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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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Dear Mr. Snyder:

This is in further reply to your letters of November 19 and December 1, 1971, concerning the Carriage House and Kenton Green federally assisted housing projects in Florence, Kentucky. In our letter of January 17, 1972, we provided you with our opinion regarding (1) the legal status that you, as a Congressman, would have in suing the Department of Housing and Urban Development (HUD) in the U. S. district court to require compliance with the President's statement that federally assisted housing should not be imposed on a municipality from Washington by bureaucratic fiat and (2) the right of any aggrieved citizen of the community to maintain an action under the various environmental statutes to enjoin HUD and the developer from affixing further sewage connections to the sewer systems in the subject projects.

As a result of a discussion with your office on March 3, 1972, agreement was reached that we discontinue our review and provide you with a summary of the information we had obtained to date, including the current status of the two projects.

HUD issued firm commitments for mortgage insurance for the Carriage House and Kenton Green projects on March 18 and April 20, 1971, respectively, that were valid for 90 days. Because the city of Florence placed a moratorium on the issuance of building permits in the city, which subsequently resulted in a court suit by the project sponsors, HUD periodically extended the commitments pending resolution of the litigation. Although building permits for the projects were issued by the city in September 1971, they were held in abeyance pending outcome of the litigation.

On September 27, 1971, the Boone County circuit court found that the moratorium was illegal, void, and of no effect. HUD approved the Carriage House and Kenton Green projects in December 1971 and January 1972, respectively, for mortgage insurance. The construction of the projects commenced shortly thereafter.

In your letter of November 19, 1971, you asked whether HUD had prepared environmental impact statements upon issuing the extension of the commitments for the two projects, what the environmental statements included, and whether they were factual in view of the actions by the Kentucky Water Pollution Control Commission and the study of the city of Florence sewer

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facilities made by the Cardinal Engineering Corporation. We obtained the following information regarding the environmental impact studies for the two projects.

The HUD Louisville Area Office prepared a preliminary environmental clearance for each project on August 2, 1971. These clearances stated that the projects would have no adverse impact on the environment. Pursuant to the request of the HUD Atlanta Regional Office, on December 8, 1971, the Area Office prepared special environmental clearances for the projects and on February 8, 1972, issued "negative statements" which indicated that the approval of the projects was consistent with all applicable HUD environmental policies and standards and that the projects did not have a significant adverse impact on the environment.

Our review of HUD records indicated that the negative statements had been based primarily on a study prepared by the Cardinal Engineering Corporation and supplemental information furnished by the project sponsors. Neither statement appeared to be based on information from the Kentucky Water Pollution Control Commission.

You asked us also to determine why Indianapolis, Indiana, firms had been successful in becoming the sponsors of section 236 projects in Florence. Our review revealed that no firms--other than those from Indianapolis--had submitted applications for projects in Florence. HUD does not have a policy which limits the sponsorship of insured multifamily housing projects to local organizations. Under HUD guidelines an eligible sponsor or mortgagor must be a nonprofit corporation or association; limited distribution corporation, partnership, or individual; nonprofit cooperative corporation; or a profit-motivated corporation which intends to sell or transfer the project, upon completion, to a nonprofit cooperative corporation.

It is interesting to note that 41 of the 65 section 236 projects approved by HUD in Kentucky through February 4, 1972, are sponsored by Kentucky firms. The general contractors have been selected for 61 of these projects, and the contractors for 38 of these projects are Kentucky firms.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning its contents.

B-173350

We shall be pleased to provide any additional assistance as you may desire regarding these matters.

Sincerely yours,

Deputy



Comptroller General  
of the United States

The Honorable M. Gene Snyder  
House of Representatives