of you desire to be advised by counsel during your testimony today?

Mr. NICOTERA. No.

Mayor MORIAL. No.

Chairwoman KELLY. In that case, please raise your right hand and I'll swear you in.

[Witnesses sworn.]

Chairwoman KELLY. Thank you very much. Each of you is now under oath. Without objection, your written statements will be made part of the record. You will each now be recognized to give a 5-minute summary of your testimony. We will begin with you, Mayor Morial.

STATEMENT OF HON. MARC MORIAL, MAYOR, CITY OF NEW ORLEANS, LA

Mayor MORIAL. Thank you very much, Madam Chairwoman, Members of the subcommittee, Congressman Jefferson, Vitter and Baker. Madam Chairwoman, I'm pleased to be here. I want to apologize to you for not having any written testimony. I was advised that this hearing would take place on June 24. I received that letter approximately 10 days ago and wasn't notified until Wednesday/Thursday last week that this would be the new date of the hearing. As all three Louisiana Members of this panel know, the Louisiana Legislature is in session and I was required to spend Thursday in Baton Rouge and left to go to New York on Friday,

so I did not have an opportunity to prepare for you any written testimony.

But let me offer you some observations which I think are important:

One, I really appreciate the Congress's continuing interest in public housing in New Orleans and also public housing on a national basis;

Two, I want to offer to you some ways in which I think that the Congress, working with the new Secretary of HUD, could be helpful to this process. One is that the HOPE VI program is broken and the HOPE VI program which is currently financing improvements at both St. Thomas and Desire, a well-intentioned program, is a program that needs dramatic overhaul, and here's why.

First, the red tape from the Federal level through the HUD bureaucracy associated with getting these projects approved smacks of some kind of Russian or criminalized bureaucracy. The approvals needed and the approvals necessary and the delays associated with both of these projects in the time, from the time that these grants were awarded to the city to the current period, we have built convention centers, we have added two new concourses to our airport and built a new ticket terminal. We've built swimming pools and amusement parks. The time period and the bureaucratic approvals and delays associated with these two projects leaves much to be desired. That, despite the good intentions of what I believe were three successive HUD secretaries: Former Secretary Kemp, Secretary Cisneros, and Secretary Cuomo, all three committed to work to try to eliminate some of the bureaucratic delays associated with this program.

Second, with respect to HOPE VI, because HOPE VI is the primary financing vehicle, Congressman Baker, put before Public Housing Authorities for the redevelopment of Public Housing Authorities. The second very, very broken part of HOPE VI is that the mixed financing requirements are overly ambitious, and have made it very, very difficult for developers to proceed to complete these projects. What do I mean?

The idea behind HOPE VI is that you give an amount of Federal money and you say to a developer, "Now you go out and raise the rest through private equity, private debt, tax credits, and public money." At St. Thomas, a site which I believe you visited today, there are tax credits. The city, through a recent bond issue, has committed \$6 million. The State, through the capital outlay process. Imagine that. We've got to go to the State capital outlay process to try to finance the redevelopment of an essentially Federal public housing development. They've committed an additional \$6 million and the developer has indicated to us in order to close the final gap he may need a tax increment financing initiative from us to fill the gap.

The mixed financing requirements are overly ambitious and what they do at the end, respectfully, is place a good program in a situation where, if you look around the country, very few HOPE VIs have been completed. One focus is to say, "Well, maybe the Public Housing Authorities didn't do their job." I'm here to say that there is a bigger problem begging for a solution, and that is that the HOPE VI program needs overhaul.

The third area where the HOPE VI program, I believe, leaves a lot to be desired is in the area of what it does in terms of relocating public housing residents. Simply providing public housing residents with a Section 8 voucher is not enough for effective relocation and, in many instances, what these initiatives are doing is causing displacement, doubling up, tripling up of families under the guise of relocation. A better solution must be found.

Fourth, very importantly, Public Housing Authorities must competitively compete for HOPE VI grants. There is no guarantee that you're going to get the grant, Congressman Jefferson. So what may happen is a Public Housing Authority may be waltzed down the road of demolition in an effort to comply with stringent HUD requirements of decommissioning apartments which, quote "don't meet minimum housing standards." Large public housing developments are demolished and there's no money to redevelop them because not enough money has been committed to redevelop every site which is demolished.

This program, despite its well-intentioned beginnings, despite tremendous efforts from three successive HUD secretaries, from local Public Housing Authorities, from all sorts of developers and experts, is a program crying out for significant change.

Second observation—

Chairwoman KELLY. Excuse me, Mr. Mayor, but you weren't here when we established the ground rules for this hearing. It was that everyone has 5 minutes for testimony, so if you could please sum up, we'd appreciate it.

Mayor MORIAL. Well, I'd really ask for some additional time, if I can have some additional time, Madam Chairwoman. I understand the ground rules, but these are very, very important issues. I see your aide shaking saying no, don't give the mayor any additional time. But I will comply with your request and stay as long as I can for questions. But I want to hit on two other additional points, and those are that there are two things in the—

Chairwoman KELLY. I just want to say if you could do it in a couple of minutes, I'd appreciate it.

Mayor MORIAL. Two quick things I want to add, and that is that currently one of the biggest advances that we've made in this city is that we have significantly reduced violent crime. I am proud of that. And it's happened because we've worked very hard and it's happened because we've placed community policing substations in public housing developments to give people in public housing the same kind of policing that people in other neighborhoods have had. We've financed that with a drug elimination grant program. Congressman Vitter, that program has been proposed for complete and total elimination, as has the community policing program.

Second, on the budget, after HOPE VI, the only pool of money that Public Housing Authorities have for construction is the Comprehensive Modernization Program. That program, better known as the Comp Mod Program, is also proposed for approximately a 30 percent reduction in this year's budget, and I would beg and plead with this subcommittee to look very closely with that, weigh in with the appropriators on those two points. And I'd be happy to answer any questions you have.

Chairwoman KELLY. Thank you very much, Mr. Mayor.

At this time, I want to turn to my colleague, Mr. Jefferson. I'm so glad you were able to be here, Mr. Jefferson. We welcome your appearance with the subcommittee and would like to at this point let you have time for a statement.

STATEMENT OF HON. WILLIAM J. JEFFERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. JEFFERSON. Thank you, Madam Chairwoman. I want to thank you very much for permitting me to speak for a brief moment on this, and I want to thank my colleagues Richard and David Vitter for coming down to work with us on these important issues and thank you, Madam Chairwoman, for your attention.

This is a very difficult subject for all of us. You have a Mayor in front of you who has worked his heart out in the city to do the best job that he could, and he's done an extraordinary job, as he has just mentioned, on the crime reduction issues, not only in public housing, but across the city. He has spoken passionately about these issues and worked hard on them. These are very tough issues. They have proven to be intractable over the years. We have tried one form after another of governance, of changing governance, of new contracts, all sorts of different arrangements, and all sorts of Federal programs. The Mayor has just described one that he thinks isn't working very well. All sorts of arrangements with our tenant leadership and trying new ways to make the programs work more effectively.

I haven't come here today to condemn the work of this committee. I think it's important work. I think questions need to be asked and answered. Nor have I come here to point fingers at the Administration for their efforts, because I think they've been genuine and they have been well-founded and, in many respects, they have been helpful. All of us though when we talk about these properties of brick and mortar and all these pictures and so on, we don't have any people in there. This really turns out to be all about the people who living in public housing and what happens to particularly a lot of the children who live there and who ought to have a better chance for a better life. We ought to be able to say at the end of the day that we did something for them.

And so I've come here with an open mind with a few conditions though to it. It's easy for us to characterize what is happening here as a political exercise by a Republican committee. I don't believe that's what it is. And it's easy to say that the Mayor is a strong Democrat, as am I, and we can point fingers in that direction. But I think it has to be above all that and I know that I've talked to Richard privately about it and I know that he is working in that direction and Susan, I haven't had a chance to talk with you about it, but I'm confident that you will and that David will so that at the end of the day what we really are focused on here is how we can make quick work of what needs to be done in these developments so that we do not see another generation of children grow up in sub-standard housing in this city. That's the bottom line for me. That's the bottom line, I believe, for the local administration and ought to be the bottom line for this subcommittee.

If we can work in that direction and work on it well, I'm sure there are some things that need to be changed at HANO. I'm sure

there are things that need to be changed at HUD. I'm sure there are things that need to be changed with our Federal legislation to make it work better. Whatever the requirements are, bottom line has to be that what we do here must always be with the people who live in public housing in mind and we ought to be focused now on as quickly as possible getting to some solutions for the people out here without anything about politics. I think if we work with that as our basic condition, then I think that I'm certainly willing to work with this subcommittee and with the Chairlady and with Richard and with David and with everybody on both sides of the aisle to try and make this process work for all of us.

So I thank you for letting me make these brief remarks and I welcome you to our city, and I'm sorry you have to come and go so quickly. But I'm very happy to see you here and I look forward to getting back to Congress and sitting down with you and trying to work hard on these issues so we can come to resolution for the people who live in public housing, particularly for the children who live there so we can make sure that we do not have another generation of children growing up in public housing where they don't have a decent chance and they don't have the support that we need to give them.

Chairwoman KELLY. Thank you very much, Mr. Jefferson. You're absolutely correct. This issue is not a political one. This is a matter of public policy that affects the lives of the people sitting in this audience who must live in substandard housing, and we need to all of us put our shoulders to the wheel to make sure that this policy is changed enough so that money gets to those people so they can have good lives. Thank you very much for being here and for making that statement.

Mr. Nicotera, we'd like to go to you for your statement.

**STATEMENT OF FRANK NICOTERA, EXECUTIVE MONITOR,
HOUSING AUTHORITY OF NEW ORLEANS**

Mr. NICOTERA. Thank you, Madam Chairwoman, Congressman Baker, Congressman Jefferson, Congressman Vitter. It's my pleasure to appear before the subcommittee today. Despite all of the testimony prior to me, I'm here to present a picture of HANO as I have seen it over the last 15 months as the Executive Monitor. From my position, I think the HANO management team that's in place right now is probably the strongest public housing management team that's been in New Orleans in years. I've been in New Orleans since 1977, and it certainly goes back that far. If you just drive around the city, despite what the critics say, there's more ongoing development and modernization at HANO properties right now than at any time in the last 30 years. The last significant development at HANO was back in the 1960s. I have some examples before you and I know Congresswoman Kelly, you had a chance to see some of those this morning at St. Thomas.

That demolition started in July of 2000 and, as of today, it's more than 80 percent complete. At Desire, the master site developer mobilized in March and they're continuing the demolition. That's the picture that's closest to you. That demolition is proceeding and that project will start infrastructure construction probably sometime in July or August.

On the modernization side, just to correct some of the testimony that was heard earlier: The first large scale new units that we'll actually bring online are at the Florida development where we're doing a comprehensive modernization, reconfiguring out public housing apartment-type units into townhouses, cutting the old street through so that they can have walk-up entrances to the fronts of the units, and we're also going to build some new duplexes. And also at the Guste high rise development. We have already finished the east wing and a new elevator lobby with new elevators, which were badly needed, because the old ones would break down frequently. And we have a number of accessible units in that building, and I believe there's 88 units in the east wing which were turned over to the resident management corporation this week so that they could be reoccupied and the rest of that project will be done about this time next year.

We've heard discussions about relocation. Well, at St. Thomas I'm happy to report that as of about 3:00 this afternoon, the last resident of St. Thomas was relocated. At Desire there's approximately 70 families left. The first stage of C.J. Peete, which is another development that we're undertaking as a mixed finance development utilizing Comprehensive Grant Funds. The first stage has been relocated and we've begun demolition on another stage.

The Section 8 problems have been noted in the IG report and here today. But I want to compliment the current HANO management under Ben Bell and his staff. They didn't hide from this problem. Nobody tried to bury this problem. We took on a very difficult position last year when we went into the administration and found out that there were some serious problems in Section 8, there was some serious neglect on the inspection side, and we had heard rumors for years, but we started digging. We did it in a professional way like you would in any normal business. You hire an expert to come in who has a background in fraud accounting and take a look at all of the files and see if there's a problem. And that's what we did so we could come up with a comprehensive solution. It resulted in some folks being terminated. It resulted in some folks being moved. It resulted in the privatization of the inspection function so that we could get more reliable inspections and get them done quicker and so that we could get new units inspected so that residents would be relocated faster, despite all those problems.

As of today, the actual utilization rate of Section 8 vouchers is 81 percent, not 68 percent. And so in less than a year, we have increased it by over 10 percent. We know we need to get to 90 or 95 so that we have enough Section 8 properties available and so that it brings in some Section 8 administrative fees to HANO. That's an important resource. I think the fact of the matter is that we've completed the relocation at St. Thomas. We've completed all but 70 at Desire and, even with a broken Section 8 department, the HANO staff has been able to put in the time and effort necessary to complete relocation so we can get both of those HOPE VI projects going.

We have been trying over the last few years, and particularly over the last year, to convert HANO to an asset management organization. And it's interesting when I hear discussion of breaking it down into smaller housing authorities, because breaking it down is

not going to increase any funding for HANO. The way the HUD regulations are written now, operating subsidies are calculated on the number of units in service. Comp Grant funds or capital funds are calculated by the number of units. So the only thing that breaking HANO down into smaller authorities will do is increase administrative costs if you have to service the needs and the costs of several different boards.

What HANO has already done is turn two properties at B.W. Cooper and Guste Homes over to resident management corporations, and those are both functioning well. Those are businesses owned by the residents that have been set up. It's something they tried to do for years. They were encouraged by the city administration, but it wasn't until the last 2 years that we finally got those programs going, and now they're doing a fine job of managing and they're there on-site. They know where the problems are. They know who the problems are, and they do a much better job of management.

Now as far as the HOPE VI projects, we're not going to manage St. Thomas. When St. Thomas is finished, our developer, Historic Restoration, through their management entity, will manage St. Thomas including the public housing units. We'll get a portion of the subsidy to cover our costs for asset management services, which is supervising the contractors in place. The same model will be used at Desire, the same model will be used at C.J. Peete when that is completed. So that's five of eleven conventional sites, and there certainly is room to convert some of the other sites to private management or a combination of private management and resident management. It is the way to go, in my personal opinion. I don't know that everyone shares that, but that's my personal opinion. It's good to have folks on-site who are living there 24 hours a day involved in the management of the properties.

There have been some comments and there were some reports with regard to HANO's finances. HANO's finances on a day-to-day basis are fine. They operate within budget, they actually operated in the black the last 2 years. The only reason that HANO fails the financial indicator under the PHAS measuring system is because they have had this long-term accumulation of judgments and settlements from litigation. This started back in 1991 when HANO was under private management and, for reasons that I have never been able to determine, the private management company just stopped paying claims and stopped providing insurance. So those accumulated and when I joined HANO in 1997 as general counsel, those claims were in excess of \$18 million. They're down now close to \$10 million. But, because of those large, unfunded litigation costs, HANO can not pass the PHAS indicator. So that is going to be a continuing problem. It was there in 1996. It was not addressed by this Cooperative Endeavor, and I don't know why, because some type of system should have been set up to correct that. And besides, some of those folks who have legitimate claims who have been waiting for money for 4 or 5 years are entitled to recover their money.

As far as the Section 8 program is concerned, there's been suggestions that it should be turned over to the city and run by a non-profit. With all due respect, Mr. Mayor, the city gave us their Sec-

tion 8 program in 1999 with HUD's blessing. And I know the city doesn't want it. So that is not a well-reasoned suggestion.

With regard to Section 2002. Tearing down the four sites that are under 202 consideration and vouchering them out is not a practical solution. The New Orleans residential real estate rental market will not support that type of massive relocation, and that's not just a guess from me. We went to one of the acknowledged experts in this area, Doctor Wade Regas at the University of New Orleans. He is used by developers and government all over the Gulf Coast and the State of Louisiana, and he issued a report to HANO that supports our suspicions. So that is not a realistic possibility.

What HANO plans to do is apply for HOPE VI grants for both Fischer and Guste, two of the sites that are under 202 consideration. Is that my minute?

Chairwoman KELLY. You've got 1 minute.

Mr. NICOTERA. One minute. OK. At Florida, quickly, when this side of the development is finished, which will be next year, the master plan is to move residents from the other side that's under 202 into the new units and then we can deal with the other units later.

As far as planning. I heard some comments about the Anderson Report. It's not on the shelf. It's being used. The Comprehensive Modernization Program that HANO has undertaken, which includes a little bit of work at all of the sites on a scheduled basis, was an Anderson recommendation. And I might add that HUD hired Anderson and HUD paid Anderson directly. That was not a HANO contractor. We accepted those recommendations and we worked with them. We've modified them to meet some of the requirements of the Louisiana Housing Finance Agency, because some of their projections were a little optimistic. The fact is we don't have that much money available in tax credits every year.

Finally, I think we all share the same concerns and that's why we're here, and that's why I'm going to be as candid with all Members of the subcommittee as possible, provided I remember everything. We all have great concern for the residents. The residents in New Orleans have been subjected to numerous methods of management, all resulting in the same thing: a lack of units, a lack of quality units. We've made some headway in the last year, and we're continuing to make headway, but I realize that it's not enough and it doesn't meet the expectations of everyone in this room. But that's no reason to discredit the current HANO staff. If changes are to be made, don't throw the baby out with the bath water. These are dedicated folks who are intelligent, have worked in a variety of fields. They have experience, they work hard, they are the hardest working people I have ever worked with, and I have practiced law for 20 years, and they beat most lawyers I know. They're there nights and they're there weekends and they're truly committed to making things better, but they're handicapped by the past.

Chairwoman KELLY. Excuse me.

Mr. NICOTERA. And that's the end of my opening remarks.

[The prepared statement of Frank Nicotera can be found on page 177 in the appendix.]

Chairwoman KELLY. Thank you very much. I appreciate that. Mr. Nicotera, I enjoyed going through the different areas with you this morning, but I'm left with a couple of questions. You said that there was a lack of the capital funds and yet I have in front of me a printout showing that the status of the open programs as of 2000, there was available to the city for capital fund programs \$28 million. I have the fact and we've talked before that there's \$85 million available for renovation and modernization. When I walked through and up into some of those buildings this morning, I'm going back to this little chart. I sat at my kitchen table before I came down here and just listed out the cost of a few things like \$600 to install a new toilet with the plumbing, \$400 for a window, \$50 for a lock, a dead bolt. I'm talking about an installed price and yet, in walking through some of these areas with you, we were looking at buildings where residents themselves have stuffed pillows and clothing or cloth of some kind in to try to cover glass that had been broken out of their windows.

Now, doggone it, if it costs \$400 to fill up some window panes in a project, how come we can't go into one of these areas and fill up those panes while they're waiting to get moved? Why should they be condemned to live in units where there are no windows being repaired? Why should children, little tiny children, grow up in these areas where they're told they have to wait because there's no money for repair when we know that there's \$85 million that's untapped that could go right out to make those residents have a better life right now. As Mr. Jefferson pointed out, you're going into generation after generation. How can those kids grow up in any kind of hope for their lives, their own lives, when they see that the big guys in the neighborhood are the drug dealers, because they're the only people who can get up and out, because they make enough money to do so?

I think we're condemning generation after generation in these houses, and I find that an unacceptable use of public funds if we don't get it done and get it done yesterday. And I don't blame you, sir, because I know you haven't been on the job that long. I do, however, feel that the Housing Authority of New Orleans bears a large share of the guilt for letting people live in these circumstances. I think, no matter how long somebody has been there, surely there must be a way to get somebody up there to replace window panes so kids don't fall out and die.

Mr. NICOTERA. I agree with you, Madam Chairwoman, and just in discussing the funding. The fact is that as of right now, over 91 percent of our capital grant funds have been obligated and 65 percent have been expended. I'm getting that information from the last report that the local HUD office gave to the National Advisory Council just this past week. There's \$243,625,000 capital funds authorized to HANO, \$222,653,000 obligated and \$156,553,000 expended. We have obligated all of the funds through the 1998 year and we're on schedule to do the 1999 and 2000 years. All of those funds are going into activities such as you indicated but, if there is an emergency situation where there is a broken—

Chairwoman KELLY. Excuse me. I'm sorry, sir, but would you give us those facts in writing, because that certainly doesn't match what I have.

Mr. NICOTERA. It's Exhibit 1 to my written testimony.

Chairwoman KELLY. It's Exhibit 1. Well, we just got your written testimony an hour ago.

Mr. NICOTERA. That's right.

Chairwoman KELLY. So we'll try to find that. Thank you.

In the interest of time, I'm going to go first to Mr. Jefferson. Mr. Jefferson, have you any questions you'd like to ask this panel?

Mr. JEFFERSON. Am I to understand that the people who have been moved out of St. Thomas as you're making the demolitions, all these families have been placed in livable residences and a family unit?

Mr. NICOTERA. Generally, about 50 percent of the residents have gone to other public housing units and the rest have gone to Section 8 units owned by private landlords.

Chairwoman KELLY. All of them?

Mr. JEFFERSON. Do we know where all of the people are?

Mr. NICOTERA. We can track all the residents who have been relocated from St. Thomas, Desire and C.J. Peete.

Mr. JEFFERSON. And they all are settled into some decent place, as far as you know?

Mr. NICOTERA. There's supposed to be a tracking mechanism in place that does some follow-up to make sure that folks don't fall through the cracks. That's part of the services that IRI was providing.

Chairwoman KELLY. Will the gentleman yield?

Mr. JEFFERSON. Yes.

Chairwoman KELLY. Earlier, Mr. Nicotera, you heard Ms. Davis say that the residents don't know where everybody went, that there is no—I believe Ms. Davis said something that indicated that there is no tracking for some of those people in Desire.

Mr. NICOTERA. There is tracking. I do not know when it began. I think it was in 1997 or 1998. So folks who were relocated before that date, and that's before I got to HANO, then I'm not sure if everyone was tracked. I could supplement my testimony and indicate that later.

Chairwoman KELLY. In the Inspector General's report, there is an indication that not everyone was tracked.

Mr. NICOTERA. Is there a particular—

Chairwoman KELLY. Well, it says that in the report.

Mr. NICOTERA. With your permission, I'll consult with the HANO staff and supplement my written testimony and address that issue.

[The information referred to can be found on page 219 in the appendix.]

Chairwoman KELLY. I wish you would and get back to us, please. I'm sorry, Mr. Jefferson. Yield back.

Mr. JEFFERSON. I'll reclaim my moment. Let me ask you this question. If you continue on the path that you're following now, having just started 15 months ago, given the problems that have been discussed here today, how long do you think it might take you to get the repairs made that need to be made? I know it's an ongoing dynamic thing. I know you can't fix them and nothing else breaks, but are you on a path now where you think you can do appropriate maintenance for these properties and on a path where you can do the things we have to do with respect to construction

and demolition? How long would it take you to get to where we all want to see this project end up if we stayed on the path that you're now pursuing and nothing else changed? How long would it take to get to the end of it?

Mr. NICOTERA. I have to condition my answer, because we have four sites that are under this consideration for 2002 and some of those sites present difficult maintenance. If nothing is done or no additional funding is provided so that we can revitalize those properties, it's almost impossible to do routine maintenance and have it last for any appreciable period of time. I believe that if you take those four properties just out of the equation for right now, I think the plans that HANO has for ongoing modernization would show that all of the sites would be addressed, and it's not total redevelopment, but at least modernized, I believe by, I think it's 2008 or 2009. But that assumes there's a gap in funding. We can't do it with the present comprehensive grant formula. There would be probably close to a \$200 million gap in funding. If we want to do everything that's on our schedule within that period, there's not enough money under the comprehensive grant program formulas.

Mr. JEFFERSON. The last thing. So over the next 18 years you would need \$200 million more if you pursue your present operating management scheme to actually catch up with your maintenance and keep it going and to bill out the—

Mr. NICOTERA. That really just deals with the modernization and development activities.

Mr. JEFFERSON. Modernization. That doesn't deal with the maintenance activities.

Mr. NICOTERA. No.

Mr. JEFFERSON. What does it take to do that and keep it going?

Mr. NICOTERA. Well, most of that budget is funded from the operating subsidy, although there's discussion and there is a situation now where there is kind of a spike and HANO is using a fairly large percentage of the capital funds for operating expenses which are allowed under the HUD funding formulas. They kind of got caught in a trick bag, because several years ago when the Cooperative Endeavor first came into place, they moved aggressively to demolish a lot of these sites with promises of future funding, but the future funding didn't come. If you compare HANO from 1996 until now with, let's say, Washington, DC that was put under a judicial receivership at about the same time, Washington, DC received five HOPE VI revitalization grants from 1996 to the present time. HANO received none. I'm sure there are naysayers out there who say even if we got them, we couldn't handle them. But the point is if you're going to try to really revitalize and turn the Housing Authority around, then at least give it the same opportunities that you're giving to other Housing Authorities that were in similar conditions. There's not a cheap way or a quick way to do this. We're talking about 30 years of deferred maintenance and trying to do it now less than 6 years under the Cooperative Endeavor. With the manner in which you have to get things approved at HUD every step of the way, the process just takes longer. So any solution that this subcommittee proposes has to deal with the issues at HUD as well.

Mr. JEFFERSON. From the point of view of this judicial receivership you just mentioned under which Washington is now—

Mr. NICOTERA. I think they've come out of it actually.

Mr. JEFFERSON. OK. But my question is there's been talk about that sort of thing up here on this panel, I understand, before I came here today. What would be your feeling about that sort of thing happening now, looking at what you're doing? Is it all negative? Is it all bad? Or what?

Mr. NICOTERA. Well, I'm kind of biased, and I don't want to make any self-serving remarks, because that may show up in the next IG report, but the fact is I'm very partial to the management staff at HANO. I feel for them and I would hate to see a situation come into play where they would be discarded. But the reality is, if you're asking for my opinion, the reality is Washington, DC was able to turn around quicker and get their buildings revitalized quicker under the judicial receivership, because they had a judge who wasn't afraid to tell HUD you need to move faster. So I think that's one benefit, but I'm sure there's certainly other models.

Mayor MORIAL. I want to respond to that, because it's probably sort of a similar question. First of all, the Housing Authority is not part of the government of the City of New Orleans. It's a separate State-chartered political subdivision. Second, in the Cooperative Endeavor Agreement that we signed in 1996, I effectively gave up my ability to appoint the HANO board of commissioners, which was a power that the Mayor of New Orleans had had since the 1930s or 1940s when this Housing Authority was created.

I think respectfully what you effectively have now, because I negotiated the Cooperative Endeavor Agreement, is receivership without calling it receivership. And that's because what you have is the Executive Monitor, the Executive Director of HANO, all of the top staff people at HANO were selected by HUD. HUD serves as the board of this Housing Authority, has to approve every single decision that this Housing Authority makes, and you in effect have receivership without calling it receivership.

In the case of Washington, DC, that receivership began because the residents filed a class action suit against the Washington Public Housing Authority. That receivership was not initiated by the Department of Housing and Urban Development. I think Mr. Nicotera makes the point that I agree with. Whatever management system you have, call it what you want, describe it the way you want, unless sufficient funds are committed to address the 30 years of deferred maintenance, unless the HUD bureaucratic rules are relaxed, fast-tracked, substantially reformed or changed, then what you have is the same old same old under a different name.

I think that we have learned in the years that we have dealt with this that it is tremendous frustration that you can have. For the first time in the history of this agency, highly talented and skilled staff people who do not owe their jobs to politics, who, if they were running another agency and had the same resources without all of the bureaucratic layers that they've got to deal with, would get a whole lot more done. So I fundamentally believe that whatever management system you have, unless you've got the sufficient commitment of funds, the change in the bureaucracy and

some adjustments in the programs, that's where the proof is and the proof of changing this agency is going to be in that.

When I took office, I did something quite radical. I committed that I would make the residents, the majority of the board, the Housing Authority, because I was inspired by Jack Kemp and Henry Cisneros who at the time said in their speeches and their writings, "give the residents more control." That move was opposed by HUD, criticized by the Inspector General, as a management system, which at the time I thought was progressive. The Cooperative Endeavor Agreement, which modeled what Henry Cisneros did in many other parts of the country now finds itself under criticism as a management system.

The most important thing is you call it what you want to call it but, unless you deal with the underlying issues, funding on one hand, the administrative bureaucracy and the approval process which is so extenuated and attenuated, and the fundamental problems in the design, flaws in the design, particularly the HOPE VI program, I think it's going to be very difficult to substantially and fundamentally change this agency. I am prepared to work with you and I am open to anything that's going to lead to meaningful change for the people that I represent. I'm open to anything. I'm open to a quality, substantive discussion that will lead to that result. But what I do have objections to is superficial gestures or superficial changes which don't deal with the fundamental problems associated with public housing.

One of the problems we have historically in New Orleans, because we've got a lot of people, we're the second or third poorest city in America in terms of the degree and the numbers of people who live below the poverty line. We've probably got the highest percentage of our residents who live in public housing anywhere in America. Washington is a much smaller system. Our Executive Director is now the Executive Director in Washington, DC. Detroit, Philadelphia. Many of those systems are much smaller than ours in terms of the percentages. We have a much larger system which makes it much more difficult to change.

What I think has worked is resident management. At B.W. Cooper, at Guste where rent collections are up, where there's more of a sense of empowerment there. But even with resident management, control over capital budgets and things like that still remain up the chain through HANO with the Department of Housing and Urban Development. So it doesn't fast track anything. It doesn't allow them to be entrepreneurial. So I am open to anything and I'm open to a discussion with this subcommittee, with our Member of Congress who represents these areas, Congressman Jefferson, to what, in fact, will work and lead to substantive and meaningful change. But what I do have an objection to is anything that's going to be superficial where people are going to say, "Guess what? We changed the management structure. We called it a different name, but we never ever really addressed the underlying issues that face this agency." And I am committed to that and I am open to working with you in that regard.

Chairwoman KELLY. Thank you very much, Mr. Mayor, and thank you, Mr. Jefferson. I want to go on record as saying that this

subcommittee is not here on a superficial mission, Mr. Mayor. We're here to do business, and I appreciate what you said.

Mr. Baker.

Mr. BAKER. Thank you, Madam Chairwoman. I think we're on the edge of something important here, Mayor. You and I have had conversations about this and many subjects over the years. Perhaps not always as positive as either of us would like. But I sense a willingness on your part that frankly I am encouraged by. I'm dramatically changing my direction here from earlier comments through the hearing. I am listening to your intent. It's that, with the assent of Congressman Jefferson, that if a plan can be developed that you think is real, that without regard to what the plan looks like today, because we don't know what it is, you would be willing to facilitate that plan's adoption. Do you, today, have confidence that Mr. Nicotera's efforts over the past 15 months have been very constructive?

Mayor MORIAL. I believe so. Mr. Nicotera has worked very, very hard and has done good work as Executive Monitor.

Mr. BAKER. Listen carefully to these questions of Mr. Nicotera, because if this goes well, I think we're together here for the first time.

Mr. Nicotera, in our discussions over the past weeks—let me back up. I'm omitting a very important step. Let me say to you that I think the conduct of your office, your professional staff, your shop over the past 15 months has, in fact, accomplished more than any prior Administration relating to public housing in the City of New Orleans since I have been an observer of the process. So I start commending you for your efforts. Having said that, my comments are in no way relating to a lack of professionalism on your part, but a broader set of issues that relate to the constraints in which you find yourself operating, to which the Mayor has made reference.

In order to solve the problem which Congressman Jefferson started to pursue moments ago, how long would it take, and the answer was 7 or 8 years to do the basics if we exclude four major projects from consideration, which is—

Mr. NICOTERA. And get more money.

Mr. BAKER. And get plenty more money. If we were to do this a different way based on your recommendation, the only way I know of, based on our discussions, to get around the limitations that currently restrict you from engaging in the process you wish to engage in is to go to a judicial receivership. If the current staff, staff you select, were to remain at your side to put the plan in effect with a concurrent statement that this subcommittee would pursue to its utmost ability the funding needed to make the plan work, I am convinced we have a unique political opportunity here where all forces are lining up in a similar direction and, with your leadership, we could perhaps fashion an agreement that would indeed put paint on the walls, frames in the windows, and get you the money you need to relocate residents at an acceptable rate.

By acceptable, and this is my view of it, I don't know what other Members may feel on this subject, but I'd like to see closure on this in a 5-year window and that's an extremely aggressive effort in light of the magnitude of the problem that you're left with. Do you

think a judicial receivership is the appropriate step to take to get you where you need to be in order to fix the problem?

Mr. NICOTERA. First of all, let me put a couple of qualifiers in there. I think that the Congress appointed the National Advisory Committee. I would hope that this subcommittee will take their recommendation, because—

Mr. BAKER. Let me add to that point. I'm the one who started that trouble.

Mr. NICOTERA. I know.

Mr. BAKER. Just so you know that you're not treated differently, HUD took 15 months to appoint that panel, because they should have concluded their work by now. I had a conference call with the counsel last week.

Mr. NICOTERA. I actually walked in the room halfway through the conference call.

Mr. BAKER. I apologize to you.

Mr. NICOTERA. No. I appreciate it. I think you were complimentary to the HANO staff, and I appreciate that.

Mr. BAKER. Well, my point of making this public is I have asked the Advisory Council to conclude their work by the next August meeting and report to us in September so we can move forward. We can't hold this up waiting on a council to come with another recommendation, which frankly we don't know what that will be.

Mr. NICOTERA. Right.

Mr. BAKER. But I don't want to have the Advisory Council be the shield for you and this subcommittee to reach an agreement today if we can reach an agreement.

Mr. NICOTERA. I think, first of all, I don't know if I'm the person to reach the agreement. I think the city has input into that, because they do have the power to appoint and that is an issue.

Mr. BAKER. But my point is is that right now we both have regard for your work. You are at a pivotal point. You're telling us that with the good effort you've made, that with certain changes, you could make the kind of changes the Mayor and I and Congressmen Vitter and Jefferson both want.

Mr. NICOTERA. There are certainly benefits to the judicial model and actually, I think now that the HUD regulations—because of HANO's size, I think the HUD regulations would almost require that.

Mr. BAKER. So that in order for you to get where you want to be in a 5- or 6-year window with appropriate funding, a judicial receivership with maintenance of the professional staff you select to implement whatever the program turns out to be is—

Mr. NICOTERA. I don't know that I'm ready to sign up for another tour of duty, to be honest with you.

Mayor MORIAL. You've got to, Frank. You're drafted.

Mr. NICOTERA. I'm being drafted. Is that what's happening here? Can I have counsel now? Is it too late for me to have counsel? I'm sorry. I didn't mean to make light of the question, but we've been here a while. I guess I'm getting a little punchy.

Mr. BAKER. I don't know if you were here earlier, but after rats with switchblades anything is in play to here today.

Mr. NICOTERA. I enjoyed that. I had a very good mental picture of that.

Mr. BAKER. So did I, as well. I've met a few in my life.

Mr. NICOTERA. Actually, before we moved the HANO offices, you probably would have found a few of those inside the old office building. I'm glad we got the staff out of there.

Mr. BAKER. I really think this is constructive. Mr. Mayor, would you want to—

Mayor MORIAL. Let me say this. I'm open to discussing the specifics of a proposal like that with you, Congressman, because the money, the elimination of the restrictions and the approvals and fast tracking, that is what this agency needs. And also, sincerely, a commitment by the subcommittee to look at redesign of a number of programs. Secretary Martinez, in my initial meeting with him, indicated that he wanted some guidance from local elected officials such as mayors about what HUD programs work and what HUD programs may need change and need reform. I think in the public housing area, the HOPE VI program needs some change and needs some reform with respect to mixed financing, relocation, and many of the very difficult issues that we face today. So I am open to discussing the prospects of your proposal. It encourages me and I do think if we sat down and talked about it, I do think we might be able to come up with a constructive solution.

Mr. BAKER. I would suggest as a follow-up, to move things along a little bit, because I know the Chairwoman has to catch a flight and the most important thing is making sure the Chairwoman catches her flight.

Mayor MORIAL. We've got great hotels here, Madam Chairwoman. You come to dinner with me, too.

Mr. BAKER. I would suggest that the principals here get together for a meeting as soon as possible to discuss the concrete elements of this and, since we have a Member of the Appropriations Committee here as well who will speak for himself, I think we have a number of elements here that might be beneficial and these, indeed, are unusual circumstances and, if it starts this positively, we've got a shot of making it work as long as we're not all throwing bricks at one another, and that's not our intent. We're here today to try and help. Thank you, Mr. Mayor. Thank you, Mr. Nicotera.

Chairwoman KELLY. Thank you very much, Mr. Baker.

Mr. Vitter.

Mr. VITTER. Thank you, Madam Chairwoman.

I want to underscore and echo Richard's comments and also the Mayor's comments. I think the key is not to do something superficial. I think the key is to do something truly fundamental. In my opinion, and everyone may not agree with this, but in my opinion, just from reading the history, because I haven't been involved as a Member of Congress until recently, I think a lot of the restylings of the management in the last 5 to 10 years have been relatively superficial. I think we need to talk about something much more fundamental in terms of really smoothing the way for a much faster action, much more dramatic action that we can really demand some results on and, based on what I know of it, that would seem to point to some version of judicial receivership.

So I would really encourage these sorts of discussions with an aim of doing something really fundamental and not superficial. I think we've been through a few rounds of the superficial. Over 9

years we've been through \$832 million of the relatively superficial, in my opinion. I just did some quick math on that. We're talking about 13,000 families under your jurisdiction. That's \$70,000 a family. That's \$650 a month a family. We're saying some of these conditions that were the same as they were 5 and 10 years ago. So I want to certainly echo Richard's comments and the Mayor's pledge to work toward some truly fundamental change rather than mandate superficial approaches.

Chairwoman KELLY. Does anyone else have any more questions?

Mr. BAKER. Madam Chairwoman, I don't have a question. I just want to compliment you for your initiative in coming to the city today. I think your effort here is going to result in some significant potential for change, and I'm most appreciative for your time and interest. Thank you.

Mr. JEFFERSON. I want to reiterate my appreciation for having you here as well. You and I have traveled all over the world at different times. This is the first time I've had the pleasure of having you here with us, so thank you very much for coming.

Chairwoman KELLY. Thank you. It's a real pleasure to be able to be here in New Orleans. I've been back a number of times and every time I come, I like the city more and more. So it's wonderful. It's going to be great to come down here and see this housing taken care of.

I want to note that some Members may have additional questions for this panel and they may wish to submit them in writing. So without objection, the hearing record is going to remain open for 30 days for Members to submit written questions to the witnesses and place their responses in the record. This third panel is excused and the subcommittee has a great appreciation for your willingness to be here and your time.

I want to thank Mr. Baker, Mr. Jefferson, Mr. Vitter, and their very capable staffs including my staff for all of their assistance in making this hearing possible. This hearing is now adjourned.

[The hearing was adjourned at 5:00 p.m.]

A P P E N D I X

June 4, 2001

**STATEMENT OF REP. SUE KELLY
CHAIRWOMAN, SUBCOMMITTEE ON OVERSIGHT &
INVESTIGATIONS
HEARING ON HOUSING AUTHORITY OF NEW ORLEANS
JUNE 4, 2001**

Good afternoon, we are here this afternoon to discuss the report issued last month by the Inspector General of HUD on the Housing Authority of New Orleans, and the distressing problems disclosed in that report. In 1996, the committee held a hearing here, chaired by a different subcommittee chairman, but in this same building, on the problems HANO has had in providing of safe, decent, and sanitary housing. The Inspector General's report calls into question claims of improvements made by the HANO under the Cooperative Endeavor Agreement.

It is my hope that we will identify how HANO's problems have affected the lives of the thousands of residents who depend on it for housing, and to search for ways to improve their living conditions. All of us, regardless of where we live, want to make a better life for our family. We need a place where our children can grow without fear or danger. We need an open, clean, peaceful neighborhood. HANO residents deserve management that quickly responds to maintenance requests, keeps its promises to make long-term neighborhood improvements, and wisely spends its funds.

I want to begin by thanking my colleague on the Financial Services Committee, Congressman Richard Baker, a deeply concerned representative from nearby, who both brought this situation to my attention and asked me to convene this hearing, and we are grateful for his support and expertise on this issue. We also welcome Congressman William Jefferson who represents this area, for his hospitality in welcoming us to this great city and Congressman David Vitter, a strong advocate for the people of Louisiana. Both Congressman Baker and Jefferson were here five years ago, and I can understand the passion and frustration they must feel for trying, again, to get a handle on the problems at HANO and see some real improvements. We also want to

thank Chief Judge A.J. McNamara of the Eastern District of Louisiana and his staff for their cooperation in using this courtroom.

The Inspector General's recent report on HANO raises some really troubling questions about events over the past five years. The report states that after spending over \$139 million of the \$243 million it received for modernization in the past eight years, HANO has not revitalized even one of its conventional sites. The report also states that management at HANO has constantly changed, without an improvement in results. In fact, HUD's own staff wrote that HANO can plan but not implement, and that whatever progress has been touted is all - quote - smoke and mirrors - end quote. HANO's most recent scores on HUD's Public Housing Assessment System are, once again, failing, after claiming improvements for the last two years. That claim might have been shaky at best according to the report, since HUD management in Washington would not allow its own New Orleans housing office director to verify it. The bottom line is that hundreds of millions of dollars have been spent by HANO in the past 10 years, but apparently without a lot of positive results.

Five years ago, the HUD IG testified that -- quote- the best path for HUD is the total takeover of the authority- end quote. Last month, the same IG official concluded that HANO cannot renovate, demolish, build, or manage its units. That is where HANO was 5 years ago, and 5 years of operating under a Cooperative Endeavor Agreement has not changed that fact. I do not doubt that there have been some positive actions taken in the last year to stop the bleeding, but it might be time for more drastic action to help HANO's residents get the housing and management to which they are entitled.



HUD Wellness Contract Canceled

\$860,000 Program Promoted Aroma and Color Therapy

Ellen Nakashima Washington Post Staff Writer
June 1, 2001; Page A29

The administration is eliminating an \$860,000 housing program that counseled public housing tenants to reduce stress and kick drug addictions by using alternative therapies including meditation and aromatherapy and surrounding themselves with relaxing colors.

The Creative Wellness HELP program, begun one year ago under former Housing and Urban Development secretary Andrew Cuomo, aimed to improve tenants' health and self-esteem using methods such as "applied kinesiology," in which a "wellness trainer" probes a person's glands to determine which of 14 personality types -- each named for a Greek or Roman god or goddess -- the person is.

A pancreatic Minerva, for example, is a nurturer, a talented teacher and concerned citizen, but is prone to resentment, getting too involved in others' affairs and has a repressed frustration with herself and others. A Minerva has her own color palette for stress reduction. Sun and earth tones are good. Pink and blue drain energy.

"Clearly this program is far afield from HUD's mission," HUD spokeswoman Nancy Segerdahl said. "I think it speaks for itself."

But the program's chief trainer, Michelle Lusson, whose office is in Herndon, decried the cut. "We're very shocked that something that was really helping has been blown to the wind," Lusson said. The program, she said, trained people in nine communities, including the District, Fairfax County and Baltimore, and was to be taught in public housing centers in 26 cities. "We have such positive results about helping the poor," Lusson said.

The program was approved by a career bureaucrat, Gloria J. Cousar, then deputy assistant secretary for public housing, who was awarded two HUD best practices awards for her work on hate crimes and program administration. Harold Lucas, a Cuomo appointee who oversaw her, approved the three-year project, HUD officials said.

Lucas referred inquiries yesterday to Cousar, who has since been reassigned to a job that does not carry authority to grant contracts. Cousar, who was ordained by the Las Vegas-based International Metaphysical Ministry, has spoken at Lusson's Community Center for Wholistic Healing. She could not be reached for comment.

"I sign thousands of things every day," said Lucas, who is now business administrator for the city of Newark, N.J. "I really don't recall [the contract]."

Lusson defended Creative Wellness as a "wholistic self-help program that helps people

improve their lives." She said applied kinesiology is a "very small part" of the program that also involves nutrition counseling, exercise, behavior modification, and meditation and affirmation.








Aromatherapy and color therapy help energize people, she said. "That is the only thing that is at all far out, but it is very tangible because everybody uses colors and everybody is sensitive to smell. Even if they're color-blind, they're sensitive to colors on the body.

"If you are healthier, aren't you more capable of holding a job?" Lusson said. "If you are improved in your self-worth and self-esteem, doesn't it help you find employment? If people get better jobs, they can get out" of public housing.

The program was paid for with a HUD drug elimination grant, a program cut by the Bush administration for having "limited impact."

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New Orleans News

Tenants at odds with HANO revitalization
Process continues despite objections

06/14/01

By **Bret Ladine**
 Staff writer/The Times-Picayune

Nearly 100 public housing residents turned their chairs around and stared at the back wall of a board room Wednesday in objection to revitalization plans at two troubled Housing Authority of New Orleans developments.

The protest was an inauspicious start to a chaotic four-hour HANO board meeting that featured residents passionately opposing HANO's plans and pleading with the agency to withhold applications for controversial HOPE VI grants to redevelop the Guste and Fischer developments.

Despite open hostility and a barrage of insults hurled at HANO officials, board Chairman Daniel Henson gave his consent to the application plans.

If approved, the grant will provide more than \$44 million for the demolition and redevelopment of large portions of the two housing sites. Residents said they do not want the HOPE VI grant to reshape their communities because fewer public housing-eligible units will be rebuilt, making their future after relocation uncertain.

HANO already is using HOPE VI money to finance demolition and redevelopment at its Desire and St. Thomas developments. Massive relocation efforts and slow progress at those sites, especially Desire, have frustrated residents.

"Until the Housing Authority can demonstrate that it can apply and implement HOPE VI and take care of residents who are displaced, (the applications) shouldn't go forward," Desire Resident Council President Deborah Davis said.

But HANO officials said they have learned from their predecessors' mistakes and that similar delays and difficulties with resident relocation will not occur.

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HANO officials also said that Guste and Fischer residents were included in drafting the HOPE VI application, although participation was limited to a handful of people.

Many Guste and Fischer tenants said they were not adequately represented in the application process and vowed to prevent it from going forward.

"We want to be in control of our own destiny," said Cynthia Wiggins, Guste Resident Management Corporation president. "If you don't respond to us now, we'll respond to you in court."

Several residents alluded to racism and accused HANO officials and others in the nation's public housing hierarchy of ignoring their opinions.

"These people have in their minds that we're uneducated and that we don't care what they're going to do," Guste resident Patricia Thompson said.

Residents were told in May that HANO would apply for a HOPE VI grant and that the process was fast-tracked to meet a June 22 deadline set by the U.S. Department of Housing and Urban Development. It will be several months before HANO learns if it will get the grant.

A previous HOPE VI grant application for the Fischer public housing development was rejected two years ago.

Much of Wednesday's discussion focused on the number and types of units being rebuilt at all of the HOPE VI sites. Residents said they will not be able to afford some of the new units, which will be offered at market rate.

As resolutions authorizing the HOPE VI applications were read, residents repeatedly interrupted, objecting to the process and the meeting.

Despite the disorderly nature of the meeting, sentiments were clear.

"They've taken down entire sites before we've had places for people to go," HANO tenant Darlene Jones said. "These people are not looking out for us."

HANO Executive Director Benjamin Bell stressed that HOPE VI may be the best vehicle for the beleaguered agency to obtain the financing necessary to revitalize its developments.

"HOPE VI is one of the last opportunities for housing authorities around the country," Bell said.

After board Chairman Henson approved the grant applications, residents left frustrated.

"Whether you want them to do it or not, they're going to do it anyway," Thompson said.

Bret Ladine can be reached at bladine@timespicayune.com or 826-3306.



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June 14, 2001

JUN 21 2001

Congressman Richard Baker
555 Hilton Avenue, Suite 100
Baton Rouge, LA 70808

Dear Congressman Baker,

It has taken me 21 years to reach the same conclusion. The Housing Authority of New Orleans should not manage the housing projects of our city any longer. During those years, I've seen them (HANO) accused of criminal acts. It seemed like a yearly event, for them to be accused of theft or terrible mismanagement of federal properties or federal monies, only to be given another chance.

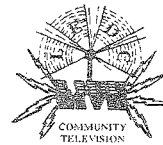
My father brought the bricks to build the Lafitte and Iberville projects while working with the Works Projects Authority (WPA). When Lafitte was finished, my father and mother were one of the first couples (stringently screened) allowed an apartment in this development. In 1943, my mother wrote the President of then United States of America a letter, asking for a job. I am in receipt of the original reply from the then presidents' wife Mrs. Roosevelt.

For the past 21 years, Lafitte Economic Development Corporation (LEDC) has been actively involved, in this community. From "Community Jamactions" to teaching television production, we have been here. My credentials and background accompany this communication. Working with Federal Authorities, we (LEDC) would like to take over two housing projects: Lafitte (896 units) and Iberville (856 units). They were once called the "Twins," because they were considered equal in their accommodations, but Iberville was a white only project and Lafitte a black only project. I was trained by the Department of Housing and Urban Development to develop new, non-traditional housing that is safe, clean, and decent. A fellow Republican needs your assistance.

Yours, united in the quest for economic stability and dignity

Ray A. Fraise
Director of Programs

CC: Congresswoman Sue Kelly
LEDC File



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May 29, 2001

Mr. Benjamin Bell
 Executive Director
 Housing Authority of NO
 4100 Touro Street, 3rd floor
 New Orleans, Louisiana 70122

Dear Mr. Bell,

Enclosed is a resolution from the Guste Homes Resident Management Corporation (GHRMC) Board of Directors, copies of petitions signed by residents of Guste Homes and support letters from various, "community gate keepers" entities adjacent to Guste Homes, all certifying their opposition to the Housing Authority of New Orleans (HANO) Hope VI Program Application for Guste Homes. Also, in accordance with the United States Department of Housing and Urban Development (HUD) Federal Register / Vol 66, No 38 / Monday, February 26, 2001 / Notice of Funding Availability for the Hope VI Program / Rating Factor 3: Soundness of Approach (40 Points) / page 11935, this letter serves as an official letter of dissent from GHRMC, public housing residents at-large currently residing in Guste Homes and community gate keepers. The specific reasons the aforementioned entities oppose the HANO Hope VI Program Application are as follows:

- Initially, HANO issued a Hope VI Request for Qualification (RFQ) for a developer on March 21, 2001 without notifying GHRMC or allowing review, input or participation of GHRMC. Borne out of the discovery of the HANO oversights GHRMC could not support this endeavor and requested that the RFQ be withdrawn to allow GHRMC an opportunity to review said document and offer suggestions. Initially, HANO resisted pulling the RFQ, but later complied with GHRMC request. Shortly after discussion began relative to incorporating GHRMC views into the RFQ document, HANO abruptly reissues the RFQ on May 21, 2001 without inclusion of GHRMC review or views. In fact, as of the writing of this letter GHRMC is still awaiting a response from HANO on certain information that was pertinent to the completion of our discussion.
- In January 2000, GHRMC entered into a Resident Management Agreement with HANO, for the "administration, management and operation" of the Guste Homes Public Housing Development. Accordingly, in the spirit of a true partnership, both HANO and GHRMC have operated collaboratively on all activities, issues and/or plans relative to Guste Homes. Since initiating the Hope VI Program Application,

HANO has ignored the covenants of the Resident Management Agreement, the rights of residents to participate in the management and operation of public housing communities and reasonable ingredients necessary for an effective partnership. In fact, the Resident Management Agreement states, "the RMC will participate in planning, budgeting and implementation activities undertaken by HANO in connection with such Modernization which may affect the Development." HANO has failed to honor the before mentioned contractual language and as a result, denied GHRMC an opportunity to participate in the planning, budgeting and implementation of the Hope VI Application, RFQ and/or process relative to Guste Homes.

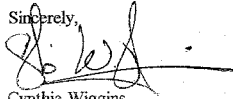
- GHRMC in discussions with HANO insisted on a more innovative approach regarding the application, RFQ and overall planning for HOPE VI. As a starting point, we begged for the development of an overall pro forma to determine and anticipate the role/relationship of a potential developer/management entity and/or funding needed to accomplish the desired goals. We suggested that the application, RFQ and all other associated documents, planning and implementation be based around, the already existing and operating, Resident Management Corporation and its Management Agreement with HANO. These suggestions coupled with the fact that Guste Homes is currently a "mixed income" community, a high rent producer for HANO and a resident managed facility support our main contention that any and all modernization at Guste Homes should be based on maintaining it as a solely resident managed facility. In other words, GHRMC does not support the role of the developer/management entity as proposed by HANO in the Hope VI process because of its infringement on the concept of resident management.
- GHRMC does not believe the HANO approach to Hope VI for Guste Homes is grounded in sound business or practical sense! First, HANO has not provided GHRMC any cost analysis or common sense rationale to support its methodology and decision to offer such a prominent role to the developer/management entity. Second, the direction of the revitalization plan being proposed for Guste Homes resembles the nightmare/boondoggle that residents are faced with and currently exist at the Desire and St. Thomas sites (see attachment). Based on the RFQ, the plan is not innovative, locally appropriate and does not address the unique needs of residents or the community. Third, the HANO approach is not based on accenting the strengths and eliminating the weakness of the overall community in which Guste Homes exist.
- The Guste Homes site has been utilized by HANO as a relocation site for displaced residents from the other Hope VI sites i.e. Desire and St. Thomas. Relocated residents have shared their experiences with other Guste Homes residents and as a result the overwhelming majority of residents currently living in Guste Homes do not support Hope VI as a viable redevelopment option for Guste Homes. There have been numerous community meetings with residents of Guste Homes to explain the program to residents, yet they by and largely remain

adamantly opposed to the notion and realities of Hope VI. GHRMC recognizes and supports the views of its residents.

Although, there are multiple reason why the GHRMC Board of Directors, Guste Homes Residents and Community Gate Keepers have taken a position in opposition to the HANO Hope VI Program Application for Guste Homes; primarily our opposition is based upon HANO's blatant disregard and disrespect of the views of public housing residents, lack of soundness of approach and a history of ineptitude and inefficiency relative to other Hope VI projects and modernization projects in general.

Again, on behalf of all the residents of Guste Homes Public Housing Development, we hereby petitions the Housing Authority of New Orleans, cancel its decision to submit a Hope VI Application for the Guste Homes Housing Development.

Sincerely,



Cynthia Wiggins
President

Cc: Congressman W. Jefferson
Congressman J. Baker
Congressman D. Vitter
Congressman B. Tauzin
Senator M. Landrieu
Senator J. Breaux
Secretary Martinez
Citywide Tenant Association
Frank Nicotera

Mayor Marc Morial
Councilman James Singleton
Councilman Oliver Thomas
Councilman E. Sapier
Councilman T. Carter
Chester Drosdowski
Deputy Secretary A. Jackson
Community Gate Keepers
Daniel Henson

**GUSTE HOMES RESIDENT MANAGEMENT CORPORATION
BOARD RESOLUTION
#052801**

WHEREAS, the Guste Homes Resident Management Corporation Board of Directors is the official representative body of the Guste Homes Housing Development Residents, and

WHEREAS, one of the responsibilities of the Guste Homes Resident Management Corporation Board of Directors is to determine and present the concerns and views of the resident population, and

WHEREAS, the Guste Homes Resident Management Corporation has a management contract for the administration, management and operation of the Guste Homes Public Housing Development, and

WHEREAS, the Guste Homes Board of Directors met in a special session to discuss the Housing Authority of New Orleans intention to submit a Hope VI Application to the Department of Housing and Urban Development in response to Federal Register Vol 66, February 26, 2001, Notice of Funding Availability for the Hope VI Program, and

WHEREAS, residents of Guste Homes has submitted signed petitions in the excess of 806 residents opposing the Housing Authority of New Orleans Hope VI Application, and

WHEREAS, the Guste Homes Resident Management Corporation Board of Directors recognizes the most appropriate action, is to oppose the HANO Hope VI Application because of HANO blatant disregard and disrespect for the views of GHRMC and Guste Homes residents in general, as well as HANO's failure to recognize the contents of the existing Resident Management Agreement in determining its courses of action.

NOW THEREFORE BE IT RESOLVED, the Guste Homes Resident Management Corporation Board of Directors authorize the Chief Executive Officer to reduce the agency's position to writing and to submit its opposition to both the Housing Authority of New Orleans and the United State Department of Housing and Urban Development in accordance with all appropriate and pertinent regulations.

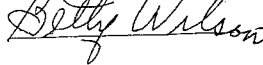
BE IT FUTHER RESOLVED, the Chief Executive Officer is hereby authorize to request that the Housing Authority of New Orleans immediately cancel it decision to submit an application for the implementation of Hope VI Program for the Guste Homes Development.

Signed this 29th day of May 2001.

Cynthia Wiggins
President



Betty Wilson
Secretary



Developer Admits It Has No Viable Plan for Off-Site Housing

At the most recent meeting of the St. Thomas HOPE VI steering committee a highly placed representative of HRI, the developer responsible for the revitalization of St. Thomas, admitted that his company did not have a workable plan in place to fulfill its promise to create 100 affordable housing units off-site from St. Thomas.

Later in the day a draft copy of the developer's "mixed finance plan" was finally made available to the resident council. This document, which is supposed to describe where money for the project is coming from and how it will be used, does not include a description of financing for the off-site units.

Before agreeing to the revitalization plan for St. Thomas the resident council had fought long and hard to have these 100 housing units included in the plan. HRI reluctantly agreed. But it is clear now that they have made little or no headway in moving this piece of the revitalization plan along.

The issue of the 100 off-site units is a real hot potato, as evidenced by the fact that responsibility for the units is being tossed back and forth by HRI and HANO. From time to time it is even tossed at developer Joe Canizaro, who was instrumental in brokering the deal that led to the inclusion of the 100 units in the revitalization plan.

Resident Council members had long feared that the 100 units were not being given adequate attention by the developer. Last week's admission confirmed these fears and prompted the resident council to demand quick, concrete action or face the possibility of having St. Thomas folk demolish the whole revitalization plan.

As our readers are well aware, the lack of affordable housing for very low income households in the city has reached critical proportions. Since only 243 units of affordable housing will be built on the present St. Thomas site (67 units for seniors only, and 176 units for families), the resident council cannot, in good conscience, back down from its demand. Support from all residents relocated from St. Thomas and their allies will be needed to hold the developers accountable for what they have promised.

The resident council will keep you informed about this matter through this newsletter, as well as through telephone calls and meetings.



The Council
City of New Orleans

JIM SINGLETON
COUNCILMEMBER AT LARGE

CITY HALL, SUITE 2W50
1300 PERDIDO STREET
NEW ORLEANS, LA 70112
(504) 565-6325

May 30, 2001

Cynthia Wiggins, President
Guste Homes Resident Management Corporation
2300 Erato St.
Suite D
New Orleans, LA 70113

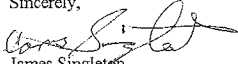
Dear President Wiggins:

It is my understanding that the Housing Authority of New Orleans (HANO) proposes to submit an application for the redevelopment of the Guste Homes under the HOPE VI program. However, through the news media and your letter, it has been brought to my attention that all the concerns of the Residents of Guste Homes have not been addressed by HANO.

The HOPE VI program has been touted by its proponents as a redevelopment program that will benefit public housing residents and give them a chance at a better quality of life with more diverse housing choices. However, serious concerns have been raised that some of the people the HOPE VI program is supposed to help are actually being left without adequate housing. I feel that not until HANO can guarantee that the housing needs of the current residents are met, should it proceed with the redevelopment plans. Surely, there are measures that can be taken to reassure the residents that they will not be forced into a housing market they cannot afford. Every effort should be made by the representatives of HANO to meet with the Guste community and to solicit their support for this project.

The protection and care of its residents should be HANO's utmost concern. What will happen to the residents of all of its housing once redevelopment takes place is a question that needs to be answered to the satisfaction of all involved.

Sincerely,


James Singleton
Councilmember at Large

*Union Bethel African Methodist Episcopal Church**2321 Thalia Street**New Orleans, Louisiana 70113**Reverend Thomas B. Brown, Jr., Pastor*

June 6, 2001

Mr. Benjamin Bell
 Executive Director
 Housing Authority of New Orleans
 4100 Touro Street
 New Orleans, Louisiana

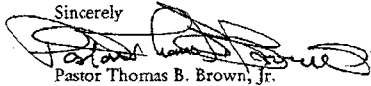
Dear Mr. Bell:

As pastor of Union Bethel African Methodist Episcopal Church I hereby submit a letter of support in behalf of the Guste Homes Resident Management Corporation Board of Directors in opposition to the Hope VI application.

The church is located in the midst of the Guste Homes Housing Development. We feel reasonably sure that the implementation of this program will impact our church tremendously. I have received several phone calls from HANO relative to a Hope VI Committee for which I was invited to serve. To date I have received no formal notification of invitation to participate in any of the meetings.

Upon review of the news media publication (TV, radio, newspaper) relative to displacement of the many families of St. Thomas and Desire we, as a religious body, have a serious concern for the displacement and possible homelessness of Guste Housing Development families. We therefore support the opposition of the GHRMC Board and residents and request that the Housing Authority of New Orleans cancel its decision to submit a Hope VI Application for Guste Homes.

Sincerely



Pastor Thomas B. Brown, Jr.

*"God Is Doing A New In Kingdom Building"**(504) 525-5317 Fax (504) 525-4565*



NATIONAL ASSOCIATION OF RESIDENT MANAGEMENT
CORPORATIONS

June 4, 2001

Mr. Benjamin Bell
Executive Director
Housing Authority of NO
4100 Touro Street
New Orleans, Louisiana 7011

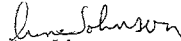
Dear Mr. Bell,

We hereby notify the Housing Authority of New Orleans (HANO) of our opposition to the HANO Hope VI Application submittal for the Guste Homes Public Housing Development.

The National Association of Resident Management Corporations (NARMC) recognizes the devastation that the Hope VI Program has caused the public housing communities. Because of the devastation public housing communities have faced, NARMC has requested through the United States Department of Justice an investigation into the Hope VI Program due to civil right violations and discrimination under this program.

In support of Guste Homes Resident Management Corporation Board of Directors and its residents we support and join them by and asking that HANO reconsider its submission of a Hope VI Program Application.

Sincerely,


Irene Johnson
Vice President

Cc: Guste Homes RMC



First United Baptist Church

131 S. Jefferson Davis Parkway, New Orleans, Louisiana 70119

Dr. Marshall Truchill Jr., Pastor

Phone: (504) 488 2657 Fax: (504) 483-3437

June 6, 2001

Mr. Ben Bell, Executive Director
Housing Authority of New Orleans
4100 Touro Street
New Orleans, LA 70122

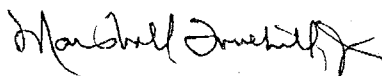
Dear Mr. Bell:

I am writing in support of the residents of the Guste Housing Development to oppose the application for a Hope VI Grant for redevelopment of their community. For nearly 30 years, I have fought along side residents to help improve the quality of their lives in the developments. Although the Hope VI program appears to hold great promise for the redevelopment of public housings communities, there is an inherent danger in residents losing control of their communities and their lives to aggressive developers who know how to manipulate the system for their personal gain.

There is much apprehension on the part of the Guste residents around the proposal presently pending for submission. Residents indicate they were excluded from meaningful participation in the submission process by those currently seeking to win a Hope VI award. I am opposed to any person, entity, or proposal that so blatantly disregards and disrespects the people most impacted by such redevelopment.

I therefore call upon you to stand with the residents of Guste in their opposition to the proposal presently pending.

Sincerely,



Rev. Dr. Marshall Truchill, Jr.
Senior Pastor

cc: Ms. Cynthia Wiggins



YMCA EDUCATIONAL SERVICES

We are a community of adult students and tutors learning together.
Call to become a student or volunteer tutor today!

May 28, 2001



Yes! Area
Offices
East Jefferson
Parish
(504) 455.1541

Mr. Donald Robinson
HOPE VI Application
Housing Authority of New Orleans
4100 Toure Street
New Orleans, LA 70122

Dear Mr. Robinson:

St. Bernard
Parish
(504) 278.7718

On behalf of YMCA Educational Services (YES!), I regret to inform you that YES! will be unable to support the HOPE VI application of the Housing Authority of New Orleans for residents of the Guste Homes community.

St. Charles
Parish
(504) 785.6880

YES! seeks to be accountable to residents of communities where we provide adult literacy services. We currently work in partnership with leaders of the St. Thomas and Guste communities. It is our understanding that Cynthia Wiggins, President of the Guste Resident Council, Barbara Jackson, President of the St. Thomas Resident Council (where a HOPE VI is currently underway), and Donna Johnigan, President of the City-Wide Tenant Association, all oppose HANO's application for funding activities in the Guste Homes community through HOPE VI. We also have been dismayed by the negative effects of a HOPE VI grant on residents of the St. Thomas public housing community.

St. John
Parish
(504) 536.2828

East St. Tammany
Parish
(504) 641.5527

West St. Tammany
Parish
(504) 893.4800

West Bank
Parish
(504) 227.0403

East Bank
Parish
(504) 566.7323

Therefore, we respectfully decline to participate in HANO's application unless and until the resident leaders indicate their support.

Sincerely,

Margery Freeman
Executive Director
YMCA Educational Services

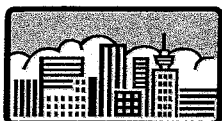
Cc: Barbara Jackson, President, St. Thomas Resident Council
Donna Johnigan, President, City-Wide Tenants Association
Cynthia Wiggins, President, Guste Resident Council



Yes! is the adult and family reading branch of the YMCA of Greater New Orleans

833 Howard Avenue, Suite 300
New Orleans, Louisiana 70113-1122
Tel.: 504.566.7323 Fax: 504.568.1938
Email: yes@ymcaneworleans.org





CITYWIDE TENANT ASSOCIATION
1301 Simon Bolivar, Ste 313
NEW ORLEANS, LOUISIANA 70113
504-525-9506/525-5002 fax

June 4, 2001

Mr. Benjamin Bell
Executive Director
~~Housing~~ Authority of NO
4100 Touro Street
New Orleans, Louisiana 70113

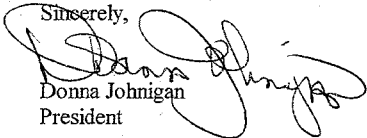
Dear Mr. Bell,

The Citywide Tenant Association hereby submits this letter of support for the Guste Homes Resident Management Corporation and Residents opposition to the Hope VI Application for Guste Homes Public Housing Development.

As the Citywide Board of Representative we have witnessed the Housing Authority of New Orleans in ability to produce a sound business practice for the two current Hope VI program proposed for Desire and St. Thomas. We stand with the Guste Homes Board of Directors strong position in opposition to the submittal application due to HANO blatant disrespect and disregard of its current contractual arrangements between Guste Homes RMC and HANO and Guste Homes Residents opposition to the Hope VI program.

Therefore, as the Citywide Tenant Representatives we ask that HANO withdraw all consideration of submittal for redevelopment funding under the Hope VI program.

Sincerely,


Donna Johnigan
President

Cc: Guste Home RMC



June 6, 2001

Mr. Ben Bell, Executive Director
Housing Authority of New Orleans
4100 Tchoupitoulou Street
New Orleans, LA 70122

Dear Mr. Bell:

I am writing in support of the residents of the Guste Housing Development to oppose the application for a Hope VI Grant for redevelopment of their community. For nearly 30 years, I have fought along side residents to help improve the quality of their lives in the developments. Although the Hope VI program appears to hold great promise for the redevelopment of public housings communities, there is an inherent danger in residents losing control of their communities and their lives to aggressive developers who know how to manipulate the system for their personal gain.

There is much apprehension on the part of the Guste residents around the proposal presently pending for submission. Residents indicate they were excluded from meaningful participation in the submission process by those currently seeking to win a Hope VI award. I am opposed to any person, entity, or proposal that so blatantly disregards and disrespects the people most impacted by such redevelopment.

I therefore call upon you to stand with the residents of Guste in their opposition to the proposal presently pending.

Sincerely,

A handwritten signature in cursive script that reads "Marshall Truehill, Jr." with a stylized flourish at the end.

Rev. Dr. Marshall Truehill, Jr.
Executive Director

cc: Ms. Cynthia Wiggins

P.O. Box 13952 3411 Cleveland Street New Orleans, Louisiana 70185 (504) 483-3456
Fax: (504) 483-3437 Email: faat@bellsouth.com

Southern Christian Leadership Conference



1889 Gen. Ogden Street • New Orleans, Louisiana 70118 • (504) 866-6188
Fax # (504) 862-0044

sclc

Founding President
Dr. Martin Luther King, Jr.
Martin Luther King, III
National President

Rev. Dr. G. L. Harvey
State President

Rev. Dr. Norwood Thompson, Jr.
State Vice-President

June 4, 2001

Mr. Benjamin Bell
Executive Director
Housing Authority of New Orleans
4100 Touro Street
New Orleans, La. 70122

Dear Mr. Bell:

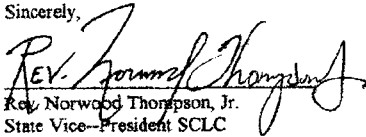
Please receive this communication as support for the efforts of the Guste Resident Management Corporation and residents of the Guste community in their attempt to halt the Hope VI application process. It is with great concern that I contribute my voice to the chorus of community leaders who strenuously object to the further destruction of neighborhoods in the city of New Orleans.

We have witnessed the problems cause by Hope VI in both the Desire and the St. Thomas communities. It is with the above references that we request that the Housing Authority of New Orleans honor the voices of the residents and act in their best interest by withdrawing the Hope VI applications- at least until the following issues are resolve:

- 1.) Displacement caused by too few units being rebuilt.
- 2.) Resolving concerns in the private sector wish respect to Section 8.
- 3.) Creating a support mechanism to address families needs during relocation.

It is our prayer that the "people" are the priority when the decision is made. Thank you for reading these words and may God guide you in the process.

Sincerely,


Rev. Norwood Thompson, Jr.
State Vice-President SCLC

1031 N. CLAIBORNE AVE.
NEW ORLEANS, LA 70116
OFFICE (504) 821-6269
6283



CHARLES E. BROWN, B.A.; M.DIV.
PASTOR

Full Gospel Church of God in Christ

May 30, 2001

Mr. Benjamin Bell
Executive Director
Housing Authority of New Orleans
4100 Touro Street
New Orleans, Louisiana 70122

Dear Mr. Bell,

On behalf of the Full Gospel Church of God In Christ Board of Directors, I regret to inform you that our Boys II Men Mentoring Program will be unable to support the Hope VI Application of the Housing Authority of NO.

Full Gospel Boys II Men Mentoring Program seeks to be accountable to the residents of public housing. Currently we work in collaboration with the families in various public housing communities whereby, we provide mentoring, counseling and training to families. It has been called to our attention by the residents of Guste Homes (860 signatures), and it's resident leadership that they oppose HANO's Hope VI application for funding activities in Guste Homes. Our ministry also wants to express our concern with respect to news reports and the negative impact this program, has had on St. Thomas and Desire residents.

We respectfully decline participation in HANO application.

Sincerely,

Bishop Charles E. Brown
Founder
Boys II Men

Cc: Cynthia Wiggins

New Orleans Jobs Initiative

1240 North Claiborne Avenue New Orleans, Louisiana 70116
 Phone: (504) 529-2600
 FAX: (504) 529-7225

Board of Directors

Alden J. McDonald, Jr.,
Chair
 Liberty Bank

Rev. Marshall Truehill,
 Ph.D.
Vice Chair
 The Jeremiah Group

Cynthia Wiggins, *Secretary*
 Citywide Tenants Association

Fr. Cyprian DeVold,
Treasurer
 All Congregations Together

Donald Doyle,
 Gheens Foundation

Robert H. Gayle
 Chamber of Commerce

Larry Gibbs,
 Gibbs Construction

Joe Givens,
 All Congregations Together

Dr. Ron French
 Metropolitan Area
 Committee

Mary Joseph
 Office of Family Support

J. Terence Kelly
 Delgado Community College

Yvonne Marrero
 Citywide Tenants Association

Margaret Montgomery,
 Ph.D.
 Delgado Community College

Monsignor Roger P. Morin
 Archdiocese of New Orleans

Frank Nicotera
 Housing Authority of New
 Orleans

Glenn Scott
 Mayor's Office of
 Neighborhood Development

Barbara Waller
 The Jeremiah Group

Advisors:
 Ben Johnson
 Greater New Orleans
 Foundation

June 6, 2001

Mr. Ben Bell, Executive Director
 Housing Authority of New Orleans
 4100 Touro Street
 New Orleans, LA 70122

Dear Mr. Bell:

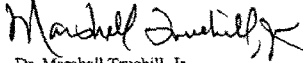
As you know, for more than five years, the New Orleans Jobs Initiative (NOJI) has been committed to assisting residents of public housing in New Orleans become gainfully employed with living wage jobs, benefits, and a career path. We are dedicated to our mission as defined in our agreement with the Ammie E. Casey Foundation. We believe however that housing plays just as vital a role in improving the quality of life for those we are attempting to elevate.

We are in support of Ms Cynthia Wiggins and her residents' efforts to protect the life long investment they have made in the Guste Development. We therefore oppose the submission of a request for funding through H.U. D.'s Hope VI Program that does not take into account the hopes, dreams, and wishes of the residents of that community.

It is our understanding that the presently pending application was drafted without significant input from the leadership, management, or residents of Guste Community. We cannot in good conscience knowingly allow such practices to undermine the efforts NOJI is making with systems reform, as well the elevation of our clients from poverty.

Again, NOJI is opposed the submission of such a proposal.

Sincerely,



Dr. Marshall Truehill, Jr.
 Vice Chairman

Cc: Mr. Alden McDonald
 Ms. Cynthia Wiggins

"Building A World Class System That Prepares People For Jobs That Sustain Families"

THE NATION OF ISLAM



OFFICE OF GOVERNMENTAL AFFAIRS

May 28, 2001

Mr. Benjamin Bell
Executive Director
Housing Authority of New Orleans
4100 Touro Street
New Orleans, La. 70122

Dear Mr. Bell,

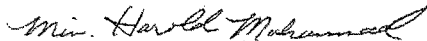
This correspondence is to acknowledge our support for the resident driven objection to the Hope VI application for the Guste Housing Development. We have witness the debilitating affect that Hope VI has had on the St. Thomas and the Desire communities. Moreover, through our national contacts, we have observed the destabilization of developments in other cities- Houston, Boston, and Baltimore namely.

It is our fervent hope that the desires of those most affected by this decision be weighed with due merit. The residents have spoken! As community representatives we must effectively deal with the issues of displacement and housing discrimination caused by the substantial decrease in the number of units- before proceeding with the Hope VI re-development plan.

It has been documented that in the area surrounding Guste the vacancy rate is 10%. In the city of New Orleans, the virtually non-existent market for Section 8 Housing Vouchers present additional obstacles to a stable housing market for public housing residents. Where will the people go?

As a result of the aforementioned concerns, we ask that the Housing Authority of New Orleans respect the wishing of the tenant population and withdraw the Hope VI application.

Sincerely,


Minister Harold Muhammad
International Aide to the Honorable Minister Louis Farrakhan



**Greater New Orleans Jurisdiction
Church of God in Christ**



Jurisdictional Bishop (Designee) Lindell Benford Brown and Auxiliary Bishop (Designee) Charles Edward Brown, I

**Executive
Committee**

Adm. Asst.
Ernest Dion

Adm. Asst.
James Tucker

Supervisor
Velma Stack

Missionary
Comie E. Brown

June 4, 2001

Mr. Benjamin Bell
Executive Director
Housing Authority of NO
4100 Touro Street
New Orleans, Louisiana 70113

Dear Mr. Bell,

This letter is to inform the Housing Authority of New Orleans of our opposition to the HANO Application for the implementation of a Hope VI Program at the Guste Homes Public Housing Development.

The Greater New Orleans Jurisdiction has thirty-five local churches as its affiliates. As a collective body we support the Guste Homes Resident Management Corporation and its Residents in their efforts to maintain the homes for the families that live in Guste Homes. We equally express our concerns with HANO method in displacing families in St. Thomas and Desire community. As committed to Guste Homes Resident Management Corporation and Residents we are prepared to stand with the residents in any legal battles that may arise should the Housing Authority move forward with its submittal.

We hereby request that HANO withdraw consideration of submittal.

Sincerely,

Lindell B. Brown
Bishop Lindell B. Brown

Cc: Cynthia Wiggins

LIBERATION ZONE MINISTRIES

P.O. Box 58178, New Orleans, LA 70158
Phone: (504) 943-7827 *Pager: (504) 540-4549
E-Mail: liberationzone@aol.com

Ben Bell, Director
Housing Authority New Orleans
New Orleans, LA
6/4/01

Dear Mr. Bell:

This is to register the support of ***LIBERATION ZONE MINISTRIES*** for the residents of the Guste Development in their opposition to the current Hope Six proposition.

Throughout this city we have seen the devastating effects of the elimination of low income or affordable housing. Each time a development, such as Desire, is demolished we have seen people displaced and empty buildings remain standing for too long. It is wrong to deliberately increase the homeless population of our city in order to appease some developers. People won't be able to keep doubling up in small homes or apartments as more public housing is destroyed.

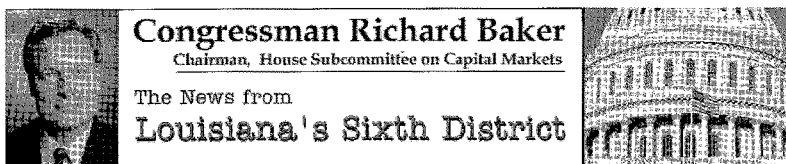
It's time for someone to do the right thing about low-income housing in New Orleans. There has to be a "right way" to develop "mixed-income" communities, that is fair and considerate of everyone involved...especially the current residents. Until that "right way" is found and enforced, we can't just keep displacing people.

Please work with the residents to achieve a real solution for everyone.

Thank you for considering this request.

For the Good of the People,

J. Kojo Livingston
President



The News from Congressman Richard H. Baker
Sixth District, Louisiana
FOR IMMEDIATE RELEASE: June 4, 2001
CONTACT: Michael DiResto, 225-929-7711

Opening Statement, U.S. Rep. Richard Baker, Member
U.S. House Financial Services Committee
Field Hearing, New Orleans, La., June 4, 2001
Subcommittee on Oversight and Investigations
"HANO and Inspector General's Report"

I want to thank Chairwoman Kelly for her leadership and commitment in traveling so far to convene this important hearing today. I am grateful too of the presence here this afternoon of fellow members of the Louisiana congressional delegation. And I also want to thank beforehand all of our witnesses for taking the time to provide this proceeding with valuable insight and information.

It's my hope that behind every question in our inquiry today lies one unwavering concern: the well being of the residents of New Orleans public housing. Congress has made a promise to these thousands of struggling families to provide a safe, livable environment to assist their efforts to make a brighter future for their children. As a member of the House Financial Services Committee, which has jurisdiction over public housing, I know that we will keep that promise. But to the extent the promise has been broken in the past, we should not rest before we find a lasting framework for fulfilling it in the future.

We are here as a result of a recent report by HUD's Inspector General on the continuing poor condition of New Orleans public housing and the failure of HANO's management and HUD's supervision to improve it. In 1996 I was present in New Orleans following a similar critical report for a similar hearing, which I hoped, at the time, would be the last of its kind. Indeed, when *Time* magazine published a report in 1998 on HANO's improvement, entitled "Miracle in New Orleans," there was every reason to hope. This recent Inspector General's report, however, says enough to suggest what New Orleans had was not a miracle but a mirage.

There has been some progress this year under the new executive monitor, Mr. Frank Nicotera, but, though commendable, it stands as small defense for an agency that still appears to be wasting millions of taxpayer dollars while failing to provide residents a decent place to live. I trust there won't be much to debate there.

We have, as I see it, three goals today: to gauge the poor conditions in which residents currently live, to assess what management has done and not done to improve them, and to explore a final solution for making them better. We are here today to inquire, not to blame. But rest assured: wrongdoers will be held to account.

Finally, as a lifelong Louisiana resident, I should not be surprised that such a scandalous report would come out regarding Louisiana service to the public. Yet even in Louisiana, knowing that fellow Louisiana citizens have been made to live in such unjust conditions, it's appalling and a disgrace. We must and will fix this.

www.house.gov/baker

Desire Area Resident Council
3309 Desire Parkway
New Orleans, LA. 70126
(504) 944-4262 Fax (504) 944-6242

The Honorable Sue Kelly
Chairwoman
Subcommittee on Oversight & Investigations
2129 Rayburn House Office Building
Washington, D.C. 20515
May 25, 2001

Re: Response Letter

Dear Madam Chair,

Pertaining to our conversation on the above date, I am responding to the inquiry of your office. In reference to the information requested, my response is as follow:

I. Living Conditions at Desire

In 1992, the U.S. Department of Housing and Urban Development had the National Commission on Severely Distressed Public Housing to do a Case Study and Site Examination Report on Desire Neighborhood. The Commission sites numerous factors leading up to the current distressful conditions at Desire. Their report stated there were 900 hundred residents occupying Desire's 1,800 units at that time. Currently there are 70, residents on site. Due to the aggressive recommendations of Gilbane-CAM's program manager in August 13,1999, to revised Desire's residents plans especially relocation plans. In spite resident's oppositions to relocate without the Community Supportive Services, a sound design, and construction scheduled in place prior to relocation any of Desire residents.

H.A.N.O. grew very leery of Desire residents' needs of preventive maintenance, election to draw back much of its needed manpower, and chose to wait on HUD to approve funding through (HOPE VI). For this cause there is addition distress, which have ascended upon our families and the neighborhood. Now for the past five years, this

distress has departed with an estimated 830 beloved residents, who while under duress relocated into other minority neighborhood. Most residents anticipating relocating back on site after the completion of the new units were hit with a sudden ray of light that had shine through residents' deep depression and oppression. The people hearts rejoice as their souls (lives) began to come alive again at the scent of water call freedom and pursue of life, but as if for a moment we bathe.

Interim Director Benjamin Bell at that time heard the cried of seniors and other residents; he implements a plan to turnover eleven apartments. Eleven residents were places out of harms way into phase (3) from an inconsistence demolition schedule. Also while operating as interim director Mr. Bell, held an on site town hall meeting with about two hundred residents in attendance. Most residents complain about maintenance response. Names of residents were taken in attempt to address their problems. But again, someone tired his hands and hope was deferred and made residents sick. Desire residents are left awaiting the America Dream, and the pursue of happiness though its (Hope VI Grant) Homeownership Opportunity for People Everywhere to alleviate the distressful conditions in which it did promise. Listed below are the HopeVI Program Objectives.

- 1). To foster innovation and comprehensive approaches to the problem of severely distressed public housing development and their residents.
- 2). To address the current problems and pursue successful solutions in the boldest and most effective manner.
- 3). To produce public housing communities that will inspire their residents and their neighbors.
- 4). To address the condition of people in public housing developments, and not merely the brick and mortar.
- 5). To have the broadest possible effect in meeting the social and economic needs of the residents and the surrounding community.

II. Promise / Covenants Broken

- 1). The M.O.U. Agreement between the Authority and D.A.R.C effectuated in June 1996.
- 2). On August 12, 1999 at a meeting with the Desire residents, HANO, and Gilbane CAM (Desire's Hope VI Program Manager Matt Power) where residents expressed their concern **against** the revised relocation plan. The plan would remove all residents off site prior to the construction of any new units. HANO and Gilbane have continued to move all residents off site and against the promise made under residents relocation plan 1994. Though letters were sent out in Sept. 1999 to residents in phases (3) that wished to remain on-site until phases (1) were completed, the transition component was changed without informing the Residents Council or residents. As of today, there is no new construction at Desire.
- 3). HANO did not secure a Community and Supportive Services Provider during the Hope VI Planning process. If this entity were in place it would have addressed issues 4 & 5. under the above mention Hope VI Program Objectives under the Grant agreement

Prepared residents for homeownership and economic development opportunities. The Case Management Component would have addressed the mental and social stress incurred with moving residents from one distress public housing community to another distress public housing community. It would have also help residents deal with moving into the so-called “middle class” neighborhoods through the HANO Section 8 Program. Instead residents moved into neighborhoods only to find they were not welcomed or wanted. We believe that Social workers and Professional Medical caretakers should have been involved to assist the residents with the mental and social stress caused by abrupt displacement and not knowing what to expect once residents left the housing community.

4). The Desire Area Resident Council is the representative elected to express the concerns of the resident of Desire. During the beginning of Desire Hope VI planning process, residents believed that the Hope VI Program was to build a community for them and their families. However, the political process has robbed them of their hope and the HOPE VI program. It would be a disaster to rebuild the community without the initial residents. It is simply ashamed that the residents of Desire have endured six years without any of the Community and Supportive Services Programs.

New units will someday be built under the mix-income neighborhood concept, which only calls for 265 public housing units. Since our residents have not received proper economic/financial training they cannot afford to purchase these new homes once they are constructed. Now we have a hardship because the residents are in a financial hardship because they not ready financially to move in the Homeownership units neither the tax-credit units because of delay of the CSSP.

At this time we would like recommend that our plans be amended to included at least 800 more public housing units. It is justifiable because at this time many residents can only afford to pay 30% or less of their income towards rent or a mortgage.

Note: Desire Hope VI Grant Agreement, Article IV: par. 4: Covenants and Conditions: The Grantee will ensure that persons displaced by reconstruction activities funded under the Hope VI Grant will be eligible under the revitalization Plan for occupancy of the replacement units.

Recommended Operational Changes At HANO

1. HANO, should use force account budget for preventive maintenance activities in Desire.
2. HANO, must secure capital funding to complete all redevelopment activities in Desire and other public housing communities.
3. HANO, must monitor the level participation of residents in all of the stages of redevelopment, (planning, implementation, and actual construction).
4. HANO, should provide technical assistance and training to all resident leadership groups (RC, RMC, and RAB etc,) to ensure meaningful participation in partnership capacity with HANO.

5. HANO, should implement Resident Management initiatives to assume management of Desire upon completion of the development and to sphere-head self-sufficiency for Desire residents.
6. Facilitate on -going training of residents real estate, marketing, and other homeownership strategies.
7. Immediate implementation of the allocation of funds in the Hope VI Grant for soft cost to support self -sufficiency for residents.

Sincerely,

Deborah Davis/ President

Statement before

THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS



June 4, 2001
New Orleans, Louisiana

by

Chester J. Drozdowski
Director

OFFICE OF PUBLIC HOUSING
NEW ORLEANS HUB OFFICE

The audit report issued by the Office of the Inspector General on 11 May 2001 is in my opinion a highly accurate representation of what was happening at the Housing Authority of New Orleans for the period of time beginning with the signing of the Cooperative Endeavor Agreement - February, 1996 to a period of time which concludes at the end of December, 1999.

My comments this afternoon will touch on the four questions posed by the Committee in its letter to Secretary Martinez and will also look at a number of issues raised by the Inspector General's report including the Field Office's attempt to verify the Housing Authority's Public Housing Management Assessment Program (PHMAP) scores in 1998, and to correlate the 1998 score to HANO's current advisory score under the Public Housing Assessment System (PHAS).

The comments made are relative to the period of time covered by the Inspector General's Report. During that period of time the Cooperative Endeavor Agreement had minimal impact on the quality of housing for the residents of the Housing Authority of New Orleans. During that period of time no major relocation took place at the two HOPE VI construction sites of Desire and St. Thomas, and only minimal demolition took place at either of the two HOPE VI sites during this three and a half year + time period. However, during the later part of the 1998 time frame some modernization projects were started at selected sites throughout the Authority.

During this same period of time some internal improvements at the Housing Authority were noted. While there was a recruitment of key management employees, and some restructuring of the Authority's organizational operations which all had some positive effect - at the time - HANO began to experience major difficulty in its Section 8 Department. This key department, the major component in its relocation program, would subsequently collapse in mid-year 2000.

From the Field Office perspective, the Cooperative Endeavor Agreement was expected to give new management and direction to the Housing Authority of New Orleans. It was further expected to apply aggressive action to (1) relocated residents from the HOPE VI construction sites; (2) demolish units which had been approved by the Department as part of the HOPE VI program; (3) fully engage the HOPE VI construction program; (4) improve the maintenance at the Housing Authority sites; (5) develop a plan of action for the demolition of units identified as no longer viable to be maintained by the Housing Authority; (6) reorganize the internal operating structure. The Housing Authority made little progress in any of the aforementioned.

During the first two and a half years of the Cooperative Endeavor Agreement there appeared to be an all out effort to achieve a passing score of at least 60% on the Department's PHMAP assessment program. It appeared to be the ultimate "end game" strategy of the Cooperative Endeavor Agreement. To the casual observer, getting off the troubled list might have appeared to be a major accomplishment. But for those who know the ins and outs of the program, getting a passing score was not an accomplishment at all. There was very little correlation between a self certified assessment program and public housing inventory stock that its safe, sanitary and decent. HANO crossed that "mystical" management troubled threshold in 1997 when an appeal was granted by HUD Headquarters. Later the next year - in July 1998 , HANO subsequently appealed their troubled modernization status. After a review of the information, my staff recommended to me to deny the appeal as the Authority had not provided sufficient justification for its appeal. HANO was advised that their appeal had been denied. . Under the PHMAP regulation, an appeal denied by a Field Office may be appealed directly to the Assistant Secretary. In November, 1998 HUD Headquarters reversed the Field Office decision and in December, 1998 I was instructed to inform HANO that they were successful in their second tier appeal. The Housing Authority was given a passing score - effectively taking them also off the modernization trouble list.

The following calendar year - 1998, HANO self certified to a management score of 85.16 and an overall modernization score of 64.70. A review of the self certified material by my staff once again raised a number of very skeptical concerns. It was at this point that I requested the necessary travel and per diem funds to bring a team together from my Mississippi Program Center to perform a confirmatory review of HANO's documentation and verify, among other things, the quality of maintenance and the accuracy and timeliness of the required inspection of units. A series of e-mails followed my initial e-mail request. Headquarters did not provide the necessary funds - approximately \$5,500 to bring in a team to examine the Housing Authority's documentation and housing stock citing that I did not lay a sufficient case for the confirmatory review.

The PHMAP program has since been replaced by the Public Housing Assessment System. PHAS is composed of four components - Financial, Physical Assessment, Management and Resident Satisfaction. Two of the components - Financial and Physical - are verified by third parties. Resident Satisfaction is handled by a survey directed to the residents and forwarded to an outside contractor for tabulation. The Management component is still self-certified by the Housing Authority. The latest Advisory Score for the Housing Authority of New Orleans shows that it has failed both the Financial and Physical component but passed the Resident Satisfaction portion of the program.

The Financial Score for the Authority is 15.6 /30, the Physical component score is 9.5/30 and the Resident Satisfaction score is 8.2/10. The Management component, which is self certified, is 26/30. Despite the failure of two key indicators the Housing Authority is still not considered "troubled" because of its self certified Management score.

Given the difficulties of the Housing Authority of New Orleans over the past twenty one years, few options remain. In the past ten years, two private management companies along with a combination of HUD recovery teams and now the Cooperative Endeavor Agreement have tried to turn HANO around. Despite a number of recent accomplishments at the Housing Authority - especially at the HOPE VI sites, the Field Office believes that the management and organizational capacity is insufficient to handle the enormous workload which still faces the agency. Five major construction projects are on going. Certainly because of need, the Housing Authority is expected to apply for two additional HOPE VI grants in the current FY 2001 funding cycle. If successful in getting two additional HOPE VI projects, its management structure would be strained even more. Added to the large HOPE VI/development workload - the Housing Authority of New Orleans needs to mount a major offensive on the maintenance problems at its other public housing inventory sites. These sites by virtue of their age and current state of disrepair, will require a much more aggressive and comprehensive preventive and routine maintenance program and almost daily attention. Given the high self certified Management component of PHAS, there is real doubt that the Uniform Physical Condition Standards are being meet and that maintenance is being done in a timely manner.

Compounding the issues is the Authority's Section 8 Program that is still in a state of repair. The Section 8 Program will come under increased pressure to fully engage in the relocation of families in the HOPE VI and development impact sites. Further, the Section 8 Program has a long way to go before it is fully functional and able to provide the community at large as well as the residents of the Housing Authority of New Orleans a viable resource for affordable housing.

Overlaying these issues are the concerns of the residents of HANO. A recent article in the Times Picayune (Friday-05/21/01) suggests a total loss of confidence in the management of the Authority.

Since 1981, the Department of Housing and Urban Development has provided to the Housing Authority of New Orleans slightly over \$1Billion - 100 million . \$800 million of that one billion dollars plus in just the last 10 years. It is difficult to explain to the residents living in HANO properties, or to the citizens of the New Orleans and Louisiana or to someone living in upstate New York or Des Moines, Iowa what impact a billion dollars has made to improve the quality of life or the sustainability of the public housing program here in New Orleans.

In late 1995 Secretary Cisneros was poised to place the Housing Authority of New Orleans into receivership. It didn't happen. Given the enormous workload and associated difficulties dealing with the day to day operation of this housing authority and its twenty year history of ineffectiveness, the Field Office believes that judicial receivership needs to be once again placed on the table for consideration. Despite some recent accomplishments - it is doubtful that the progress will continue.

The Quality Housing and Work Responsibility Act of 1998 required the Department to establish a National Advisory Council for the Housing Authority of New Orleans. The intent of Congress was for a council to review the progress of the Housing Authority of New Orleans under the Cooperative Endeavor Agreement and provide standards and guidelines for assessing the performance of the Agency. Further, the Council was expected to make recommendations to Congress NLT June, 2000 on how next to proceed with the Authority. Although a National Advisory Council was indeed finally established, HUD Headquarters was significantly tardy (by 15 months) in the establishment of the Council. Had the National Advisory Council been established within the time lines established in the Reform Act, it is the Field Office's opinion that the Council would have reported similar circumstances as reported by the Inspector General's recent report. Despite the establishment of the National Advisory Council, the Field Office has yet to receive any reports \ standards or guidelines for assessing the performance of the Agency.

With regard to the National Advisory Council, the Field Office also agrees with the Inspector General that two National Advisory Council members should be replaced because of the appearances of conflict of interest. The HUD representative to the Council was the former Chairperson of Housing Authority of New Orleans. Under Louisiana State Law - the Board is the Housing Authority and the Housing Authority is the Board. Essentially the HUD National Council Advisory representative would be making a determination of her own performance while serving as the Chairperson of the Housing Authority. As Field Office Director, I respectfully disagree with HUD Headquarters response. In my opinion, the response defies logic and an ethical foundation relative to issues of conflict of interest.

There are indeed a great deal many more issues relative to the Housing of Authority of New Orleans. My testimony covers only a small percentage of those issues. With that, I will conclude the oral testimony and will respond to questions.

Statement before

**THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**



June 4, 2001

New Orleans, Louisiana

by

Rod Solomon

Deputy Assistant Secretary

for

**POLICY, PROGRAM AND LEGISLATIVE INITIATIVES
OFFICE OF PUBLIC AND INDIAN HOUSING**

Good afternoon. I am Rod Solomon, Deputy Assistant Secretary for Policy, Program and Legislative Initiatives in the U.S. Department of Housing and Urban Development's Office of Public and Indian Housing. I am pleased to have the opportunity to appear before the Subcommittee on behalf of Secretary Mel Martinez.

I commend the Subcommittee on holding this important hearing, regarding the best means of providing the residents of the Housing Authority of New Orleans (HANO) with decent, safe and sanitary housing. That is the most basic mission of the housing authority, and the new administration is committed to taking every reasonable step to see that the mission is carried out as well as possible.

HUD's actions will be based on its prior experience as well as the present situation of the housing authority, and on its own evaluation and those of others. In that regard, HUD will consider carefully both the Audit Report recently issued by the Office of Inspector General's Office of Audit, Southwest District based on a time period that ended last year, and the ongoing work of the Congressionally-mandated National Advisory Council. HUD will promptly take any actions to implement remedies that clearly and permanently promise to improve the living situation of the residents.

With that in mind, I briefly will address the questions raised in the Subcommittee's letter to Secretary Martinez.

The first question requested HUD's views of the effectiveness of the Cooperative Endeavor Agreement and asks whether HUD should attempt to negotiate a new agreement or let the current agreement expire. The Agreement was extended for three years on December 21, 2000. The Agreement reserves HUD's rights to take enforcement actions, including seeking judicial receivership, if necessary.

HUD is mindful of the historical problems at HANO cited by the new Inspector General audit. HUD also notes recent improvements in HANO's performance cited by HUD's New Orleans office and the first reports of the National Advisory Council. Generally, HUD encourages cities to take responsibility for helping to improve public housing, as the City of New Orleans does in the Cooperative Endeavor Agreement. HUD will take further actions with respect to the Cooperative Endeavor Agreement or other enforcement steps if they clearly would appear to be necessary so that residents' conditions improve. At this point HUD would want to hear more from the National Advisory Council before taking such action.

The Subcommittee's second question asked what measures HUD might take to address the problems cited in the Inspector General audit, beyond HUD's official response, and what alternatives remain to improve housing for HANO's residents. Two keys to improving housing quality are always management and money. With respect to management, HUD expects to work with HANO on specific improvements that need to be made and problems that need to be resolved. For example, the Section 8 program's effectiveness is key to HANO's housing improvement efforts, because of the public

housing relocation involved in the broader effort to improve the quality of life for residents. HUD has provided technical assistance and will support efforts to reform the program, including more reliance on the private sector. The Inspector General's audit cites lack of progress resolving issues related to the so-called mandatory conversion of distressed public housing to vouchers, required by Section 202 of the VA/HUD/Independent Agencies Appropriations Act for fiscal 1996; the new administration will promptly enter into discussions with HANO and take any actions necessary to resolve this situation. The Inspector General audit recommends the much more drastic step of breaking up HANO into smaller entities; it is not clear that this step would result in an improvement of the residents' living conditions. With respect to money, the main challenge is to provide the necessary oversight to ensure that HANO uses well and promptly the substantial funds it already has. In addition, however, the Notice of Funding Availability for this year's HOPE VI funds will provide a boost to distressed sites such as some of those in New Orleans, if HANO submits a competitive application.

The Subcommittee's third question was to what extent local city officials and universities will participate in HANO management oversight and program delivery in the future. With respect to the City, in addition to its role under the Cooperative Endeavor Agreement, it is critical that the City like all others fulfill the basic responsibilities to public housing residents it has because they are city residents. This includes access to police and other city services. With respect to the universities, HUD notes the commendation by the Conferees on HUD's fiscal 2001 appropriations law of HUD's decision to continue support for the Campus Affiliates Program, and the Conferees' stated expectation that HUD will continue to participate in this activity. HUD will be mindful of the Conferees' views as it continues to oversee and evaluate the success of this initiative and any future funding proposed for it.

The Subcommittee's fourth question was whether the National Advisory Council and the individual representatives have performed as expected or desired and whether HANO has met all quarterly performance and financial milestones established by the Council. Unfortunately, although the Quality Housing and Work Responsibility Act required appointment of the Council by the end of January 1999, the Council was not appointed until April 2000. The Council has submitted just two reports to Congress, for the two quarters ending December 31, 2000 and the quarter ending March 31, 2001. These reports appear to be constructive reviews of HANO's goals and in the latter report, progress. The latter report indicates that HANO met most but not all of the objectives that it targeted for the first quarter of fiscal year 2001. HUD has been notified that one member of the Council will be unable to serve, and HUD could appoint a replacement. HUD has no grounds at this point to question or criticize the performance of any other particular member of the Council, and notes the impressive experience represented among the Council's members.

HUD looks forward to working with the Subcommittee to improve the living conditions for HANO's residents. The Secretary is committed to improving the conditions at HANO, as he is with public housing nationwide. Deputy Secretary Alphonso Jackson will be working on this manner personally and the Department will be proposing specific changes within 60 days of Deputy Secretary Jackson's assumption of duties.

I will be pleased to respond to any questions you have.

STATEMENT OF
D. MICHAEL BEARD
SOUTHWEST DISTRICT INSPECTOR GENERAL
OFFICE OF THE INSPECTOR GENERAL
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Monday, June 4, 2001
BEFORE THE SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS
OF THE
COMMITTEE ON FINANCIAL SERVICES
U. S. HOUSE OF REPRESENTATIVES

RESULTS OF AUDIT ON
THE HOUSING AUTHORITY OF NEW ORLEANS

Chairman Kelly, Ranking Member Gutierrez, and other Committee members, I appreciate the opportunity to appear before you today to discuss the results of our most recent audit on the Housing Authority of New Orleans. William Nixon, Assistant District Inspector General for Audit and several members of my New Orleans staff, including Senior Auditor Michelle Nuss, accompany me today.

Our most recent audit looked at three issues: First, the status of the Cooperative Endeavor Agreement; second, the Authority's progress in modernizing its housing stock; and third, how HUD had complied with a congressional request to create an Advisory Council for the Authority. I have made a copy of the report available to the Committee.

Cooperative Endeavor Agreement

Our May 2001 report noted HUD had continued the 2-year Cooperative Endeavor Agreement beyond its planned and contractual life. According to the Agreement, it should have terminated upon *any* of the following conditions:

1. December 31, 1996,
2. The removal of HANO from the troubled Public Housing Authority list, or
3. Agreement of the parties.

HUD removed HANO from the troubled list in December 1998. Thus, two of the three conditions have been met, and HUD should have terminated the Agreement. Yet, HUD and the City have extended it until December 31, 2003.

It is our view the Cooperative Endeavor Agreement has done little to improve HANO operations and the quality of housing has not significantly improved in the last 5 years. In fact, if HANO were a Section 8 landlord, its properties would flunk the Section 8 inspections and HUD would remove HANO as landlord. If HANO were a Section 8 landlord, HUD could prosecute it for failing to provide housing that meets contract standards.

Approximately a lustrum ago, I testified before the Subcommittee on Housing and Community Opportunity on the Housing Authority of New Orleans. At that time, the Office of Inspector General, the General Accounting Office, and many at HUD advocated the takeover of the Housing Authority. The problems cited at the time were the condition of the units, problems with procurement and modernization, Board interference, and the fact HANO had been on HUD's troubled list for the 17 years the "troubled" list had been in existence.

Instead of taking over the Authority, Secretary Cisneros entered into an unprecedented arrangement with the Mayor of New Orleans called the Cooperative Endeavor Agreement. Under the Agreement, the Assistant Secretary of HUD's Public and Indian Housing would assume the duties of the Board and HUD would contribute additional resources. The parties appointed Ronald Mason as an "Executive Monitor" to perform the Board's duties in the absence of the Assistant

Secretary. Mr. Ronald Mason was Tulane University's General Counsel. At the hearing, Secretary Cisneros could not provide an answer to the question of how long the Agreement would, or should last. To date, HUD has not provided a viable plan to indicate when it will terminate the Cooperative Endeavor Agreement.

Under a Memorandum of Understanding between the parties, HUD and HANO would reimburse Tulane for the Executive Monitor. This included salary and expenditures of Mr. Mason and his staff. In addition to the transition team and Executive Monitor, HUD also retained the services of Andersen Consulting. HUD expended a considerable amount of money to make this arrangement work. HUD's financial contributions to the CEA have exceeded \$14 million. To carry out his duties, HUD provided the Executive Monitor a budget for his salary, staff, and supplies. In January 2000, we issued a report on Moten & Associates, a subcontractor of the Executive Monitor (copy provided). The review disclosed the Executive Monitor violated federal regulations in obtaining the services of Moten & Associates. Further, Tulane paid \$5,314 in ineligible travel costs and \$421,760 in other unsupported costs. Neither HANO, the Executive Monitor, nor Moten & Associates could provide satisfactory evidence that Moten & Associates completed the tasks it was paid to perform. Consequently, we could not determine whether HANO derived a measurable benefit from the Moten & Associates contract.

HUD no longer classifies the Authority as troubled. However, as discussed in our report, HANO's removal from the troubled list is smoke and mirrors. After 5 years, the bottom line is there has been no significant improvement in the Authority's housing stock. HUD has confirmed HANO will again be classified as troubled under its new Public Housing Assessment System. Further, of HUD's ten conventional projects, three have qualified for HOPE VI funding because

they meet the definition of distressed projects, and four qualify as Section 202 properties. As Secretary Cisneros said in 1996, HANO needs a continuous flow of modernization money to start on what he thought was an \$800 million project back then.

We did not inspect units for our most recent audit; however, we did take a few photos at the conventional sites for this hearing, which I would like to share with the Committee.

1. This first photo is of an occupied building at the corner of Senate and Hamburg at St. Bernard. Half of the building is occupied; the other half, according to a resident, has been under renovation off and on since 1998 or 1999.
2. This picture shows an abandoned building at C. J. Peete. The building is located at 2905 Willow Street. Note the boards sticking up on the roof and the open and broken windows.
3. The third picture is of 508 St. Andrew Street in St. Thomas. The building's single tenant is a 70-year old woman. She has to climb three flights of stairs filled with trash and debris to enter her third floor apartment. Note that most of the windows and doors are not boarded.
4. This picture shows the ceiling of a stairwell in Iberville on Conti Street. The stairwell reeks of mildew. A resident told us dirty bath water leaks from the pipe in the ceiling anytime someone takes a bath. The leak has damaged the ceiling and walls. Water collects on the stairs, causing the stairs to rust and creating a safety hazard.

5. This stove is in a Fischer unit on Whitney Avenue. The resident told us only two burners work and that she has repeatedly reported the problem to HANO.

6. The next three images show a bathroom at another unit at Fischer, also on Whitney Avenue. The table in the bathtub is used to cover the hole in the wall. Bugs and insects were all over the bathroom when the resident removed the table for us. The smell seeping from the open spaces in the bathroom was horrible. The resident told us she has lived with this bathroom for 3 years and has repeatedly complained. She has been told HANO could not get to the problem because HANO only employs one plasterer. She also told us the smell from the bathroom walls and floor often makes her ill.

Modernization

Since 1992, HUD has made available to HANO some \$800 million in total funding. We show the significant programs in the following chart.

Operating Subsidy	\$313,000,000
CGP/CFP	279,000,000
Desire HOPE VI	44,000,000
St. Thomas HOPE VI	25,000,000
Fischer HOPE VI (planning)	400,000
Demolition Grant (C.J. Peete)	3,900,000
Demolition Grant (Desire)	3,000,000
Demolition Grant (Fischer)	1,600,000
Vacancy Reduction	8,500,000
Lead Based Paint Abatement	245,000
Drug Elimination Grants	20,800,000
ROC (Section 8 - regional)	1,400,000
Technical Assistance	1,155,000
Housing Assistance Payments	116,700,000
Cooperative Endeavor Agreement	14,000,000
	<u>\$832,700,000</u>

The \$800 million does not reflect the salaries and travel costs of HUD personnel and contractors of the “transition” and “target” teams and HOPE VI expeditors. I should also note, the operating subsidy includes some \$1.6 million annually for “beautification” grants at the sites. With such resources available - close to \$75,000 per unit, one has to question why progress is so slow. In our view, HANO's modernization and revitalization problems exceed its capacity. HANO has spent over \$139 million in Capital Grant Funds in the last 8 years, but has not revitalized any of its ten conventional sites. Over half of the expenditures were for soft costs; e.g., management improvements, fees, salaries for technical and non-technical personnel engaged in the modernization of units and for other items categorized as soft costs. HANO plans to demolish 6,200 units. This will further exacerbate HANO's funding dilemma, as the demolition plan will decrease the Authority's future operating subsidies and capital funding. This may require HANO to transfer additional modernization funding to cover future operating deficits. According to the former Executive Monitor's report, demolition will reduce HANO's capital funding 18 percent. This will put increasing pressure on HANO to operate efficiently, something it has not done in the past. Further, the combinations of high soft costs to hard costs, and the inevitability of reduced capital and operating subsidy funding, further limit HANO's already diminished capacity to conduct a large-scale revitalization.

Four of HANO's conventional sites (B.W. Cooper, Fischer, Guste, and Florida) are subject to Section 202 requirements. Three sites (Desire, St.Thomas, and C.J.Peete) are already under approved revitalization and not subject to Section 202. At the Section 202 sites, HANO must relocate the residents and demolish the units. HUD has yet to formally require any HANO action regarding Section 202. However, HANO has suggested that HUD defer compliance with Section 202 for 10 years. In other words, HANO is asking its tenants at four of its sites to stay in

substandard housing for 10 more years – that includes the bathroom we showed you earlier. Meanwhile, no real progress is being made at the sites approved for revitalization.

In 1998, we issued reports on HANO's Desire and St. Thomas HOPE VI projects. The audits concluded that HANO had not satisfactorily administered its HOPE VI grants. Specifically, HANO did not properly procure services, expend funds, plan its revitalization activities, or make adequate progress in implementing its revitalization and community and supportive services activities. At St. Thomas, HANO surrendered control over the developer selection. Five of the eight members on the selection panel were not Authority employees.

Advisory Council

Our report noted several problems with the Advisory Council. First, HUD had delayed starting the Council. Congress had requested the Advisory Council render a final report to Congress in August 2000. Instead, HUD's has delayed the process so Congress will not see the final report until December 2001. Second, HUD appointed two individuals to the council who were actively involved in the Authority's affairs. Thus they are in the position of advising on corrective actions when they participated in the primary decision making process. Lastly, HUD used the Advisory Council in its response to all three findings of our May report. HUD is taking the position it will wait for the Advisory Council before it takes any actions. The stated purpose of the Council is to determine whether or not HUD should seek a receiver. HUD's continuance of the Cooperative Endeavor Agreement beyond its contractual and intended life is an admission that HUD already recognizes HANO cannot operate on its own. HUD needs to make its own decision now.

Conclusion

Each successive plan since 1992, of which the Cooperative Endeavor is only one, has promised progress and claimed to have improved conditions. At the 1996 hearings, Secretary Cisneros said:

"This is about whether we are going to turn around public housing in our country on all our respective watches. And people don't believe us until we start building the new stuff."

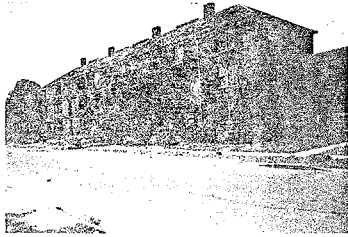
Mr. Mason, at the same hearing, said:

"On Desire specifically, . . . we ought to be able to start brick-and-mortar-type construction sometime, I believe, in January [1997]. But we can also start the utility work immediately [July 1996]."

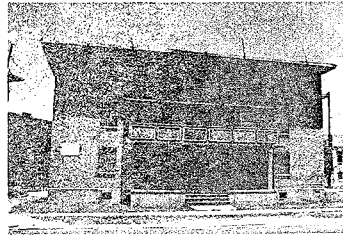
Five years later, many families still live at Desire and the current planning reports are still talking about starting infrastructure work. This last photo shows an occupied building at Desire. Note the bricks are falling onto the walkway below. This is a lawsuit in waiting. We have been showing people pictures like this *since 1983*.

HUD does not seem to know how long the Cooperative Endeavor Agreement should last. However, we think HUD should take immediate action to protect its investment. We have recommend in our latest report that HUD split HANO into more manageable housing authorities.

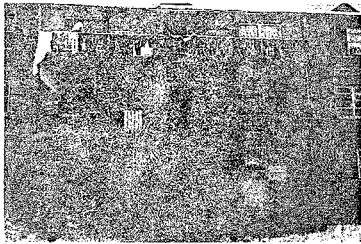
Photographs discussed in Statement of D. Michael Beard



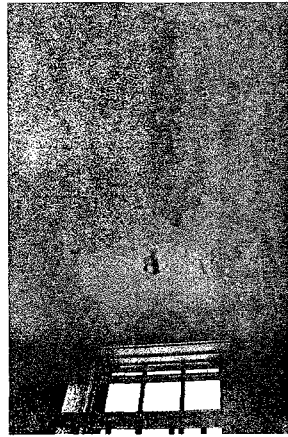
1. Building at St. Bernard



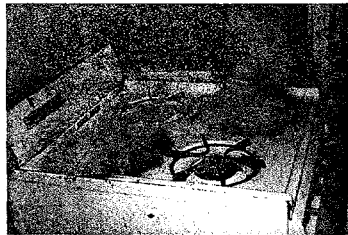
2. Building at C.J. Peete



3. Building at St. Thomas

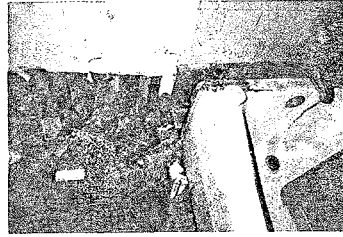
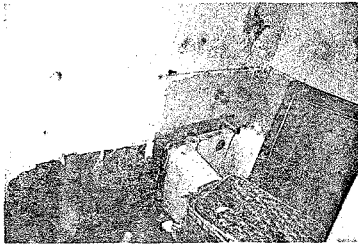


4. Stairwell at Iberville



5. Stove at Fischer

Photographs discussed in Statement of D. Michael Beard



6. Bathroom at Fischer



7. Building at Desire



Issue Date	May 11, 2001
Audit Case Number	2001-FW-0001

TO: Gloria Cousar
Acting General Deputy Assistant Secretary, P

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

SUBJECT: Housing Authority of New Orleans
New Orleans, Louisiana

We performed an audit of the Housing Authority of New Orleans. The purpose of the audit was to determine: (1) the status of the Cooperative Endeavor Agreement; (2) the status of modernization; and (3) compliance with the Quality Housing and Work Responsibility Act of 1998.

The report contains three findings requiring follow-up actions by your office. We will provide a copy of this report to the Housing Authority of New Orleans and the Executive Monitor.

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

If you have any questions, please contact William W. Nixon, Assistant District Inspector General for Audit, at (817) 978-9309.

Executive Summary

We performed an audit of the Housing Authority of New Orleans (HANO) to ascertain the current status of the HANO's management structure. For the past 5 years, HANO has operated under a 2-year Cooperative Endeavor Agreement to correct long-standing problems, particularly with respect to the poor condition of its housing stock. During this time, Congress enacted the Quality Housing and Work Responsibility Act of 1998 (also known as the Public Housing Reform Act) that required HUD to create an Advisory Council which would help determine HANO's future. Our audit objectives were to: (1) ascertain the status of the Cooperative Endeavor Agreement; (2) review HANO's progress in modernizing its housing stock; and (3) determine if HUD complied with the Quality Housing and Work Responsibility Act requirement to create the Advisory Council.

Cooperative Endeavor Agreement did not cure HANO's problems.

HUD has continued the Cooperative Endeavor Agreement (CEA) beyond its planned and contractual life. HUD has continued the CEA because HANO continues to have major problems in carrying out its primary mission. Because of the poor condition of its housing stock, the most recent Cooperative Recovery Plan said HANO was "potentially troubled." HANO continues to have problems completing a modernization program at its 10 large conventional developments. HANO does not have the capacity to: (1) stabilize and renovate its viable developments; (2) demolish and dispose of units not meeting Section 202 requirements; (3) relocate residents during modernizations; and (4) construct suitable permanent housing. HANO's long-term success depends upon having an effective Section 8 Department, which HUD staff stated had been substandard for the past 3 years.

HUD delayed Advisor Council.

HUD procrastinated in establishing the required Advisory Council. As a result, HUD effectively delayed the Advisory Council's findings and recommendations. HUD must act proactively to ensure that HANO provides its 22,000 residents with decent, safe, and sanitary housing.

HUD should break up HANO.

Six years ago we urged the Secretary to take over HANO and contract out the management of its properties to as many as 12 companies. We have amended our primary recommendation made 6 years ago, and we are now urging the Secretary to take over HANO and divide the housing authority into smaller housing authorities. This would allow the smaller housing authorities to focus on the problems affecting specific sites.

Executive Summary

HUD comments on the report.

We provided HUD with a draft report on February 27, 2001. We discussed the draft report with HUD officials, specifically the Acting General Deputy Assistant Secretary and a Senior Advisor to the Secretary, on March 22, 2001. During this meeting, we agreed to allow additional time for HUD to prepare written comments. HUD provided us with written comments on May 2, 2001. We have included their comments as Appendix A. We considered their responses in preparing our final report.

Introduction

Background.

The Housing Authority of New Orleans (HANO), an autonomous public agency operating within the local, state, and federal laws that created it, was established in 1937. Until December 1998,¹ HANO was a perennial contender for one of the worst housing authorities in America. HUD listed HANO as a troubled agency in 1979, the first year of such designation, and HANO remained on this list until 1998. As the following chronology of events demonstrates, HUD and HANO have attempted many different solutions to correct its chronic problems. This has included providing additional technical assistance, requiring HANO to hire a management company, and replacing the Board of Commissioners with HUD's Assistant Secretary of Public and Indian Housing (PIH) and an Executive Monitor. However, considering the seriousness of the management issues and conditions of the units, HUD's actions have seemed tempered.

Audit reports from 1983 through 1994 detail poor management.

In 1983, we reported that HANO's residents lived in indecent, unsafe, and unsanitary conditions due to poor management.² In 1988, HUD issued a comprehensive review of HANO. HUD's review had 241 findings and reiterated that residents lived in unacceptable conditions. As with our report, HUD cited HANO's poor management for the conditions. HUD's review resulted in HANO entering into a Memorandum of Agreement (MOA) with HUD. The MOA required HANO to hire an outside management contractor.

In August 1990, we audited HANO's procurement of the management contractor. Our audit noted HANO had disregarded its own procurement policy and HUD's procurement regulations when awarding the management contract. Eventually, HUD required HANO to repeat the entire procurement process. Although HANO had a private management company, the management company operated within HANO's management and regulatory structure.

In 1991, we issued a report demonstrating that HANO could save approximately \$1.7 million if HANO used individual utility meters to measure utility usage by its

¹ Date of HUD's letter to HANO stating it received a 64.96 on its PHMAP and therefore, was no longer considered troubled.

² Housing Authority of New Orleans, audit report number 84-FW-201-1014.

tenants. However, both HANO and the City refused to implement the recommendations.

In June 1994, we issued an audit on HANO's operations. At that time, HANO administered 13,521 low income housing units under an Annual Contributions Contract (ACC). The audit had one major finding: management of the Authority is inefficient, ineffective, and uneconomical. Our primary recommendation to HUD read:

“Inform the Secretary that the Authority has breached its Annual Contributions Contract and commence necessary actions to take over the operations. We further suggest the New Orleans Office should contract the entire operation of the Authority to private management. We suggest the operation can be divided into as many as ten different operations for each of the conventional projects and at least two operations for the scattered sites.”

The audit also contained five sub-findings:

- 1) Tenants live in indecent, unsafe, and unsanitary conditions.
- 2) Maintenance operations are ineffective.
- 3) Comprehensive Improvement Assistance Program (CIAP) was not effective, efficient, or economical.
- 4) The Authority did not follow its own procurement policy or federal requirements.
- 5) Emphasis, direction, and resources needed to combat crime.³

HUD urged to take over HANO.

In August 1994, HUD and HANO established an Executive Council as an alternative to a federal takeover or a court ordered receivership.⁴ The parties agreed HANO would retain the management contractor until it finalized a recovery plan. However, HANO's Board of Commissioners terminated the management contractor the very next month.

³ Housing Authority of New Orleans, Public Housing Operations, audit report number 94-FW-201-1005.

⁴ To stabilize HANO, HUD retained the services of an Executive Director of another housing authority to assist HANO and HUD. This Executive Director was subsequently convicted for fraud at the authority that he operated.

In October 1995, a HUD consultant performed a confirmatory review of HANO's self-certified Public Housing Management Assessment Program (PHMAP).⁵ In contrast to HANO's self-certified score of 60, the consultant computed HANO's score at a dismal 25.

In December 1995, in a very strongly worded memorandum, we again urged Secretary Cisneros to declare HANO in breach of its ACC and take over HANO operations. We based our recommendation on the following:

- Interference by the Board of Commissioners in HANO's day-to-day activities;
- Qualifications and integrity of executive staff;
- Disregard of procurement procedures;
- Results of the PHMAP confirmatory review; and
- 15 years of poor management resulting in slum conditions.

Instead of implementing our recommendation, HUD brought in a transitional team of HUD personnel. HUD asked our office to participate on this team by performing limited reviews and participating in meetings. Between January 1996 and June 1997, we provided several memoranda to HUD and HANO on such issues as:

- Appliance Inventory (Issued April 16, 1996) - We noted a significant discrepancy of appliances at the sites. For instance, as of March 5, 1996, the occupancy report showed 8,592 units occupied at the 10 conventional sites. For these sites, accounting records reported 9,404 ranges and 9,630 refrigerators, a difference of 812 and 1,038, respectively. We offered recommendations for HANO to better account for its appliances.
- Garbage Collection⁶ (Issued July 17, 1996) - We again questioned the efficiency and economy of HANO spending over \$543,000 to pick up garbage at its sites. HANO could not support its in-house cost analysis to

⁵ HUD used PHMAP to measure and compare housing authority performance. It provides a score based upon various financial, maintenance, and resident initiatives components. HUD considers a housing authority troubled if it scores less than 60 on its PHMAP.

⁶ Audit related memorandum number 96-FW-201-1803.

perform its own garbage collection. Further, HANO wanted to spend \$130,000 to buy another garbage vehicle. We recommended HANO not purchase this vehicle and contract out the garbage collection function or negotiate with the City to perform garbage collection. To date, HANO still performs this function.

- Vehicle Allowance⁷ (Issued September 30, 1996) - HANO provided certain officials with vehicles. Contrary to Internal Revenue Service regulations, HANO did not include the value of this fringe benefit in its employees' wages reported to the IRS. We recommended that HANO comply with Internal Revenue Service requirements.
- Eviction Process⁸ (Issued March 20, 1997) - HANO needed to strengthen its policies and controls for eviction for drugs and criminal activity. We noted improvements by HANO in a follow-up audit memorandum in March 1998.⁹
- Review of Maintenance Overtime¹⁰ (Issued on April 4, 1997) - HANO had serious deficiencies with the performance and accounting of maintenance overtime including poor workmanship, excessive and overlapping time charges, payroll posting discrepancies, work orders not entered into the system, ordinary work performed using overtime, and loose controls over vacant unit work.

In May 1996, the General Accounting Office (GAO) issued a report on HANO.¹¹ The report identified two significant operational problems: (1) providing for routine maintenance and (2) carrying out major modernization and rehabilitation work. With respect to HANO's modernization program, GAO wrote "moreover, although housing conditions have deteriorated, the housing authority has nearly \$200 million in unspent modernization grants and other federal funding, representing 82 percent of all such funding to the housing authority over the past decade." Further, the GAO wrote "even HUD and HUD's oversight of the housing authority have, to date, contributed little to

⁷ Audit related memorandum number 96-FW-201-1806.

⁸ Audit related memorandum number 97-FW-201-1804.

⁹ Audit related memorandum number 98-FW-201-1808.

¹⁰ Audit related memorandum number 97-FW-201-1806.

¹¹ GAO Report RCED 96-67. [HUD Takes Over the Housing Authority of New Orleans.](#)

solving the housing authority's severe management and operational problems."

In October 1997, we issued an audit report on HANO's procurement of Tucker and Associates, Incorporated (TAI).¹² HANO hired TAI for \$493,408 to assist in the development of a comprehensive strategic plan. HANO could not support its selection of TAI. It effectively sole-sourced the contract to TAI, did not perform an adequate cost analysis prior to contract award, and allowed TAI to write the scope of work. Also, apparent conflicts of interest involving HANO, City, and TAI officials and associated parties permeated the contract procurement and negotiations. Further, we questioned \$43,282 in unsupported charges, \$43,619 in unreasonable general administrative expenses, and \$4,466 in excessive charges related to a change order.¹³

Cooperative Endeavor Agreement.

On February 8, 1996, HUD and the City of New Orleans executed a Cooperative Endeavor Agreement (CEA) that primarily provided for HUD's assumption of the duties of HANO's Board of Commissioners. The CEA appointed Kevin Marchman,¹⁴ or his designee, as HANO's Board of Commissioners. The Secretary and the Mayor agreed that Ronald Mason, Jr.¹⁵ shall act as Mr. Marchman's designee in the capacity as an Executive Monitor of this Agreement, subject to Mr. Marchman's oversight." In our opinion, Secretary Cisneros entered into this agreement to placate the Mayor of New Orleans.

The CEA stated, "HUD will seek sufficient resources to develop a collaboration with Tulane and Xavier Universities" to fund the following: (1) Campus of Learning; (2) Project FULCRUM; and (3) the Executive Monitor. Subsequent to the Cooperative Endeavor, HUD provided \$2 million a year for 5 years to the Tulane and Xavier Collaboration to implement a Campus of Affiliates' program.¹⁶ HANO has spent approximately \$8 million dollars since the inception of the CEA on this grant. HANO also sole-sourced its resident initiatives' program to

¹² Audit report number 98-FW-201-1002.

¹³ Some of the unsupported and unreasonable expenses duplicated each other.

¹⁴ HUD's Acting Assistant Secretary for Public and Indian Housing.

¹⁵ A Tulane University official.

¹⁶ The Campus of Affiliates' program replaced Project FULCRUM. Neither program is a nationwide program or is mandated by Congress.

the Tulane and Xavier Collaboration. We reported the obvious conflict of interest and violation of procurement regulations in a report to the Secretary on July 5, 1996.¹⁷ Further, we questioned the need to use so many resources on resident initiatives when HANO clearly had more pressing needs, i.e. the terrible condition of its housing stock.

Secretary Cisneros acknowledged the facts in the report. However, he waived the provisions of the ACC "that would have otherwise have prevented HANO from entering into the arrangement with Tulane and Xavier because of Mr. Mason's continued employment with Tulane." Further, he waived "the provision of the ACC that would have prohibited Mr. Mason from exercising responsibilities with respect to this arrangement in his role as Executive Monitor of HANO." Also, because Secretary Cisneros wanted "to ensure the involvement of the New Orleans University community in the recovery effort," he approved HANO's request for a non-competitive award to Tulane/Xavier to implement and administer HANO's resident initiatives program. This involved waiving the Part 85 of the Code of Federal Regulations (CFR). HUD has not provided a copy of its published waiver.¹⁸ To our knowledge, no other HUD Secretary has waived procurement regulations. It appears that Secretary Cuomo and HUD have relied upon this unperfected waiver during the past 3 years.

In a June 6, 2000 letter, Secretary Cuomo waived these same requirements. However, we have not seen this waiver published either. We question the wisdom of waiving basic procurement requirements for an entity that is notorious for not following regulations.

In a July 8, 1996 Congressional hearing, Secretary Cisneros stated: "This is an intricate, unorthodox relationship, but I must tell you, I accept full responsibility for having structured it this way. And this is my decision."

According to the agreement, the CEA would terminate upon any of the following conditions:

¹⁷ Audit related memorandum number 96-FW-202-1802.

¹⁸ The HUD Reform Act of 1989 required HUD to publish this waiver in the *Federal Register*.

- December 31, 1996,¹⁹
- The removal of HANO from the troubled Public Housing Authority list, or
- Agreement of the parties.

As previously mentioned, HUD removed HANO from the troubled list in December 1998. Thus, two of the three conditions had been met, and HUD should have terminated the CEA. Yet, in June 2000, HUD and the City extended the CEA from February 1, 2000, until December 31, 2000.²⁰

Under a Memorandum of Understanding between the parties, HUD and HANO would reimburse Tulane for the Executive Monitor. This included salary and expenditures of Mr. Mason and his staff. In addition to the transition team and Executive Monitor, HUD also retained the services of Andersen Consulting. HUD expended a considerable amount of money to make this arrangement work. HUD's financial contributions to the CEA have easily exceeded \$14 million.

To carry out his duties, HUD provided the Executive Monitor a budget for his salary, staff, and supplies. In January 2000, we issued a report on Moten & Associates, a subcontractor of the Executive Monitor.²¹ The review disclosed that both Andersen Consulting and the Executive Monitor violated federal regulations in obtaining the services of Moten & Associates. Further, Tulane paid \$5,314 in ineligible travel costs and \$421,760 in other unsupported costs. Neither HANO, the Executive Monitor, nor Moten & Associates could provide satisfactory evidence that Moten & Associates completed the tasks it was paid to perform. Consequently, we could not determine whether HANO derived a measurable benefit from the Moten & Associates contract.

HOPE VI.

During our nationwide review of HUD's HOPE VI Program, we reviewed HANO's HOPE VI grants.²² HUD established the HOPE VI Urban Revitalization Program for

¹⁹ The Secretary could renew the CEA for an additional year, December 31, 1997, by providing written notice of his intention to do so to the Mayor.

²⁰ According to the Executive Monitor, this agreement has been extended until 2003.

²¹ Audit report number 00-FW-201-1001.

²² Audit report number 98-FW-201-1004.

the purpose of revitalizing severely distressed or obsolete public housing developments. HUD awarded HANO implementation grants for Desire Development (\$44.2 million in 1994) and St. Thomas Development (\$25 million in 1996). HUD also awarded a planning grant for the Fischer Development (\$400,000 in 1995). The audit concluded that HANO had not satisfactorily administered its HOPE VI grants. Specifically, HANO did not properly procure services, expend funds, plan its revitalization activities, or make adequate progress in implementing its revitalization and community and supportive services activities.

During our HOPE VI work, we received a complaint regarding HANO's St. Thomas HOPE VI grant. In July 1998, we issued a separate audit memorandum on selection of the developer at St. Thomas.²³ While we did not find evidence to substantiate the complaint, we did find sufficient cause for HUD to reject the selected developer. The problems with the developer resulted from HANO's interpretation of resident participation. HANO lost control over the selection because five of the eight-member selection panel were not Authority employees. Further, the developer's interaction with certain members of the selection panel and St. Thomas residents constituted both a perceived and actual conflict of interest.

**HANO's and HUD's
response to the findings.**

In general, HANO, HUD, and its representatives²⁴ have consistently disagreed with our findings and conclusions. In several instances, HANO or its representatives hired legal counsel to refute conclusions reached, obfuscate the issues, or attack the OIG. Generally, each HANO administration blamed past management for the conditions and promised that it would not happen under their management. In some instances, they have blamed the OIG for the management problems and conditions of the units.

For instance, the previous Executive Monitor blamed OIG for a lack of objectivity and a reason for HANO's lack of progress. The previous Executive Monitor had day-to-day operational control over HANO for approximately 4 years. As such, he could have: (1) implemented financial controls; (2) followed procurement requirements; (3)

²³ Audit related memorandum number 98-FW-201-1813.

²⁴ This includes Tulane and C.J. Brown Management Company.

obligated and expended modernization funds in accordance with federal regulations; and (4) repaired and maintained the units so that HANO provided its 22,000 residents with decent, safe, and sanitary housing.

HUD provides HANO a significant amount of funds for its operation and capital improvement. As our reports document along with the reports of other agencies such as HUD, GAO, Louisiana Legislative Auditor's office, and numerous media reports, HANO has squandered millions over the years, but has never provided its residents with decent, safe, and sanitary housing.

HANO's future uncertain.

After 5 years under the CEA, HANO's future is as uncertain as it was at the signing of the CEA. HUD recently hired Mitchell & Titus to fulfill the Assistant Secretary's duties as HANO's Board of Commissioners. In effect, HANO has three entities responsible for its operations, the Executive Director, the Executive Monitor, and Mitchell & Titus with some overlapping of duties and responsibilities.

Further, HUD's oversight of HANO is just as ambiguous. Being non-troubled, the local HUD field office has oversight responsibility for HANO. Because of the Assistant Secretary's role, HUD Headquarters is involved in monitoring HANO's activities. HANO consistently appeals unfavorable decisions by the local field office to HUD Headquarters. HUD Headquarters has a history of granting waivers and aiding HANO in its pursuit to violate HUD requirements.

After 5 years under the CEA and the praise HANO sought for no longer being troubled, the most recent Cooperative Recovery Plan defined HANO as being "potentially PHAS troubled." As a result, HUD may shift the responsibility of monitoring HANO from the local office to the Troubled Agency Recovery Center (TARC).

To further add to this uncertainty, Congress established an Advisory Council to determine what actions it should take with respect to HANO.

Divide HANO into smaller authorities.

We have amended our primary recommendation made 6 years ago. In that recommendation, we urged the Secretary

to take over HANO and contract out the management of its properties to 12 companies. We now urge the Secretary to take over HANO and split the housing authority into separate housing authorities. Further, HUD and the City should work together to create nonprofit entities to administer HANO's Section 8 certificates and vouchers and carry out the provision of Public Law 104-134 regarding Section 202. This would allow the individual housing authorities to focus on the management and operations at a specific site. Further, HUD would place itself in a better position to monitor the smaller sites. We base our recommendation on HANO's lack of progress in modernization, which has a direct impact on the living conditions of the residents; HUD's inability to provide consistent oversight to HANO; and the flight of management.

Audit Objectives, Scope, and Methodology

Overall, our audit objectives were to determine: (1) the status of the CEA; (2) HANO's progress in utilizing modernization funds; and (3) HUD's compliance with the QHWRA of 1998.

To achieve the audit objectives, we:

- Reviewed the QHWRA of 1998, CEA, and applicable federal regulations;
- Interviewed HUD, HANO, and Tulane personnel;
- Reviewed and analyzed HUD and HANO documents including consultant reports, contracts, vendor payment listings, electronic mails, correspondence, and others; and
- Reviewed various reports and supporting documentation on HANO including studies, audits, GAO reports, and media coverage.

We performed our fieldwork at HUD, HANO, and OIG offices from January through December 2000. Our progress during this audit was hindered by an initial lack of cooperation by the former Assistant Secretary for PIH. Throughout the audit, we obtained computer-generated data from HUD, HANO, and HUD contractors. However, we did not perform any tests on the validity or reliability of such data except as noted in the findings and management controls. The audit generally covered the period of February 1996 through December 31, 2000. We performed the audit in accordance with generally accepted government auditing standards.

HUD Needs to Take Significant Measures to Protect Its Investment

By allowing HANO to extricate itself from the troubled list and headquarters interjecting itself into program requirements, HUD has acquiesced with HANO's attempt to polish its image without making the necessary changes to the way it does business or correcting its physical structures. Although HANO managed to remove itself from HUD's troubled list in 1998, HANO continues to have major problems in carrying out its mission. HUD and HANO have operated for almost 5 years under a Cooperative Endeavor Agreement (CEA) to correct long-standing problems. With the exception of the Mayor of New Orleans (Mayor Morial), the individuals originally involved with the CEA have departed. HANO continues to have problems completing a revitalization project at its ten large conventional developments. Further, recent newspaper articles and HUD reports have detailed problems with HANO's Section 8 Department. HANO's long-term success depends upon it having an effective Section 8 Department. As discussed in Finding 3, HUD procrastinated in establishing the required Advisory Council. As a result, HUD effectively delayed the Advisory Council's findings and recommendations. Again, HANO and HUD find themselves at a crossroads; HUD must act proactively to ensure that HANO provides its 22,000 residents with decent, safe, and sanitary housing.

HUD extended the CEA beyond its proposed life.

Although the original CEA entered into by Secretary Cisneros and Mayor Morial was for either 2 years or HUD removing HANO from the troubled list,²⁵ the CEA has been in effect for 5 years. Furthermore, the only remaining party to the original CEA is Mayor Morial. Since 1998, HUD has extended the CEA on a yearly basis. The yearly extensions of the CEA give the impression of HUD not having a coherent long-term plan for HANO.

In February 1996, after years on the troubled list, HUD declared HANO in breach of its Annual Contributions Contract. Instead of receivership, the Mayor of New Orleans and Secretary Cisneros entered into the CEA to manage HANO. This arrangement was unprecedented. The Secretary agreed to the partnership with Mayor Morial to avoid a contested HUD takeover of HANO.²⁶ Under the CEA, Mayor Morial and Secretary Cisneros agreed to take

²⁵ Whichever came first.

²⁶ At a Congressional hearing in July 1996, the former Secretary stated: "...the mayor informed me that if negotiations successfully produced a meaningful partnership agreement that would work from a New Orleans standpoint, then he would work to ensure that the Board of Commissioners would deliver possession of HANO to HUD without litigation, without protest, without obstruction, as subsequently occurred. It was a peaceful transformation."

Finding 1

all necessary actions to improve HANO and the quality of life of HANO residents. Further, the CEA replaced HANO's Board of Commissioners with HUD's Assistant Secretary for PIH. Mayor Morial and Secretary Cisneros agreed on an Executive Monitor to oversee HANO's recovery and serve in the Assistant Secretary's absence. The Executive Monitor would have the same authority as a Board of Commissioners; in practice, the Executive Monitor held much more authority. The CEA named Ron Mason, Jr., Tulane University's Counsel to this post. HUD never provided a listing of other individuals considered for this assignment because the Secretary believed Mr. Mason to be uniquely qualified.

During this same time, HANO sole-sourced its resident initiatives to a Tulane and Xavier University Partnership. Also, HUD sole-sourced a \$2 million "Campus of Affiliates" grant to this same partnership.²⁷ With respect to the apparent procurement and conflict-of-interest violations, Secretary Cisneros improperly waived²⁸ the conflict of interest saying:

Mr. Mason is aware of the conflict potentials and, I am confident will conduct himself so as not to present even the appearance of impropriety. I further note that under the executive monitor services agreement to be executed by HANO, Mr. Mason will be required to recuse himself from any arrangements involving Tulane University.

Through a technical assistance grant with HANO, HUD has provided over \$2.4 million in funds for the Executive Monitor and his staff. Also, HUD paid Andersen Consulting over \$3.7 million to provide HANO with technical support services including developing a short- and long-term plan to improve HANO's operations.

Despite HUD removing HANO from the troubled list, the CEA continued.

According to the original CEA signed on February 8, 1996, the CEA "shall terminate on December 31, 1996, or upon the removal of HANO from the troubled Public Housing Authority list, or upon agreement of the parties, whichever

²⁷ HUD could renew the grant for 5 years bringing the total of the grant to \$10 million.

²⁸ See Audit related memorandum number 96-FW-201-1802, Housing Authority of New Orleans, Procurement of Resident Initiatives, July 5, 1996.

comes soonest.” The CEA allowed the Secretary to extend the CEA for 1 year. Despite wording to the contrary in the CEA, HUD has renewed or extended the CEA annually through December 31, 2000.²⁹ Throughout the renewals and extensions, HUD continued to ignore conflicts of interest and procurement violations originally brought to the attention of Secretary Cisneros. Secretary Cisneros took personal responsibility for the CEA during his testimony at a Congressional hearing in 1996. He stated:

“...And even though I put myself at some risk by waiving some of the conflict-of-interest positions, it is the only way we can get this job done. This is an intricate, unorthodox relationship, but I must tell you, I accept full responsibility for having structured it this way. And this is my decision...”

On June 6, 2000, Secretary Cuomo acknowledged the conflicts of interest inherent in the CEA and waived applicable parts of the ACC as it related to the new Executive Monitor, Frank Nicotera. As justification for the waiver, Secretary Cuomo cited Mr. Nicotera’s “substantial and unequalled knowledge of HANO’s financial condition, ongoing litigation, development activities, and resident issues.” He went on to explain that Mr. Nicotera could “work successfully with the Mayor and resident leaders to ensure the safe and effective operation of HANO.”

HUD has not provided the appropriate waivers needed to circumvent the conflicts-of-interest provisions.

To date, HUD has not provided a viable plan to indicate when it will terminate the CEA. HANO’s long-term viability is dependent upon its being able to function without HUD’s extraordinary involvement, both in terms of oversight and financial contributions.

HUD has attempted to make the CEA work.

HUD has gone to extraordinary lengths over the past 5 years to correct the conditions at HANO. In addition to expending a tremendous amount of money, HUD has waived regulations and allowed the Executive Monitor to engage in questionable procurement and payment practices.

²⁹ According to HUD officials, HUD has extended the CEA until 2003.

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In order to remove HANO from the troubled list, HUD Headquarters even gave HANO an unusual adjustment to inflate its PHMAP score and prevented the local HUD office from performing a confirmatory review of HANO's performance.

A breakdown of HUD's costs, excluding the operating subsidy and other grants, such as the Comprehensive Grant Program (CGP), Vacancy Reduction Grants, and HOPE VI, show HUD has contributed over \$14 million to this arrangement:³⁰

Description	Amount
Andersen Consulting	\$ 3,703,627
Campus Affiliates Program	8,000,000
Executive Monitor	2,404,297
HANO Inspector General	150,000
Total	\$14,257,924

For the first 2 years of the CEA, HANO, with HUD approval, sole-sourced the contract for HANO's resident initiatives to a Tulane and Xavier University partnership called Institute for Resident Initiatives (IRI). For the remaining years, HANO solicited proposals and IRI received the contract. IRI has received over \$9.9 million for these contracts (approximately \$2 million a year). Prior to the contracting out of resident initiatives, HANO budgeted approximately \$1 million dollars a year on Resident Initiatives. Management, including the newly appointed Executive Monitor, argued that the additional expenditure on Resident Initiatives was needed to correct failing grades on HANO's PHMAP score. In fact, HUD and HANO could have, and eventually did, correct the failing PHMAP scores by simply passing Board resolutions. Further, the conditions that precipitated HUD's entering into the CEA related to the physical condition of HANO's housing stock and management's inability to operate HANO effectively and efficiently. As stated in 1996, HANO should have directed these resources to repairing and correcting the long list of problems with its physical structures.

³⁰ The figure above does not include amounts for consultants, expeditors, or the outsourcing of HUD staff.

**Under the CEA,
procurement problems still
persist.**

Under the CEA, HANO has repeated poor procurement practices that the CEA was to correct. For example, in an audit of a contractor hired by the Executive Monitor under the CEA, we noted that the Executive Monitor violated procurement regulations in awarding this contract and could not provide support for \$421,760 in labor charges for this contractor. Based upon the documentation and the contract, we could not determine whether HANO derived a measurable benefit from the contractor.³¹ Contrary to Executive Monitor Services Agreements where it required the Executive Monitor to recuse himself from any contracts or arrangements made by Tulane, the Executive Monitor interjected himself in the procurement and payment of this contract.

Top officials have departed.

Top officials from HUD, HANO, and Tulane responsible for carrying out the duties in the CEA have left HANO leaving others to implement their plans. The lack of continuity of top management has caused many difficulties in the past. It appears the difficulties arise because of differences in management philosophy, especially as it relates to planning and modernization. Each time a new management team is put into place, it restarts the planning phase over giving the appearance of perpetual planning or stagnation. Another similarity is that the management team usually blames either the past management team, HUD, or increasingly, OIG for the problems and promises not to make the same mistakes. Though there is a natural tendency not to hold current management responsible for the problems created by their predecessors, no such luxury exists for residents who live in the conditions created or perpetuated by actions of previous management. During the past 10 years, the management teams have expended a considerable amount of resources on planning. HUD's former Assistant Secretary for PIH explained, "HANO loves to plan. Their problem is implementation. There is none." Although neither HUD nor HANO can compel people to work for it nor should it implement bad plans, HUD and HANO should ensure that plans turn into implementation rather than continue the existing cycle of planning.

³¹ Housing Authority of the City of New Orleans, Executive Monitor Contract with Moten and Associates, audit report number 00-FW-201-1001, issued January 19, 2000.

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HANO, HUD, and Tulane have all experienced turnovers at their highest levels. The following serves as an illustration of the changes at HUD, HANO, and Tulane.

Changes at HUD.

At the time of the signing of the cooperative endeavor, Mr. Marchman served as HUD's Acting Assistant Secretary of PIH and was appointed by the CEA to serve as HANO's Board of Commissioners. After Mr. Marchman's departure, a Deputy Assistant Secretary for Troubled Agency Recovery Center fulfilled HUD's responsibility under the CEA. Since December 1998, another Assistant Secretary of PIH, served in the capacity of the Board of Commissioners.

HUD has the primary role of monitoring HANO. With the Assistant Secretary for PIH serving as Board of Commissioners it gives the appearance to the public that HUD is not an independent monitor of HANO. This arrangement will always jeopardize HUD's role of monitoring HANO. HUD staff is put in the implausible position of monitoring their boss. This might explain Headquarter's refusal to provide the local field office with \$5,000 in travel funds to perform a confirmatory review on HANO. Furthermore, it is still unclear who provides the monitoring of HANO, whether it is the local field office, Headquarters, or the TARC.

In August 2000, HUD hired a contractor to serve as HANO's Board of Commissioners. An official with HUD's Office of Troubled Agency Recovery pointed to the conflict of the Assistant Secretary as justification for the contract.

Recently, HUD's leadership changed again due to HUD having a new Secretary.

Changes at Tulane.

In November 1999, the Executive Monitor announced his resignation as HANO's Executive Monitor and Tulane's General Counsel. His departure raised immediate questions about the governance of HANO.

Shortly thereafter, HANO's General Counsel resigned, and Tulane hired him to take on the position of the Executive Monitor. Secretary Cuomo's June 6, 2000 letter justified the General Counsel's assumption of the Executive

Changes at HANO.	<p>Monitor's position. However, neither Secretary Cisneros nor Secretary Cuomo mentioned other individuals considered to fulfill the position of Executive Monitor.</p> <p>In December 1999, shortly after the announcement of the Executive Monitor's resignation, HANO's Executive Director since 1995 announced his resignation. He accepted a position at another housing authority.</p> <p>In early February 2000, Assistant Secretary Lucas appointed HANO's Director of Operations to serve as the interim Executive Director.</p> <p>HANO has also lost its Directors of Modernization and Section 8. Although we have not conducted any audits of HANO's administration of its Section 8 Program, significant problems have surfaced.</p> <p>With so many changes at the top level, it appears that HANO has a new management team even though many of the individuals participated under the previous management team. The new Secretary should terminate the CEA.</p>
Success of the CEA is disputable.	<p>The success, specifically the long-term success, of the CEA is disputable. Obviously, the parties associated with the CEA have a vested interest in promoting the successes of it. However, many of the continuing problems in modernization; the condition of the housing stock; the possibility of significant problems in its Section 8 Program; and the failing PHAS scores on HANO's finances directly contradicts the successes trumpeted.</p> <p>In a January 25, 2000 message, HUD staff wrote that the current Executive Monitor had said the progress of HANO has been negligible over the past 3 years. He also noted major problems in both their Development and Construction/Maintenance programs. On the modernization subject, HUD's Field Office Director wrote to HUD's Director of Capital Improvements "that the progress at HANO has been an orchestrated smoke and mirrors operation with Madison Avenue slick presentations." He continued, "everything is now suspect as to any progress at this authority".</p>

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Considering the \$14 million in additional resources and the condition of HANO at the beginning of the CEA, such statements should be shocking. Many of the accomplishments promoted by HANO appear to be cosmetic triage and not accomplishments that will have a long-term effect on HANO or its residents. For example in the August 1999 Executive Monitor Report, the Executive Monitor highlighted the following as progress:

- Removal from the troubled list for the first time since 1979.
- Chamber of Commerce Resolutions of support.
- PHMAP Confirmatory Review.
- Local Media.
- Independent Resident Survey.
- HUD increased contract threshold to \$1 million.

After 4 years under the CEA, the former Executive Monitor declared the condition and improvements at HANO as “fragile.”

HANO must make long-term changes to the housing stock so that it provides residents with decent, safe, and sanitary housing. This includes expending funds on hard costs, i.e. renovating housing units at the viable developments, rather than what HUD considers as soft costs or “management improvements.” As discussed in Finding 2, during the 5 years of the CEA, HANO has not successfully implemented a large-scale revitalization project at one of its conventional developments.

Current actions by HUD.

Presently, it does not appear that HUD has a coherent plan to improve HANO’s long-term operations and ensure that it provides decent, safe, and sanitary housing to its 22,000 residents.

In August 2000, HUD hired Mitchell & Titus, LLP, to serve as “HANO’s Board of Commissioners” to “facilitate and monitor the timely accomplishment of the goals/tasks cited in the CEA.” According to the contract, HUD would pay Mitchell & Titus, LLP, \$109,391 for the period August through December 2000. HUD could extend it for another year.

In explaining this contract, Assistant Secretary Lucas wrote on October 13, 2000, to Mayor Morial “with the imminent change in administration, it is important to provide continuity for HANO. The Department has determined it is best to utilize experienced contractors rather than HUD staff to function as Boards of Commissioners, when needed. HUD cannot abrogate its responsibilities and it is vital, at this time, that the Department provide HANO with a knowledgeable Board.”

Since the signing of the contract, the person designated by Mitchell & Titus, LLP, to fulfill its obligation has taken another job and Mitchell & Titus, LLP, has designated another individual to fulfill its role as HANO’s Board of Commissioners.³² It is unknown what effect Mitchell & Titus, LLP, will have on HANO’s operation.

HUD allowed HANO to manipulate itself off the troubled list.

HUD should have never removed HANO from the Public Housing Management Assessment Program (PHMAP) troubled list for its 1997 PHMAP. HANO used an unusual adjustment factor and misled HUD on the closing of audit findings to obtain passing scores under PHMAP. Despite HANO’s history, HUD Headquarters would not allow the field office to perform a confirmatory review of HANO’s 1998 PHMAP score. HANO has gradually increased its PHMAP from a low of 28.75 in 1995 to the current 85.16 in 1998. However, under HUD’s new system for evaluating housing authorities, HANO fails.

PHMAP. - PHMAP scored housing authorities based upon self-certified information on eight factors including vacancies, financial, and resident initiatives. PHMAP used independent information to assess the housing authorities’ modernization program. HUD used this information to assign a numeric grade to housing authorities from 0 to 100. HUD considered a housing authority troubled if it received less than 60 on its PHMAP and a high performer if it received a 90 or higher. HUD also used a PHMAP indicator to determine if a housing authority has problems with its modernization program, i.e., its ability to effectively renovate units. If a housing authority scored less than 60 on the modernization indicator, HUD considered the housing authority as modernization troubled.

³² Mitchell & Titus, LLP’s work plan listed Mr. Kevin Marchman as a project advisor. It is unclear what his role will be under the contract.

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HUD gave HANO the necessary points to remove itself from the troubled list in 1997.

In 1997, HANO self-certified to a PHMAP score of 66.25. HUD's confirmatory review of HANO scored it at 57.82. HANO appealed the score requesting an unusual adjustment factor based on surrounding neighborhood economic conditions. As a result, HANO managed to obtain the needed 2.38 points to bring its score to 60.2, sufficient for HUD to remove HANO from the troubled list. HANO and the Executive Monitor used HANO's removal from the troubled list as an affirmation of the success of the CEA.

However, HANO still remained modernization troubled with a score of 55.70. On July 21, 1998, HANO appealed its score for modernization and adequacy of contract administration citing clearance of Finding 4 in the OIG's 1994 audit as its basis.³³ HANO based its appeal on false information that HUD had cleared the finding. In a July 28, 1998 letter, the local HUD field office notified HANO that it did not provide sufficient justification for the appeal and denied its request.

However, on November 12, 1998, HUD Headquarters overruled the local office finding sufficient justification to approve the appeal and gave its approval. HUD's letter appears to confuse the issue rather than justify the Assistant Secretary's position. The Assistant Secretary signed the approval letter just months before taking over the responsibility as HANO's Board of Commissioners. On December 16, 1998, HUD Headquarters instructed the local HUD office to inform HANO of its score of 64.70.

Further, on its 1997 PHMAP, HANO self-certified to \$10.5 million in reserves, but HANO did not have a sufficient audit trail to support the \$10.5 million in reserves that it certified to in its PHMAP submission.³⁴ HUD determined HANO had overstated its reserves by \$7 million. Because it had at least \$3 million in reserves, it maintained its grade of "A". However, had HANO offset its reserve with the estimated \$7.7 million of legal liability, HANO would be insolvent. According to HANO's independent auditors, "HANO's policy is to recognize losses related to the self-

³³ Recommendation 4C of OIG audit report number 94-FW-201-1005 read, "Disallow and recover the \$3,308,060 of unsupported costs that the Authority cannot provide adequate justification or support."

³⁴ PHMAP Indicator #6 (6A).

insurance programs and litigation based on the annual budget for such claims rather than recording the estimated liabilities when losses occur, as required by generally accepted accounting principles.³⁵

In an apparent contradiction of the CEA, the removal of HANO from the troubled list did not terminate the CEA. Further, it did not suspend the funds that HUD poured into HANO as a result of the agreement. HUD's actions to remove HANO from the troubled list appeared to be motivated by public relations rather than substantive accomplishments. Under the CEA, HUD served as HANO's Board of Commissioners and contributed large sums of funding as a result of the agreement. HUD had a vested interest to ensure the success of the CEA. Therefore, we question whether HUD based its decision to award HANO the points needed to remove itself from the troubled list on purely substantive issues.

HUD Headquarters would not let the field office perform a confirmatory review.

Based upon HANO's self-certification, HUD computed HANO's 1998 PHMAP score at 85.16 and 64.70 for overall and modernization, respectively. However, HUD Headquarters denied the local field office's request to perform a confirmatory review of HANO's PHMAP score. In a plea to Headquarters, the HUD's Field Office Director requested a confirmatory review of HANO because:

The department needs to verify the self-certification of the Housing Authority of New Orleans. New Orleans has had a checkerboard and fitful history of false starts relative to getting themselves out of the 'toilet' of public housing. It is difficult for the average man on the street to hear about the self-certification scores in the local press and then look at the physical stock and make a correlation between the two... The New Orleans Office prior to my arrival has been beat about the head and shoulders for not keeping a watchful eye on HANO... Additionally, the Department has spent over \$14 million over the years to assist in the clean up of HANO. If somebody in [Headquarters] has a problem with making

³⁵ 1998 Financial Audit of HANO by Bruno & Tervalon.

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sure that the money has been well spent and that HANO continues on its improvement program/cooperative endeavor agreement - then they should stop by my office and I will personally give them an on-site briefing of some of the most deplorable housing in the country.

HUD's Field Office Director requested that personnel from other offices perform the review due to their experience and the workload of the New Orleans office. This action would have also given the appearance of additional objectivity. The Director summed up his request by stating, "Hopefully, this will give you enough reason for helping us get \$5,000 to pay for the travel of the staff that would perform the confirmatory review."

Headquarters responded that it "got the drift, but given the climate up here in terms of our assisting with the funding, I'm not sure you lay out a sufficient case yet."

Headquarters went on to explain that HANO had made tremendous strides during the past 3 years and was no longer troubled. Headquarters could not understand why the confirmatory review was necessary or why the local field office could not do it with existing resources. Later, Headquarters contended that the local field office waited too long before requesting to perform the confirmatory review and had sent out a final notification of the PHMAP, and therefore, the local office could not perform one.

In our opinion, considering the millions of dollars that HUD provided to HANO, \$5,000 seems a nominal amount to confirm HANO's status as a standard performer.

PHMAP may not be the best way to evaluate HANO's performance.

A primary mission of a housing authority is to provide decent, safe, and sanitary housing to residents. Although the PHMAP used the number of units meeting HQS to score a PHA, i.e., HUD's definition of decent, safe, and sanitary, it is possible to have a higher PHMAP score than the percentage of units meeting HANO's primary mission. In an apparent inconsistency, HUD would not allow HANO to pay landlords if their units did not meet HQS but still provides millions of dollars to HANO when its units do not meet HQS. The following table shows the number of units meeting HQS and HANO's PHMAP score. The current

administration inherited a housing stock with severe problems, and these problems cannot be corrected over night. Though we did not perform any HQS inspections during this audit, we would question whether 66.85 percent of HANO's units meet HQS. Our opinion is based upon past work and site visits to several developments: Desire, Fischer, Guste, and St. Thomas, among others.

PHMAP Indicator	1996 ³⁶	1997	1998	1999 ³⁷
Total units under ACC		13,114	11,969	11,798 ³⁸
Percent of units meeting HQS	32.24%	Unknown because HANO did not supply	53.70%	66.85%
Score ³⁹	48.18	64.96	85.16	

Under HUD's new assessment criteria, HANO fails.

Both HUD and the OIG have noted problems with HUD's PHMAP Program. In July 1996, we reported that PHMAP was an unreliable and inaccurate system, and should not be used to any significant degree to assess PHA's management performance. Further, PHMAP did not give an accurate picture of the PHA's overall management and operation.⁴⁰ For instance, with respect to financial management, PHMAP has only two components that housing authorities self-certify to: cash reserves and energy consumption. In 1999, HUD implemented the Public Housing Assessment System (PHAS). PHAS evaluates housing authorities in four areas: physical conditions, financial stability, management, and customer service. According to departmental literature, "the new system will answer previous criticisms of PHMAP by placing greater emphasis on: (1) physical conditions of properties; (2) objective evidence and third party verification; (3) basic real estate functions; and (4) input from those served directly by the system (the "customers")."

Under PHAS's scoring, HUD would consider HANO troubled. A former Assistant Secretary confirmed this.

³⁶ The 1996 PHMAP form did not require HANO to put down the number of units under the ACC or the number of units meeting HQS.
³⁷ From HUD's Management Assessment for Public Housing Agencies.
³⁸ Only 8,936 inspected using the Uniform Physical Condition Standards.
³⁹ HUD's final score.
⁴⁰ Audit related memorandum number 96-PH-101-0801.

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HUD should split HANO into separate housing authorities.

Further, he indicated that PHAS would reveal a deeper level of problems. According to April 25, 2000 data, HANO would receive a total score of 51.6 under the new assessment system. Though it received high marks in the management and resident components,⁴¹ HANO received a 17.4 and 0 points out of 30 points for physical and financial components, respectively.

Although the former Executive Monitor claimed the CEA successful upon his departure, HANO still has many of the same obstacles to overcome as it did when HUD and HANO entered into the CEA in 1996. Over the last 20 years, HUD has tried various management methods and systems to correct the problems at HANO. As discussed in the introduction, over the last 10 years, HANO has tried to operate with the following types of management structure:

- Autonomously – Executive Director reporting to a Board of Commissioners.
- Private Management Company – A private management company assumed the responsibilities of management and worked concurrently with HANO staff. They reported to the Board of Commissioners.
- HUD transitional team – A group of HUD and other Housing Authority employees worked with HANO staff to resolve systemic problems.
- Quasi-receivership – HUD assumed the responsibilities of the Board of Commissioners and appointed an Executive Monitor to ensure HANO made progress.

None of the arrangements have had the desired long-term effect intended. HUD needs to recognize that due to many problems within and outside of its control that the existing HANO cannot manage the 11,798 units.⁴² Further, HUD has not been able to adequately monitor and provide sufficient oversight of HANO. HUD should split HANO into smaller housing authorities.

Smaller housing authorities and nonprofits.

Each smaller housing authority would have its own Board of Commissioners, management structures, and ACCs. The smaller housing authorities would be forced to correct existing problems or would revert to HUD's TARC.

⁴¹ Both self-certified.

⁴² During our 1994 audit, HANO had about 13,500 units. In the last 7 years, HANO has demolished some of its dilapidated units.

Further, due to the impact that Section 202 will have on HANO, we would recommend the creation of a separate nonprofit for the implementation of Section 202 including the relocation of the residents, demolition of the buildings, and the disposition of the land. This nonprofit should have set timeframes for completion with it being dissolved upon completion and its assets returned to the smaller housing authorities, the nonprofit, or HUD. HUD and the City should work together to create a separate nonprofit agency to manage HANO's existing Section 8 certificates and vouchers.

HUD Comments

The Acting General Deputy for Public and Indian Housing stated:

PIH concurred with the draft recommendation of putting HANO under the supervision of the TARC and seeking receivership. The response stated that the National Advisory Council will "provide a final finding to the Secretary and to the Congress following the closure of Council business in December 2001." "Based on that and other significant performance measures, receivership could be one of the options considered for HANO."

The response also cited PIH's designated contractor as HANO's Board of Commissioners as providing governance and oversight of HANO's day-to-day operations.

PIH non-concurred "with the recommendation to divide HANO into smaller authorities and non-profits. PIH does not agree with proliferating the creation of small entities to fragment HANO activities."

OIG Evaluation of HUD's Comments

HUD said it agreed to the draft recommendation 1B, which we have since withdrawn. That recommendation would have placed HANO under the supervision of the TARC and HUD would have sought a receivership. However, in its response, HUD deferred any decision until the National Advisory Council makes its final conclusions in December 2001. Thus, HUD actually has made no decision. HUD

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has a negative history of delaying or taking restrained actions to correct HANO's long-standing problems. Over the 8 years, HUD and HANO have attempted to correct HANO's problems using an outside management company, a new Board of Directors, a "dream team," new executive directors, and an "Executive Monitor." These attempts have all failed to provide a well-managed housing authority. We believe the problems faced by HANO are too vast for one agency to correct, while still performing its basic housing functions.

We disagree that dividing HANO into smaller operational units would "fragment HANO activities." To the contrary, we believe it would allow the smaller housing authorities and nonprofits to better manage their specific developments.

Recommendations

We recommend that HUD:

- 1A. Divide HANO into more manageable smaller authorities and nonprofits. This includes completely separate ACC, Board of Commissioners, and employees.
- 1B. Terminate the CEA.

HANO's Modernization and Revitalization Problems Exceed Its Capacity

HANO cannot overcome the years of neglect that its housing stock has endured. During the last 5 years, HANO has not completed one revitalization project at any of its conventional sites. The only major physical improvement HANO can claim is the demolition of some dilapidated housing. HANO does not have the internal capacity, specifically, an adept Section 8 Department, or the ability to coordinate amongst its various departments to carry out the revitalization of its conventional sites. As a result of existing legislation, a changing HUD perspective, and previous HANO management teams underutilizing limited modernization funds, HANO has permanently jeopardized its critical mission of providing decent, safe, and sanitary housing to its residents.

Even the best management team with favorable fiscal and organizational conditions would have a difficult time with three daunting tasks facing HANO's management team:

- 1) Stabilizing and renovating its viable developments;
- 2) Demolishing and disposing of those units not meeting Section 202, including the relocation of residents; and
- 3) Constructing suitable permanent housing.

As previous reports have stated, HANO may have had at any one time individuals with the skills needed to carry out one of the above tasks; however, it has never had the necessary team of individuals to address all of the tasks. To rejuvenate its housing stock, we recommend that HUD and the City work together to split HANO into more manageable housing authorities and develop a nonprofit organization to achieve the requirements of Section 202. Also, HUD and the City should create a nonprofit to administer HANO's approximately 7,000 Section 8 certificates and vouchers. HUD should ensure that HANO properly obligates and expends its capital funding timely. If HANO cannot, then HUD should recapture these funds. HUD should force HANO to implement Section 202.

Condition of the housing stock.

Reports by HUD, Andersen, Abt and Associates, and the former Executive Monitor used terms such as "terrible," "deplorable," "poor," and "horrible" to describe HANO's housing stock. Some developments such as Desire have become a poster child for uninhabitable places. In his 1996 testimony, Secretary Cisneros stated, "Desire maybe the worst of the worst, but St. Thomas and Guste and Cooper and others follow quickly..." In its 1999 advisory PHAS score, HANO has received a failing grade in modernization. According to its 1999 PHMAP self-certification submission, only 66.85 percent of HANO's units meet the

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uniform physical standards.⁴³ Many of HANO's developments are over 50 years old and need substantial renovations and de-densification. The former Executive Monitor stated that HANO's operating subsidy was "inadequate and unrealistic in light of conditions. The old stock is more expensive to maintain..." Overall, HANO plans on demolishing approximately 6,200 units and performing substantial renovations of the remaining units at the conventional sites.

In order to complete such substantial renovations, HANO needs to effectively coordinate its development, relocation, procurement, financial, management, and maintenance departments. In the past, consultants and HUD have reported serious problems with many of these departments. While the technical ability of HANO has increased through the hiring of upper management and retention of consultants, it still does not appear that HANO has the organizational capacity to complete the renovations while tending to its numerous other duties.

HANO has not spent its capital funding on physical improvements.

To its long-term detriment, HANO has used a significant amount of its modernization resources on "soft costs" such as funding operating deficits, planning, re-planning, consultants, and management improvements. Since 1992, HANO has received millions of dollars yearly for the modernization and revitalization of its housing stock. HUD annually provides approximately \$34 million to HANO under its Capital Funding Grant.⁴⁴ Since 1992, HANO has received \$243,082,971 in CGP and has expended \$139,496,421 (57.39 percent).⁴⁵ These amounts do not include the \$69.5 million in HOPE VI grants, \$8.5 million in vacancy reduction grants, and \$8.5 million in demolition grants to repair, demolish, or replace HANO's housing stock.

Despite this infusion of funding for modernization, HANO has only spent approximately half of its capital funding for physical improvements. From 1992 to 1999, HANO received and spent the following Capital Grant Funds:⁴⁶

⁴³ According to HANO, it only inspected 8,936 of its 11,798 units (75.75 percent).

⁴⁴ Previously HUD provided this funding under the Comprehensive Grant Program (CGP).

⁴⁵ As of June 30, 2000.

⁴⁶ HANO's Performance and Evaluation Report dated June 30, 2000.

HANO's Capital Grant Funds					
	Funds Granted	Total Funds Expended	Soft Costs Expended	Hard Cost Expended	Percent of Hard Cost to Total Expended
1992	\$ 30,664,933	\$ 30,018,287	\$13,343,905	\$16,674,382	55.5%
1993	28,422,606	27,681,203	12,005,693	15,675,510	56.6%
1994	33,658,151	33,326,529	13,483,356	19,843,173	59.6%
1995	33,954,510	17,798,391	11,011,352	6,787,039	38.1%
1996	27,790,559	15,973,185	12,471,694	3,501,491	21.9%
1997	26,401,893	13,237,149	6,323,571	6,913,578	52.2%
1998	27,769,211	1,461,453	719,907	741,546	50.7%
1999	34,421,108	225	225	0	0.0%
Totals	\$243,082,971	\$139,496,422	\$69,359,703	\$70,136,719	50.3%

Despite spending \$139,496,422 over the last 8 years, HANO has not revitalized one of its conventional sites. According to the HUD Field Office Director's June 30, 2000 presentation to HANO's Advisory Council, "our data shows that whenever possible, HANO moved Capital Grant funds to its operating account to cover management improvements, fees, salaries for technical and non-technical personnel engaged in the modernization of units and for other items categorized as soft costs." While HUD permits these "soft costs," this reduces the funds available for badly needed physical improvements.

To exacerbate HANO's funding dilemma, HANO's current demolition plan will decrease its future operating subsidies and capital funding. This may require HANO to transfer additional modernization funding to cover future operating deficits. According to the former Executive Monitor's report, HUD will reduce HANO's capital funding by approximately 18 percent as a result of HANO's demolition. This will put increasing pressure on HANO to operate efficiently, which it has not done in the past. Further, this combination of high ratios of soft costs to hard costs and the inevitability of reduced capital and operating subsidy funding further limits HANO's already diminished capacity to conduct a large-scale revitalization.

HUD gave HANO special treatment in obligating capital funding.

HUD's special treatment of HANO gave the false appearance that HANO had obligated its capital funding by a required deadline. The Quality Housing and Work Responsibility Act of 1998⁴⁷ required HANO to fully obligate any funds appropriated to it for Fiscal Year 1997

⁴⁷ Section 519(j)(4)(B).

Finding 2

or prior years by September 30, 1999. If HANO did not, HANO faced possible sanctions including:⁴⁸

- a) HUD not releasing any Fiscal Year 2000 capital funds until the unobligated funds are obligated by the housing authority and HUD has reviewed and confirmed the obligation documents and
- b) HUD would notify the housing authority of Annual Contributions Contract default and recapture the outstanding unobligated balance.⁴⁹

At that time, the Deputy Assistant Secretary viewed the latter sanction as a last resort. HUD extended HANO's and other housing authorities' deadline to obligate the funding twice to March 30, 2000. In April 2000, HUD confirmed HANO had obligated all of its 1997 and prior year's capital funding. Both HUD and HANO relied upon development agreements as an obligation to meet the deadline.

According to an August 12, 1999 HUD report, HANO had an unobligated balance of \$53,943,351 for its 1997 and prior year's capital fund.⁵⁰ HUD, HANO, and its outside legal counsel managed to obligate this funding by using a fungibility exercise and entering into development agreements.

Through fungibility, HUD allows housing authorities to move money and corresponding projects between years. Fungibility is merely a paper transaction that allows a housing authority to more quickly close out older capital grant years. HANO's use of fungibility did not result in any additional funds being obligated or expended. Also, HANO's use of fungibility did not result in the closure of any of HANO's 1992 through 1999 capital funding grants. Further, HANO's use of fungibility may cause difficulties for HANO when it reports on or needs to reconcile its capital funding grants.

⁴⁸ In our March 2000 Attempt to Audit HUD's Fiscal Year 1999 Financial Statement (00-FO-177-0003), we reported that HUD's policy with respect to unobligated Fiscal Year 1997 and prior year public housing modernization funds was not in compliance with the United States Housing Act of 1937, as amended by the Quality Housing and Work Responsibility Act of 1998.

⁴⁹ *Federal Register* Volume 64, Number 2457, dated December 22, 1999.

⁵⁰ This amounted to 92 percent of the balance for all Louisiana housing authorities and approximately 36 percent of the balance for all housing authorities.

To meet the obligation deadline, HANO entered into three development agreements totaling \$36,774,684. HUD claimed to have issued a legal opinion stating the development agreements constituted obligations. To date, no one has been able to provide such an opinion. Information obtained indicated a HUD Office of General Counsel member reviewed the agreements and determined that two created obligations, but the third, Desire, did not. HUD staff suggested to HANO's outside legal counsel ways to amend the Desire agreement to result in a \$10 million obligation. Just 3 days before the deadline, HANO's Board of Commissioners approved an amendment changing the wording of the development agreement to read: "The Authority hereby agrees to provide loans to the Owner Entities, which in the aggregate, do not exceed \$10,000,000 from the PHA Fiscal Year 1996 Comprehensive Grant Program Funds..." HUD considers this change as sufficient to create an obligation.

In our view, HANO's creative legal maneuvering did not meet QHWRA. HUD should hold HANO to the same standard as other housing authorities and should not aid HANO in giving the illusion of timely obligating these funds. In general, the QHWRA requires housing authorities to obligate capital funds within 2 years and expend within 4 years from the date of availability. HANO should timely obligate and expend its capital funds or HUD should recapture the funds.⁵¹

Section 202 will have a major impact on HANO's future.

According to HANO, if HUD required HANO to comply with Section 202, it would "adversely affect the agency's ability to meet its fundamental mission."⁵² Abt and Associates, a HUD consultant, concluded four of HANO's conventional sites failed to meet Section 202 requirements.⁵³ As a result, HANO must relocate the residents and demolish the units at these sites. HANO's demolition plan will decrease HANO's operating subsidy and capital funding.⁵⁴ Despite the magnitude of Section 202, HUD has not made a decision on how HANO should implement Section 202. Further, HANO has suggested that HUD defer compliance with Section 202 for 10 years.

⁵¹ As of June 30, 2000, HANO had not obligated \$58,849,962 of its 1998 and 1999 capital funding grants.

⁵² HANO's response to Abt and Associates' report.

⁵³ Part of B.W. Cooper and Florida and all of Fischer and Guste.

⁵⁴ HANO has benefited in the past by collecting operating subsidy and capital funding on vacant, uninhabitable units.

Finding 2

Section 202 - Public Law 104-134, Section 202,⁵⁵ required housing authorities to identify certain distressed public housing developments that cost more than Section 8 rental assistance and cannot be reasonably revitalized. Section 202 required HANO to relocate residents of the distressed units to other decent, safe, sanitary, and affordable housing which is to the maximum extent practicable, housing of their choice.⁵⁶ After HANO relocates the residents, the distressed developments for which no reasonable means of revitalization exists will be removed from the public housing inventory. Section 202 covers developments that: (1) are on the same or contiguous sites; (2) contain more than 300 units; (3) have a vacancy rate of at least 10 percent for units not in funded, on-schedule modernization programs; (4) cannot be revitalized through reasonable programs; and (5) are more expensive than tenant-based assistance. These developments must be removed from the public housing inventory within 5 years.

Abt and Associates, a HUD consultant, concluded four of HANO's conventional sites are subject to Section 202 requirements. These sites include B.W. Cooper, Fischer, Guste, and Florida. HUD approved a revitalization or mixed-finance plan for three developments in order to remove them for further consideration under Section 202.⁵⁷ The report "revealed serious viability concerns at each of these sites..." To further complicate matters, HANO has requested a demolition rescission of 866 units while the consultant recommended 1,416 demolitions beyond those units already approved for demolition.

If sites meet the Section 202 requirements, HANO must relocate the residents and demolish the units at the sites. Although the consultant issued its draft report in January 2000, HUD has yet to formally require any HANO action regarding Section 202.⁵⁸ Despite the magnitude of Section 202, HUD has not made a decision on how HANO should implement Section 202. Further, HANO has suggested that HUD defer compliance with Section 202 for 10 years.

⁵⁵ Enacted on April 26, 1996.

⁵⁶ HANO can offer the residents another public housing unit.

⁵⁷ Desire, St. Thomas, and C.J. Peete.

⁵⁸ Aside from the Conversion Plans requested in Abt's report.

**HANO's Section 8
Department will hinder its
modernization programs**

HUD should force HANO to comply with the law and implement Section 202. HUD should work with the City to establish a nonprofit organization to implement Section 202 for HANO. All properties and units not meeting Section 202 requirements will be deeded to this not-for-profit along with an appropriate amount of HANO's existing capital funding. The non-profit would be responsible for the relocation of any residents living in the units, demolish the units, and dispose of the property in accordance with HUD requirements. Any assets remaining would be remitted to either HUD or the other New Orleans housing authorities.

The problems associated with HANO's Section 8 Department will adversely affect any modernization project. Under its existing plan, HANO will undertake three major revitalization projects: C.J. Peete, Desire, and St. Thomas, as well as modernization projects at other developments and will need to relocate hundreds of residents. As such, HANO's relocation effort is considered the cornerstone of HANO's modernization and revitalization effort. HANO's primary relocation resource is Section 8 vouchers. Recently, HANO's Section 8 Department has been defined as a failure. It has problems utilizing its existing certificates and there is a very limited supply of private sector apartments.⁵⁹ In a report to HUD, the former Executive Monitor acknowledged HANO did not have sufficient resources to take on the massive relocation needed to accommodate its revitalization plans. Thus, any effort by HANO to perform a large-scale renovation will be hampered by its Section 8 Program.

HUD hired a national expert to review HANO's Section 8 Program. The expert concluded in an April 18, 2000 memorandum that the former Section 8 Department head⁶⁰ did not have the expertise to run the program. Additionally, the expert listed the following weaknesses in HANO's Section 8 Program:

- The prior program administrator apparently never implemented any of the recommended improvements and changes.

⁵⁹ According to a November 1999 report, HANO utilized only 61 percent of its 6,985 vouchers and certificates and has only a handful of landlords listed on its rolls.

⁶⁰ The Director resigned in March 2000.

 Finding 2

- HANO's new Section 8 Program administrators will need time to determine which program problems still exist, what recommendations are still viable, etc. In addition, an assessment to uncover any additional problems will need to be conducted and will add further lag time.
- Chronic under-leasing has created a significant workload just to get the regular Section 8 Program leased up. This will likely impact relocation activities also.
- Financial status of the program may be poor because of chronic under leasing. It is not clear that there is adequate administrative fees being earned to support existing staff and the staff that may be necessary to undertake relocation efforts.
- Staff is civil service. This may negatively impact efforts to change staffing, privatize, etc.
- Market supply problems for units that meet HQS and are within the Fair Market Rent.

HANO has contracted with CVR & Associates for \$900,000 to correct problems in its Section 8 Department. This is another example where HANO has ignored problems or denied that they exist and then spends thousands of dollars on a consultant that may or may not fix the problems.

In our opinion, HANO lacks the capacity to operate an efficient development program. It cannot renovate units; demolish non-viable units; build and manage new units; and address the relocation problems all at the same time. HUD and the City should recognize this and divide HANO into smaller more focused housing authorities and nonprofits.

HUD Comments

HUD concurred with the recommendation that HANO contract out Section 8 Program functions and said it was occurring. HANO has awarded a contract to complete Section 8 inspections and is in the procurement process to locate a responsible and responsive vendor to process the Section 8 waiting list.

However, HUD did not agree with the recommendation to create “small housing authorities and non-profits to partition Section 202 activity or to further dilute the allocation of Capital Funds.” HUD stated that it would “consider, again based on the outcome of the National Advisory Council’s final finding and performance measures, placing specific developments under private management that incorporates project based budget and accounting. The Department must take into consideration that HANO’s employees are subject to Louisiana’s Civil Service laws and regulations.”

**OIG Evaluation of
HUD’s Comments**

HUD’s response stated that HANO has awarded a contract to complete Section 8 inspections and is in the procurement process to locate a responsible and responsive vendor to process the Section 8 waiting list. However, these actions will still require HANO to monitor and administer these contracts. HANO has not demonstrated an ability to monitor and administer contracts.

Due to the potential impact of Section 202, HUD should immediately require HANO to comply with the law and implement Section 202 requirements. In our view, a separate nonprofit agency would allow HANO to more quickly and effectively implement Section 202 requirements. By doing this, HANO would eliminate two of its conventional developments and parts of two other conventional developments from its purview. This would free HANO or the smaller housing authorities’ resources to focus on correcting other problems and managing the existing units. HUD should divide HANO into smaller housing authorities and nonprofits. HUD disagrees with this solution and cites potential problems with diluting capital funds and Louisianan civil service laws. However, HUD did not explain the potential problems and we are not aware of any reason why HUD cannot break HANO into smaller parts.

As a result of HUD’s response, we reworded our recommendations and added new recommendations to clarify our position.

Finding 2

Recommendations

We recommend HUD:

- 2A. Force HANO to immediately comply with the law and implement Section 202 requirements.
- 2B. Review the appropriateness of HANO's last minute obligation of funds by using the development agreements. HUD should recapture any funds that HANO did not properly obligate under these development agreements.
- 2C. Work with the City to create a nonprofit responsible for complying with Section 202. The nonprofit's responsibility would include the relocation of the tenants, demolishing and restoring of the site, and disposition of the assets. The nonprofit would receive its share of existing funds and would seek other funding.
- 2D. Work with the City to create a nonprofit responsible for all of HANO's existing Section 8 certificates and vouchers. The nonprofit should work closely with HUD officials to ensure full utilization of certificates and vouchers.
- 2E. Devise an equitable allocation of HANO's existing capital funds to the smaller housing authorities.
- 2F. Require the smaller housing authorities to timely obligate and expend capital funds or recapture the funds.
- 2G. Comply with the QHWRA and recapture any existing funds not obligated or expended within the statutory guidelines.

HUD Delayed the Appointment of a Required Advisory Council for Over a Year

HUD did not establish the Congressionally mandated Advisory Council for HANO until April 2000, 15 months after the law required it to do so. The Quality Housing and Work Responsibility Act of 1998 (QHWRA)⁶¹ required the Secretary to establish a HANO Advisory Council within 90 days after the date of the enactment of the Act, i.e. January 19, 1999.

HUD could not provide an explanation for the delay but effectively delayed the Advisory Council required report to Congress. Further, the Advisory Council has not reported to Congress as required. We recommend that the Advisory Council comply with the QHWRA. Due to their past involvement with HANO, we recommend also that the Secretary replace two members of the Advisory Council.

According to the QHWRA the Advisory Council was to:

- Establish standards and guidelines for assessing the performance of HANO in carrying out operational, asset management, and financial functions.
- Provide advice, expertise, and recommendations to HANO about the management, operation, repair, redevelopment, revitalization, demolition, and disposition of public housing developments.
- Report quarterly to Congress about HANO's performance.
- Make final recommendations to Congress about the future of HANO within 18 months upon the appointment of the Advisory Council. If the Advisory Council finds that HANO is not substantially improved in its performance, HUD must petition for the appointment of a receiver.

HUD established the Advisory Council in April 2000, almost 18 months after the enactment of the law.⁶² It held a meeting in June 2000, that included presentations by HANO and HUD staff of its operations and a tour of its

⁶¹ Public Law 105-267, Section 567.

⁶² By law, a representative of the Office of Inspector General must sit on the Advisory Council. Inspector General Gaffney appointed the Deputy Inspector General to represent OIG. The Deputy Inspector General has not been directly involved in any audits of HANO.

Finding 3

properties, but at the time HUD officials did not consider this an “official meeting.”⁶³ The Council met again in November 2000.

HUD has provided no explanation why it delayed the establishment of this Advisory Council. From December 1999 through March 2000, the Assistant Secretary for PIH continually informed our office that HUD was in the process of establishing the Advisory Council.

By delaying the establishment of the Advisory Council, HUD effectively delayed the Advisory Council’s report to Congress. If HUD had followed the law and appointed the Advisory Council within 90 days, the Advisory Council would have already made its recommendation to Congress.⁶⁴ The law required the Advisory Council to consider whether HANO has made sufficient progress in the demolition and revitalization of the Desire Homes project, the revitalization of the St. Thomas Homes project, the appropriate allocation of operating subsidy amounts, and the appropriate expending of modernization amounts. The Act required the Advisory Council to report to the Congress and the Secretary at least every 3 months regarding the performance of HANO and any progress of the authority in improving its performance and carrying out its functions. As of December 31, 2000, the Advisory Council has not reported to Congress. HUD should ensure that the Advisory Council complies with the law. Also, the Secretary and Congress should urge the Advisory Council to make its recommendation as quickly as feasible, even if it includes meeting more regularly.

The Secretary should replace two of his appointments to the Advisory Council.

Due to their involvement with HANO under the CEA, we recommend the Secretary replace the appointment of two members of the Advisory Council. Both members had an active role in the CEA and HANO. One Advisory Council member is HUD’s Deputy Assistant Secretary for the TARC. This employee served as HANO’s Board of Commissioners during the period June 1998 through January 1999. As a member of the Advisory Council, she might be evaluating decisions that she made as the Board of

⁶³ A local newspaper article on the meeting suggested that the meeting violated public meeting laws by not allowing access by the public and the press or preparing minutes.

⁶⁴ HUD should have appointed the Advisory Council by January 21, 1999, and the Advisory Council would have made its recommendation within 18 months or by August 2000.

Commissioners. Further, depending upon HUD's actions and the Advisory Council's recommendation, HUD could place HANO under the TARC's responsibility and therefore, put the employee in the dual role of advising HUD and Congress while also monitoring HANO.

The Secretary should replace the Executive Assistant to Mayor Morial. This individual was Mayor Morial's designee to fulfill all the necessary duties of the City under the CEA. Again, the Secretary has placed this member in the role of evaluating decisions that he was involved with or made. Further, the Advisory Council may not objectively address the City's role and responsibility for HANO.

In our opinion, the Advisory Council members should not include individuals who have made or were in the position to make management decisions resulting in HANO's current position. Further, it provides critics of the Advisory Council's decision with unnecessary ammunition. The Secretary should replace both of these members with individuals who have not had an active role in management decisions at HANO.

HUD Comments

HUD agreed with the recommendation that the Advisory Council should comply with the law and stated HUD had sent the overdue quarterly reports to Congress.

With respect to recommendation 3B, HUD stated: "...the HUD representative on the National Advisory Council is acceptable, provided she does not serve in a policy making capacity related to troubled agency recovery efforts or funding for HANO's programs. Therefore, PIH has instituted a separation of duties for the Deputy Assistant Secretary for Troubled Agency Recovery and has obtained her recusal from matters pertaining to HANO, other than the National Advisory Council."

OIG Evaluation of HUD's Comments

We acknowledge that HUD has recently taken steps to ensure that the Advisory Council reports to Congress.

 Finding 3

However, this action does not negate the 15 months that HUD delayed in complying with the law.

HUD's response to our recommendation to replace two members only stated it would obtain a recusal from its Deputy Assistant Secretary of TARC in addressing the possible bias. A recusal does not change the Deputy Assistant Secretary's past involvement with HANO. Further, a recusal does not address the potential role of the Deputy Assistant Secretary TARC may have with HANO. HUD did not address the appointment of the Executive Assistant to Mayor Morial. As stated in the finding, these individuals expose HUD and the Advisory Council to potentially unnecessary criticism of bias. We amended our recommendation to specifically recommend the replacement of these two individuals.

HUD has used the Advisory Council in its response to all three findings in this report. HUD is taking the position it will wait for the Advisory Council before it takes any actions. This prompts us to add a recommendation to dissolve the Council. HUD not only delayed creating the Council for 15 months, but appointed individuals to the Council that were previously involved with HANO, creating a conflict of interest negating the work of the Council to date. The stated purpose of the Council is to determine whether or not HUD should seek a receiver. HUD's continuance of the CEA beyond its contractual and intended life is an admission that HUD already recognizes HANO cannot operate on its own. HUD needs to make its own decision now.

Recommendations

We recommend that HUD:

- 3A. Take measures to ensure that the Advisory Council complies with the law including making the required reports to Congress.
- 3B. For the two members discussed in the finding, HUD should replace them. Review the other Advisory Board selections and ensure the members do not have a vested interest in the Advisory Council's report to Congress.
- 3C. Decide on a course of action for HANO now. As noted in Findings 1 and 2, we highly suggest the Authority be split into smaller segments.

Management Controls

In planning and performing our audit, we obtained an understanding of the management controls relevant to our audit. Management is responsible for establishing effective management controls. Management controls, in the broadest sense, include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

We determined the following management controls were relevant to our audit objectives:

- Compliance with Federal Regulations
- Segregation of Duties
- Safeguarding of Assets
- Resolution of Audit Findings

It is a significant weakness if management controls do not give reasonable assurance that resources are used consistently with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports. In our opinion, HUD management cannot assure that HANO complies with the regulations. We noted several instances where HUD management provided HANO with preferential treatment.⁶⁵

Based upon our review, we believe the following items are significant weaknesses, in that HUD management lacks the controls to ensure:

- Safeguarding of assets (Finding 1);
- Efficient use of capital funding (Finding 2);
- Compliance with federal regulations including the Quality Housing and Work Responsibility Act of 1998 (Findings 1 and 3).

These weaknesses are more fully described in the findings section of this report.

⁶⁵ See Finding I.

Auditee Comments



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-9900

MAY - 2 2001

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

MEMORANDUM FOR: D. Michael Beard, District Inspector General
for Audit, GAGA

FROM: *Gloria Cousar*
Gloria Cousar, Acting General Deputy Assistant
Secretary, P

SUBJECT: Response to Draft Audit

The following response is provided to the draft audit report of the Housing Authority of New Orleans (HANO), issued February 27, 2001.

Recommendation 1:

- A. Divide HANO into more manageable smaller authorities and non-profits. This includes completely separate ACC, Board of Commissioners, and employees.
- B. In lieu of the above, HUD should put HANO under the supervision of the TARC and seek a receivership.

PIH Response:

PIH concurs with recommendation 1B, and in fact, the National Advisory Council will render a determination of significant improvement or not, following the 18 month period of Council activities. Based on that and on other significant performance measures, receivership could be one of the options considered for HANO. PIH, however, nonconcurrs with the recommendation to divide HANO into smaller authorities and non-profits. PIH does not agree with proliferating the creation of small entities to fragment HANO activities.

Action Planned/Completed:

The Department has appointed the National Advisory Council which will provide a final finding to the Secretary and to the Congress following the closure of Council business in December, 2001. Additionally, PIH has designated a contractor, as noted in the draft audit report, as the Board of Commissioners for HANO, providing governance and oversight of HANO's day-to-day operations through December, 31, 2001.

Recommendation 2:

- A. Work with the City to create a non-profit responsible for complying with Section 202. The non-profit's responsibility would include the relocation of the tenants, demolishing and restoring of the site, and disposition of the assets. The non-profit would received its share of existing funds and would seek other funding.
- B. Work with the City to create a non-profit responsible for all of HANO's existing Section 8 certificates and vouchers. The not-for-profit should work closely with HUD officials to ensure full utilization of certificates and vouchers.
- C. Devise and equitable allocation of HANO's existing capital funds to the smaller housing authorities.
- D. Require the smaller housing authorities to timely obligate and expend capital funds or recapture the funds.

PIH Response:

PIH concurs with the recommendation that HANO contract out Section 8 program functions, which in fact is occurring. HANO has awarded a contract to complete Section 8 inspections and is in the procurement process to locate a responsible and responsive vendor to process the Section 8 waiting list. However, PIH does not agree to create small housing authorities and non-profits to partition Section 202 activity or to further dilute the allocation of Capital Funds. The Department will consider, again based on the outcome of the National Advisory Council's final finding and performance measures, placing specific developments under private management that incorporates project based budget and accounting. The Department must take into consideration that HANO's employees are subject to Louisiana's Civil Service laws and regulations.

Action Planned/Completed:

The Advisory Council established preliminary standards and baseline measures to assess the agency's performance, assessed HANO's performance through the quarter ending December 31, 2000 and established additional measures for HANO which include:

- Quarterly milestones to track obligation and expenditure of Capital Funds within the statutory guidelines;
- Quarterly milestones for Section 8 department reorganization, including a decision on whether to outsource further program functions.

- Development schedules and quarterly milestones for HOPE VI and major modernization projects, including the relocation of families in redevelopment sites; and
- Quarterly milestones to reduce the agency's reliance on self-insurance and in managing current and future liability.

Recommendation 3:

A. Take measures to ensure that the Advisory Council complies with the law including making the required reports to Congress.

B. Review the Advisory Board selections and ensure the members do not have a vested interest in the Advisory Council's report to Congress.

PIH Response:

HUD concurs with recommendation 3A. With respect to recommendation 3B, it is the Department's understanding that the HUD representative on the National Advisory Council is acceptable, provided she does not serve in a policy making capacity related to troubled agency recovery efforts or funding for HANO's programs. Therefore, PIH has instituted a separation of duties for the Deputy Assistant Secretary for Troubled Agency Recovery and has obtained her recusal from matters pertaining to HANO, other than the National Advisory Council.

Action Planned/Completed:

The Quarterly Report for the Two Quarters ending December 31, 2000, has been transmitted to the Secretary and the Congress. The Quarterly Report for the Quarter ending March 31, 2001, has been completed and the transmittal letter is in the signature process.



Issue Date	January 19, 2000
Audit Case Number	00-FW-201-1001

TO: Chet Drozdowski
 Director
 Office of Public Housing, 6HPH

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

SUBJECT: Housing Authority of the City of New Orleans
 Executive Monitor Contract with Moten & Associates
 New Orleans, Louisiana

We performed an audit of the Executive Monitor's contract with Moten & Associates. The purpose of the review was to determine whether: (1) the Executive Monitor properly procured the Moten & Associates contract; (2) Moten & Associates charged only eligible and supportable costs; and (3) the contract provided measurable benefits to the Housing Authority of New Orleans.

The report contains two findings requiring follow up actions by your office. We will provide a copy of this report to the Housing Authority of New Orleans, Tulane, and Moten & Associates.

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

Please call William Nixon, Assistant District Inspector General for Audit, at (817) 978-9309 if you or your staff have any questions.

Executive Summary

We performed an audit of the Executive Monitor's contract with Moten & Associates.¹ The Executive Monitor contracted with Moten & Associates to perform various technical services to improve the Housing Authority of New Orleans (HANO) operations. Our audit objectives included determining whether: (1) the Executive Monitor properly procured the Moten & Associates contract; (2) Moten & Associates charged only eligible and supportable costs; and (3) the contract provided measurable benefits to HANO.

The review disclosed both Andersen Consulting and the Executive Monitor violated federal regulations in obtaining the services of Moten & Associates.² Further, Tulane paid \$427,074 in ineligible and unsupported costs, including \$421,760 for unsupported labor and \$5,314 in ineligible travel costs. Neither HANO, the Executive Monitor, nor Moten & Associates could provide satisfactory evidence that Moten & Associates completed the tasks it was paid to perform. Consequently, we could not determine whether HANO derived a measurable benefit from the Moten & Associates contract.

We recommend that your office: recover the \$5,314 paid for ineligible travel; determine and recover any amounts paid for work not performed or duplicative work; require the justification of additional work to be performed and require concrete deliverables and a performance delivery schedule; and monitor subsequent work performed.

We presented our findings to the Executive Monitor and officials of Tulane and HANO at an exit conference on November 22, 1999. At the conference, HANO provided written comments disagreeing with our findings. On December 3, 1999, Tulane provided its written comments disagreeing with our findings. We considered the responses in preparing our final report. We have summarized the Agency's responses for each finding and included the complete responses without attachments as Appendix C (Tulane) and Appendix D (HANO).

¹ Due to long time systemic problems, HUD and the City entered into a Cooperative Endeavor in February 1996. The Cooperative Endeavor removed the existing Board of Commissioners and appointed an Executive Monitor, as the Acting Assistant Secretary's designee, to fulfill the duties of Board of Commissioners. The Executive Monitor was an official from Tulane University.

² We reviewed Andersen's procurement of Moten & Associates to determine the validity of the Executive Monitor's assertion that Andersen had properly procured Moten & Associates. A proper procurement would have included an assessment of Mr. Moten's skills and a determination of how much the services should cost.

Introduction

The Mayor of New Orleans and the former Secretary of the Department entered into a "Cooperative Endeavor Agreement" in February 1996 to manage the Housing Authority of New Orleans (HANO). This arrangement was unprecedented. The Secretary agreed to the partnership with the Mayor to avoid a contested HUD takeover of HANO.³ Under the Cooperative Endeavor Agreement, the Mayor and the former Secretary agreed to take all necessary actions to improve HANO and the quality of life of HANO residents.

Under the Cooperative Endeavor Agreement, HUD replaced HANO's Board of Commissioners with HUD's Assistant Secretary for Public and Indian Housing. The Mayor and the former Secretary agreed on an Executive Monitor to oversee HANO's recovery and serve in the Assistant Secretary's absence. That person was Mr. Ron Mason, Tulane University's Counsel. The former Secretary allowed Mr. Mason to continue his relationship with Tulane University despite the obvious conflict of interest. (As part of the HANO recovery, Tulane was awarded noncompetitive multimillion dollar contracts for Resident Initiatives and Campus of Affiliates.) The former Secretary improperly waived⁴ the conflict of interest saying: "Mr. Mason is aware of the conflict potentials and, I am confident will conduct himself so as not to present even the appearance of impropriety. I further note that under the executive monitor services agreement to be executed by HANO, Mr. Mason will be required to recuse himself from any arrangements involving Tulane University."

HUD provided the funds for the Executive Monitor and his staff through a technical assistance grant agreement with HANO. In addition, HUD hired Andersen Consulting (Andersen) to provide HANO with technical support services including developing a short and long-term plan to improve HANO's operations.

At the urging of the Executive Monitor, Andersen subcontracted with Moten & Associates. When Andersen's contract expired, the Executive Monitor retained Moten & Associates under its agreement. Emmet Moten established Moten & Associates in 1996 as a real estate consultant firm. Emmet Moten is its sole employee. Previous to forming Moten & Associates, Mr. Moten worked in redevelopment for local governments and a national corporation.

HANO maintains its records at 4100 Touro Street.

Audit Objectives, Scope, and Methodology

Our audit objectives were to determine whether: (1) Andersen and the Executive Monitor properly procured the

³ At a congressional hearing in July 1996 the former Secretary stated: "... the mayor informed me that if negotiations successfully produced a meaningful partnership agreement that would work from a New Orleans standpoint, then he would work to ensure that the board of commissioners would deliver possession of HANO to HUD without litigation, without protest, without obstruction, as subsequently occurred. It was a peaceful transformation."

⁴ See Audit Memorandum 96-FW-201-1802, Housing Authority of New Orleans, Procurement of Resident Initiatives, July 5, 1996.

Introduction

Moten & Associates contract;⁵ (2) Moten & Associates charged only eligible and supportable costs; and (3) the contract provided measurable benefits to HANO.

To achieve the audit objectives we:

- Reviewed Federal Acquisitions Regulations; HUD procurement guidelines; HUD procurement, grant agreement, and Cooperative Endeavor Agreement files; and other related documentation;
- Interviewed the Executive Monitor, HANO, HUD, and Andersen officials; and community representatives;
- Reviewed the procurement of Moten & Associates under Andersen and the Executive Monitor agreements and contracts; and
- Reviewed the supporting documentation for payments to Moten & Associates under the Executive Monitor agreement.

We performed field work at HUD Headquarters and HANO offices from November 1998 through July 1999. The audit generally covered the period of July 1997 through December 1998, although the period was extended as appropriate. We performed the audit in accordance with generally accepted government auditing standards.

⁵ We reviewed Andersen's procurement of Moten & Associates to determine the validity of the Executive Monitor's assertion that Andersen had properly procured Moten & Associates.

Andersen and the Executive Monitor Improperly Procured Moten & Associates

Neither Andersen nor the Executive Monitor followed procurement requirements in awarding contracts to Moten & Associates. At the urging of the Executive Monitor, Andersen subcontracted with Moten & Associates in May 1996. When Andersen's contract expired, the Executive Monitor retained Moten & Associates under his agreement. HUD required both Andersen and the Executive Monitor to follow federal procurement guidelines. However, HUD contributed to the problem by relinquishing its approval responsibilities and allowing the Acting Assistant Secretary, who had a conflict of interest, to approve the procurement under the Executive Monitor's agreement. In fact, the Acting Assistant Secretary suggested the improper award of this contract. The improper procurements prevented competition. Thus, HUD and HANO do not know if it paid a reasonable price for the services received.

Federal regulations regarding procurement.

Federal Acquisition Regulation⁶, Part 52.244-5 states, "The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the contract." HUD regulation 24 CFR 85.36⁷ also requires Public Housing Authorities to use competitive procurement practices.

Executive Monitor strongly urged Andersen to use Moten & Associates.

At a May 1996 status meeting, Andersen officials, the Executive Monitor and HANO's Executive Director discussed the need for Andersen to have a consultant to interact with the community.⁸ Andersen claimed to not have the expertise. The Executive Monitor, HANO, and Andersen officials agreed that this community development consultant needed certain qualifications including experience in the New Orleans area; a proven track record of urban development; and the ability to work with banks and community leaders.

The Executive Monitor believed Moten & Associates of Detroit, Michigan, met these qualifications. The Executive Monitor met Mr. Moten during the early days of the

⁶ The Andersen contract states that Andersen must follow Federal Acquisition Regulation 52.244-5, *Competition in Subcontracting*.

⁷ The Executive Monitor agreement requires Tulane to follow the same procurement requirements that HANO must follow.

⁸ Andersen officials did not recall whether a HUD official attended this meeting.

Finding 1

Cooperative Agreement. The Executive Monitor wrote that Mr. Moten “presented his significant accomplishments and expertise in the area of urban redevelopment, economic development, and organizational and community relations.” He decided that Andersen should put Moten & Associates under its contract. The Executive Monitor explained that by having Moten & Associates under the Andersen contract, HUD would directly pay the costs. Further, by placing Moten & Associates under Andersen, the Executive Monitor believed that he would limit his exposure to criticism of favoritism because HUD, not he, would approve the procurement and rates paid to Moten & Associates.

HUD had concerns regarding the Moten & Associates Contract.

HUD’s Office of Troubled Agency and Recovery (OTAR) had concerns regarding the Moten & Associates contract. However, whatever objections OTAR raised Secretary Cisneros overruled them. After one such objection, HUD’s General Deputy Assistant Secretary for OTAR told staff that the Moten & Associates’ subcontract “was going to happen.” The HUD official believed that the extraordinary measures required by the Cooperative Endeavor Agreement drove HUD’s agreement. Both HUD and Andersen officials stated that the Executive Monitor spoke with the Secretary quite often. The Executive Monitor explained that Secretary Cisneros promised him that he could hire the staff or consultants needed to correct HANO’s problems.

Andersen’s procurement of Moten & Associates violated federal procurement requirements.

Andersen’s contract required it to competitively procure subcontracts to the “maximum practical extent.”⁴ As the facts above indicate, Andersen did not consider any other outside providers before subcontracting with Moten & Associates.

HUD and Andersen both stated that Andersen met the procurement requirements. Andersen asserted that Mr. Moten was uniquely qualified to interact with the community as discussed in the May 1996 status meeting. Andersen argued that its current subcontractor did not meet the necessary qualifications, and Andersen knew that no other provider existed. Andersen did not provide any documentation to support its argument that Mr. Moten was the only person qualified to interact with the community. HUD relied upon Andersen’s determination that Mr. Moten was uniquely qualified. According to a HUD official, HUD did not care whether Andersen sole-sourced the contract as

⁴ Federal Acquisition Regulations 52.244-5 “Competition in Subcontracting.”

long as the subcontractor was qualified and charged a reasonable price. Andersen never performed a cost analysis of the rates for such services.

According to Anderson, Moten & Associates unique qualification was the capability for "community interaction" in New Orleans. Under Andersen's final list of major deliverables to HUD and HANO, it made Moten & Associates responsible for nine of them. These included: preparing a plan for implementing Neighborhood Redevelopment Strategies; preparing a plan for Comprehensive Homeownership; and providing assessment recommendations on the feasibility of transferring Modernization Section 8 Certificates from the City to HANO. Community interaction does not seem a *unique qualification* for these tasks and it is not credible that Mr. Moten is the only person capable of performing them. Andersen should have followed requirements and competitively procured these services.

Value of Moten's contract not based on reasonableness.

Neither Andersen nor HUD determined a reasonable charge for Mr. Moten's services or compared the agreed on price to rates paid for similar work. HUD allowed Mr. Moten to charge \$160 per hour based on his previous salary and benefits as Vice President of Development of Little Caesars Enterprises, Inc. They further agreed to pay his weekly travel expenses from his home in Detroit. HUD and Andersen should have based compensation on the skills and abilities needed to perform the tasks rather than on previous employment. As a result of not competitively awarding this subcontract, HUD does not know whether it paid a reasonable compensation rate to Mr. Moten.

Executive Monitor improperly included Moten & Associates under his agreement.

Before the Andersen contract had expired, the Executive Monitor wanted to extend the Andersen contract, specifically for the Moten & Associates subcontract. According to the Executive Monitor, HUD's delay in approving the Moten & Associates subcontract prevented the subcontractor from completing his deliverables. According to Andersen, Moten & Associates completed all of its deliverables. However, Andersen stated that HANO would need additional modernization technical assistance after its contract expired. The Acting Assistant Secretary refused to extend Andersen's contract. Instead, he suggested that the Executive Monitor directly subcontract with Moten & Associates. Because the Acting Assistant Secretary also

Finding 1

served as HANO's Board, he should have recused himself and allowed another HUD official who did not have a conflict of interest to review the matter.

In the agreement with Moten & Associates, the Executive Monitor refers to a January 7, 1997 letter as HUD's approval of Moten & Associates. However, the letter referred to is actually HANO's concurrence of Moten & Associates' scope of work and the associated budget.

The Executive Monitor agreement required Tulane to follow HANO's procurement requirements. The requirements allow a non-competitive award **only** after determining that awarding the contract under normal procurement methods is **infeasible and** one of four circumstances applies:

- Available only from one source;
- Public exigency or emergency;
- HUD authorization; and
- Competition is deemed inadequate.

Tulane did not show that this contract could not be awarded using competitive proposals. Also, no documentation exists that any of the other four conditions existed. Therefore, Tulane should have competitively procured this contract. Tulane paid Mr. Moten the same amount that he had earned under the Andersen contract.

As stated above, HANO concurred regarding Moten & Associates' inclusion in the Executive Monitor Agreement. Further, HUD provided HANO the funds to reimburse Tulane through a technical assistance grant. As a result, HANO had a responsibility to ensure that all procurement requirements were followed. However, HUD's involvement may have led HANO to believe it did not have that responsibility.

Our agency has been reporting for years that HANO needs to follow HUD requirements especially as it relates to procurement.¹⁰ For HANO to ever fully recover

¹⁰ See audit reports: 94-FW-201-1005, dated June 29, 1994; 98-FW-201-1002, dated October 24, 1997; and 98-FW-201-1004, dated June 15, 1998.

operationally it needs to follow its own procurement policy and HUD requirements. HUD should not encourage HANO to circumvent requirements by casually approving waivers or "rubber stamping" HANO or the Executive Monitor's intentions on sole-source contracts.

Auditee Comments

Tulane disagreed with the finding. Tulane believed the finding lacked merit and did not present a fair and accurate depiction of the contractual relationship between Tulane and Moten & Associates. Further, Tulane believed it was irrelevant to include the procurement of Moten & Associates under the Andersen contract in this finding.

Tulane maintained that it was not bound by the Federal Acquisition Regulation cited in the draft report. Tulane cited three reasons why it was not subject to procurement requirements: (1) Tulane contended that it only needed to follow procurement requirements if a specific clause was inserted into Tulane's contract, which it was not. Tulane also disputed that the Executive Monitor Services Agreement required it to follow the same procurement requirements that HANO must follow; (2) Tulane argued that HUD's knowledge and inclusion of Moten & Associates in the budgets attached to the Executive Monitor Services Agreement evidenced that HUD approved of Tulane's hiring of Moten & Associates; (3) Tulane maintained that neither itself nor the Executive Monitor were government contractors. Consequently, they were not subject to competitive bidding requirements. Instead, the Executive Monitor was a HUD "designee," functioning as HANO's Board of Commissioner. This was a unique and special relationship that cannot be reduced to an arms-length contractual relationship between a government agency and an outside vendor.

Tulane through its attorney argued that Mr. Moten had extensive experience in the fields of real estate development and consulting. Further, it disagreed that the Executive Monitor's recollection of Mr. Moten's procurement differed from Andersen's version. Tulane cited the ultimate hiring of Mr. Moten by Andersen as evidence that there was a consensus reached to retain Mr. Moten.

Finding 1

HANO maintained that it “is or was not a party to the Moten & Associates contract. As such, HANO had no role in the procurement or the administration of the contract.”

OIG Evaluation of
Auditee Comments

Although Mr. Moten may have had experience with real estate development, he had no consulting experience before Andersen hired the newly formed company, Moten & Associates. ~~Moten & Associates had no other customers~~ before its work with Andersen.

The OIG was not offered any evidence that anyone performed due diligence or reference checks of Mr. Moten’s expertise. More importantly, neither HUD, Andersen nor the Executive Monitor determined whether any other consultants met the qualifications deemed necessary to assist HANO. We still have no assurances that Andersen or Tulane paid Moten & Associates a reasonable fee based upon the work and skills needed.

We agree that Tulane is not bound by Federal Acquisition Regulation 52.244-5. As stated in the finding, *Andersen* – not Tulane – was bound by this regulation. We disagree that Tulane was exempted from following 24 CFR 85.36. We have added additional language to the final report that further explains Tulane’s requirement to follow 24 CFR 85.36. In simplest terms, the Executive Monitor Services Agreement required the Executive Monitor to follow all regulations that HANO must follow; and HANO must follow competitive procurement requirements, specifically 24 CFR 85.36.

HANO was part of the contract because the funds flowed through it.

Recommendations

We recommend your Office:

- 1A. Require HANO and the Executive Monitor to terminate existing contracts with Moten & Associates, and properly procure any of the needed services.

- 1B. Require HANO and the Executive Monitor, especially on consultant contracts, to follow procurement requirements without exception.

HANO Paid \$427,074 in Ineligible and Unsupported Costs

Through the Executive Monitor agreement, HANO paid Moten & Associates \$421,760 in unsupported labor and \$5,314 in ineligible travel expenses. The \$421,760 in unsupported costs included budget overruns and undocumented labor costs. Neither HANO nor the Executive Monitor could produce sufficient evidence that it received benefit for the labor hours billed by Moten & Associates. Moreover, HANO personnel and other HANO contractors performed similar duties or had similar tasks. Additionally, HANO paid Moten & Associates \$5,314 for profit on reimbursed travel expenses.

Executive Monitor could not adequately support \$421,760 charged for labor by Moten & Associates.

In July 1997, the Executive Monitor let a technical assistance contract to Moten & Associates for services in the areas of Modernization, Financial Development, Management Operations and Overall Economic Development.¹¹ Between July 1997 and December 1998, Mr. Moten invoiced \$493,283 for services and travel under this contract. The work plan did not require specific deliverables other than monthly reports to the Executive Monitor. Mr. Moten did not report his time consistent with work items performed. Furthermore, Mr. Moten's work plan duplicated or overlapped work performed by other contractors and/or HANO employees. The lack of documentation and the duplication of efforts between Moten & Associates, other contractors, and HANO personnel made it impossible to determine the amount of benefit HANO received from the Moten & Associates' contract.

Moten & Associates did not relate time to work performed.

The Executive Monitor Services Agreement (Services Agreement) outlined tasks for Moten & Associates to perform. Similarly, the Grant Agreement between HUD and HANO included a work plan that gave a detailed description of Moten & Associates' tasks and the number of hours it allowed to complete them. Furthermore, the Grant Agreement required HANO to incur costs in "conformance with the budget and tasks/work items outlined" in the Grant Agreement. For instance, to complete the task of "Monitor and assist in the implementation of the Comprehensive Grant Construction Program" the budget allowed for 96 hours. This allowed HUD and HANO to ensure that it only

¹¹ The improper procurement of Moten & Associates is discussed in Finding 1.

Finding 2

reimbursed Mr. Moten for tasks performed within budgeted hours. Any modification of either the tasks or budgeted hours required an amendment to the Grant Agreement. Both Agreements allowed reimbursement to Mr. Moten at a rate of \$160 per hour.

Mr. Moten submitted monthly time sheets to support his hours. The time sheets only included total hours worked per day. The time sheets did not include a description of tasks or work performed by Mr. Moten. As a result of Mr. Moten being the only employee of Moten & Associates, there was no supervisory or independent review of the time sheets. Furthermore, without this information, it is impossible to determine the hours Moten & Associates spent on any specific task. Tulane should have required Mr. Moten to provide a detail of work performed on the time sheets before payment. However, the Executive Monitor's knowledge is not adequate supporting documentation for Moten & Associates' invoices.

Poorly written agreements.

The Agreements did not require Moten & Associates to perform specific tasks or produce concrete deliverables. Tasks included such vague phrases as: "Assist in the development of HANO Acquisition and Disposition policy;" "Continue to focus on the Section 8 units to assist in the marketing and counseling of residents . . .;" and "Continue to coordinate with operations in the implementation of the Vacancy Reduction Program." As such, the Agreements did not require Moten & Associates to produce the Acquisition and Disposition policy, only "assist" in the development of it. Likewise, Mr. Moten was not responsible for implementing the Vacancy Reduction Program, only for coordinating it. Without specific measurable tasks, the Executive Monitor, HANO, HUD, or others have no objective measure of Moten & Associates performance or accomplishments.

Moten & Associates could not provide adequate evidence of work performed.

Moten & Associates could not provide evidence that it completed the tasks that Tulane had paid it to accomplish. Mr. Moten could not provide such documentation as correspondence between HANO staff and himself, personal notes, or journals. Ideally, Mr. Moten should have submitted time sheets that indicated the tasks that he performed. According to Mr. Moten, he did not keep written documentation of his work other than the monthly reports. He communicated most things verbally to HANO or the

Executive Monitor. Regarding the lack of documentation, Mr. Moten stated, "I was doing what [the Executive Monitor] told me to do." In its response, Tulane stated that Mr. Moten meant he was not specifically directed to keep any documentation.

Mr. Moten offered completed work products and monthly reports as evidence of its work. For instance, Moten & Associates provided HANO's Relocation Policy as evidence that it monitored and assisted in the development of a Comprehensive Relocation Policy. The policy itself lacked any evidence that Mr. Moten performed the work. Also, a HANO staff member claimed to have solely written the policy without input from Mr. Moten. In another instance, HANO provided a training syllabus to support that Moten & Associates had worked to train the Modernization and Development staff. However, the syllabus appeared to have been created by another contractor. The syllabus does not indicate what involvement, if any, Mr. Moten had in planning or providing the training. Therefore, final work products do not provide any evidence that Mr. Moten contributed to their completion.

Several individuals interviewed were complimentary of Mr. Moten's work. For example, a HANO official did state that Mr. Moten was a tough negotiator.

The monthly reports also did not provide enough supporting documentation. The reports described activities that Mr. Moten claimed to have performed, but did not detail the hours worked on the activities. Also, the reports did not relate the activities performed to specific tasks required under Moten & Associates' work plan. In many instances, judgment had to be used to match the reported work to the tasks listed on the work plan. However, from the reports, we could determine the work plan tasks Mr. Moten did not perform. Moten & Associates did not complete 13 of 33 (40%) tasks listed on its 1997 work plan. The work plan did not state the hours necessary to accomplish these tasks. Therefore, the monetary total of tasks not completed could not be determined. In its 1998 work plan, Moten & Associates did not complete 8 of 21 (38%) tasks. The work plan allocated 546 budgeted hours to complete these tasks for a total of \$87,360. Therefore, Moten & Associates' invoiced labor should not exceed \$229,440 for 1998 (\$316,800 budgeted - \$87,360 tasks not completed). Moten

Finding 2

& Associates invoiced \$272,320 for labor for 1998. See Appendix B for a table of those tasks that Mr. Moten did not report as having completed.

Duplication of services.

In addition to the tasks not completed, some of the tasks listed duplicated the work of HANO personnel and at least two other contractors. The Executive Monitor Agreement required the Executive Monitor to ensure that the duties and responsibilities of his staff will not duplicate the duties and responsibilities of HANO employees or other contractors. HANO's position descriptions, Moten & Associates' work plan, and the work plans of two other contracts included instances of duplicative and triplicative efforts.

For example, the work plan required Mr. Moten to assist in the implementation of the HOPE VI developments, such as St. Thomas. Similarly, HANO's Director of Development also had responsibility for the redevelopment of St. Thomas. Also, HUD hired another contractor to ensure that HANO effectively implemented its HOPE VI grants. The work plan required Mr. Moten to develop additional relocation resources to enable HANO to meet its demolition and development schedule. This appears to duplicate another contractor responsibility to prepare an estimate of the overall current and long-term needs and resources related to the revitalization of a development.

The vague time sheets, lack of documentation, and duplication of efforts create uncertainty of exactly what Moten & Associates accomplished for the \$421,760 invoiced for labor and paid by Tulane reimbursed with HUD funds. HANO should not reimburse Tulane for unsupported costs. Tulane should either provide adequate documentation to support these costs or reimburse HANO for amounts it cannot support. At a minimum, Tulane should reimburse HANO for the \$42,880 (\$272,320 - \$229,440) paid for work that exceeded the budgeted hours.

Executive Monitor believed Moten & Associates provided a quality work product.

The Executive Monitor wrote that Mr. Moten may not have reams of documentation to support its efforts, but the Executive Monitor looks at bottom line results. However, the Executive Monitor acknowledged that Moten & Associates did not complete some tasks because the Executive Monitor redirected Moten & Associates' efforts. Regardless of this, there should be some evidentiary matter to support the amounts charged and any modifications to the

grant. Tulane, HANO, and HUD should require documentation to support a consultant's work, especially when more than one person could claim performance. Maintaining an audit trail is a prudent business practice that HANO and the Executive Monitor should follow.

Moten & Associates claimed \$5,314 for profit on its travel cost.

Moten & Associates was allowed reimbursement for Mr. Moten's travel expenses to and from his Detroit residence and the New Orleans area, and for living expenses within the New Orleans area. Mr. Moten invoiced for \$66,431 in travel cost for the audit period. On his travel voucher, Moten & Associates charged an additional 8% of the total travel cost as "profit." Neither the Executive Monitor Services Agreement, Grant Agreement, Agreement for Consulting Services, nor federal requirements allow for profit on travel costs.

The Moten & Associates Contract for Consulting Services states:

"Tulane shall reimburse Moten & Associates for **reasonable** travel, lodging, telephone, and directly related business expenses. Moten & Associates shall substantiate amounts invoiced with satisfactory evidence." [Emphasis added]

The Grant Agreement required that Tulane follow OMB Circular A-21 when incurring costs. OMB Circular A-21 allows travel costs to be reimbursed "on an actual basis, on a per diem or mileage basis...or a combination of the two..." The Circular clearly does not allow profit on travel expenses.

Auditee Comments

Tulane strongly disagreed with the finding. Tulane, through its attorney, maintained that its payments to Moten & Associates were properly "documented under the terms of the relevant contract, and moreover officials at HANO and Tulane - particularly Ronald Mason, Executive Director of the Tulane/Xavier National Center for the Urban Community and the Executive Monitor who functions as HANO's Board of Commissioners - were intimately familiar with the nature and value of the Moten firm's work."

Finding 2

Based upon the investigation performed by Tulane's attorney, "the Moten firm made important contributions in numerous areas described in its work plans. . . ." Tulane also stated that the finding "~~repeatedly jumps to unsupported conclusions and raises false issues with respect to the firm's contract performance. . . .~~"

Tulane took exception to the depiction in the draft of the Executive Monitor telling Mr. Moten not to keep an audit trail. Tulane supplied a letter from Mr. Moten stating that OIG misunderstood or misconstrued his statements.

HANO disagreed with the finding. It maintained that all payments to Tulane were properly supported.

OIG Evaluation of
Auditee Comments

Tulane did not provide any tangible documentation of Moten & Associates' involvement in any of the accomplishments claimed. Further, it appears that Tulane's attorney based its opinion of Mr. Moten's accomplishments on hearsay from two or three people, and principally on the Executive Monitor. Tulane states that Mr. Moten "played a key role in persuading the Louisiana State Housing Finance Authority to increase - from \$300,000 to \$500,000 - the per project limit on state tax credits for HANO's HOPE VI projects." However, an official from the Louisiana Housing Finance Agency credited the National Council of State Housing Agencies and not Mr. Moten for pushing this change. Regarding Mr. Moten's statements on keeping documentation, we provided further explanation.

Tulane agreed that Moten & Associates should return the \$5,314 charged as profit on travel.

We revised the finding for the \$23,011 previously cited as ineligible travel in the draft finding.

Recommendations

We recommend your Office:

- 2A. Recover the \$5,314 paid for ineligible travel from HANO or Tulane.
- 2B. Determine and recover any amounts paid for work not performed or duplicative work from HANO or Tulane.
- 2C. Require the justification of any additional work to be performed and require concrete deliverables and a performance delivery schedule.
- 2D. Monitor and review work performed by Moten & Associates subsequent to the audit period.

Management Controls

In planning and performing our audit, we obtained an understanding of the management controls that were relevant to our audit. Management is responsible for establishing effective management controls. Management controls, in its broadest sense, include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Significant Controls

We determined the following management controls were relevant to our audit objectives:

Administrative Controls

- Competitive selection and award of contracts
- Contract administration
- Eligibility of contract costs
- Written documentation of contract performance

Significant Weaknesses

A significant weakness exists if management controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports. Based on our review, we believe the following items are significant weaknesses, in that HANO and the Executive Monitor lack internal administrative controls to ensure:

- The contract is adequately performed and benefited HANO shown by use of regular work documentation including: (1) hours worked; (2) tasks specifically worked on during the hours charged; and (3) tasks completed.
- The contract is procured properly in accordance with federal regulations.
- The contract provides a continual benefit to HANO.
- The contract expends funds that are eligible and supported.

Schedule of Tasks Not Reported as Completed

July 1997 through June 1998 Work Plan ¹	Amount Budgeted ²
Assist in preparation of HOPE VI applications for CJ Peete and Fischer. Oversee implementation of grant if HUD funds the application.	N/A
Work with the Campus Affiliates program at CJ Peete to ensure work programs integration into overall CJ Peete master plan.	N/A
Develop a HANO Acquisition and Disposition policy.	N/A
If necessary, cause legislative package to be drafted for the March 1997 Louisiana session that will empower HANO to use Eminent Domain for acquisition of property.	N/A
Develop a fund for continued resident initiatives after HOPE VI funds have ended.	N/A
Develop a financial instrument that HANO may use to carry out overall housing objectives.	N/A
Continue each development long-term manageability and maintenance to ensure competitiveness in New Orleans Housing market.	N/A
Oversee development and implementation of a unified system of building unit identification to be integrated into the CCS Software Program	N/A
Assist in selection process and the implementation for an asset manager by ensuring that a contract for said will meet the overall intent of the HANO asset manager's goals and objectives.	N/A
Assist in developing a business advisory council composed of private business and public sector leaders that will assist HANO in job development	N/A
Develop a business plan that will assist HANO and the City in business retention and attraction.	N/A
Work with the City to create a systematic job replacement system that HANO residents can input into.	N/A
Cause to be called an economic summit to assist in HANO business creation.	N/A
Total Amount Budgeted for Tasks Not Reported as Completed by Moten	N/A

¹ The Appendix B schedules include tasks that Moten & Associates did not report as having been accomplished in its monthly activity reports. Moten & Associates should have performed these tasks which were part of its work plans.

² The work plan did not state the hours necessary to accomplish these tasks. Therefore, the monetary total of tasks not completed could not be determined.

Appendix B

January 1998 through December 1998 Work Plan	Amount Budgeted
Focus on Section 8 units to assist in the marketing and counseling of residents who have been relocated as a result of HANO revitalization efforts.	\$15,520
Develop HANO's CDC that will act alone or joint venture with non-profit or for profit organizations in carrying out HANO's overall revitalization program.	15,360
Facilitate the development of a financial instrument that HANO may use on its own and in its ability to carry out its overall housing objectives.	16,000
Monitor and assist in the implementation of the modernization and development organization and staff development.	6,560
Coordinate Gilbane capacity building contract with HANO's human resources department to ensure proper hiring and training of staff so that after Gilbane's contract is complete HANO staff can deliver services to its customers without interruptions.	6,400
Assist in selection process and implementation of an asset manager consultant by ensuring that a contract for said will meet the overall intent of the HANO asset manager's goals and objectives.	6,400
Assist in developing a business advisory council composed of private business and public sector leaders that will assist HANO in job development.	10,720
Assist in the development of a business plan that will assist HANO as well as the City of New Orleans in business retention and attraction. Such a plan will be incorporated in a HANO development strategy.	10,400
Total Amount Budgeted for Tasks Not Reported as Completed by Moten	\$87,360

Auditee Comments

Tulane

DEC 6 5 1999

*Office of the Senior Vice President for Operations
and Chief Financial Officer*

December 3, 1999

Mr. D. Michael Beard
District Inspector General for Audit
U.S. Department of Housing and Urban Development
Southwest District Office of Inspector General
819 Taylor Street, Suite 13A09
Fort Worth, Texas 76102

By Facsimile (817) 978-9316

Dear Mr. Beard:

We have received the draft report, dated November 2, 1999, of your office's audit of the contractual relationship between Tulane University and Moten & Associates (the "Moten firm")

Your draft report concludes that (1) Tulane obtained the services of the Moten firm in violation of "federal regulations;" (2) Tulane has paid the Moten firm \$493,283 in "ineligible and unsupported costs;" and (3), in the absence of "satisfactory evidence" that the Moten firm "completed the tasks it was paid to perform," your office "could not determine whether [the Housing Authority of New Orleans ("HANO")] derived a measurable benefit from the Moten & Associates contract" (draft report at 1)

Tulane has retained an outside lawfirm, Shereff, Friedman, Hoffman & Goodman, LLP, to conduct a careful investigation of the allegations and conclusions in the draft report. Based upon this investigation and the reasons stated in their investigation report, a copy of which is enclosed, we do not believe that the findings of the draft report have merit or that the draft Inspector General report presents a fair and accurate picture of the contractual relationship between Tulane and the Moten firm. We therefore urge that the draft report be withdrawn in its entirety. At a minimum, the draft report should be rewritten in conformity with the facts set forth in the enclosed investigation report.

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Appendix C

December 3, 1999
Mr. D. Michael Beard
District Inspector General for Audit

Furthermore, we are deeply disturbed by the fact that your draft report is riddled with factual errors and misstatements of the record. A large number of these errors have the effect of casting false aspersions on certain individuals as well as on Tulane itself. We hope that your office will agree that these inaccuracies should be corrected.

Very truly yours,



Anthony P. Lorino,
Senior Vice President for Operations and
Chief Financial Officer

cc: Scott Cowen, President Tulane University
Victoria Johnson, General Counsel

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MEMORANDUM

TO: Victoria Johnson
General Counsel, Tulane University

FROM: Andrew J. Levander
Kevin J. O'Brien 

DATE: December 3, 1999

RE: Moten & Associates Investigation

You have forwarded to us the draft report, dated November 2, 1999, of the audit by the HUD Southwest District Office of Inspector General (the "IG") of the contractual relationship between Tulane University and Moten & Associates (the "Moten firm").

The draft report concludes that (1) Tulane obtained the services of the Moten firm in violation of "federal regulations;" (2) Tulane has paid the Moten firm \$493,283 in "ineligible and unsupported costs;" and (3), in the absence of "satisfactory evidence" that the Moten firm "completed the tasks it was paid to perform," the IG "could not determine whether [the Housing Authority of New Orleans ("HANO")] derived a measurable benefit from the Moten & Associates contract." (draft report at 1)

At your request we have conducted a careful investigation of the allegations and conclusions in the draft report. We believe - for the reasons summarized in the Executive Summary below and explained in the body of this memorandum - that each of the IG's conclusions is without merit. Furthermore, the draft report is riddled with factual errors and misstatements of the record, many of which have the effect of castings false aspersions on certain individuals and on Tulane.

-1-

I. Executive Summary

1. The first conclusion of the draft report - that Tulane violated federal competitive-bidding requirements in retaining the Moten firm - is incorrect for several reasons. First, the federal regulation cited in the draft report expressly applies only when language requiring the competitive selection of subcontractors is included in the contractor's contract with the federal agency. No such language is contained in any of Tulane's contracts. Indeed, these agreements clearly state that HUD knew and approved of Tulane's retention of the Moten firm, as well as the firm's budget and work plans. In any case, the draft report's attempt to categorize Tulane as a government "contractor" is fundamentally misconceived.

2. The second conclusion of the draft report - that Tulane paid the Moten firm nearly \$500,000 in "ineligible and unsupported" fees and expense reimbursements - also lacks merit, with one minor exception. The Moten firm's fee submissions were properly documented under the terms of the relevant contract, and moreover officials at HANO and Tulane - particularly Ronald Mason, Executive Director of the Tulane-Xavier National Center for the Urban Community and the Executive Monitor who functions as HANO's Board of Commissioners - were intimately familiar with the nature and value of the Moten firm's work. As for the Moten firm's expense reimbursements, the vast bulk of the submissions were proper; a small amount - \$ 5,314 - was mistakenly and inadvertently submitted and paid, and the Moten firm is prepared to remit this amount to HANO.

3. The third conclusion - that the Moten firm provided no "measurable benefit" to HANO through its work for Tulane and the Executive Monitor - is clearly incorrect, based on our investigation and review. The Moten firm made important contributions in numerous areas described in its work plans, including monitoring contract compliance at HANO construction sites, performing due diligence reviews in HANO real estate transactions, taking a leading role in resident relocation projects, negotiating development agreements for five HANO projects (St. Thomas, C. J. Peete, Desire, Imperial Drive and Florida) and devising strategies for these negotiations, formulating and implementing ways to "leverage" HANO's scarce public funds by acquiring other sources of funding (including successfully persuading the Louisiana State Housing Finance Authority to increase the state tax credit limit for HANO's HOPE VI projects), and training and organizing HANO personnel in many of these areas. The draft report scants or ignores these accomplishments by focusing narrowly on "supporting documentation," thus misconstruing the nature of the Moten firm's work. Moreover, the draft report repeatedly jumps to unsupported conclusions and raises false issues with respect to the firm's contract performance, as demonstrated below.

II. Factual Background

A. The Basic Agreements

On February 8, 1996, HUD and the City of New Orleans entered into a Cooperative Endeavor Agreement ("CEA")¹ whereby, in recognition of the ongoing crisis at HANO, (1) the City agreed to secure the resignations of the HANO Board of Commissioners, (2) HUD appointed Acting Assistant Secretary Kevin E. Marchman to serve as HANO's Board, and (3) both parties agreed that Mr. Mason "shall act as Mr. Marchman's designee in the capacity as an Executive Monitor of the Agreement, subject to Mr. Marchman's oversight." (Exhibit A at paras. 5-6) These unusual measures were justified by the fact that, in the words of the CEA, "extraordinary levels of expertise and resources are now required to improve the quality of life of the residents of HANO facilities." (*Id.* at 1)

Mr. Mason's role as Executive Monitor was further articulated in a Memorandum of Understanding, dated March 1996, between HUD, HANO and Tulane ("MOU"),² which states that Mr. Mason will be "Mr. Marchman's designee to fulfill HUD's responsibility as the Board of HANO." (Exhibit B at para. 9) In that capacity Mr. Mason was authorized to "oversee, coordinate and monitor the activities of HANO in a 24-month action plan for public housing renewal in the City of New Orleans," to review "[p]lans and implementation strategy set forth by HUD/HANO/New Orleans officials" and to "recommend to HUD specific steps and strategies for carrying out the goals and objectives of significantly improving the quality of life for public housing residents." (*Id.*)

A third agreement, the Executive Monitor Services Agreement ("EMSA"), entered into by HANO and Tulane in April 1997,³ reiterated that as Executive Monitor Mr. Mason "will have day-to-day chief executive authority over the operation of HANO." (Exhibit C at 2) The EMSA also states that "HUD has approved certain budget allocations for the Executive Monitor," including a budget for the Moten firm (included in Exhibit C to the EMSA).⁴ (*Id.* at 2-3) The EMSA expressly adds that "HUD has approved additional budget authority for year two, beginning July 1, 1997, for costs incurred by Tulane, through the Executive Monitor, for the services of Moten and Associates" (*id.* at 4); comparable language is contained in each extension

¹ A copy of the CEA is attached hereto as Exhibit A. It has been extended by letter agreement through February 1, 2000. The draft report mistakenly includes HANO as a party to the CEA. (draft report at 1 n.1)

² A copy of the MOU is attached hereto as Exhibit B.

³ A copy of the EMSA is attached hereto as Exhibit C. It has been extended through December 31, 1999.

⁴ Each extension of the EMSA includes a HUD-approved budget for the Moten firm.

of the EMSA. HUD also explicitly approved the first work plan submitted by the Moten firm to the Executive Monitor (contained in Exhibit F to the EMSA).⁵ HUD subsequently awarded grants to HANO for the purpose of defraying these and other costs associated with the services of the Executive Monitor.

B. The Moten Firm and its Relationship to Tulane

Mr. Moten, who founded the Moten firm in 1996, has extensive experience in the fields of real estate development and consulting, particularly in an urban context. Raised and educated in the New Orleans area, Mr. Moten held various executive positions with the City of New Orleans during the 1970's. In 1978 he moved to Detroit where he served as, among other positions, Director of the Community & Economic Development Department of the City of Detroit, Vice President of Little Caesar Enterprises, Inc. & Olympia Entertainment, Inc. and Vice President of Detroit Tigers, Inc.

Mr. Moten first met Mr. Mason in early 1996, around the time the latter was designated Executive Monitor. Attracted by Mr. Mason's vision for public housing in New Orleans, Mr. Moten offered his services. Mr. Mason, after becoming familiar with Mr. Moten's track record, strongly recommended retaining his services in discussions both with HUD and with Andersen Consulting, a HUD contractor already providing HANO-related technical support services to HUD. Andersen Consulting agreed to subcontract with the Moten firm, subject to HUD's approval of the Moten firm's rates (\$160 per hour) as fair and reasonable. This approval was obtained by October 1996.⁶

On July 1, 1997, following the expiration of Andersen Consulting's contract with HUD, Tulane (acting through Mr. Mason) contracted with the Moten firm so that the latter's work for HANO could continue. This contract has been extended in writing through December 31, 1999.

⁵ See letter dated February 6, 1997 from Sherone Ivey, Acting Director of the HUD Office of Troubled Agency Recovery, to Michael Kelly, Executive Director of HANO, a copy of which is attached hereto as Exhibit D.

⁶ The draft report raises several false issues regarding this process. First, the draft report alleges a discrepancy between Andersen Consulting's claim that "a consensus" was reached to retain the Moten firm, and the reality (which Mr. Mason has confirmed) that the firm was hired "at the urging of the Executive Monitor." (draft report at 2, 5) In fact, since Andersen Consulting agreed to subcontract with the Moten firm, there is no conflict between the two statements. Second, the draft report alludes to internal HUD opposition to the Moten subcontract. (*Id.* at 5) We cannot speak to the issue of the internal dynamics at HUD, which is in any case irrelevant to the conclusions reached in the draft report. Finally, the draft report alleges that Andersen Consulting's subcontract with the Moten firm violated federal procurement requirements. (*Id.* at 5-6) This allegation, too, is irrelevant to the draft report's conclusions regarding the Tulane-Moten firm relationship; consequently, it is not addressed in this memorandum.

III. The Erroneous Conclusions in the Draft Report

A. Tulane and the Executive Monitor Properly Procured the Contract with the Moten Firm

The draft report claims that Tulane and the Executive Monitor failed to follow federal competitive-bidding requirements in contracting with the Moten firm. This claim is erroneous, for reasons that derive from the clear terms of the basic agreements summarized above. The draft report ignores or misstates both these agreements and applicable regulations in reaching its mistaken conclusion.

The draft report's conclusion rests on the assumption that the language of 48 CFR 52.244-5 - "The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the contract" - applies to Tulane and the Executive monitor. (draft report at 4) This analysis, however, omits a critical feature of the language in question: In order to be effective it must be included in the contractor's contract with the government agency. The quoted language is described in the regulation merely as a clause that should be inserted in contracts "[a]s prescribed in 44. 204(c)," which in turn states that "[t]he contracting officer shall, when contracting by negotiation, insert the clause at 52.244-5" under certain circumstances. 48 CFR 44.204(c). In short, the language imposes no obligations unless it is inserted in the contract binding the government contractor.

In this case none of the relevant agreements - the CEA, the MOU, the EMSA and their various extensions - contains any language requiring or even suggesting competitive selection of subcontractors. The draft report misstates the record on this point. It asserts that "[t]he Executive Monitor contract requires Tulane to follow the same procurement requirements that HANO must follow." (draft report at 4 n.4, 6) In fact, the EMSA says no such thing.

Not only is the EMSA silent about subcontractor competition, but its terms clearly show that HUD knew and approved of the Executive Monitor's budgets for the Moten firm (which included Mr. Moten's hourly rate) and even sanctioned the Moten firm's work plans. The significance of this fact is that HUD itself did not subscribe to the argument that subcontractor competition was required - or, if HUD did so subscribe, it was prepared to override competition in the interests of expeditiously meeting the urgent needs of HANO's public housing residents.⁷ It seems unfair and arbitrary to take Tulane and the Executive Monitor to task for actions that were justifiably believed to be right, proper and necessary by all concerned parties, including HUD itself.

Finally, the draft report's attempt to categorize Tulane and the Executive Monitor as government "contractors" (and hence subject to competitive bidding requirements) is fundamentally misconceived. Under the CEA and the MOU, the Executive Monitor serves essentially as HUD's "designee" (to use the language of the CEA) in functioning as HANO's Board. This unique relationship - forged in a period of crisis - has demanded close cooperation

⁷ Significantly, the draft report cites "HUD authorization" as one circumstance that may justify a non-competitive award. (draft report at 6-7)

and trust between HUD, HANO, the Executive Monitor and Tulane. As the MOU states, "[t]he parties hereto agree to implement this memorandum of Understanding in good faith and to work together and do all such things that are consistent with and in the spirit of the objectives, purposes, and intent of this memorandum of Understanding." (Exhibit B at para. 15) This special relationship simply cannot be reduced to an arms-length contractual relationship between a government agency and an outside vendor.

**B. The Moten Firm, with One Minor and Inadvertent Exception.
Billed Tulane for Eligible and Supportable Costs**

The draft report claims that, for the period covered by the audit (July 1, 1997-December 31, 1998), the Moten firm billed Tulane (for payment by HANO) for \$464,958 in unsupported fees and \$28,325 in ineligible travel expenses. (draft report at 8) With one small exception to be discussed, these allegations lack merit.

The draft report finds the Moten firm's fees to be unsupported because the monthly statements it submitted to Tulane included only total hours worked per day, without any description or breakdown of the specific tasks performed. (draft report at 8-9) However, nothing in any of the contracts requires invoices to be submitted in the form preferred by the IG, and we are aware of no law or regulation - nor does the draft report cite any - that requires such a form. Especially in view of the Executive Monitor's extensive familiarity with the Moten firm's work and its widely recognized value (both of which are discussed below), Mr. Moten's failure to itemize his time cannot be said to make his fees "unsupported."

In fact, the Moten firm's invoices complied with the relevant provisions of the EMSA. That contract provides that "[t]he fees, reimbursement, or compensation charged by or reimbursed to the Executive Monitor or Tulane, to the extent such fees, reimbursement or compensation are to be paid by HANO from funds subject to the provisions of a federal contract [or] grant..., shall be paid by HANO based on invoices submitted by Tulane, such invoices to be supported by adequate documentation regarding time and hourly rates, expenses, and supplies...." (Exhibit C at 5) The invoices submitted by the Moten firm constitute "adequate documentation" within the meaning of this contract provision.

As for the Moten firm's expenses, the bulk of the expenses cited in the draft report as "ineligible" (i.e., \$23,011 out of the cited amount of \$28,325) are in fact eligible. The draft report's claim is that the Executive Monitor's 1997 budget did not provide for reimbursement of expenses, and thus HANO's payment of \$23,011 to the Moten firm for that purpose should be disallowed. (draft report at 10-11) However, as HANO has explained in a letter to the IG,⁴ the draft report is in error. The 1997 budget did include an amount (\$52,800) for expenses.

The remaining \$5,314 in expenses reimbursement represents an 8% "profit" that the Moten firm charged Tulane on its travel expenses in 1998. This charge was inadvertent. The expenses forms supplied by Andersen Consulting to the Moten firm had included a line for 8% "profit" on travel (as well as other expenses), and the Moten firm simply continued adding

⁴ A copy of this letter is attached hereto as Exhibit E.

this percentage in submitting expense statements to Tulane. The Moten firm is prepared to remit the amount of \$5,314 to HANO in order to rectify this mistake.

C. The Moten Firm's Consulting Work Has Been Highly Beneficial to HANO

The draft report professes to lack "evidence that [the Moten firm] had completed the tasks that Tulane had paid it to accomplish." (draft report at 9) We have conducted an intensive investigation of this matter and found ample evidence of the Moten firm's accomplishments, particularly as a result of interviews with some of the very HANO officials with whom Mr. Moten has worked.

Evidently this was not the type of evidence the IG's auditors were seeking. The exclusive focus of the draft report is on "supporting documentation;" when the IG's auditors did not find it, they automatically concluded the work was not done. This overly narrow approach misconstrues the nature of the Moten firm's work and produces a false picture of its performance, as demonstrated below.

Before turning to the accomplishments of the Moten firm, however, we must point out the statement in the draft report that "[a]ccording to Mr. Moten, the Executive Monitor directed him not to keep or provide any of the above types of evidence [i.e., documentation such as correspondence, personal notes or journals] of work [Mr. Moten] performed." (draft report at 9) Mr. Moten and Mr. Mason both have stated that this statement is totally false.⁹ What Mr. Moten in fact told the IG's auditors is that Mr. Mason never told him to create or keep such documentation; he did not tell the auditors that Mr. Mason told him not to create or keep it. The draft report's distortion of Mr. Moten's innocuous comment - a distortion that falsely suggests deception on Mr. Mason's part - is evidence of bias. We suggest that Tulane demand that, at the very least, this distortion be removed from any audit report issued by the IG.

The work plans of the Moten firm that were approved by HUD describe tasks in five areas: Modernization and Development (primarily assistance in the renovation of HANO's physical plant and development of new or existing real estate for HANO); Development (primarily helping to implement HOPE VI and other development projects at various HANO sites); Financial Development (developing and implementing various strategies for "leveraging" public funds by means of tax credits and other incentives for private investment); Management and Operations at HANO; and Overall Economic Development (including job development for HANO residents). The 1998 work plan also included estimates of approximately how many hours the Moten firm might devote to projects within each of these areas.

These estimates proved to be imprecise; in the course of its work the Moten firm spent considerably more time on some tasks than was estimated, and considerably less on others. By all accounts, the bulk of its time has been spent on projects in the areas of Development and Financial Development, while its involvement has been limited in the areas of

⁹ Mr. Moten has sent the IG a letter, dated November 22, 1999, protesting the quoted distortion of his statement and correcting it. A copy of this letter is attached hereto as Exhibit F.

Management and Operations (in part because HANO hired an on-site manager and an asset-management consultant) and Overall Economic Development.¹⁰ These task-sensitive shifts reflect the fluid nature of Mr. Moten's role as conceived by the Executive Monitor, who described Mr. Moten as "my eyes and ears," a wide-ranging "monitor" who "plugs holes" and "gets things done."

The following is a summary of the Moten firm's accomplishments to date, organized around the five work plan areas, based upon our investigation and review:

1. Modernization and Development. Mr. Moten was heavily involved in this area early on in his tenure, and somewhat less so as problems were resolved. According to Marcus Dasher, HANO's Deputy Executive Director for Modernization and Development,¹¹ Mr. Moten was "instrumental" in accomplishing the following important goals, among others: monitoring contract compliance, often by visiting construction sites and detecting construction or staffing deficiencies, which he reported directly to Mr. Mason; assisting the Modernization and Development Department in performing due diligence reviews of private developers, by, for example, visiting their other projects and meeting with banks; and taking a leading role in resident relocation projects (necessary when facilities are being modernized or torn down), in particular by locating, often under emergency conditions, developers who will make units available for relocated residents.

Mr. Moten's important role in relocation projects - confirmed by both Mr. Mason and Theresa Richard, HANO's Director for Relocation and Self-Sufficiency - is especially noteworthy, since the draft report falsely suggests that Mr. Moten performed no services in this area because he did not actually write HANO's Comprehensive Relocation Policy. (draft report at 9) The authorship of this document is a false issue: Mr. Moten never claimed to have written it; what he did do, by all accounts, was to provide technical assistance in the formulation and implementation of the policy for the benefit of HANO residents. This example illustrates the arbitrariness of a narrow focus on "supporting documentation," to the exclusion of work actually performed and benefits achieved.¹²

¹⁰ The draft report summarily opines that the Moten firm did not complete "40%" of the tasks listed on its 1997 work plan and "43%" of the tasks listed on its 1998 work plan. (draft report at 9-10) The draft report does not explain how it arrives at these numbers and provides no basis or justification for them, nor does it define what it means to "complete" a task. Our investigation determined that the Moten firm made substantial contributions in each of the five task areas listed in the work plans and that the extent of the contribution tends to vary with the differing amounts of time spent by the firm in each area.

¹¹ Mr. Dasher informed us that no one from the IG's office spoke to him regarding the work of the Moten firm, which is noteworthy given the considerable familiarity Mr. Dasher has with that work and also given Mr. Mason's request that the auditors speak to Mr. Dasher.

¹² Similarly, Mr. Moten's important role (as described by Mr. Dasher and others) in training Modernization and Development Department staff answers the draft report's criticism

2. **Development.** The Moten firm spent a large amount of time on this area, primarily in implementing the development or redevelopment of five HANO sites: St. Thomas, C. J. Peete, Desire, Imperial Drive and Florida (only the first four of which are mentioned in the firm's work plans). Frank Nicotera, HANO's General Counsel, confirmed that Mr. Moten - "one of the best negotiators I've ever seen," in Mr. Nicotera's words - played an invaluable role in negotiating all of the basic development agreements for these sites and in conceiving strategies for these negotiations. The case of St. Thomas is instructive. Negotiations for the development of this site had to be conducted twice - a fortuity unforeseen in the Moten firm's work plan - because of HUD's directive to reprocur a developer. When the negotiations began a second time, Mr. Moten again became actively involved. He also spearheaded the effort to preserve the St. Thomas project's tax credits, which were jeopardized by the aborted transaction, by working with the accountants, tax lawyers, real estate developers and bankers involved in the project. Mr. Moten also played a major role in relocating residents of St. Thomas in anticipation of the site being developed.

Despite these extensive accomplishments, the draft report criticizes the Moten firm for allegedly "duplicating" the efforts of both Mr. Dasher and another contractor who worked on the project. (draft report at 10) Mr. Dasher emphatically denied there was any duplication of his efforts, and in fact the draft report offers no evidence of duplication but merely infers it from the fact that Mr. Dasher - whom the IG's auditors never contacted - "had responsibility for the redevelopment of St. Thomas." (Id.)¹³ The failure of the IG's office to examine the facts before leveling this accusation against Mr. Moten is inexcusable.

3. **Financial Development.** According to Mr. Mason and Mr. Dasher, one of Mr. Moten's most important contributions to HANO has been formulating strategies for "leveraging" HANO's scarce public funds to acquire other sources of funding. Moreover, Mr. Moten has often succeeded in helping implement these strategies. For example, he played a key role in persuading the Louisiana State Housing Finance Authority to increase - from \$300,000 to \$500,000 - the per project limit on state tax credits for HANO's HOPE VI projects (St. Thomas and Desire). HANO is the only public housing agency in the state positioned to take advantage of this benefit.

The Moten firm has had other successes in expanding the funds available to HANO. As Andersen Consulting wrote in its 1998 status report: "During the past year, under the direction of Emmett Moten, HANO has been extremely successful at forming alliances with banking institutions, CDCs and the private sector to redevelop the neighborhoods around HANO properties without the use of HANO funds." A Change Journey: Status Report on the Housing Authority of the City Of New Orleans (1998) at 39. According to several HANO officials whom

that he did not author the training syllabus used to teach the staff. (draft report at 9) Again, Mr. Moten did not write the training syllabus and never claimed to; what he did was provide training.

¹³ Similarly, the other contractor - James Brooks, who was hired by HUD - did not duplicate Mr. Moten's efforts. According to several persons involved in the St. Thomas project, Mr. Brooks served as an "expediter" for the HOPE VI review and approval process. We interviewed, the Moten firm has continued these successes during the period of its relationship with Tulane.

4. **Management and Operations and Overall Economic Development.** Although, as noted above, the Moten firm's role in these areas has been limited, it nevertheless has made substantial contributions to HANO. For example, Mr. Moten was instrumental in putting together a consortium of seven or eight banks which, under a memorandum of understanding, have agreed to provide mortgages to HANO residents. The Moten firm also has been active in the training and organization of HANO personnel in such areas as real estate development, relocation policy and negotiation skills.

HANO Comments



November 19, 1999

Mr. D. Michael Beard
District Inspector for Audit
819 Taylor Street, Suite 13A09
Fort Worth, Texas 76012

Dear Mr. Beard:

I have reviewed your draft report regarding your audit of the Moten & Associates contract, and my comments follow:


**FINDING 1: ANDERSEN AND THE EXECUTIVE MONITOR IMPROPERLY
PROCURED MOTEN & ASSOCIATES**

The Housing Authority of New Orleans (HANO) is or was not a party to the Moten & Associates contract. As such, HANO had no role in the procurement or the administration of the contract. HANO's reimbursement to Tulane, through the Executive Monitor, was supported by approved invoices by the Executive Monitor and Tulane University. These invoices were supported by documentation from Moten & Associates that included receipts for expenses, monthly activity reports, and a log that summarized the daily hours charged. Based upon the contract between the Executive Monitor (Tulane) and Moten & Associates, the only deliverable required with respect to contract performance were monthly activity reports.

Since HANO's role with this contract was perfunctory at best, I believe any recommendation resulting from this finding with respect to HANO is baseless, inappropriate, and irresponsible.

FINDING 2: HANO PAID \$493,283 IN INELIGIBLE AND UNSUPPORTED COSTS

As stated above, HANO paid invoices that were approved by the Executive Monitor. Your finding that \$23,011 of expenses was not budgeted is in error. Although the YEAR TWO budget was not descriptive with regards to the approved \$316,800, your auditor assumed that it did not include expenses. Previous correspondence to the reviewing and approving officials disclosed that the \$316,800 included \$264,000 in fees and \$52,800 in expenses (Attachments).

Sincerely,

Michael P. Kelly
Executive Director

**U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**

**WRITTEN STATEMENT
OF
FRANK NICOTERA
EXECUTIVE MONITOR
HOUSING AUTHORITY OF NEW ORLEANS**

**HEARING DATE
JUNE 4, 2001**

**HALE BOGGS FEDERAL BUILDING
NEW ORLEANS, LOUISIANA**

I. INTRODUCTION

I appreciate the opportunity to appear before the Subcommittee to discuss the progress of the Housing Authority of New Orleans and to address issues raised by the HUD Office of Inspector General. Over the last fifteen (15) months I have witnessed HANO putting plans and words into action. Their mission: "To provide safe, decent affordable housing to low-income citizens by creating and sustaining viable communities; and to facilitate resident self-sufficiency and upward mobility through productive collaboration." HANO staff is cognizant of the commitment and dedication necessary to accomplish their mission. HANO residents are beginning to realize that their faith and patience will be rewarded.

II. EXECUTIVE SUMMARY

The Cooperative Endeavor Agreement is the vehicle that has transformed HANO from the worst housing authority in the nation to a well-manage organization capable of supporting staff as they strive to accomplish their mission. The accomplishments under the Cooperative Endeavor Agreement (CEA), when compared to prior attempts to reorganize HANO, are remarkable. The magnitude of current Development and Modernization activities at HANO is the highest in over thirty (30) years. Several HANO departments have been recognized by governmental research organizations and state agencies for their excellence. Two Resident Management Corporations (RMC) have assumed management under the CEA. Resident services have received national acclaim. Despite the accolades and achievements, doubt exists.

It is unfortunate that the recent HUD-OIG report has ignited a firestorm of negative press and Congressional outrage. Although OIG staff assured HANO and the undersigned, that a "draft" of the report would be provided, for unexplained reasons HANO was not on the distribution list. The report dredges up events that occurred years prior to the CEA, but inexplicably disregards the past 15 months.

The findings ignore HANO accomplishments under the CEA and create controversy where none exists. To accurately report on HANO's progress, certain activities or events occurring prior to December 2000, should be recognized. To fully examine the success of the CEA, the review period should have been extended.

The CEA has resulted in progress at HANO. The National Advisory Council, established by Congress, has provided an objective review of HANO and recommendations to improve performance. HANO management has identified issues that must be resolved and implemented solutions. The following facts, which were not referenced in the OIG findings, outline progress at HANO prior to and after December 2000; the success of the CEA; and misinformation in the report:

- HANO's plans have turned into implementation of HOPE VI grants at Desire and St. Thomas, and Comprehensive Grant Program activities, including demolition, modernization and/or rehabilitation at all HANO conventional sites and several scattered site developments
- HANO has continuity of experienced and knowledgeable senior management
- The National Advisory Council has issued quarterly reports to Congress, that contradict the OIG findings
- Asset management plans have been implemented, including the transfer of management at B.W. Cooper and Guste Homes to Resident Management Corporations and the proposed private management of C.J. Peete, Desire and St. Thomas, as provided in the respective Development Agreements
- HANO has timely obligated capital funds, consistent with HUD regulations. A recent report from the HUD local office indicates that 91.4% of all HANO Capital Grant Funds have been obligated and 65% expended.¹
- HUD Headquarters (not HANO) requested a legal opinion from HUD OGC on the issue of whether a Development Agreement for HOPE VI or mixed finance development constitutes an obligation of funds (OIG was provided a copy of applicable emails during their review)²
- HANO timely submitted the Five Year Plans and Annual Plan required by QHWRA

¹ Exhibit 1

² Exhibit 2

- The City of New Orleans, with HUD's consent, transferred its Section 8 program to HANO in 1999.
- HANO disclosed possible Section 8 problems to HUD local and the local news media and sought assistance from HUD in its efforts to strengthen the program³
- Improvements in the Section 8 Department have resulted in successful relocation of most of the residents from C. J. Peete, Desire, and St. Thomas in calendar years 2000 and 2001
- Independent Public Audits were timely submitted to State and HUD officials for FYE 1999 and 2000. The FYE 2000 included an unqualified opinion for the first time in a number of years. The IPA's did not identify any misapplication, misuse or squandering of funds.
- Adjustments to PHMAP scores were consistent with regulations
- HUD cannot take adverse action against housing authorities on the basis of PHAS scores in accordance with the Conference Committee Report for HUD's FYE 2001 Appropriations (PIH Notice 2001-5)
- The New Orleans residential rental market will not support the proposed recommendations for Section 202 implementation
- The creation of smaller housing authorities will not increase funding, and is negated in part by the asset management plan already implemented by HANO.

The CEA has resulted in stability for HANO residents and staff. Board interference in daily HANO business is eliminated. 99% of emergency work orders are completed within 24 hours. HANO operates within budget. Contractors are paid on time. Employees are provided with and trained on current technology. Resident service programs have received national acclaim. Modernization and Development achievements are not the product of "Madison Avenue slick presentations"⁴, but are real. You can see it, touch it, hear it, and live in it.

³ Exhibit 3

⁴ Audit report number 2001-FW-0001, p. 19

III. ACCOMPLISHMENTS UNDER THE CEA

a. Background

Since February 1996, HANO has operated under a Cooperative Endeavor Agreement (CEA) between HUD and the City of New Orleans to facilitate the agency's recovery from two decades of unsatisfactory performance, as measured by PHMAP, resident dissatisfaction, and general public opinion. The CEA called for suspension of the Board of Commissioners, whose policy and government functions were transferred to HUD, under the direction of the Secretary or his designee. Additionally, the Secretary named an Executive Monitor to oversee the daily activities at HANO to insure compliance with the CEA and progress toward recovery. Since then HANO has pursued a steady course of addressing systemic reform in all functional areas, that included reorganization or consolidation of every department, and accompanied by development and implementation of a plan to evolve into an asset management organization.

In January 2000, HANO's staff and residents were forced to endure another change. The Executive Monitor and Executive Director both resigned to pursue other opportunities. Contrary to HANO history however, this change did not lead to a crisis. Benjamin Bell, formerly Deputy Executive Director for Operations, was named Interim (now permanent) Executive Director. Mr. Bell reduced the overall number of senior staff positions, but assembled an excellent and hardworking staff.

HANO's new management team knew that despite HANO's past progress, delays in the implementation of Hope VI grants and modernization activity cast a cloud over HANO's transformation. The significance of these delays was compounded by the change to the Public Housing Assessment System, particularly the Physical Standards and the Financial Indicators. HANO's aged housing stock is a formidable handicap to achieving a passing Physical Standards score. Likewise, years of deferred maintenance, prior to the CEA, resulted in numerous claims for personal injury and property damage against HANO. HANO's "Self-Insurance Fund", did not adequately address the accumulated claims. HANO does not have adequate reserves to cover those claims therefore achieving a passing score for the Financial Indicator will be difficult.

b. Improvements

The measure of the success of the CEA is illustrated by the improvements at HANO that will be detailed below. The CEA created a format for improving or creating policies, procedures and systems. In February 1996, HANO did not have basic systems in place. Employees did not receive adequate training and refresher courses. There was an absence of planning. Unfortunately Residents lived with the results of HANO's inefficiency.

In the initial years of the CEA a "fix the business first" approach was instituted. Policies, procedures and systems were implemented. Experienced professionals were hired to manage various departments. Within one year strategic planning was the rule rather than the exception. An asset management strategy was initiated, beginning with training of HANO staff. The Board of Commissioners, with HUD serving as the Board, reflected the organizational changes and restored credibility and professionalism to Board meetings.

The management changes, planning and support of the Board resulted in numerous accomplishments. A number of significant achievements, that contradict critics, include:

- Implementation of Hope VI grants at Desire and St. Thomas that began prior to December 2000. Ongoing Modernization activity, utilizing Capital Funds, at all other conventional developments and several scattered sites.
- Obligation of Capital funds in compliance with QHWRA. HANO has obligated these funds consistent with statutes and regulations. There was no creative legal maneuvering or trickery and contrary to headlines funds were not squandered. Before HUD releases these funds to any Housing Authority, through its LOCCS system, the funds requested must correspond to an approved budget line item, and documentation must satisfy program requirements. All uses of obligated and expended funds can be tracked.⁵ There has been no misuse, abuse or misappropriation of funds, or any violation of law or regulation related to

⁵ Exhibit 4

obligation of funds. HUD local has acknowledged HANO's efforts in a recent report to the National Advisory Council.⁶

- Establishment of Resident Management Corporations. Under the CEA HANO has transferred management at B.W. Cooper and Guste Homes to RMC's and supports their efforts. Residents had sought this opportunity for years
- Independent Public Audits were timely submitted to the state and HUD for the first time in a number of years. The FYE 2000 audit included an unqualified opinion for the first time in years. The audits did not identify any misuse of funds. The FYE 1999 report was available for review during the time period covered by the OIG report.
- HANO has implemented an asset management strategy that has resulted in a reduction in staff from 739 employees in 1996 to 567 employees in 2001.
- HANO's revised delivery of resident services, introduced many new opportunities for residents, enabled them to better cope with requirements of "Welfare to Work" legislation and provided HANO with a database that allows targeting of programs to resident needs.
- Established a Financial Consortium of local financial institutions to streamline mortgage loan underwriting and approvals, to assist HANO residents interested in home ownership.
- Established a nonprofit community development corporation that includes board representation by HANO, resident leaders and the local banking, business and university communities. The CDC will develop affordable for-sale housing, Section 8 rental property and explore economic development opportunities.
- HANO, in cooperation with resident councils and the New Orleans Police Department has greatly reduced violent crime in conventional public housing developments. Under the CEA, HANO has successfully completed over 300 evictions under its "One Strike and Your Out" policy.
- As of May 31, 2001, of the 6107 units approved for demolition, 3564, or 58% have been completed.⁷
- In 1997 established a Lead Paint task force to plan and implement a lead safe program authority-wide. A 24-hour lead poisoning alert hotline was established, with the number printed on all monthly rent statements. "Hotel" units were

⁶ Exhibit 1

⁷ Exhibit 5

designated at each site, where families could be moved temporarily, while their units were made lead safe.

c. Extension of the Cooperative Endeavor Agreement

It would be self-serving for the undersigned to recommend an extension or modification of the CEA. In considering the future of the CEA, the reports and recommendation of the National Advisory Council, established by Congress, should be given great weight. The NAC members have considerable experience in a variety of areas related to housing and community development. The majority of the NAC members have no prior connection to HANO or the City of New Orleans and the HUD-OIG is represented on the council. Their independence cannot be questioned and their reports reflect their objectivity.

Current HANO management has demonstrated their ability to implement and jumpstart development and modernization activities. They may not require the daily monitoring that is presently in place and therefore modifications to the CEA could suffice. This Subcommittee should not rely on the OIG report in determining the future of the CEA. The report contains unsupported opinions, ignores the current status of HANO, and disregards facts that would contradict conclusions contained in the report.

There have been extensions to the CEA, however those extensions did not grant additional authority to the Executive Monitor. Although officials at HUD headquarters consider the CEA a form of administrative receivership, the Executive Monitor was not cloaked with the authority of a statutory receiver. Consideration of this issue, or alternatives, should include a review of the powers granted to the Secretary, in similar situations.⁸

IV IMPROVEMENTS AT HANO

Since joining HANO in 1997 as General Counsel, there have been numerous improvements, as alluded to in Section III above. The achievements by department are listed below. This list is representative, but not all-encompassing, and in several

⁸ 42 U.S.C. § 1437 (d)

instances will refer to attached exhibits. The improvements at HANO under the CEA, and in particular the period from February 2000 through the present, are as follows:

a. Capital Programs (Modernization and Development)

HANO Management, past and present, realize that despite all of the progress, success would be measured by the production of new or renovated units. Plans prepared under the CEA, have been implemented over the last 15 months. Current Revitalizations plans for each HANO site are attached.⁹ Subsequent to February 2000, HANO's new management redirected development priorities to focus efforts on the HOPE VI sites at Desire and St. Thomas. The Desire Grant was awarded in 1994 and the St. Thomas Grant was awarded in 1996, but redevelopment had not started at either site. Significant accomplishments on the HOPE VI grants have been achieved since February 2000:

- Began demolition at St. Thomas HOPE VI Site (7/00). Demolition is 80% complete as of today.
- HUD approved St. Thomas Community Supportive Services Plan and Budget (9/00). Executive Director for CSSP hired.
- Over 600 families relocated from St. Thomas since February 2000. 3 families remain as of today.
- HUD approved St. Thomas Revitalization Plan (9/00)
- Infrastructure construction is scheduled to start in July 2001
- St Thomas HOPE VI Project received \$8 million from the State of Louisiana, a \$6 million bond commitment from the City of New Orleans, and a \$21 million commitment for tax-exempt bond allocation from the State of Louisiana (11/00)
- Received \$6 million bond commitment from the City of New Orleans for the Desire HOPE VI Project (11/00)
- Desire HOPE VI Phase I received low-income housing tax credits for the year 2001 from the Louisiana Housing Finance Agency (11/00)
- HUD approved the development agreement for the master-site developer at the Desire HOPE VI Project

⁹ Exhibit 6

- The master-site developer mobilized to the Desire site (3/01) and has started demolition of remaining buildings, and will shortly start infrastructure construction.
- 70 families remain on site at Desire. Relocation is proceeding.

HANO's Comprehensive Revitalization Plan is attached as Exhibit 6. The plans detail activities completed at each site, ongoing modernization or development and planned future activities. Other activities of the Development and Modernization Departments are referenced below:

Community and Supportive Service Program Accomplishments

- Received HUD approval of St. Thomas CSS Workplan.
- Implemented St. Thomas Community and Supportive Serviced Program.
- Formalized MOU's with community partners with provisions for performance-based criteria, accountability principles, and resident participation.
- Completed case management assessments of 68% of the residents relocated from St. Thomas.
- Monthly meeting with the St. Thomas HOPE VI Community Task Force to review progress and address other redevelopment issues.
- Hosted a variety of events in St. Thomas to provide information about HOPE VI and what HANO, HRI, the St. Thomas Irish Channel Consortium and the St. Thomas Resident Council were doing to provide comprehensive services to the residents through the CSS Program.
- Received approval from HUD to provide interim case management and economic development programs to families currently residing on-site at Desire.

Real Estate Disposition

- Board of Commissioners approved the disposition of 1812 Baronne Street for use in commercial development providing needed economic development in the Central City area.
- Board of Commissioners approved the disposition of 1809 Philip Street to the Scattered Site Resident Council for the development of three single-family homeownership units.
- Received approval from HUD to dispose of 1812 Baronne Street and 1809 Philip Street from HUD.
- Board of Commissioners approved the submission of a disposition application to HUD for HANO to enter into long-term lease agreements with selected developers for the purpose of transforming the Desire Housing Development into an economically viable mixed income community.
- Received approval from HUD to dispose of 98 acres of land at Desire to Developers.
- Board of Commissioners approved exchange of properties of approximately equal size and value, with the Orleans Parish School Board and the submission of a disposition application to HUD.

- Received approval from HUD to dispose of 9.95 acres of land via a land swap, between HANO and the Orleans Parish School Board.
- Board of Commissioners approved the submission of a disposition application to HUD for HANO to dispose of St. Thomas to developer for the purpose of transforming it into an economically viable mixed income community.
- HANO submitted a HOPE VI Application for partial demolition of the Florida Housing Development.
- Awarded a HOPE VI Demolition Grant for partial demolition of the Florida Housing Development.
- Board of Commissioners approved the disposition of 730 Antonine Street to the New Orleans Works, Inc. for the development of eight single-family homeownership units.

Homeownership

The Homeownership department was recently restructured, and over the past several months has jumpstarted the program.

- Executed an MOU with a Lender Consortium including Fannie Mae, Hibernia, Whitney, United Bank and Trust, Dryades, Bourgeois Mortgage Co., and Amsouth.
- Established a Section 8 Home Ownership Program.
- Formed a partnership with Fannie Mae and Hibernia to underwrite the Section 8 Home Ownership Program.
- Secured HOME Funds from the City of New Orleans for both programs.
- Placed three public housing residents into homeownership as of today.
- Projected to place fifteen to twenty more families in the next 60-90 days.
- Secured a partnership with NCUC and NHS to allow our public housing families and Section 8 recipients to enter into an IDA Collaborative where their savings can be matched 4 to 1.
- Created a preferred list of Realtors, Insurance providers, home inspectors, homebuyer education providers and lenders to work with our families.
- Partnered with several non-profits, that are beginning new construction developments and plan to give our residents preference in acquiring homes: Xavier Triangle, Whitney CDC, and Family Resources of New Orleans to name a few.
- Assisted in writing the Desire Homeownership Plan.

b. Finance Department

Prior to the CEA, HANO's Finance Department could not perform basic functions necessary to support operations. Bank accounts were not reconciled, vendors were not paid in a timely manner and documentation required to perform independent audits was not easily attainable. This is no longer the case. HANO would pass the PHAS financial indicator, but for the existence of accumulated long term liabilities related to personal injury settlements and judgments. The improvements in the Finance Department are outlined below:

Financial / Budget Reporting

- General ledger conversion was implemented to facilitate the development of site based financial statements.
- **A standardized project based reporting system has been developed to manage budget vs. actual financial activity in accordance with HUD and HANO requirements.**
- **Monthly project based financial statements and capital improvement reports are prepared for review by the executive and senior management staff.**
- Central office cost allocation plan has been implemented.
- Redesigned payroll module to interface with position control report to provide for supported labor distribution to funds and projects.

Financial Account Reconciliation

- Complete reconciliation of all major balance sheet accounts, including the establishments of subsidiary ledgers for significant accounts.
- Reconciliation of Homeownership accounts and establishment of detailed homebuyer reserve subsidiary ledger.
- Reconciliation of position control report

Comprehensive Grant Program Budgets

- Completed reconciliation of the CGP tracking system with the general ledger.
- **Completed budget fungibility for CGP program years 92 – 98, resulting in all comprehensive grant programs 98 and prior to be fully obligated. CIAP and CGP 92, 93 and 94 will be fully expended by 9-30-01 and will be officially audited and closed out with the issuance of the fiscal year 2001 independent audit.**
- Redesigned LOCCS request procedures to facilitate timely payment of vendor and contractors payables.

Section 8 Financial / Settlement Statements

- Balanced all program settlement statements for the current fiscal year and reconciled all prior year statements.
- Designed program based financial statements to monitor budget to actual utilization and operating expenditures.

Independent Audit

- **Timely coordination and submission of independent audit report for FY 9-30-99 (first time in HANO recent history) and again for FY 9-30-00 and REAC financial statements.**
- **Received unqualified independent audit opinion for the FY 9-30-00**
- Received qualified independent audit opinion for the FY 9-30-99---only qualification due to the verification of the opening balances of Land, Building and Equipment and Fund Equity.

- Independent audit findings and questioned costs decreased from 21 findings for FY 97, 16 findings for FY 98, 8 findings for FY 99 and 4 findings for FY 00.

Results of Operations for Fiscal Year 2000 and Fiscal Year 2001

- Diligent management of monthly budget to actual financial reports have resulted in a low income public housing profit for fiscal year 2000 of approx. \$ 4,000,000 and for the first 7 months of fiscal year 2001 of approx. \$ 1,700,000.

PHAS Financial Score

- Improved the total PHAS financial score from 8 for the fiscal year 1999 to 15.82 for the fiscal year 2000.

c. Admissions & Section 8 Performance Improvements

HANO has made significant improvements in the Section 8 Department, since February 2000, as indicated by the accomplishments listed below, and the successful relocation at C.J. Peete, Desire and St. Thomas. HANO disclosed problems in this department to HUD, and kept them informed on a regular basis. Contrary to the OIG findings, the Section 8 Department reorganization, which is ongoing, has been effective.

- Increased program utilization from 71.8% to 81%
- Increased landlord participation by 200 between 3/00 and 3/01
- Procured a market study to identify potential landlords and properties
- Instituted direct deposit for landlord HAP payments
- Instituted landlord outreach activities
- Merged Relocation and Admissions Departments with Section 8
- Reorganized department staff
- Implemented quality control reviews for department sections
- Identified outstanding housing quality inspections
- Initiated program audit
- Developed visual aids to solicit for Relocation & Section 8
- Implemented Landlord Advisory Committee
- Implemented Landlord Briefings
- Increased contract lease-up by completed relocation of residents at five (5) sites
- Established transportation services for relocating residents
- Outsourced Housing Quality Standards inspections
- Obtained data processing firm to conduct waiting list activities
- Obtained marketing contractor for Section 8 waiting list
- Reassigned HAP reconciliation from Finance to Section 8 Department
- Received Board approval to utilize Section 8 vouchers for home ownership program

d. MANAGEMENT/OPERATIONS

HANO's Management and Operations department has made tremendous improvement under the CEA. Recently it received a passing PHAS score of 26 out of 30. Almost 100% of emergency work orders are completed with 24 hours. Decentralization of management was implemented to convert to a site-based management system, that includes a site based tenant selection plan. Working with local authorities, an effective Witness Protection Program was implemented. Criticism of this department is not warranted. Some of the accomplishments over the last year include:

PHAS

- REAC Physical Condition Inspections conducted September 11-October 15, 2000. Received results of inspection. Scores are presently under appeal and review.
- Resident Satisfaction Survey Completed. In preparation, all current unit addresses updated in REAC system and media phase implementation and resident notification completed. Scores from survey indicated an increase in customer satisfaction. HANO scores went from 7.8 in 1999 to 8.2 for FY 2000.
- Transformation from Housing Quality Standards Inspection to Uniform Physical Condition Standards Inspections. (UPCS) All inspectors trained by Nan McKay and Associates. Computer hardware and software procured and is presently being used to conduct UPCS inspections and reporting.
- Management Operations Certification approved by HANO's Board and electronically submitted to HUD via REAC web site. HANO scored 26.0 points out of a possible 30 points for FY 2000.

POLICY AND PROCEDURE

- Revised the Rent Collection and Eviction Policy
- Revised HANO's Escrow Policy
- Revised HANO's Pet Policy
- Revised HANO's Resident Grievance Policy
- Revised sections of HANO's Site Based Standard Operating Procedure Manual
- Revised HANO's Resident Orientation and Handbook
- Revised Admissions and Occupancy Policy and Residential Lease to conform to QHWRA.
- Note: All Policies were subject to 30 days resident comment period and Board approval.

SECURITY DEPARTMENT

- New Abandoned Vehicle and Parking Violation Division
- New Guste Security Force
- Site patrols started to assist managers in eviction of squatters, securing vacant units, identifying illegally drug traffic, identifying the harboring of dogs not in compliance with HANO's Pet Policy.
- Security Staff received training in CPR, First Aid, and the use of Non-lethal weaponry.

VACANCY REDUCTION PROGRAM

COMPLETED AND CLOSED OUT. 805 UNITS COMPLETED.

SPECIAL MAINTENANCE PROGRAMS

- Floor Repairs 624 Units Completed
- Wall Repair 668 Units Completed
- Vacant Unit Turnaround 61 units Completed

GENERAL

- Public Housing Management Certification
- Continue to work with RMC's
- QHWRA action plan
- More rollouts on site based management (Computer access levels and reports available)
- Elderly only application for Guste High-Rise
- Playground and Tennis Court Renovations at Lafitte Development (Carondelet Walk Playground), in association with the Lafitte Resident Counsel, City Of New Orleans and the Central Civic Improvement Association Boys Club. Dedicated May 2001.

e. Recent accomplishments from other HANO departments are attached as exhibit 7

V. THE NATIONAL ADVISORY COUNCIL

The establishment of the NAC by Congress, pursuant to QHWRA, was initially greeted with trepidation by the undersigned. Too often in the past consultants or target teams had done assessments of HANO resulting in renewed criticism but few suggestions or solutions. Often HANO staff had to forego scheduled duties in order to respond to requests for information or meet with consultants. The NAC has allayed my initial fears. They came to HANO with a professional attitude, objectivity, and a willingness to assist. They have provided advice, expertise and recommendations that will help HANO achieve high performer status. Their continued involvement with HANO would be beneficial.

At the request of the NAC, I have submitted their statement to the committee, which details the methodology used to assess HANO and the reports they requested from HANO. They have provided considerable assistance and focus for HANO. Their quarterly reports confirm that significant improvements have been made, but critical issues remain. The objectivity of their reports is refreshing and their commitment is appreciated. I urge the Subcommittee to consider their reports and recommendations.

VI. ALTERNATIVES

In considering alternatives, the reports and recommendations of the NAC should be given great weight. The NAC was formed by Congress. The members represent a cross section of professionals with experience in public housing, real estate development, government and affordable housing and community development. They have donated their time and expertise and provide an objective view.

HANO today is light years ahead of the organization I first joined in January of 1997. HANO has acknowledged those areas that need attention, but the organization has demonstrated its ability to succeed and its commitment to Residents. Over the last year HANO has made considerable progress in Development and Modernization as evidenced by ongoing activity.

The alternatives suggested by the OIG, as discussed above are not practical. They will increase administrative costs and create more bureaucracy. Any discussion of alternatives should focus on HANO's residents. The primary concern is to avoid changes that would result in delays or stoppage of current activity and deprive residents of needed housing. Likewise, care should be exercised to retain HANO management and staff, considering their achievements over the last year. Any alternatives must contain plans to correct problems that were present in 1996, such as the accrued legal liabilities. Finally, funding commitments must be included up-front. During the CEA HANO has not received any HOPE VI Revitalization Grants, while other cities under receivership during the same time period have received as many as five.

VII. CONCLUSION

Since my appointment as Executive Monitor in March 2000, and several years prior as General Counsel, I have had the pleasure of working with residents who have shown great patience and conviction, and HANO staff who are committed and resilient. Benjamin Bell and his staff are the hardest working people I know. Their experience (in the private and public sector), intelligence, determination, tenacity and concern for residents, is an asset that is not easily found, and has not been present at HANO for years. If the Subcommittee decides action is warranted, great care must be exercised to keep current activities on schedule and retain key members of the HANO staff.

REPORT TO THE NATIONAL ADVISORY COUNCIL
29 May 2001

This is the third report provided to the National Advisory Council regarding the Housing Authority of New Orleans. As with the previous two reports issued this report will address the following issues:

- Obligation of Comprehensive Grant/Capital Funds
- Hope VI Progress of both the St. Thomas and Desire programs
 - Relocation
 - Demolition
 - Construction
- Modernization Efforts at the Housing Authority
- Section 8

OBLIGATION OF FUNDS
CAPITAL FUNDING ASSESSMENT

Since the presentation to the National Advisory Council on 21 February 2001, the Housing Authority has continued to progress in the obligation and expenditures of its capital grant funds. The following illustrates the progress achieved by the Authority:

FY	AUTHORIZED	OBLIGATED	EXPENDED
92	30,864,933	30,864,933	30,514,729
93	28,422,606	28,422,606	27,886,777
94	33,658,151	33,658,151	33,367,676
95	33,954,510	33,954,510	20,291,408
96	27,790,559	27,790,559	18,19,895
97	26,401,593	26,401,593	19,884,583
98	27,769,211	27,769,211	5,738,018
99	34,421,108	13,846,816	3,178,738
99/RHF	543,318	387,206	154,410
00	33,155,508	10,196,947	7,285,187
00/RHF	2,565,680	0	2,565,560
TOTAL	243,625,989	222,653,519	156,553,242

Given the history of the Housing Authority relative to its obligation and expenditure of capital funds, the progress to obligate all funds from FY 1992 thru 1998 is commendable. Discussion with the Housing Authority indicates that progress in being made to finish the obligation of FY 99 thru FY 00 Comp Grant/Capital Funds.

SECTION 8

The Housing Authority of New Orleans continues to get its Section 8 house in order. The lease up for Section 8 still remains a large concern. All housing authorities need to meet the 95% lease up rate criteria. Despite the recent increases in the lease up rate, it is unlikely that HANO will meet the HUD goal. The Section 8 issue is further complicated by a recent case action law suit which deals with the utility allowance afforded Section 8 participants. Recent press coverage on the HANO utility allowance issue may have an adverse effect in attracting new landlords to the program. It has already had an adverse effect on residents considering the Section 8 program as a possible relocation resource. The Field Office still believes that the Section 8 Program needs to contract out the entire operation.

CONCLUDING REMARKS

This report presents a more upbeat appraisal of the Housing Authority of New Orleans. The report notes measurable progress in the relocation, demolition and pre-construction at its HOPE VI sites. Further, it notes measurable progress in the redevelopment of two major public housing development sites - Florida and C. J. Peete. The financial issues regarding obligation and expenditure of funds are noteworthy and the issues associated with the accountability of funds are also noteworthy.

Section 8 still lease up rate is problematic and appears will for the foreseeable future.

Relocation

St. Thomas HOPE VI - A report provided by HRI (05/03/01) indicates only 16 families remain at the St. Thomas site. These families are expected to be moved into either Section 8 Housing or to a conventional low rent HANO PH unit.

Desire HOPE VI - Approximately 65 families are still residing at the Desire HOPE VI site. The Field Office still remains concerned about the number of families still remaining at the site. The Field Office again reiterates its concern regarding the potential liability of having residents reside at a construction site or in an area which has largely been vacated.

Demolition

Demolition is progressing satisfactorily at both the St. Thomas and Desire Hope VI sites. HRI reports that over 50% of all buildings at St. Thomas have been demolished. This represents approximately 780 units. Phase I demolition is scheduled to be completed by 31 December 2001.

Gilbane-CAM, project managers for the Desire HOPEVI program, note in their April 30th report a total of 820 units remaining to be demolished at the Desire HOPE VI site. Because some residents still remain on the site, HANO has progressed with selective demolition of units. The Field Office's concern has been stated in the section dealing with relocation of residents from the Desire HOPE VI site.

Construction

St. Thomas and Desire - Infrastructure construction is on-going at both the St. Thomas and Desire HOPE VI sites.

OTHER

Relocation and demolition is progressing satisfactorily at the C. J. Peete Development

CONCERN

As mentioned in the two previous reports, the Field Office has a concern regarding the organizational/managerial capacity of the Housing Authority of New Orleans to effectively handle two HOPE VI programs (St. Thomas and Desire), two major redevelopment programs (Florida and C. J. Peete) and the modernization and maintenance of existing housing stock. To date the Housing Authority of New Orleans has responded well to the increased workload. However, the Field Office is aware that a number of housing authorities throughout the country have strained organizational and management capacity trying to handle simultaneously a number of large and complex construction and redevelopment programs.

Further the information noted above is from the Department's LOCCS System as of 03/30/01. The Housing Authority has provided "real time" data as of 04/30/01 from their internal documents. Our analysis of the data indicates exceptional progress in balancing HUD data with HANO's internal data.

Additionally, the Housing Authority has provided information regarding its expenditure expectations for the Comp Grant Programs - FY95, FY96, FY97, FY98. The majority of unexpended funds have been earmarked for on-going modernization/development projects. Our next report will comment on the progress of these expenditures.

The Housing Authority needs to be mindful of two issues at this point. The first is the closing of old programs. The second issue is the need to be mindful of extensions that might be need for capital funding programs.

MODERNIZATION EFFORTS

Since the last report to the National Advisory Council, the Housing Authority of New Orleans has documented large scale modernization work as follows:

MODERNIZATION PROJECT

- Redevelopment of the Florida Development
- Guste Highrise Modernization
- Modernization of the Constance Street Scattered Site Dwellings
- Sewer and Site Work at the St. Bernard Development
- Window Replacement at Iberville
- Window Replacement at Lafitte
- 504 Accessibility Work at:
 - Iberville Development Community Center
 - A/E for 504 Work at Lafitte
- Clean Up Work at B W Cooper Development
- Renovation to Administrative Building at C. J. Peete

Additionally, the Housing Authority of New Orleans is advertising for bids for the construction of 100 elderly units at the Fischer Development.

HOPE VI

The Housing Authority has made considerable and commendable progress in its relocation and demolition of buildings at both the St. Thomas and Desire Hope VI construction site.

Dominick A. Pittari
02/15/2000 07:29 AM

To: Russell H. Mora/PIH/NOR/HUD@HUD, Oliver Rose/PIH/NOR/HUD@HUD,
James W.
Abernathy/PIH/NOR/HUD@HUD

cc:
Subject: HANO Contracts and Obligations

Hello Oliver,

While at HANO today, try to meet with Ben Bell and get the dollar figures that they consider obligated for Peete and St. Thomas for planning and development.

A letter from the PHA stating the obligations for each would be appropriate.

----- Forwarded by Dominick A. Pittari/PIH/NOR/HUD on
02/15/2000 07:33 AM -----

Chet J. Drozdowski
02/14/2000 02:57 PM

To: Dominick A. Pittari/PIH/NOR/HUD@HUD
cc:
Subject: HANO Contracts and Obligations

----- Forwarded by Chet J. Drozdowski/PIH/NOR/HUD on
02/14/2000
03:01 PM -----

William J. Flood
02/14/2000 02:31 PM

To: Chet J. Drozdowski/PIH/NOR/HUD@HUD, Dominick A.
Pittari/PIH/NOR/HUD@HUD
cc: Gwendolyn A. Watson/PIH/HHQ/HUD@HUD, Vickie S.
Longosz/OGC/HHQ/HUD@HUD
Subject: HANO Contracts and Obligations

Chet/Dominick--Per our cinference call the other day, I wought an opinion on the issue of obligation of funds for the three HANO development agreements you cited on the phone. We had copies and Gwen took them to Vickie Longosz in our program

counsel's office to review and give us an opinion as to whether we could consider funds from the mod sources as "obligated" for HANO by the wording of the agreements. Below you will find her opinion. It is good news for the obligationists. Please work with HANO staff to straighten out the administrative record so that we can feel comfortable that the funds are obligated by all the rules. If you need assistance, up to and including Gwen in person in NO, please let me know. She is not available next week but could come down for a couple of days in the following week if it were necessary--I don't think there is anything that can't be done by phone. But you make the call please. If you have questions, call us. Bill
 ----- Forwarded by William J. Flood/PIH/HHQ/HUD on
 02/14/2000
 03:22 PM -----

Vickie S. Longosz
 02/14/2000 03:18 PM

To: William J. Flood/PIH/HHQ/HUD@HUD, Gwendolyn A. Watson/PIH/HHQ/HUD@HUD
 cc: MICHAEL H. REARDON/OGC/HHQ/HUD@HUD
 Subject: HANO Contracts and Obligations

As requested, this note will confirm advice that I gave Gwen on Friday and which I discussed with Lee Reno today. I reviewed 3 Development Agreements to determine whether they created HA obligations. I concluded that the Development Agreements for St. Thomas HOPE VI and C.J. Peete created obligations for planning and development services. However, the Desire agreement only created an obligation for planning services. The Desire agreement clearly stated in paragraph H that HANO cannot commit to a precise amount of funding to be provided for the Development until a planing process is complete. I suggested to Lee Reno that the Desire agreement could be amended if HANO was ready to specify the additional activities that the contract covered.



For Immediate Release:
October 30, 2000

Contact: Kim Brown
(504) 670-3254

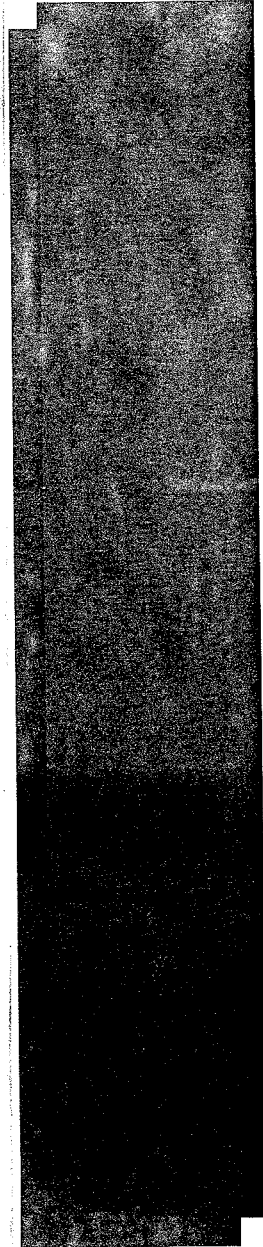
Housing Choice Voucher Program

As part of an ongoing effort to increase the efficiency and effectiveness of the Housing Authority of New Orleans, a comprehensive review of all departments and programs has been underway. During this process several irregularities and reporting inconsistencies were disclosed within the Housing Choice Voucher Program (Section 8). This necessitated the immediate reassignment of staff while an in-depth review of the records continues. This action is not intended to cast blame but rather, to insure the integrity of the present information. During this investigative period, staff in the affected areas were placed on Administrative Leave with pay on October 19, 2000 through November 8, 2000.

The duties assigned to those employees have been redistributed to others, insuring the continuation of service to the participants of the Housing Choice Voucher Program.

###

EXHIBIT 6
SEE ATTACHED



Housing Authority of New Orleans

Building a better future...

Comprehensive Revitalization Plan

for the

Housing Authority of
New Orleans (HANO)

May 2001

ST. THOMAS

May 2001

Revitalization Plan

The St. Thomas Development was awarded a 1996 HOPE VI grant. Proposed plans call for the complete demolition of the LA1-09 section and demolition of all but five buildings in the LA1-01 section. The exterior of the remaining five buildings in the LA1-01 section will be restored to their original look, as dictated by the Historic 106-Process. The remainder of the site will be redeveloped with a mixture of single-family and semi-detached homes for rental and homeownership. The project also includes an off-site rental and homeownership program. The HOPE VI Revitalization Plan is to be developed and implemented through development partner, Historic Restoration Incorporated and the St. Thomas Resident Council.

Revitalization Points

- DEMOLITION OF ALL BUT FIVE BUILDINGS TO REMAIN IN THE LA1-01 SECTION
- 176 PUBLIC-HOUSING-ELIGIBLE RENTAL UNITS
- 414 MARKET-RATE RENTAL UNITS
- 15 AFFORDABLE FOR-SALE UNITS
- 58 MARKET-RATE FOR-SALE UNITS
- 312-UNITS CONTINUING CARE FACILITY
- 100-UNITS RESIDENTIAL CONDOMINIUM FACILITY
- 100 PUBLIC-HOUSING-ELIGIBLE UNITS OFF-SITE
- HUD 202 64 UNITS ELDERLY FACILITY
- COMMERCIAL FACILITIES

Income Mix

- (not including Continuum Care and Condominium Facilities)*
- MARKET RATE UNITS 67%
 - PUBLIC HOUSING ELIGIBLE UNITS 33%

Project Cost

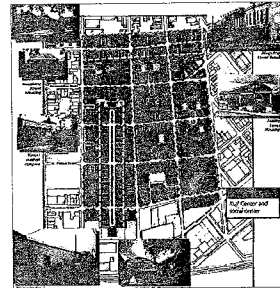
Including the retirement community, condominiums, and the retail development, the total cost for the St. Thomas HOPE VI Revitalization is estimated at \$320 million. The funding sources are as follows:

HOPE VI Grant	\$ 25,000,000
HOPE VI Demolition Grant	3,500,000
Comprehensive Grant Program (CGP) (92-99)	6,200,000
State of Louisiana	8,000,000
City of New Orleans	6,000,000
Tax Exempt Bonds	45,600,000
Other ¹	226,300,000
TOTAL	\$320,600,000

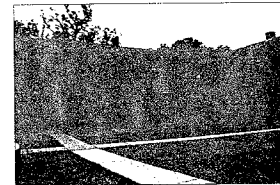
Project Milestones

- DEMOLITION OF LA 1-09 BEGAN JULY 2000
- HUD APPROVED REVISED REVITALIZATION PLAN SEPT 2000
- COMMUNITY AND SUPPORTIVE SERVICES PLAN APPROVED SEPTEMBER 2000
- EXECUTED CONTRACT WITH STICC AS CSSP IMPLEMENTING AGENCY OCTOBER 2000
- DEMOLITION OF LA 1-1 JANUARY 2001
- ENTERED INTO COOPERATIVE ENDEAVOR AGREEMENT WITH CITY OF NEW ORLEANS MAY 2001
- ENTERED INTO COOPERATIVE ENDEAVOR AGREEMENT WITH STATE OF LOUISIANA MAY 2001
- CONTRACT DOCUMENTS FOR INFRASTRUCTURE CONSTRUCTION TO GO OUT FOR BID MAY 2001

¹Other consists of funds from City of New Orleans, Fannie Mae Foundation, local banks, CDBG funds, low income tax credits, Capital Outlay Funds, self generated funds and historic tax credits



Proposed configuration for the new St. Thomas Housing Development.



Buildings at St. Thomas Housing Development today.

St. Thomas Facts

LA 1-01, Constructed: 1941, 970 units	
LA 1-09, Constructed: 1953, 540 units	
UNITS	
Occupied Units	4
Vacant Units	434
Total Units	438
Reconfigured Units	117
Demolished Units	955
HEADS OF HOUSEHOLD	
Employed	1
Welfare	1
Disabled	4
Retired	1
ETHNIC BACKGROUND	
African American	17
Total Population	17

C. J. P E E T E

May 2001

Revitalization Plan

Overall redevelopment plans for the C. J. Peete Housing Development include reducing the density of sections LA 1-02 and LA 1-10, while curing several site design flaws. Redevelopment is proposed to take place in two stages, STAGE-I and STAGE-II. HANO began demolition activity in 1998 with the removal of eight buildings comprised of 64 units. Further demolition of non-viable buildings resumed in April 2001. There will be a total of 177 units demolished in LA1-02. The remainder of these units will be redesigned, reconfigured and comprehensively modernized. While redevelopment of STAGE-I is being performed, all remaining 616 units in LA1-10 will be demolished, making way for the future STAGE-II redevelopment. HANO will apply for 2003 HOPE VI grant funds to subsidize this redevelopment effort. UNIDEV, LLC is the developer partner selected for STAGE-I Phase One redevelopment of C. J. Peete.



A courtyard in the C. J. Peete Housing Development.

Phase One Income Mix

- PUBLIC HOUSING ELIGIBLE RENTAL 60%
- MARKET RATE RENTAL 40%



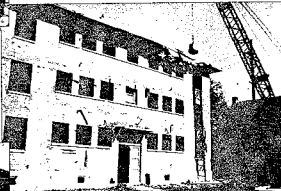
Above a building slated for renovation in the LA 1-02 section of C. J. Peete.

Project Milestones

- RELOCATION OF PHASE I COMPLETE
- ADMINISTRATION BUILDING RENOVATIONS 85% COMPLETED
- DEMOLITION OF 12 BUILDINGS IN LA 1-10 BEGAN APRIL 2001
- COMPLETE REVISED MASTER PLAN JUNE 2001
- DEMOLITION OF THE NEXT 12 BUILDINGS IN LA 1-10 TO BE BID: JUNE 2001
- COMPLETE HISTORIC 106 PROCESS AND PREPARE TAX CREDIT APPLICATION: AUGUST 2001
- DEMOLITION/RENOVATION OF LA 1-02 TO START: OCTOBER 2001

Revitalization Points of STAGE-I

- DEMOLITION OF 177 UNITS IN LA1-02
- DEMOLITION OF 616 REMAINING UNITS IN LA 1-10
- 329 RENTAL REHAB UNITS IN LA 1-02
- UPGRADE COMMUNITY/COMMERCIAL FACILITIES ON-SITE
- ADMINISTRATION BUILDING RENOVATION



Demolition activity in the LA 1-10 section of C. J. Peete in 1998.

Phase One Project Cost

The total redevelopment cost for STAGE-I is approximately \$17 million. The funding sources are:

CGP (FYs 1992-1999)	\$13,100,000
HOPE VI Demolition Grant	\$ 3,900,000
TOTAL	\$17,000,000

C. J. Peete Facts

LA 1-02, Constructed: 1941, 723 units	
LA 1-10, Constructed: 1955, 680 units	
UNITS	
Occupied Units	516
Vacant Units	811
Total Units	1,327
Demolished Units	76
HEADS OF HOUSEHOLD	
Employed	157
Welfare	61
Disabled	135
Retired	142
ETHNIC BACKGROUND	
African American	1,310
Asian American	1
Not Available	1
Total Population	1,312

I B E R V I L L E

May 2001

Revitalization Plan

HANO is currently working to comprehensively modernize the Iberville Housing Development. Iberville is located in a viable area of town near the historic French Quarter. The site is well designed and has spaces that can be maintained without major reconfiguration. Iberville recently underwent site improvements such as replacement of sewer and water lines.

Revitalization Points

- UNDERGROUND UTILITIES (SEWER AND WATER LINE) AND LIGHTING SITE IMPROVEMENTS
- COMMUNITY CENTER CONSTRUCTION
- LEAD-BASED PAINT ABATEMENT
- REPLACEMENT OF APPROXIMATELY 6400 WINDOWS
- REPLACEMENT OF APPROXIMATELY 125 WINDOWS AND FRAMES
- DOORS AND HARDWARE REPLACEMENT
- STAIR AND HALLWAY REPAIR
- LANDSCAPE, FENCING, PARKING AND SITE WORK
- BUILDING CANOPIES, EXTERIOR WALL, AND GUTTER REPAIR
- MODERNIZED ADMINISTRATIVE BUILDING (SECTION 504 HANDICAP ACCESSIBILITY COMPLIANCE)
- UNIT RENOVATION OF 113 UNITS THROUGH THE VACANCY REDUCTION PROGRAM (VRP)
- REMOVAL OF FIRE ESCAPES

Once the above work is substantially complete, HANO will begin modernizing the interior of the apartments, with some minor reconfiguration. The estimated cost of the interior work is \$30,000 per unit.

Income Mix

- PUBLIC HOUSING UNITS 100%

Project Cost

The total cost to modernize the Iberville Development is estimated at \$45 million. HANO will fund this modernization effort utilizing past and future CGP Funds.

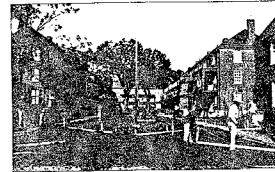
CGP (FYs 1992 - 1999)	\$19,700,000
CGP (FYs 2000 - 2004)	\$19,900,000
TOTAL	\$39,600,000

Project Milestones

- VACANCY REDUCTION PROGRAM: COMPLETED
- COMMUNITY CENTER: PROJECT IS 40% COMPLETE; CONTRACTOR HAS BEEN TERMINATED, PROJECT TO BE RE-BID SUMMER 2001.
- SEWER & WATER LINES: COMPLETED
- DOOR REPLACEMENT: COMPLETED
- CANOPIES AND BALCONIES: COMPLETED
- CONCRETE REPAIRS: BOARD APPROVED, CONSTRUCTION SCHEDULED TO BEGIN JUNE 2001
- FIRE ESCAPE REMOVAL: 95% COMPLETE
- LEAD-BASED PAINT ABATEMENT: COMPLETE
- WINDOW REPLACEMENT: COMPLETE
- WINDOW & FRAME REPLACEMENT: 8% COMPLETE
- ADMINISTRATION BUILDING: IN DESIGN



Sewer and water line work done in the Iberville Housing Development.



Redevelopment work on the Basin Street Courtyard of Iberville.



Lead paint abatement in Iberville.

Iberville Facts

LA 1-03, Constructed: 1941. 853 units	
UNITS	
Occupied Units	788
Vacant Units	70
Total Units	858
Demolished Units	0
HEADS OF HOUSEHOLD	
Employed	206
Welfare	93
Disabled	212
Retired	133
ETHNIC BACKGROUND	
African American	2,163
White	1
Not Available	1
Total Population	2,165

**F
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D
A**

May 2001

Revitalization Plan

Located in New Orleans' 9th ward, the Florida Housing Development is composed of 734 units that were constructed in 1946 and 1953. In October 1997, the Housing Authority of New Orleans (HANO) selected Concordia Architects to develop a master plan for the Florida Development. The master plan calls for the revitalization of the Florida Housing Development to be completed in two phases. Phase I entails selective demolition of 194 units to reduce density and the complete redesign, renovation and new construction of 139 units of which 77 are reconfigured and 62 are new construction. This has been broken into five parts: new maintenance facility, renovation to the community center, site-utility replacement, reconfiguration of eight buildings and construction of new townhomes. The Phase II calls for the complete demolition of the remaining 500 units and the construction of single-family townhomes. HANO is allocating CGP resources for extraordinary maintenance of the site as Phase II is not scheduled to begin within the next 5 years. The master plan of the development involves concepts of "The New Urbanism," which will include both rental and home ownership units, retail areas, and community spaces. The development will also be linked to the surrounding community.

Revitalization Points

- SECTION 504 HANDICAP ACCESS TO 32 UNITS
- LEAD-BASED PAINT ABATEMENT
- RELOCATION OF 208 FAMILIES
- DEMOLITION OF EIGHT ADDITIONAL BUILDINGS AT LA 1-11, APPROVED MAY 1, 2000
- NEW DAY CARE CENTER
- SITE WORK AND NEW UTILITY INFRASTRUCTURE
- NEW MAINTENANCE BUILDINGS
- UNIT RENOVATION OF 87 UNITS THROUGH VRP
- TOWNHOUSE CONSTRUCTION
- DUPLEX HOMES

Income Mix

- PUBLIC HOUSING UNITS 100%

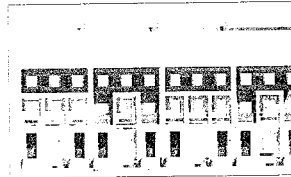
Project Cost

The total development cost for the LA 1-11 section of the Florida Development is estimated at \$23,000,000. The modernization will be financed from current CGP funds. HANO is currently evaluating future development of the LA 1-04 area, however, the scope of work is undetermined at this time. Funding for the Florida Development is as follows:

CGP	\$23,000,000
TOTAL	\$23,000,000

Project Milestones

- DEMOLITION: 163 UNITS APPROVED FOR DEMOLITION IN LA 1-11; 141 DEMOLISHED TO DATE; NEW DAYCARE FACILITY IN RENOVATED COMMUNITY CENTER MUST BE COMPLETED PRIOR TO FURTHER DEMOLITION; DEMOLITION OF 104 UNITS APPROVED IN LA 1-4, 80 DEMOLISHED TO DATE.
- LAND ACQUISITION: COMPLETE
- CONSTRUCTION START: MARCH 15, 2001
- RELOCATION: COMPLETED
- 504 UNIT CONSTRUCTION: 19 UNITS COMPLETED; ARCHITECT BEING SELECTED FOR REMAINING 13 UNITS
- CONSTRUCTION: MAINTENANCE BUILDING, 40% COMPLETE; COMMUNITY CENTER RENOVATION, 27% COMPLETE; SITE WORK, 40% COMPLETE; TOWNHOUSE, 22% COMPLETE; DUPLEX HOMES 10% COMPLETE



Rendering of proposed reconfiguration of the Florida Housing Development.



Demolition activity at Florida.

Florida Facts

LA 1-04, Constructed: 1946, 500 units
LA 1-11, Constructed: 1953, 234 units

UNITS	
Occupied Units	360
Vacant Units	218
Total Units	578
Demolished Units	156
HEADS OF HOUSEHOLD	
Employed	137
Welfare	95
Disabled	104
Retired	41
ETHNIC BACKGROUND	
African American	1,333
Total Population	1,333

L A F I T T E

May 2001

Revitalization Plan

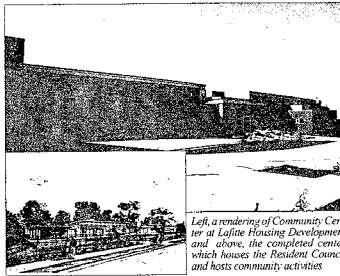
The Lafitte Housing Development will be comprehensively modernized. Slated modernization work includes balcony and railing replacement, kitchen and bathroom improvements and sewer main replacements. The work is being done to sustain the development and improve its living conditions. Once the above work is substantially complete, HANO will begin modernizing the interior of the apartments. The estimated cost of the interior work is \$30,000 per unit.

Revitalization Points

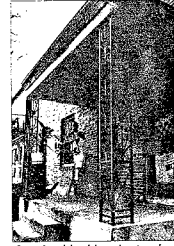
- UNDERGROUND UTILITIES (SEWER AND WATER LINE) AND LIGHTING IMPROVEMENTS
- COMMUNITY CENTER CONSTRUCTION
- LEAD-BASED PAINT ABATEMENT
- REPLACEMENT OF APPROXIMATELY 5600 WINDOWS
- REPLACEMENT OF APPROXIMATELY 700 WINDOWS AND FRAMES
- DOOR AND HARDWARE REPLACEMENT
- LANDSCAPE, FENCING, DRIVEWAYS AND SITE WORK
- BUILDING CANOPIES, EXTERIOR WALL AND GUTTER REPAIR
- KITCHEN & BATHROOM IMPROVEMENT
- MODERNIZED ADMINISTRATIVE BUILDING (SECTION 504 HANDICAP ACCESSIBILITY COMPLIANCE)
- UNIT RENOVATION OF 30 UNITS THROUGH THE VRP

Income Mix

- PUBLIC HOUSING UNITS 100%



Left, a rendering of Community Center at Lafitte Housing Development and above, the completed center which houses the Resident Council and hosts community activities.



Completed lead-based paint abatement work in Lafitte.

Project Cost

The revised cost estimate for completing renovations to the Lafitte Development is \$43 million. HANO will fund the modernization from past and future CGP funds.

CGP (FYs 1992 - 1999)	\$18,700,000
CGP (FYs 2000 - 2004)	\$20,000,000
TOTAL	\$38,700,000

Project Milestones

- ADMINISTRATION BUILDING: IN DESIGN
- COMMUNITY CENTER: COMPLETED
- SEWER & WATER LINE: COMPLETED
- DOOR REPLACEMENT: COMPLETED
- CANOPIES & BALCONIES: COMPLETED
- WINDOW REPLACEMENT: 98% COMPLETE
- WINDOW & FRAME REPLACEMENT: 8% COMPLETE
- FIRE ESCAPE REMOVAL: 98% COMPLETED
- CONCRETE REPAIRS: BOARD APPROVED, CONSTRUCTION SCHEDULED TO BEGIN JUNE 2001

Lafitte Facts

LA 1-05, Constructed: 1941, 896 units

UNITS	
Occupied Units	879
Vacant Units	17
Total Units	896
Demolished Units	0
HEADS OF HOUSEHOLD	
Employed	265
Welfare	133
Disabled	240
Retired	221
ETHNIC BACKGROUND	
African American	2,331
White	2
Total Population	2,333

B. W. C O O P E R

May 2001

Revitalization Plan

The B.W. Cooper Housing Development will be re-designed, re-configured and comprehensively modernized. B. W. Cooper has been designated as a future candidate for HOPE VI Grant funding.

Revitalization Points

- LEAD-BASED PAINT ABATEMENT
- CONSTRUCTION OF A DAY-CARE CENTER
- MODERNIZATION OF 57 UNITS
- UNIT RENOVATION OF 142 UNITS THROUGH VRP
- WINDOW & DOOR REPLACEMENT
- ROOF REPLACEMENT
- STAIR REPAIRS
- CRAWL SPACES ACCESS DOOR REPLACEMENT
- FIRE ESCAPE REMOVAL

Project Cost

The estimated cost for improvements at B.W. Cooper is \$86 million. The current and future CGP allocations for site improvements are \$22.2 million.

CGP (FYs 1992-1999)	\$ 4,100,000
CGP (FYs 2000-2004)	\$18,100,000
TOTAL	\$22,200,000

Income Mix

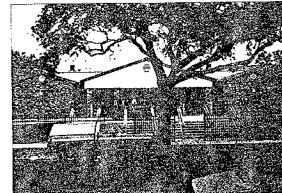
- PUBLIC HOUSING UNITS 100%

Project Milestones

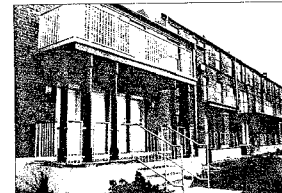
- DAY CARE CENTER: COMPLETED AND IN USE
- SEWER ASSESSMENT: COMPLETED
- VACANCY REDUCTION: WORK IS PROCEEDING ON SCHEDULE; 90% COMPLETE
- MODERNIZATION OF 57 UNITS: 65% COMPLETE
- DEMOLITION: THREE BUILDINGS AT LA 1-12 COMPLETE
- ROOF REPLACEMENT, DOWNSPOUT REPAIRS: WORK IN PROGRESS; JUNE 2001 COMPLETION
- ACCESS DOOR REPLACEMENT: COMPLETE
- CRAWL SPACES CLEANED AND RODENT CONTROL: COMPLETE
- REAR STAIR REPLACEMENT LA 1-07 PHASE I: WORK IN PROGRESS, JUNE 2001 COMPLETION
- REMOVAL OF FIRE ESCAPES: A/E SELECTED, DOCUMENTS TO BE READY FOR BID ADVERTISEMENT IN SUMMER 2001
- WINDOW AND DOOR REPLACEMENT: A/E SELECTED, DOCUMENTS TO BE READY FOR BID ADVERTISEMENT IN SUMMER 2001



Rendering of the Day Care Center at the B.W. Cooper Housing Development.



Above, the now completed Viney Reynolds Parent/Child Development Center at B.W. Cooper.



Buildings currently being modernized at B.W. Cooper.

B.W. Cooper Facts

LA 1-07, Constructed: 1942, 686 units
LA 1-12, Constructed: 1954, 860 units

UNITS	
Occupied Units	1,283
Vacant Units	263
Total Units	1,546
Demolished Units	0
HEADS OF HOUSEHOLD	
Employed	458
Welfare	223
Disabled	318
Retired	227
ETHNIC BACKGROUND	
African American	3,482
White	4
Native American	3
Total Population	3,489

ST. BERNARD

May 2001

Revitalization Plan

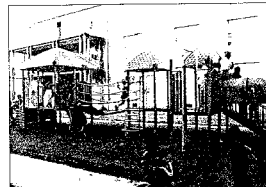
The overall goal for the St. Bernard Housing Development is to correct site design flaws and upgrade the entire development through comprehensive modernization. HANO is currently allocating extraordinary maintenance funds for roof and brick repair, balcony work, lead based paint abatement and sewer and drain replacement. The infrastructure of the development will be improved by replacing the obsolete underground utilities.



View of existing buildings at the St. Bernard Housing Development.



Examples of canopies, fascia and brick work at St. Bernard.



Recently installed playground equipment at St. Bernard.

Project Milestones

- LEAD-BASED PAINT ABATEMENT: COMPLETED
- SOIL REMEDIATION: COMPLETED
- BALCONY WORK: COMPLETED
- SEWER/DRAIN/WATER REPLACEMENT:
 - A/E SELECTED - DOCUMENTS READY TO ADVERTISE FOR BID IN SUMMER 2001 FOR PHASE I
- VRP: COMPLETED
- SIDEWALK REPAIR/REPLACEMENT: COMPLETED
- ACCESS PANEL REPLACEMENT: COMPLETED
- PLAYGROUND EQUIPMENT: COMPLETED
- MODERNIZATION OF ADMINISTRATION BUILDING:
 - A/E SELECTED

Revitalization Points

- REPLACEMENT OF SOFFITS, FASCIA AND ACCESS PANELS
- LEAD-BASED PAINT ABATEMENT
- BRICK REPAIR AND POINTING
- LANDSCAPE UPGRADES
- ROOF DRAINAGE AND GUTTER REPAIR
- KITCHEN AND BATHROOM IMPROVEMENT
- MODERNIZED ADMINISTRATIVE BUILDING (SECTION 504 HANDICAP ACCESSIBILITY COMPLIANCE)
- UNIT RENOVATION OF 50 UNITS THROUGH VRP
- INSTALLATION OF PLAYGROUND EQUIPMENT
- SEWER AND SITE WORK
- SIDEWALK REPAIR AND REPLACEMENT

Project Cost

The revised cost estimate for completing renovations to the St. Bernard Development is \$78 million. The work will be funded through past and future CGP budgets.

CGP (FYs 1992-1999)	\$ 9,000,000
CGP (FYs 2000-2004)	\$16,500,000
TOTAL	\$25,500,000

Income Mix

- PUBLIC HOUSING UNITS 100%

St. Bernard Facts

LA 1-08, Constructed: 1942, 740 units	
LA 1-13, Constructed: 1943, 720 units	
UNITS	
Occupied Units	1,284
Vacant Units	152
Total Units	1,436
Demolished Units	24
HEADS OF HOUSEHOLD	
Employed	445
Welfare	281
Disabled	375
Retired	243
ETHNIC BACKGROUND	
African American	3,946
White	4
Not Available	1
Total Population	3,951

D E S I R E

May 2001

Revitalization Plan

The revitalization plan for the Desire Housing Development is a HOPE VI project which calls for a new mix of housing types and the infusion of families with mixed incomes throughout the neighborhood. There will be homeownership opportunities for families of low to moderate income levels, and job training and employment programs will be established that address the social services support needed to maintain the community. Revitalization will consist of complete demolition of all buildings and construction of 425 multi-family units and 150 single-family homes on site. The construction of this site will be the responsibility of three separate developers: The Master Site Developer is responsible for the construction of all new infrastructure and site amenities including the community center, while the Multi-Family and Single-Family Developers are responsible for the new rental-units and single-family for sale homes respectively. The site will be constructed utilizing a three phase approach with PHASE 1 beginning at Agriculture Street and progressing North. The plan anticipates an aggressive outreach to developers and non-profit organizations to bring to the site needed additional investment.

Revitalization Points

- DEMOLITION ALL DWELLING UNITS
- CONSTRUCTION OF 283 PUBLIC-HOUSING-ELIGIBLE RENTAL UNITS
- CONSTRUCTION OF 142 LOW-INCOME-HOUSING TAX CREDIT ELIGIBLE RENTAL (LIHTC) UNITS
- CONSTRUCTION OF 150 HOMEOWNERSHIP UNITS

Income Mix

- HOMEOWNERSHIP UNITS:**
- AFFORDABLE HOMEOWNERSHIP UNITS 66%
 - LEASE-TO-PURCHASE HOMEOWNERSHIP UNITS 33%

- RENTAL UNITS:**
- PUBLIC HOUSING ELIGIBLE UNITS 65%
 - LIHTC UNITS 35%

Project Cost

The total cost to implement Desire's Revitalization Plan is \$94,744,294. Funding is as follows:

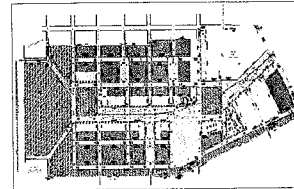
HOPE VI	\$44,255,908
CGP	\$17,251,963
HOPE VI DEMOLITION GRANT	\$ 3,000,000
MROP	\$ 1,788,285
LOUISIANA HOUSING FINANCE AGENCY	\$14,250,000
HOME FUNDS	\$ 4,448,138
SINGLE FAMILY SALE PROCEEDS	\$ 3,750,000
CITY INFRASTRUCTURE FUNDS	\$ 6,000,000
TOTAL	\$94,744,294

Project Milestones

- AMENDED REVITALIZATION PLAN SCHEDULE COMPLETED AND APPROVED BY HUD
- COMMUNITY AND SUPPORT SERVICES PLAN APPROVED BY HUD
- 444 UNITS LEFT TO BE DEMOLISHED SITE-WIDE
- 70 FAMILIES LEFT TO BE RELOCATED SITE-WIDE
- MULTI-FAMILY DEVELOPMENT AGREEMENT APPROVED BY HUD AND EXECUTED BY HANO
- MASTER SITE DEVELOPER AGREEMENT APPROVED BY HUD AND EXECUTED BY HANO
- SINGLE-FAMILY DEVELOPER, CONTRACT NEGOTIATIONS CURRENTLY UNDER WAY
- INFRASTRUCTURE CONSTRUCTION START DATE MARCH 2001
- LIHTC APPLICATION AWARDED NOVEMBER 2000



Demolition activity of buildings at Desire Housing Development.



Overall Master Plan of the New Desire Community

Desire Facts	
L.A.T-14, Constructed: 1957, 1,860 units	
UNITS	
Occupied Units	70
Vacant Units	450
Total Units	620
Demolished Units	1,240
HEADS OF HOUSEHOLD	
Employed	26
Welfare	76
Disabled	32
Retired	24
ETHNIC BACKGROUND	
African American	227
Total Population	227

GUSTE
HOMES
HIGH
RISE

May 2001

Revitalization Plan

The William J. Guste Homes High-Rise Housing Development will be reconfigured to achieve marketable unit sizes and upgraded to be competitive with other elderly developments in the area. Guste High-Rise is in the process of renovation and modernization, which is currently 56% complete. HANO is providing central air/heat, renovating the lobby and upgrading security to allow for improved control of building access. HANO is adding two new elevators and reconfiguring the current elevator lobby to create one area that can be secured and monitored at all times which is 86% complete. Renovation of the existing elevators has also started. The Community Center is 95% complete. The east wing has been turned over to the Resident Management Corporation and relocation has started.

Revitalization Points

- UNIT RENOVATION OF 53 ONE-BEDROOM UNITS
- CONVERSION OF 264 EFFICIENCIES TO 132 ONE-BEDROOM UNITS THROUGH VRP
- INSTALLATION OF HEATING AND COOLING SYSTEM AND LIFE SAFETY SYSTEM
- INSTALLATION OF NEW ELEVATORS AND ELEVATOR UPGRADES

Income Mix

- PUBLIC HOUSING UNITS 100%

Project Cost

The revised estimated cost for completing renovations and elevator upgrades to Guste High-Rise is \$22 million.

CGP/CIAP (FYs 1991 - 2000)	\$22,000,000
TOTAL	\$22,000,000

Project Milestones

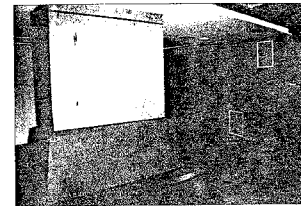
- COOLING TOWER AND CENTRAL PLANT: 100% COMPLETE
- COMPREHENSIVE MODERNIZATION: 56% COMPLETE
- NEW ELEVATOR INSTALLATION AND UPGRADE: 86% COMPLETE
- VACANCY REDUCTION: COMPLETED
- UNIT RENOVATION: COMPLETED



Main entrance to renovated Guste Homes High Rise building.



Main lobby and security desk of renovated High Rise.



Residential elevator lobby at Guste High Rise

Guste High-Rise Facts	
EA T-15; Constructed: 1964. 528 units	
UNITS	
Occupied Units	170
Vacant Units	222
Total Units	396
Reconfigured Units	136
HEADS OF HOUSEHOLD	
Employed	5
Welfare	0
Disabled	109
Retired	105
ETHNIC BACKGROUND	
African American	174
Asian American	1
White	2
Total Population	176

GUSTE HOMES LOW RISE
 May 2001

Revitalization Plan

HANO plans to redevelop the William J. Guste Homes Low-Rise. In conjunction with the redevelopment of the site, a number of residential properties in the surrounding neighborhood will be acquired and developed as homeownership units. HANO will submit a HOPE VI Revitalization application by June 22, 2001 for the Guste Low-Rise redevelopment. The redevelopment of the Guste Low-Rise will be a mixed income community consisting of on-site of rental units and off-site homeownership.

Revitalization Points

- REPAIR AND REPLACEMENT OF DAMAGED SIDEWALKS
- ASSESSMENT OF EXISTING HOT-WATER SYSTEM
- ON-SITE MIXED INCOME RENTAL UNITS
- OFF-SITE

Income Mix

- MIXTURE OF MARKET RATE RENTAL, PUBLIC HOUSING ELIGIBLE AND HOMEOWNERSHIP TO BE DEVELOPED

Project Cost

The funding for the revitalization of the Guste Low-Rise will be allocated from the CGP budget, future HOPE VI Revitalization funds and other funding estimated at \$36.6 million.

HOPE VI Revitalization & Other	\$36,600,000
CGP (FYs 1992 - 1999)	1,500,000
CGP (FYs 2000 - 2004)	1,000,000

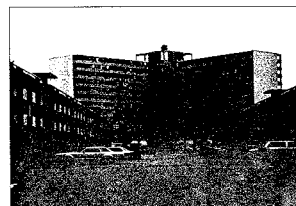
TOTAL	\$39,100,000
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Project Milestones

- HOT WATER SYSTEM: IN DESIGN
- ASPHALT REPLACEMENT, CLEANING AND PAINTING FACADE: COMPLETED
- DAY CARE CENTER FENCE REPAIR, NEW SIDEWALK, DOOR REPLACEMENT: COMPLETED
- HOPE VI APPLICATION: SUBMITTAL OF 2001 HOPE VI REVITALIZATION APPLICATION DUE JUNE 22, 2001; RESPONSES TO RFQ FOR DEVELOPER DUE JUNE 15, 2001



View of existing buildings at Guste Homes Low-Rise.



Guste Low-Rise with the High-Rise in view.

Guste Low-Rise Facts
 LA 1-15, Constructed: 1964, 465 units

UNITS	
Occupied Units	356
Vacant Units	109
Total Units	465
Demolished Units	0
HEADS OF HOUSEHOLD	
Employed	148
Welfare	72
Disabled	88
Retired	84
ETHNIC BACKGROUND	
African American	1,196
Total Population	1,196

FISCHER HOMES

May 2001

Revitalization Plan

The William J. Fischer Homes Development is divided into two properties, a 13 story High-Rise and the remaining eight (originally 14) three-story Low-Rise buildings. The site will be redeveloped in two phases. In Phase I, HANO demolished six Low-Rise buildings and plans to start construction of a 100-unit Senior Village in July 2001. Phase I revitalization plan calls for the complete demolition of the High-Rise building. The remaining eight Low-Rise buildings will be demolished in Phase II. The redevelopment of Phase II is being proposed with the assistance of a FY 2001 HOPE VI Revitalization Grant. HANO, in collaboration with the Fischer Resident Council, has contracted with National Housing Group, Inc. to prepare HOPE VI applications for revitalization and demolition grants. HANO is also seeking responses to its RFQ for a HOPE VI developer partner.

Revitalization Points

PHASE I:

- CONSTRUCTION OF 100-UNIT SENIOR VILLAGE

- DEMOLITION OF HIGH-RISE

PHASE II

- MIXTURE OF MARKET RATE RENTALS, PUBLIC HOUSING ELIGIBLE AND HOMEOWNERSHIP TO BE DEVELOPED ON AND OFF SITE.

Income Mix

PHASE I: 100-UNIT SENIOR VILLAGE

- PUBLIC HOUSING ELIGIBLE UNITS 100%

PHASE II: HOPE VI REVITALIZATION

To be determined pending discussion with HANO, residents and HOPE VI developer.

Project Cost

- Phase I costs are estimated at \$13 million.
- Phase II costs are estimated at \$51.5 million.

Project Milestones

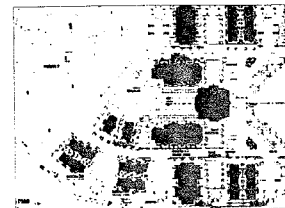
- ELDERLY COMPLEX:** CONSTRUCTION TO BEGIN JULY 2001; PROJECT SCHEDULED TO BE COMPLETED 18 MONTHS FROM NTP.
- DEMOLITION:** HIGH-RISE DEMOLITION PENDING APPROVAL OF THE APPLICATION; LOW-RISE DEMOLITION APPLICATION TO BE SUBMITTED
- HOT WATER REPAIRS:** DESIGN AND INVESTIGATION UNDERWAY
- HOPE VI APPLICATIONS:** SUBMITTAL OF 2001 HOPE VI REVITALIZATION APPLICATION DUE JUNE 22, 2001; SUBMITTAL OF 2001 HOPE VI DEMOLITION APPLICATION DUE JULY 10, 2001, RESPONSES TO RFQ FOR DEVELOPER DUE JUNE 5, 2001



A view of renovated buildings at the Fischer Homes Low-Rise.



A view of the Fischer High-Rise.



Proposed plans for the elderly community at the Fischer.

Fischer Homes Facts	
LA T-16, Constructed: 1966	
High Rise: 160 units; Low-Rise: 834 units	
Units	
Occupied Units	583
Vacant Units	247
Total Units	630
Demolished Units	372
Heads of Household	
Employed	143
Welfare	88
Disabled	122
Retired	101
ETHNIC BACKGROUND	
African American	1,383
Native American	1
White	1
Total Population	1,385

SCATTERED
SITES
REDEVELOPMENT
May 2001

1470 Constance Street Renovation



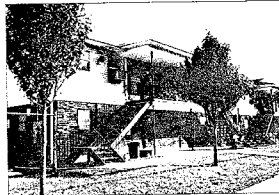
Exterior work at 1470 Constance Street Scattered Site.



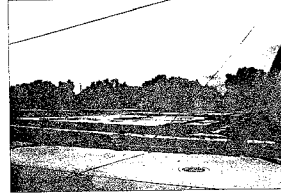
Interior work at 1470 Constance Street.

The project consists of total renovations to two existing wood framed, brick veneer housing units. The completed site will contain four units: one two-story three-bedroom unit; one 504 compliant three-bedroom unit; two two-bedroom units. The project's Notice-to-Proceed (NTP) was issued on January 29, 2001 and is expected to be completed by June 15, 2001. Related work includes: modifications to the existing exterior paving, walls and limited site work to create new parking. The contractor has completed framing and exterior water-proofing of structure and is proceeding with services ruff-ins and the installation of the exterior cement siding. The project is now 35% complete.

Hendee Homes



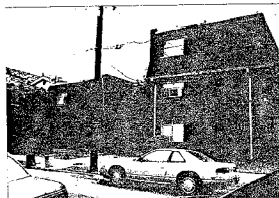
Demolished buildings at HendeeHomes Scattered Site.



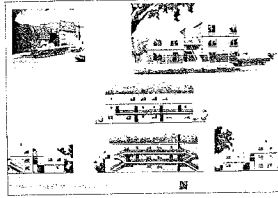
Cleared lot at Hendee Homes.

Construction of 16 detached and semi-detached housing units. These units will consist of six two-story, three-bedroom units; eight four-bedroom units and two handicapp accessible three-bedroom units. These units will be constructed using the latest construction technologies to withstand termite resistance and insect migration. The \$850,000 project is currently in design and development.

St. Mary Street



Current buildings at St. Mary Street Scattered Site.



Proposed work at St. Mary Street.

Exterior reconfiguration to comply with neighborhood and HDLC requirements. The project is budgeted for \$565,000

EXHIBIT 7 – Accomplishments of other HANO Departments

LEGAL DEPARTMENT

CASE MANAGEMENT

- Reduced litigation database from 1766 cases to 328 open cases
- Reduced Claims database from 4,518 to 86 open claims as of 6/1/01
- Abandoned or Dismissed 356 cases that resulted in approximately \$3.56 million dollar saving to the Agency, conservatively
- Designed and Reconstructed Database
- Reconciled Database to ensure integrity of information
- Established written procedure on handling One-Strike Cases
- January 1996 through September 2000 (FY 2000), successfully initiated and completed 303 One-Strike/ Zero Tolerance Evictions
- Responded timely to various public record requests
- Established monthly team meetings to discuss cases handled by In-House Staff, as well as other matters handled internally

RISK MANAGEMENT

- Reorganized the Risk Management Department's organizational structure to ensure greater accountability and continual monitoring of claims
- Developed written Claims Procedure to provide guidance and instruction to claims adjusters and manager for the handling of claims
- Developed Milestones to secure commercial insurance for general liability coverage this fiscal year for all or some of the Agency's developments in order to reduce our dependence on the self insurance fund
- Instituted weekly meetings of the Risk Management Team
- Instituted the practice of trending in order to detect trouble or hot spots by tracking the defect by the development and by the type of claim
- Conducted quarterly Risk Tool Box Training for the Managers of the various developments
- Began implementation of Site surveys of the various developments and scattered sites to identify potential risk factors.

- Conducted Exterior Risk Assessments on Florida, Fischer and Iberville Developments with expectation to complete by the end of the fiscal year
- Performed investigation of all reported claims within 24 hours
- Instituted aggressive training schedule for Risk Management Staff

Training includes: Fundamental of Risk Management; Management Conference (Management techniques); Lead-Based Paint Rules Section 8; Business Etiquette; Lead Poisoning in Multifamily Housing; Inspection Series for Housing Part I; On the Job Litigating Workplace Injuries from Start to Finish; Liability Principals

SECTION 504-ADA COMPLIANCE

- Timely submitted Quarterly Reports to HUD in accordance with Voluntary Compliance Agreement
- Provided three 504/ADA Training Seminars for Site Managers
- Conducted site assessments to identify disabled population and to determine resident needs
- Coordinated meetings with Modernization and Development Departments to establish units to be set aside units for the disabled population

Strategic Planning Department

Accomplishments:

- Coordinated and prepared the HANO Continuous Improvement Plan for the period April 1998 through September 1999.
- Coordinated preparation of the Agency 5-Year Plan for Fiscal Years 2001 – 2005 and the Annual Plan for Fiscal Year 2001 in accordance with the Quality Housing and Work Responsibility Act (QHWRA) and related regulations.
- Coordinated development of HANO PHAS Improvement Plans for Fiscal Years 1999 and 2000.
- Coordinated development of the HANO Issues & Challenges and FY 2001 Action Plan.
- Prepared, in conjunction with HANO departments, the draft Annual Plan for Fiscal Year 2002 pursuant to QHWRA.
- Planned and facilitated various plan and policy review sessions with the HANO Resident Advisory Board.

- Provided analysis and technical assistance to the Modernization/Development and Executive Departments in the revitalization planning process, including the preparation of demolition and disposition applications.
- Assisted in responding to HUD SuperNOFA initiatives through interdepartmental coordination, data analysis, and preparation of various grant applications including: Youthbuild, FSS Program Coordinator, and Healthy Homes Demonstration.
- Prepared the HOPE VI Demolition grant applications for the St. Thomas and Florida Housing Developments, which were subsequently approved by HUD and awarded \$3.5 million and \$1.6 million, respectively.
- Developed a systematic process for monitoring and responding to regulatory and policy issues using the HUD website and other industry-related websites.
- Established communications with foundations and community based organizations, investigated funding opportunities, and grant applications for New Orleans Works, Inc., HANO's Community Development Corporation.
- Compiled various reports for the HANO National Advisory Council including demographic updates, quarterly progress reports, and supplemental information reports.

**Department of Procurement and Contracts
Overview of Major Accomplishments under CEA**

- Underwent a systematic, re-configuration of the HANO contracting process which has resulted in a centralized procurement process with well defined contracting policies and procedures which allow for the continuous flow of necessary goods and services such as garbage collection, tree trimming, grass cutting, etc.
- Recruited and maintained qualified procurement professionals whose experience and ongoing technical training significantly enhance the integrity of HANO's overall procurement and contracting program.
- Followed internal procurement procedures to issue over 200 solicitations using both the sealed bid and competitive proposal methods of solicitation in accordance with HANO's own procurement policy and Federal and State regulations; of these procurements, approximately 99% were unchallenged.
- Followed internal procurement procedures to issue over 15,000 purchase orders using small purchase procedures in accordance with HANO's own procurement policy and Federal and State regulations.
- As evidenced by recent independent audit reports, HANO has successfully implemented a comprehensive and standard file documentation process that details the significant history of each procurement.

- Significantly increased efficiency through the implementation of an automated computer system for tracking and maintaining procurement records, vendor listings, and contract and solicitation formats.

Office of Inspector General and Audit

Accomplishments

- Developed and implemented a 5-year audit plan
- Developed formalized policies and procedures for Internal Audit
- Developed and used formalized audit programs
- Conducted ethics and fraud awareness seminars with all HANO employees
- Coordinated HUD initiated program audits
- Jointly worked with HUD Investigations on matters that were of common interest to both agencies
- Conducted numerous inquiries into allegations that were referred by HANO departments, employees, residents, vendors, and anonymous sources

Public Affairs

- Establishment of the Public Affairs Office (Customer Satisfaction/ Communications/ Service Contractors) to monitor and coordinate all agency resident programs and related issues with media, government, and civic groups and agencies.
- Increased monitoring and assessment of all contracts providing resident services based on performance.
- Established MOA for partnership with City of New Orleans Workforce Investment Board (One Stop)
- Established MOA with local TANF agency to coordinate activities and information required through QHWRA.
- Established a Senior Police Liaison position within the Supplemental Police Service contract with the City of New Orleans in order to improve delivery of service.

Communications

- Design and implementation of the agency's website, www.hano.org.
- Established the HANO Scholarship Program raising over \$50,000 to assist
- PHA high school seniors.

Customer Satisfaction

- Completion of two 2-year PHDEP grants since 1996.
- Implementing 2nd Year of a five year grant awarded in 1999
- Monitoring budgets provided to resident councils through Comp Grant, Drug Elimination and PUY funds.
- Providing technical assistance regarding proper preparation of requisitions and use of funds is provided.
- Successfully Monitoring programs sponsored by the resident councils such as: After-school tutoring, Day care, Summer enrichment, Sports programs, G.E.D., etc.
- Implementation of Louisiana Child Health Insurance Program LaChip within public housing which supplies a no cost health insurance program for children 18 and under.

Monitoring Programs, Interagency-agreements and Funding

- Public Housing Drug Elimination Program (PHDEP)
- Contract for the Provision of Supplemental Police Services
- NOPD
- Operation Safe Home
- Narcotic Enforcement
- National Center for Urban Change
- Institute for Resident Initiatives
- Campus Affiliates Program

SUPPLEMENTAL WRITTEN TESTIMONY
OF FRANK NICOTERA
HEARING DATE - JUNE 4, 2001

In response to questions from the Subcommittee, the undersigned indicated that HANO did in fact track residents who relocated from sites undergoing redevelopment or comprehensive modernization. Attached hereto as Exhibit 1, is a redacted report of HANO residents relocated to non-HANO housing. In most cases, those residents who did not relocate to other public housing developments, managed by HANO, relocated to Section 8 properties or private housing. The attached Exhibit 1 indicates that tracking of residents includes those families that began moving from the Desire site in 1995 and from the St. Thomas site in 1997. The exhibit provides the reasons why those residents vacated, and in some cases no forwarding address is listed because the parties either moved without notifying HANO; were evicted for non-payment of rent; were evicted because of drug or criminal activity (one strike); or moved to private housing and did not provide a forwarding address. In a number of cases, because of illness or other reasons, certain former residents chose to move in with family members. In a few cases, the reason for vacating the premises is listed as "executive office decision". That designation was used to denote a situation where a resident was moved as part of a witness protection program or other situation involving the safety of the resident and the need for anonymity.

The exhibit attached hereto is redacted by deleting the names of the heads of households and current addresses. This action was deemed necessary, because Louisiana Revised Statute, Title 40, Section 526, provides in part, that "the following records of a housing authority are exempt from public disclosure:

- (3) All lists that identify residents, former residents, and applications...
- (4) The addresses of any dwellings that are assisted, either directly by the action of the housing authority or as a result of the resident's selection...
- (5) The home address or personal telephone number of any resident, former resident, applicant, or landlord."

In order to satisfy the Committee's inquiry, and comply with the provisions of Louisiana Revised Statute 40:526, a complete version of the attached Exhibit 1, could be presented to a representative of the Subcommittee, for review, provided that the document was not included in the public record and then returned to the undersigned, in order to protect the privacy of current and former HANO residents. The undersigned awaits further instructions from the Subcommittee in connection with the submission of a complete version of Exhibit 1.

Respectfully submitted,



Frank R. Nicotera
July 6, 2001

Housing Authority of New Orleans
Households Relocated to Non-HANO Housing

Unit No.	Occ. No.	Dev. No.	Development Name	Name of Head of Household	Date of Move out	Reason for Relocation
133	133	1	09 St. Thomas		2/8/2000	PRIVATE HOUSING
134	134	1	09 St. Thomas		9/14/2000	PRIVATE HOUSING
135	135	1	09 St. Thomas		11/3/1998	PRIVATE HOUSING
136	136	1	09 St. Thomas		10/13/1997	SKIPPED/MOVED WITHOUT NOTICE
137	137	1	09 St. Thomas		11/8/1998	SKIPPED/MOVED WITHOUT NOTICE
138	138	1	09 St. Thomas		8/8/2000	SKIPPED/MOVED WITHOUT NOTICE
139	139	1	09 St. Thomas		3/28/2001	PRIVATE HOUSING
140	140	1	09 St. Thomas		10/13/2000	MOVED TO SECTION 8 PROGRAM
141	141	1	09 St. Thomas		6/9/1998	SKIPPED/MOVED WITHOUT NOTICE
142	142	1	09 St. Thomas		1/3/2001	DEATH/ILLNESS/UNABLE LIVE ALONE
143	143	1	09 St. Thomas		10/27/1997	SKIPPED/MOVED WITHOUT NOTICE
144	144	1	09 St. Thomas		12/3/1999	EVICTED - NON PAYMENT OF RENT
145	145	1	09 St. Thomas		10/9/2000	PRIVATE HOUSING
146	146	1	09 St. Thomas		5/25/1998	PRIVATE HOUSING
147	147	1	09 St. Thomas		12/28/2000	DEATH/ILLNESS/UNABLE LIVE ALONE
148	148	1	09 St. Thomas		9/26/1997	PRIVATE HOUSING
149	149	1	09 St. Thomas		12/21/2000	PRIVATE HOUSING
150	150	1	09 St. Thomas		6/5/2000	PRIVATE HOUSING
151	151	1	09 St. Thomas		1/26/2000	SKIPPED/MOVED WITHOUT NOTICE
152	152	1	09 St. Thomas		6/16/1999	LOCATION UNSUITABLE
153	153	1	09 St. Thomas		1/19/2000	PRIVATE HOUSING
154	154	1	09 St. Thomas		6/9/1998	SKIPPED/MOVED WITHOUT NOTICE
155	155	1	09 St. Thomas		9/13/2000	EVICTED - NON PAYMENT OF RENT
156	156	1	09 St. Thomas		8/6/1998	EVICTED - NON PAYMENT OF RENT
157	157	1	09 St. Thomas		1/2/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
158	158	1	09 St. Thomas		7/27/1998	PRIVATE HOUSING
159	159	1	09 St. Thomas		4/29/1999	SKIPPED/MOVED WITHOUT NOTICE
160	160	1	09 St. Thomas		5/19/1998	PRIVATE HOUSING
161	161	1	09 St. Thomas		2/9/2001	MOVED TO SECTION 8 PROGRAM
162	162	1	09 St. Thomas		3/31/1999	DEATH/ILLNESS/UNABLE LIVE ALONE
163	163	1	09 St. Thomas		11/23/1997	SKIPPED/MOVED WITHOUT NOTICE
164	164	1	09 St. Thomas		7/19/2000	EVICTED - NON PAYMENT OF RENT
165	165	1	09 St. Thomas		9/23/1999	EVICTED - NON PAYMENT OF RENT
166	166	1	09 St. Thomas		4/28/1998	PRIVATE HOUSING
167	167	1	09 St. Thomas		3/23/1999	SKIPPED/MOVED WITHOUT NOTICE
168	168	1	09 St. Thomas		6/17/1999	LOCATION UNSUITABLE
169	169	1	09 St. Thomas		11/14/2000	MOVED TO SECTION 8 PROGRAM
170	170	1	09 St. Thomas		5/18/1998	EVICTED - NON PAYMENT OF RENT
171	171	1	09 St. Thomas		5/29/2001	MOVED TO SECTION 8 PROGRAM
172	172	1	09 St. Thomas		11/24/1999	EVICTED - NON PAYMENT OF RENT
173	173	1	09 St. Thomas		3/22/1998	PRIVATE HOUSING
174	174	1	09 St. Thomas		10/23/1999	SKIPPED/MOVED WITHOUT NOTICE
175	175	1	09 St. Thomas		8/2/1999	DRUG/CRIMINAL ACTIVITY
176	176	1	09 St. Thomas		6/1/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
177	177	1	09 St. Thomas		2/28/2001	MOVED TO SECTION 8 PROGRAM
178	178	1	09 St. Thomas		5/17/1999	PRIVATE HOUSING
179	179	1	09 St. Thomas		11/18/1998	SKIPPED/MOVED WITHOUT NOTICE
180	180	1	09 St. Thomas		5/6/1998	PRIVATE HOUSING
181	181	1	09 St. Thomas		5/29/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
182	182	1	09 St. Thomas		4/10/2000	EVICTED - NON PAYMENT OF RENT
183	183	1	09 St. Thomas		5/1/2000	PRIVATE HOUSING
184	184	1	09 St. Thomas		9/16/1998	SKIPPED/MOVED WITHOUT NOTICE
185	185	1	09 St. Thomas		12/6/2000	SKIPPED/MOVED WITHOUT NOTICE
186	186	1	09 St. Thomas		5/12/2000	SKIPPED/MOVED WITHOUT NOTICE
187	187	1	09 St. Thomas		1/3/2001	PRIVATE HOUSING
188	188	1	09 St. Thomas		1/3/2000	PRIVATE HOUSING
189	189	1	09 St. Thomas		6/16/1999	PRIVATE HOUSING
190	190	1	09 St. Thomas		5/17/2001	PRIVATE HOUSING
191	191	1	09 St. Thomas		1/1/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
192	192	1	09 St. Thomas		3/22/2000	EVICTED - NON PAYMENT OF RENT
193	193	1	09 St. Thomas		6/4/2001	MOVED TO SECTION 8 PROGRAM
194	194	1	09 St. Thomas		5/20/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
195	195	1	09 St. Thomas		12/14/2000	MOVED TO SECTION 8 PROGRAM
196	196	1	09 St. Thomas		9/22/1999	EVICTED FOR LEASE VIOLATION
197	197	1	09 St. Thomas		10/4/1999	EVICTED - NON PAYMENT OF RENT
198	198	1	09 St. Thomas		8/6/1998	EVICTED - NON PAYMENT OF RENT

**Housing Authority of New Orleans
Households Relocated to Non-HANO Housing**

Household No.	Appt. No.	Dev. No.	Development Name	Name of Head of Household	Date of Move Out	Forwarding Address	Reason
199	199	1	09 St. Thomas		4/5/1999		NON PAYMENT OF RENT
200	200	1	09 St. Thomas		5/1/1998		EVICTED - NON PAYMENT OF RENT
201	201	1	09 St. Thomas		12/6/1999		PRIVATE HOUSING
202	202	1	09 St. Thomas		10/24/2000		PRIVATE HOUSING
203	203	1	09 St. Thomas		4/3/2000		DRUG RELATED
204	204	1	09 St. Thomas		6/8/1998		DEATH/ILLNESS/UNABLE LIVE ALONE
205	205	1	09 St. Thomas		7/27/1998		SKIPPED/MOVED WITHOUT NOTICE
206	206	1	09 St. Thomas		2/8/2000		LOCATION UNSUITABLE
207	207	1	09 St. Thomas		3/25/1999		LOCATION UNSUITABLE
208	208	1	09 St. Thomas		12/14/2000		PRIVATE HOUSING
209	209	1	09 St. Thomas		3/20/1998		SKIPPED/MOVED WITHOUT NOTICE
210	210	1	09 St. Thomas		11/25/1997		DEATH/ILLNESS/UNABLE LIVE ALONE
211	211	1	09 St. Thomas		10/3/1998		DEATH/ILLNESS/UNABLE LIVE ALONE
212	212	1	09 St. Thomas		10/20/1999		SKIPPED/MOVED WITHOUT NOTICE
213	213	1	09 St. Thomas		5/13/1998		PRIVATE HOUSING
214	214	1	09 St. Thomas		7/14/2000		DEATH/ILLNESS/UNABLE LIVE ALONE
215	215	1	09 St. Thomas		4/24/1998		SKIPPED/MOVED WITHOUT NOTICE
216	216	1	09 St. Thomas		4/10/2000		SKIPPED/MOVED WITHOUT NOTICE
217	217	1	09 St. Thomas		2/8/2001		PRIVATE HOUSING
218	218	1	09 St. Thomas		12/20/1999		PRIVATE HOUSING
219	219	1	09 St. Thomas		11/20/2000		PRIVATE HOUSING
220	220	1	09 St. Thomas		2/22/2000		EVICTED - NON PAYMENT OF RENT
221	221	1	09 St. Thomas		8/11/1998		DEATH/ILLNESS/UNABLE LIVE ALONE
222	222	1	09 St. Thomas		12/30/1999		EVICTED - NON PAYMENT OF RENT
223	223	1	09 St. Thomas		2/8/2001		MOVED TO SECTION 8 PROGRAM
224	224	1	09 St. Thomas		5/1/1998		EVICTED - NON PAYMENT OF RENT
225	225	1	09 St. Thomas		5/3/2000		MOVED TO SECTION 8 PROGRAM

**Housing Authority of New Orleans
Households Relocated to Non-HANO Housing**

Household No.	Appt. No.	Dev. No.	Development Name	Name of Head of Household	Date of Move Out	Forwarding Address	Reason
226	1	4	04 Florida		10/2/1998		TRANSFERRED INTER
227	2	4	04 Florida		7/31/2000		UNKNOWN
228	3	4	04 Florida		9/11/2000		DEATH/ILLNESS/UNABLE LIVE ALONE
229	4	4	04 Florida		10/13/1999		SKIPPED/MOVED WITHOUT NOTICE
230	5	4	04 Florida		9/25/2000		PRIVATE HOUSING

Housing Authority of New Orleans
Households Relocated to Non-HANO Housing

Household Number	Count	Day	Development Name	Name of Resident	Date of Move Out	Reason
231	1	14	14	Desire	9/3/1998	MOVE OUT OF TOWN
232	2	14	14	Desire	10/17/1995	SKIPPED/MOVED WITHOUT NOTICE
233	3	14	14	Desire	10/7/1997	SKIPPED/MOVED WITHOUT NOTICE
234	4	14	14	Desire	3/2/1998	MOVED TO SECTION 8 PROGRAM
235	5	14	14	Desire	12/15/1995	SKIPPED/MOVED WITHOUT NOTICE
236	6	14	14	Desire	3/20/1998	SKIPPED/MOVED WITHOUT NOTICE
237	7	14	14	Desire	3/15/2001	SKIPPED/MOVED WITHOUT NOTICE
238	8	14	14	Desire	6/25/1997	PRIVATE HOUSING
239	9	14	14	Desire	5/31/2001	TRANSFERRED INTER
240	10	14	14	Desire	10/29/1999	DEATH/ILLNESS/UNABLE LIVE ALONE
241	11	14	14	Desire	6/13/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
242	12	14	14	Desire	6/5/1997	EVICTED - NON PAYMENT OF RENT
243	13	14	14	Desire	5/4/2001	DEATH/ILLNESS/UNABLE LIVE ALONE
244	14	14	14	Desire	4/30/1987	PRIVATE HOUSING
245	15	14	14	Desire	10/30/2000	SKIPPED/MOVED WITHOUT NOTICE
246	16	14	14	Desire	3/26/1985	UNKNOWN
247	17	14	14	Desire	5/31/2001	TRANSFERRED INTER
248	18	14	14	Desire	3/14/1995	DEATH/ILLNESS/UNABLE LIVE ALONE
249	19	14	14	Desire	3/26/1997	EVICTED - NON PAYMENT OF RENT
250	20	14	14	Desire	12/7/1995	MOVE OUT OF TOWN
251	21	14	14	Desire	11/16/1999	EVICTED - NON PAYMENT OF RENT
252	22	14	14	Desire	6/24/1996	PRIVATE HOUSING
253	23	14	14	Desire	12/14/1995	EVICTED - NON PAYMENT OF RENT
254	24	14	14	Desire	8/29/1996	UNKNOWN
255	25	14	14	Desire	10/16/1998	DRUG RELATED
256	26	14	14	Desire	11/15/1999	PRIVATE HOUSING
257	27	14	14	Desire	5/28/1996	DEATH/ILLNESS/UNABLE LIVE ALONE
258	28	14	14	Desire	12/7/1999	PRIVATE HOUSING
259	29	14	14	Desire	11/25/1996	MOVE OUT OF TOWN
260	30	14	14	Desire	7/7/2000	SKIPPED/MOVED WITHOUT NOTICE
261	31	14	14	Desire	9/12/1996	UNKNOWN
262	32	14	14	Desire	10/24/1998	EVICTED FOR LEASE VIOLATION
263	33	14	14	Desire	8/25/1998	PRIVATE HOUSING
264	34	14	14	Desire	4/29/1997	NON PAYMENT OF RENT
265	35	14	14	Desire	12/15/1995	SKIPPED/MOVED WITHOUT NOTICE
266	36	14	14	Desire	1/7/1997	EVICTED - NON PAYMENT OF RENT
267	37	14	14	Desire	10/14/1998	PRIVATE HOUSING
268	38	14	14	Desire	10/27/1997	EVICTED - NON PAYMENT OF RENT
269	39	14	14	Desire	5/31/1995	SKIPPED/MOVED WITHOUT NOTICE
270	40	14	14	Desire	7/29/1996	EVICTED - NON PAYMENT OF RENT
271	41	14	14	Desire	9/11/1997	DEATH/ILLNESS/UNABLE LIVE ALONE
272	42	14	14	Desire	6/26/2000	MOVE OUT OF TOWN
273	43	14	14	Desire	8/19/1996	RELOCATION - COMP GRANT
274	44	14	14	Desire	8/12/1998	PRIVATE HOUSING
275	45	14	14	Desire	12/14/1995	EVICTED - NON PAYMENT OF RENT
276	46	14	14	Desire	6/2/1997	EVICTED - NON PAYMENT OF RENT
277	47	14	14	Desire	12/14/1995	EVICTED - NON PAYMENT OF RENT
278	48	14	14	Desire	11/20/1997	MOVE OUT OF TOWN
279	49	14	14	Desire	3/1/2000	DEATH/ILLNESS/UNABLE LIVE ALONE
280	50	14	14	Desire	9/30/1998	MOVED TO SECTION 8 PROGRAM
281	51	14	14	Desire	8/13/1998	UNKNOWN
282	52	14	14	Desire	10/1/1999	MOVED TO SECTION 8 PROGRAM
283	53	14	14	Desire	8/6/1998	UNKNOWN
284	54	14	14	Desire	6/25/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
285	55	14	14	Desire	12/22/2000	TRANSFERRED INTER
286	56	14	14	Desire	5/13/1998	EVICTED FOR LEASE VIOLATION
287	57	14	14	Desire	1/5/1999	SKIPPED/MOVED WITHOUT NOTICE
288	58	14	14	Desire	7/22/1997	PRIVATE HOUSING
289	59	14	14	Desire	12/6/1997	DEATH/ILLNESS/UNABLE LIVE ALONE
290	60	14	14	Desire	6/3/1997	EVICTED - NON PAYMENT OF RENT
291	61	14	14	Desire	5/25/1995	PRIVATE HOUSING
292	62	14	14	Desire	2/12/1998	PRIVATE HOUSING
293	63	14	14	Desire	5/4/1995	PRIVATE HOUSING
294	64	14	14	Desire	1/3/1998	SKIPPED/MOVED WITHOUT NOTICE
295	65	14	14	Desire	6/7/1999	DRUG/CRIMINAL ACTIVITY
296	66	14	14	Desire	7/19/1996	SKIPPED/MOVED WITHOUT NOTICE

Housing Authority of New Orleans
Households Relocated to Non-HANO Housing

Household #	Unit #	Day	Month	Year	Development Name	Name of Head of Household	Date of Move Out	Reason for Relocation
297	67	14	14	Desire			5/9/1997	PRIVATE HOUSING
298	68	14	14	Desire			10/15/1997	UNKNOWN
299	69	14	14	Desire			8/17/1995	UNKNOWN
300	70	14	14	Desire			5/25/1995	SKIPPED/MOVED WITHOUT NOTICE
301	71	14	14	Desire			5/19/1998	UNKNOWN
302	72	14	14	Desire			11/20/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
303	73	14	14	Desire			6/18/1995	SKIPPED/MOVED WITHOUT NOTICE
304	74	14	14	Desire			1/18/2000	SKIPPED/MOVED WITHOUT NOTICE
305	75	14	14	Desire			12/15/1998	PRIVATE HOUSING
306	76	14	14	Desire			6/8/1997	EVICTED - NON PAYMENT OF RENT
307	77	14	14	Desire			6/19/1995	MOVED TO SECTION 8 PROGRAM
308	78	14	14	Desire			6/18/1996	NON PAYMENT OF RENT
309	79	14	14	Desire			5/22/1998	SKIPPED/MOVED WITHOUT NOTICE
310	80	14	14	Desire			6/30/1998	UNKNOWN
311	81	14	14	Desire			3/6/1997	EVICTED FOR LEASE VIOLATION
312	82	14	14	Desire			8/27/1999	MOVED TO SECTION 8 PROGRAM
313	83	14	14	Desire			12/7/1995	RENT TOO HIGH
314	84	14	14	Desire			1/22/1998	UNKNOWN
315	85	14	14	Desire			7/21/1997	MOVE OUT OF TOWN
316	86	14	14	Desire			3/14/1995	UNKNOWN
317	87	14	14	Desire			11/18/1997	PRIVATE HOUSING
318	88	14	14	Desire			8/1/1996	EVICTED FOR LEASE VIOLATION
319	89	14	14	Desire			3/13/2000	DEATH/ILLNESS/UNABLE LIVE ALONE
320	90	14	14	Desire			11/15/1999	PRIVATE HOUSING
321	91	14	14	Desire			7/26/1998	PRIVATE HOUSING
322	92	14	14	Desire			6/3/1999	DEATH/ILLNESS/UNABLE LIVE ALONE
323	93	14	14	Desire			3/1/2000	DEATH/ILLNESS/UNABLE LIVE ALONE
324	94	14	14	Desire			12/5/1996	SKIPPED/MOVED WITHOUT NOTICE
325	95	14	14	Desire			5/9/1995	EVICTED FOR LEASE VIOLATION
326	96	14	14	Desire			4/15/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
327	97	14	14	Desire			5/5/1997	SKIPPED/MOVED WITHOUT NOTICE
328	98	14	14	Desire			10/7/1997	MOVE OUT OF TOWN
329	99	14	14	Desire			7/9/1997	PRIVATE HOUSING
330	100	14	14	Desire			7/19/1995	DEATH/ILLNESS/UNABLE LIVE ALONE
331	101	14	14	Desire			8/15/1995	PRIVATE HOUSING
332	102	14	14	Desire			11/2/1998	RENT TOO HIGH
333	103	14	14	Desire			4/5/1995	SKIPPED/MOVED WITHOUT NOTICE
334	104	14	14	Desire			10/2/1995	SKIPPED/MOVED WITHOUT NOTICE
335	105	14	14	Desire			5/27/1997	RENT TOO HIGH
336	106	14	14	Desire			9/13/1998	UNKNOWN
337	107	14	14	Desire			2/24/2000	TRANSFERRED INTER
338	108	14	14	Desire			6/13/1998	EVICTED - NON PAYMENT OF RENT
339	109	14	14	Desire			10/14/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
340	110	14	14	Desire			4/10/1995	PRIVATE HOUSING
341	111	14	14	Desire			10/22/1996	SKIPPED/MOVED WITHOUT NOTICE
342	112	14	14	Desire			8/12/2000	MOVED TO SECTION 8 PROGRAM
343	113	14	14	Desire			2/19/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
344	114	14	14	Desire			4/1/1998	EVICTED - NON PAYMENT OF RENT
345	115	14	14	Desire			6/23/1997	PRIVATE HOUSING
346	116	14	14	Desire			6/13/1995	TRANSFERRED INTER
347	117	14	14	Desire			5/7/1998	UNKNOWN
348	118	14	14	Desire			10/17/1996	PRIVATE HOUSING
349	119	14	14	Desire			8/19/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
350	120	14	14	Desire			7/29/1998	PRIVATE HOUSING
351	121	14	14	Desire			1/16/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
352	122	14	14	Desire			6/1/1995	UNKNOWN
353	123	14	14	Desire			11/7/1995	SKIPPED/MOVED WITHOUT NOTICE
354	124	14	14	Desire			8/19/1998	DEATH/ILLNESS/UNABLE LIVE ALONE
355	125	14	14	Desire			4/24/1997	SKIPPED/MOVED WITHOUT NOTICE
356	126	14	14	Desire			9/26/1997	PRIVATE HOUSING
357	127	14	14	Desire			5/1/1995	PRIVATE HOUSING
358	128	14	14	Desire			8/21/1995	PRIVATE HOUSING
359	129	14	14	Desire			7/12/1999	PRIVATE HOUSING
360	130	14	14	Desire			10/30/1998	PRIVATE HOUSING
361	131	14	14	Desire			7/28/1997	DEATH/ILLNESS/UNABLE LIVE ALONE
362	132	14	14	Desire			2/21/1995	SKIPPED/MOVED WITHOUT NOTICE

**Housing Authority of New Orleans
Households Relocated to Non-HANO Housing**

Head of Household	Spouse	Day	Month	Year	Reason	Name of Head of Household	Date of Move Out	Relocated Address	Victim Reason
363	133	14	14	Desire			7/5/1995		UNKNOWN
364	134	14	14	Desire			12/14/1995		EVICTED - NON PAYMENT OF RENT
365	135	14	14	Desire			4/3/1996		SKIPPED/MOVED WITHOUT NOTICE
366	136	14	14	Desire			7/14/2000		MOVED TO SECTION 8 PROGRAM
367	137	14	14	Desire			5/8/1995		PRIVATE HOUSING
368	138	14	14	Desire			5/25/1995		SKIPPED/MOVED WITHOUT NOTICE
369	139	14	14	Desire			10/7/1998		DEATH/ILLNESS/UNABLE LIVE ALONE
370	140	14	14	Desire			4/24/2000		PRIVATE HOUSING
371	141	14	14	Desire			9/7/2000		UNKNOWN
372	142	14	14	Desire			5/21/1996		MOVE OUT OF TOWN
373	143	14	14	Desire			2/14/1996		MOVE OUT OF TOWN
374	144	14	14	Desire			6/26/1997		EVICTED - NON PAYMENT OF RENT
375	145	14	14	Desire			3/13/1996		EVICTED - NON PAYMENT OF RENT
376	146	14	14	Desire			7/5/1995		PRIVATE HOUSING
377	147	14	14	Desire			3/13/1996		EVICTED - NON PAYMENT OF RENT
378	148	14	14	Desire			8/13/1999		PRIVATE HOUSING
379	149	14	14	Desire			2/1/1995		SKIPPED/MOVED WITHOUT NOTICE

Statement of
The National Advisory Council of
The Housing Authority of New Orleans
prepared for
The Subcommittee on Oversight and Investigation's
Hearing on the Operations of
The Housing Authority of the City of New Orleans

June 4, 2001

Introduction

At the invitation of Congressman Baker, the National Advisory Council (NAC) is submitting this statement for the hearing scheduled on Monday, June 4, 2001 regarding a report issued May 11, 2001 by the Office of Inspector General on the Housing Authority of New Orleans (HANO). As requested, the NAC is providing these comments through Mr. Frank Nicotera, Executive Monitor of HANO.

The Quality Housing and Work Responsibility Act (QHWRA) of 1998 mandated the establishment of an Advisory Council for the Housing Authority of New Orleans, pursuant to the Cooperative Endeavor Agreement in effect since 1996 between the U.S. Department of Housing and Urban Development (HUD) and the City of New Orleans.

The Council was charged by Congress to:

- **Establish standards and guidelines for assessing the performance of HANO in carrying out operational, asset management, and financial functions;**
- **Provide advice, expertise, and recommendations, to HANO regarding its operations;**
- **Report quarterly to the Congress regarding HANO's progress in improving the performance; and**
- **Make a final finding to the Congress of whether HANO has substantially improved its performance, the performance of its functions, and the overall condition of the agency such that HANO should be allowed to continue operations.**

Towards that end, the Council holds quarterly meetings and has met with and received reports from a variety of sources including: a member of Congress, HANO leadership, HANO's Executive Monitor, HANO's Board of Commissioners, the HUD Louisiana Field Office Public Housing Director, Office of Inspector General, HUD Headquarters staff, residents, and developers.

Information obtained and action taken as a result of this interaction is detailed in written documents produced by the Council including two Quarterly Reports for the Quarter ending December 31, 2000 and March 31, 2001 and a letter to HANO addressing housing operation critical performance priorities.

National Advisory Council Focus

Through the NAC's quarterly meetings and interim conference calls, the Council has investigated the issues facing HANO and established preliminary standards and baseline measures against which HANO's performance improvements will be assessed. In addition, the Council has identified areas of HANO's operations where the Council's advice and expertise are needed and will add value. After careful review and extensive discussion, the Council has determined that there are five critical performance areas which present major challenges to HANO and warrant their close attention in the near term. Those five areas and their issues are:

- ***Redevelopment and Modernization Projects:*** One of the most important challenges facing HANO today is the need to improve the quality of its housing stock. After years of delay in the area of redevelopment and modernization, HANO must aggressively pursue all avenues available to move these projects forward. Progress has been noted in the St. Thomas, Desire and C. J. Peete projects, however, some hurdles remain for HANO such as the relocation of the remaining families, obtaining a multi-year funding commitment for Desire, and securing an anchor tenant for St. Thomas.
- ***Relocation of Families:*** Sites that are sporadically populated pose a health and safety risk to the remaining families as well as continue to put the agency at risk. Therefore, the Council views progress in the relocation of the remaining families particularly at Desire and St. Thomas to be critical. The Council recommended HANO develop a more aggressive plan for relocating those remaining families immediately.
- ***Section 8 Department Organization and Staffing:*** The Section 8 Program is critical to the success of HANO's redevelopment projects and therefore, program utilization must be maximized. Following the agency's internal review of the Section 8 Program, which revealed significant operational problems, HANO acted expeditiously to implement changes to improve performance. As a result of these actions, statistics over the past few months revealed improved lease up rates and show that the program realized a modest profit. However, the Council remains concerned about the Section 8 department's overall performance. Currently HANO is developing a cost/benefit analysis to determine whether the department's performance could be improved through privatization. The Council has encouraged HANO to expedite this assessment process and move ahead quickly with a plan of action.

- **Management of Current and Future Liability:** The Council agrees with HANO that the agency's reliance on self-insurance presents a major obstacle to its financial health and performance improvements. HANO's large backlog of settlements and claims has resulted in a serious drain on the agency's operating budget as HANO annually funds the self-insurance fund. In addition, the agency still faces two class action proceedings related to lead-based paint exposures. As resolving this issue is critical to the future success of HANO operations, the Council requested and HANO established more detailed quarterly milestones from which to assess its goals of: obtaining commercial coverage to insure as many of HANO's properties as possible; insuring new properties as they are built; and reducing claims by 25 percent. Recent reports show that HANO has been successful in reducing the rate at which the agency incurs new claims.
- **Obligation and Expenditure of Capital Funds:** The obligation and expenditure of Capital Funds is a critical component in HANO's ability to accomplish its modernization and redevelopment goals. Recent information provided to the Council indicates that HANO has made considerable progress in this area. Given the importance of this issue, the Council recommended and HANO established detailed quarterly targets for obligating and expending its current and prior year Capital Funds.

Overview of HANO's Progress

In most cases, the Council has determined that HANO has achieved the objectives that it had targeted for the first and second quarters (through March 31, 2001) and has experienced progress in a number of areas including the following:

- **PHAS Score:** HANO's fiscal year 2000 PHAS scores show significant progress in financial management and modest improvements in resident satisfaction. However, there is a slight decline in management operations and a significant decrease in the physical conditions of HANO's properties. This significant decrease in physical score can be contributed in large measure to the inclusion of Desire, St. Thomas, and C. J. Peete in the assessment. In the previous assessment, these projects were excluded. HANO is taking a number of steps to improve its compliance in 2001. These measures include: conducting Uniform Physical Standards inspections on a regular basis at all of its properties; producing monthly reports on the physical conditions of each property; tracking inspection results and repairs at each property; ensuring compliance with current city fire and policy codes; and instituting preventative maintenance measures.

- **Redevelopment of Desire:** Substantial progress has been made on the redevelopment of Desire over the past year. HUD approved the master site development agreement for the infrastructure and the master site developer contract was awarded in November 2000. A notice to proceed was issued in February 2001. Demolition in Phase II has begun and documents are being prepared for the infrastructure installation on the entire site. The development agreement with the single-family developer is being finalized. The Master Activity schedule is being revised.
- **Redevelopment of St. Thomas:** As with Desire, HANO has made significant progress on the redevelopment of St. Thomas. The first phase of demolition for the project began in July 2000 and by February 2001 was 70 percent completed. The Cooperative Agreement with the City of New Orleans for their participation in the infrastructure installation has been finalized. The Mixed Finance Proposal and its exhibits are near completion. The infrastructure contract documents are being finalized and HANO is writing out the landscaping plans with Parks and Parkways. Additionally, as of the NAC's last meeting only three families remained at the St. Thomas site.
- **Redevelopment of C. J. Peete:** Earlier this year, at HUD's recommendation HANO scaled down the proposed redevelopment plan for C. J. Peete from the total redevelopment of the site to a phased approach. The contract documents for the demolition of an additional 12 buildings is ready to be advertised for bid. The recordation package is being prepared. A pre-construction meeting with the demolition contract was held on April 25, 2001.
- **Section 8 Department:** Since the appointment of the new Executive Director in March 2000, HANO has initiated several actions to improve performance in its Housing Choice Voucher Program (Section 8). HANO conducted a review of the Section 8 Department and identified performance problems. The agency reorganized the department to strengthen supervisory positions. A contract was issued to outsource all Section 8 inspection functions. HANO contracted with a private company to create a new waiting list. As a result of those actions, HANO's Section 8 program has shown improvement in the lease up rate. HANO is currently working on a cost/benefit analysis to determine whether to outsource all Section 8 functions.

- **Liability and Self-insurance Fund:** HANO has adopted a four-part strategy to reduce its reliance on annual operational funds to support the self-insurance fund. This strategy includes: obtaining commercial insurance coverage against loss related to personal injury on renovated properties; insuring new properties as they are built; developing a portfolio of commercial insurance and self insurance; and continuing to implement an aggressive risk control strategy to reduce claims. HANO is also exploring the possibility of obtaining coverage through the Housing Authority Risk Retention Group (HARRG).
- **Obligation and Expenditure of Capital Funds:** During the past year HANO has made progress in the obligation and expenditure of its Capital Funds. According to the local HUD Louisiana State Public Housing Field Office's latest report to the NAC, 91.4% of all HANO Capital Grant funds have been obligated and 65% expended.

Statement Conclusion

Upon request of Congressman Baker, the NAC will prepare a preliminary report to be submitted to Congress in advance of a final report that the Council anticipates will be forthcoming in December 2001. In this preliminary report, the NAC will make preliminary findings and recommendations to the Congress in line with the request from Congressman Baker.

While the NAC has yet to determine if HANO has demonstrated the significant progress necessary to continue operations, it does acknowledge that through strong leadership, progress has been realized at HANO over the past 12 months. The Council also recognizes, however, that there is much more work to be done in the immediate future if the quality of life for the residents is to reach an acceptable level.

The NAC has worked diligently to uphold its obligations as established upon its creation. It has maintained its objectiveness while understanding the need to work in partnership with all parties involved. The Council will continue to use its expertise to carry out its functions as a catalyst for transforming the face of public housing in New Orleans.

Attachment: Quarterly Report for Quarter Ending December 31, 2000
Quarterly Report for Quarter Ending March 31, 2001