
Review of the Hawaii Housing Authority's Repair and Maintenance Program

A Report to the
Governor
and the
Legislature of
the State of
Hawai'i

Report No. 91-14
February 1991



THE AUDITOR
STATE OF HAWAII

The Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawaii State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. *Financial audits* attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. *Sunset evaluations* evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
4. *Sunrise analyses* are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.
5. *Health insurance analyses* examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. *Analyses of proposed special funds* and existing *trust and revolving funds* determine if proposals to establish these funds and existing funds meet legislative criteria.
7. *Procurement compliance audits* and other *procurement-related monitoring* assist the Legislature in overseeing government procurement practices.
8. *Fiscal accountability reports* analyze expenditures by the state Department of Education in various areas.
9. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawaii's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



THE AUDITOR STATE OF HAWAII

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OVERVIEW

THE AUDITOR
STATE OF HAWAII

Review of the Hawaii Housing Authority's Repair and Maintenance Program

Summary

The Hawaii Housing Authority owns and manages 63 public housing projects that serve families with lower incomes. About 17,000 people live in these facilities, including 3,000 residents who are handicapped, disabled, or over 61 years of age. Most of the housing projects are older developments built before 1971. The authority's repair and maintenance program is intended to keep the housing projects decent, safe, and sanitary. Because maintenance work has been deferred, many facilities need extensive repairs and renovation.

We found that the authority has not systematically inventoried its housing projects. It needs to generate better information on their physical condition in order to plan appropriate levels of funding for repair and maintenance. Among other problems, the inspections are being done without clear standards and often by untrained staff.

The authority has not given enough attention to preventive maintenance--the correcting of deficiencies in a timely manner so as to avoid more costly repairs. For various reasons, it has not carried out many major repairs--work is being put off, available funds have not been spent, and planning is fragmented. Now the authority will need state funds to correct long-standing maintenance problems, but it must first provide the Legislature with better data on its activities.

Recommendations and Response

We recommended that the authority use federal Section 8 standards to identify current repair and maintenance needs. The authority should also use these standards for annual housing inspections until the commission approves new standards. Trained staff should conduct the inspections of units and projects.

The authority's engineering branch and housing management branch should jointly develop a preventive maintenance program for approval by the commission. The authority should also examine why vacancy renovations take so long to complete and take steps to correct the problem.

We also recommended that the authority form a planning group that would produce for commission approval a plan for extraordinary maintenance (major repairs beyond day-to-day upkeep). A database of major repair needs would help the authority plan and budget for major repairs. The authority should tap unrestricted Section 8 funds to help pay for urgently needed work.

The authority should request the resources it needs to carry out its preventive maintenance and extraordinary maintenance programs. Helpful in this effort to obtain general funding would be annual reports to the Legislature on the financial status of the authority's federal housing programs and on its plans and budgets for spending unrestricted funds. The authority should present budgets to the Legislature that clearly distinguish between the two programs in the HMS 220 budget category-- (1) rental housing *augmentation and maintenance* and (2) rental housing *assistance*.

The Hawaii Housing Authority concurred with the recommendations and will work toward accomplishing them. The authority does not agree with the proposed makeup of the planning group, seeing no need for representatives from the commission or the Oahu Tenant Advisory Council.

Background

The statutes established the Hawaii Housing Authority as a public corporation attached for administrative purposes to the Department of Human Services. Its mission is to provide safe and sanitary accommodations and to reconstruct those areas in which unsafe and unsanitary conditions exist. Heading the authority is a commission comprised of the director of human services, the governor's special assistant for housing, and six public members. The commission appoints the authority's executive director.

The authority administers both federal and state programs for families with lower incomes. Its projects range in size from large high-rise developments like Kuhio Park Terrace on Oahu, to smaller single-story developments. The housing projects generate rental revenues, some of which are used by the authority for repair and maintenance. The federal Department of Housing and Urban Development (HUD) provides operating subsidies and grants to modernize the federal housing projects. The state program does not receive federal or state operating subsidies; its housing projects are supposed to generate enough rental revenues to cover the costs of managing, operating, and maintaining them.

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Submitted by

THE AUDITOR
STATE OF HAWAII

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Foreword

The Supplemental Appropriations Act of 1990 requested the auditor to review the Hawaii Housing Authority's repair and maintenance program and to evaluate (1) the methodology for identifying program needs, (2) short- and long-term plans, and (3) whether needs are being met. This report is in response to that request.

We wish to acknowledge the cooperation and assistance extended to us by the Hawaii Housing Authority. We also wish to express our appreciation to the Honolulu office of the U.S. Department of Housing and Urban Development.

Newton Sue
Acting Auditor
State of Hawaii

February 1991

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Chapter 1

Introduction and Background

The Supplemental Appropriations Act of 1990 requested the Office of the Auditor to determine whether the Department of Human Services is properly spending moneys, including federal funds, for the rental housing augmentation and assistance program (HMS 220), which includes public housing and rental assistance programs administered by the Hawaii Housing Authority. It asked us to look specifically at the authority's repair and maintenance program and to evaluate (1) the methodology for identifying program needs, (2) short- and long-term plans, and (3) whether needs are being met.

Objectives of the Review

In order to determine how wisely the authority is spending funds for the repair and maintenance program, the study sought to do the following:

1. Describe the funding for repair and maintenance of rental housing projects.
2. Assess the plans and budgets for repair and maintenance, including the method used by the authority to identify needs.
3. Determine if repair and maintenance needs are being met.
4. Recommend ways the authority can improve its planning and budgeting for repair and maintenance.

Scope and Methodology

The review focused on the Hawaii Housing Authority's repair and maintenance program for federally assisted and state-aided housing projects serving lower-income families. The housing projects are owned and managed by the authority and located throughout the state.

We collected our information on repair and maintenance needs from housing inspection reports, maintenance management reports, maintenance plans, and budget documents. We also interviewed housing managers, maintenance supervisors, engineers, housing inspectors, and the chairperson of the Oahu Tenant Advisory Council, which represents the residents of housing projects.

To determine whether inspections were conducted during calendar years 1987, 1988, and 1989, we surveyed a random sample of dwelling units in housing projects built before 1986. We drew our sample from a master list of 5,172 federal and 510 state dwellings. To determine how many extraordinary maintenance projects were completed by October 1990, we drew two samples from a master list of 423 projects included in administrative budget requests for FY1987-88, FY1988-89, and FY1989-90. The first was a random sample that contained 42 projects requested by area managers; the second consisted of the 32 top priority projects listed in their requests.

Information on plans and budgets was obtained from agency files and from interviews with housing managers, engineers, and fiscal staff. Information on funding was collected from federal laws, regulations, and handbooks; state laws and administrative rules; and financial reports prepared by the authority. We did not test the information contained in the financial reports. Federal and state housing officials were also interviewed.

This assignment was performed from July to December 1990 in accordance with generally accepted government auditing standards, except as discussed above.

Background

Chapter 356, HRS, establishes the Hawaii Housing Authority (HHA) as a public corporation attached, for administrative purposes only, to the Department of Human Services. Heading the authority is a commission comprised of the director of human services, the governor's special assistant for housing, and six public members. The commission appoints an executive director who manages the agency.

The authority's mission is to clear, replan, and reconstruct those areas in which unsanitary or unsafe housing conditions exist and to provide safe and sanitary dwellings. One of the authority's major responsibilities is to maintain and preserve its public housing projects.

The authority administers two public housing programs for families with lower incomes: the federal low-rent program and the state low-rent program. Together there are 63 housing projects, 20 of them for the elderly. These projects serve about 17,000 residents, including 3,000 persons who are handicapped, disabled, or over 61 years of age.¹ The projects range from large high-rise developments such as Kuhio Park Terrace on Oahu to smaller single-story developments such as Lokahi in Hilo. More than half--37 of them located

throughout the state and serving nearly 14,000 residents--were built before 1971.² Nine of these projects were built before statehood in 1959. They currently serve about 7,500 residents. See the photographs on page 4 for examples of different housing projects in the federal and state low-rent programs.

Federal low-rent program

This program consists of 59 housing projects built with federal funds under the U.S. Housing Act of 1937 and which are owned and managed by the authority. The three largest housing projects are on Oahu: Kuhio Park Terrace with about 2,000 residents, Kalihi Valley Homes with 1,800 residents, and Mayor Wright Homes with 1,400 residents. The smallest project, Hale Hoolulu, is located on Kauai and has 12 residents.

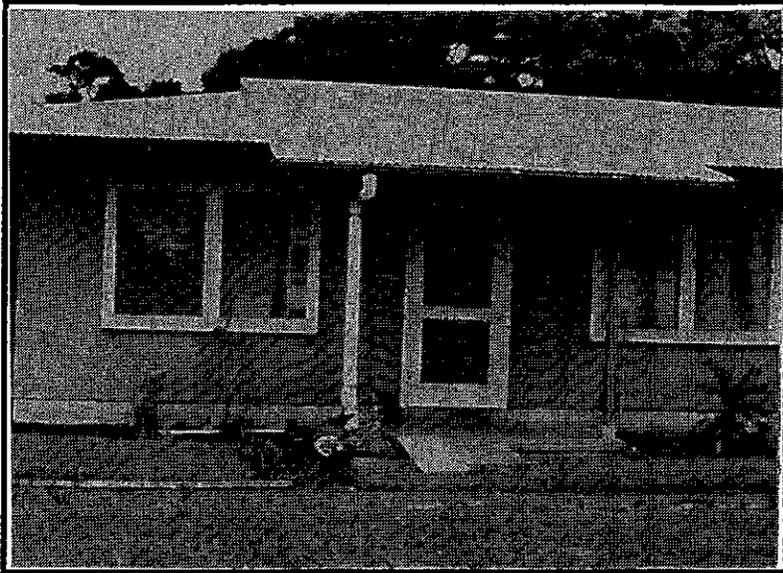
The federal housing projects are limited to families with very low incomes who meet the income limits established by the U.S. Department of Housing and Urban Development (HUD). Residents whose incomes surpass the limits can continue to live in the housing projects as long as they qualify as a family, conform to occupancy standards, and have a record of good conduct. Rents established by the federal government are based on the highest of any of the following amounts: 30 percent of monthly adjusted income, 10 percent of monthly income, or the monthly portion of welfare payments designated for housing costs.³

Because rental revenues do not cover all costs, HUD provides operating subsidies and modernization grants. The operating subsidies are intended to ensure the lower-income character of the projects and to help the authority maintain adequate operating services and reserve funds. The modernization grants, made available through HUD's Comprehensive Improvement Assistance Program, are intended to improve the physical condition of the projects and to upgrade their management and operation.

During the past three fiscal years, the federal low-rent program generated nearly \$42 million in revenues, and HHA spent about \$14 million of this (33 percent) for repair and maintenance (not including equipment replacement).⁴

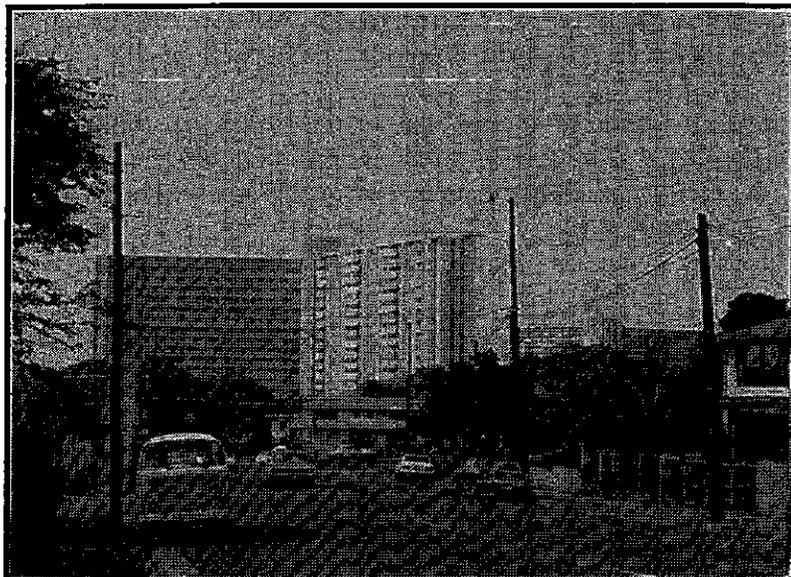
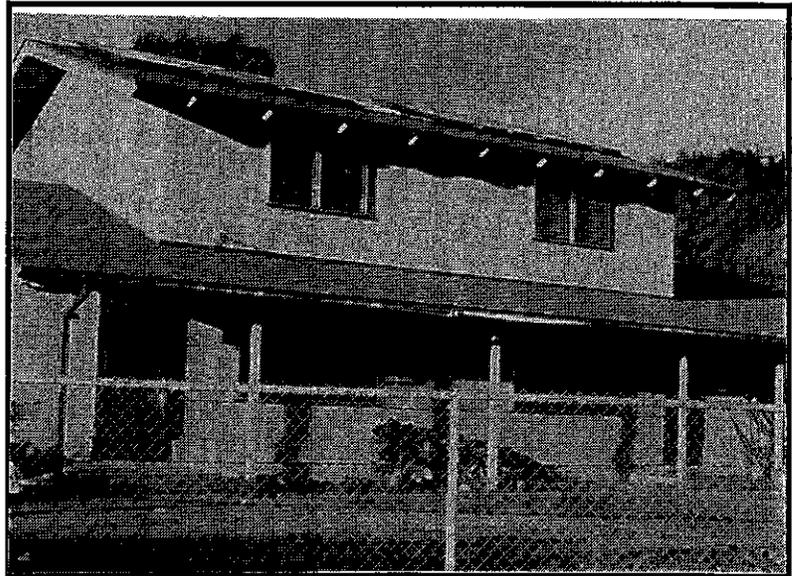
State low-rent program

This program consists of four housing projects built with state funds and owned and managed by the authority. The housing projects serve about 2,000 residents on Oahu and the Big Island (in Hilo). All of the projects were built before 1965: Palolo Homes opened in two increments between 1951 and 1953, Puahala Homes in four increments between 1952 and 1959, Lokahi (the one project in Hilo) in 1962, and Hauiki in 1964.



Lokahi is a state housing project for families. Built in Hilo in 1962, the single-story development consists of 30 dwelling units that at the time of our review housed 93 residents.

Hui o Hanamaulu is a federal housing project for families on Kauai, which was built in 1966 and recently modernized. The two-story development has 46 dwelling units and 162 residents.



Dominating the neighborhood in which it was built in 1965, **Kuhio Park Terrace** in Honolulu is the authority's largest housing project. It houses about 2,000 residents in 614 apartments.

The projects are for families whose incomes and assets fall within limits established by the authority. These range from \$17,550 for a one-person family to \$31,330 for a family of eight or more persons. Families must move out of the housing projects when their incomes exceed limits that range from \$19,300 for a one-person family to \$34,430 for a family of eight or more persons.⁵

The minimum monthly rents established by the authority for welfare families range from \$118 for a one-bedroom unit to \$249 for a five-bedroom unit. The minimum rents for non-welfare families range from \$108 to \$212.⁶

The housing projects are supposed to generate enough rental revenues to pay the costs of managing, operating, and maintaining them. The revenues are deposited in a housing revolving fund established by Section 359-13, HRS. The state low-rent program does not receive state or federal operating subsidies or federal modernization grants. During the last three fiscal years, the program generated about \$5.5 million in revenues and HHA spent about \$1.8 million of this (33 percent) for repair and maintenance (not including equipment replacement).⁷

Repair and maintenance program

The objective of the authority's repair and maintenance program is to ensure that housing projects are decent, safe, and sanitary. The authority must maintain its federal housing projects according to federal standards if it wants to use federal funds to develop new housing projects or modernize existing ones.

The authority's low-rent program budgets include line-item amounts for "ordinary" maintenance and operations (day-to-day maintenance); "extraordinary" maintenance (major repairs that are clearly not part of day-to-day maintenance); and equipment replacement. The authority prepares separate plans and budgets for the HUD modernization programs.

Ordinary maintenance

Ordinary maintenance services include emergency repairs, vacancy renovations, preventive maintenance, routine repairs, and minor jobs. *Emergency repairs* are tasks that require immediate action to protect health, safety, and welfare or to prevent extensive property damage, such as repairing gas leaks or clogged commodes. *Vacancy renovations* clean, paint, and repair apartments so they are safe, habitable, and presentable for new occupants. *Preventive maintenance* systematically detects and corrects minor problems to minimize hazards and prevent future major repairs. *Routine repairs* correct problems that inconvenience residents or create unpleasant

living conditions, such as broken tiles, leaking faucets, or a hole in the wall. *Minor jobs* include grounds maintenance, janitorial services, meter reading, and other unspecified activities.

The Housing Management and Maintenance Branch directs and controls these day-to-day maintenance operations. Two public housing supervisors oversee the work of 12 management areas that repair and maintain assigned housing projects. These services include work that can be performed by area maintenance personnel, and small jobs (such as tree-trimming) that are performed by outside contractors. A central maintenance crew based in Honolulu also provides some maintenance services for Oahu housing projects.

Ordinary maintenance services are paid for with the operating revenues generated by the federal and state low-rent programs. During the last three fiscal years, the authority spent about \$13.4 million for these services.⁸

Extraordinary maintenance

Extraordinary maintenance includes major repairs that go beyond the day-to-day upkeep of housing projects--such as reroofing several dwelling units or replacing a substantial portion of water or gas lines.

Extraordinary maintenance work is usually supervised by the Engineering and Inspection Branch, which develops construction plans, specifications, and contracts for major repairs, and also administers the contracts. The work is paid for with operating revenues of the federal and state low-rent programs and occasional appropriations from the general fund. During the last three fiscal years, the authority spent nearly \$2.4 million from operating revenues and about \$500,000 from general fund appropriations for extraordinary maintenance.⁹

Extraordinary maintenance can also be financed with income earned by the authority for administering federal Section 8 programs that help lower-income families obtain rental housing. The authority has not been using these funds to pay for major repairs.

Equipment replacement

This includes the acquisition of non-expendable equipment, such as refrigerators and kitchen ranges for an apartment. Most equipment is purchased with low-rent program operating revenues. During the past three fiscal years, the authority spent about \$1.3 million for equipment.

Modernization

HUD's Comprehensive Improvement Assistance Program provides the authority with grant moneys to modernize federal housing projects. Some of these moneys are for extraordinary repairs at designated housing projects, and they can only be used for repairs approved by HUD. During the last three fiscal years, the program allocated about \$26.5 million for modernization work. About \$11.4 million of these funds were for HUD-approved extraordinary repairs.¹⁰

Staff support services

Three staff offices support the authority's repair and maintenance program. The Housing Compliance and Evaluation Office inspects housing projects to resolve tenant complaints, respond to allegations of inadequate maintenance, and ensure that maintenance activities are effectively performed. It also helps to ensure compliance with the requirements of the federal modernization program. The Planning Office helps develop long- and short-range plans and updates internal plans. The Administrative Services Office provides fiscal, budgeting, purchasing, and other support services.

Chapter 2

Findings and Recommendations

Here we describe how planning and budgeting for the repair and maintenance program can be improved. We describe how the Hawaii Housing Authority (HHA) collects information on the physical condition of its housing, information which should serve as the basis for funding. We look at how the authority plans for the cyclical work of preventive maintenance and the pressing needs of major repairs. Finally, we describe how the authority can better inform the Legislature about its program and the use of federal and state funds.

Findings

1. The Hawaii Housing Authority does not collect sufficient information about the physical condition of its housing projects to plan appropriate levels of funding for repair and maintenance.
2. The authority does not have a program of preventive maintenance to ensure that housing is kept decent, safe, and sanitary.
3. Many older housing projects need major repairs. Work has been deferred, funds available for extraordinary maintenance have not always been spent, and planning for major repairs has not been systematic.
4. State funds will be needed to correct long-standing maintenance problems, but first the authority must have a budget supported by a maintenance plan approved by the commission. The Hawaii Housing Authority should also present the Legislature with more complete financial data on its housing programs.

There Is Not Enough Information on the Physical Condition of Housing Projects

The authority has not systematically inventoried the federal and state housing projects to identify repair and maintenance needs. Many older housing projects have deteriorated after years of neglect due to deferred maintenance and inadequate funding. The extent of the problem, however, is not known. In its regular inspections of apartment units and housing projects, the authority needs to collect baseline data on the physical condition of the entire housing stock. It cannot plan appropriate levels of funding for maintenance work without this information.

To evaluate housing conditions, the authority each year conducts two types of inspections. *Inspections of apartment units* are carried out

by the area management staff, who monitor the condition of dwellings and appliances and check on the housekeeping habits of residents. *Inspections of housing projects* are done by supervisors in the housing management branch, who assess the physical condition of buildings, utility systems, and grounds.

Shortcomings in unit inspections

For several reasons, the annual unit inspections are not generating enough information about the condition of individual apartments. Inspectors do not use uniform standards when rating the conditions of a unit and do not report their findings in a consistent manner. Persons untrained for this work often carry out the inspections. The information gathered is not complete because not all units are inspected each year.

Insufficient standards

The authority's area management manual does not say what standards should be used for the inspections of apartment units. It merely states that the inspections are required by the federal government and that "any deficiencies" should be corrected.

Inspectors use a two-page HHA form to report on the physical condition of each dwelling unit. The form contains more than 150 items (such as walls, electric fixtures, toilets, stoves, and smoke detectors) that are to be rated as being in "good," "fair," or "poor" condition. Inspectors are also supposed to note if any maintenance work is needed. The area manual does not provide any guidance on how to use the ratings system.

In 1988, the authority began requiring inspectors to determine whether apartments met federal Section 8 housing quality standards relating to items such as food preparation, refuse disposal, sanitary facilities, and security. The U.S. Department of Housing and Urban Development (HUD) has a detailed 20-page inspection form that incorporates the Section 8 housing standards and describes how to apply the standards in rating each item on the form. For example, to pass the inspection, a living room should be free of electrical hazards, such as frayed wiring or missing covers on switches and outlets. The authority, however, is still using the old two-page form that provides no information about standards or ratings.

Most area managers believe that the authority's standards are higher than the new federal standards. But they can only describe the authority's standards using broad terms such as "see if the unit is safe, sanitary, and decent" or "fix the problems we identify." Each inspector rates the conditions as he or she sees fit. This has meant that uniform information is not being collected about housing conditions.

The authority should develop standards for approval by the commission. Until the commission adopts the new standards, the authority should, at a minimum, utilize the Section 8 housing quality standards.

Inconsistent ratings

Our review of the inspection reports in our sample indicates that inspectors did not use the rating system consistently. For example, "good" ratings were given when there were serious problems such as water leaks, an uncovered electrical outlet above a sink, and a broken stove. "Poor ratings" were given for minor problems such as dirty windows, a rusty lavatory plug, and a loose towel bar. Many items, such as rotting lanai floors, disintegrating ceilings, broken smoke detectors, and a crumbling wall, were not rated at all.

Inadequate training

Inspectors receive no formal training on how to use the federal standards. When revisions were made to the authority's inspection form in 1988, the housing management branch in a short workshop showed a film on Section 8 standards and gave participants copies of HUD's Section 8 manual and inspection forms. No additional formal training has been provided.

Although HUD recommends that annual unit inspections be performed by trained maintenance personnel, area managers sometimes use persons who are not maintenance workers to carry out the inspections. Between 1987 and 1989, for example, social service workers and clerical staff conducted many of the inspections. One area manager said that social service workers were used because the area's maintenance crew is understaffed.

Since the authority is obliged to meet HUD's Section 8 housing quality standards, it should train inspectors to utilize the HUD Section 8 standards and forms.

Incomplete inspections

In a random sample of 155 federal housing units and 51 state housing units, we found that less than 50 percent of the units were inspected in calendar year 1987 and about 80 percent were inspected in 1988 and 1989. More than a quarter of the federal and state units were inspected just once or not at all during these three years.

The authority's housing compliance office began recently to audit the inspection records to determine if apartments are inspected each year. This new quality control procedure should help to ensure that scheduled inspections are conducted.

Shortcomings in housing project inspections

To complement the inspection of individual units, the housing management supervisors in October 1989 began to inspect the physical condition of housing *projects*--buildings, systems, and grounds. These inspections also have shortcomings.

Although all of the neighbor island housing projects were inspected at least once between October 1989 and September 1990, only two-thirds of the Oahu projects were inspected.

Supervisors use an inspection form geared to the general appearance of the housing project--whether there are any observable fire and safety hazards and whether grounds, parking lots, community space, elevators, buildings, and utility systems are in "good," "satisfactory," "fair," or "poor" condition. But the form does not indicate how the ratings should be derived, and it does not include Section 8 standards for building exteriors, heating and plumbing systems, or general health and safety (such as rodent infestation).

It should be noted that back in 1979, HUD recommended that the authority conduct annual inspections using uniform guidelines for all dwelling units, structures, grounds, equipment, and utility systems.¹ Again in 1987, after finding that the maintenance inspections for structural, mechanical, plumbing, heating, and electrical systems were not adequate, HUD stressed that a *complete* inspection should be performed each year to evaluate the physical condition of all structures, grounds, equipment, and utility systems.

The authority's project inspections respond to some of HUD's concerns. But they should be done systematically each year. Again, the HUD inspection forms include sections on building exteriors, common areas, heating and plumbing, and general health and safety. The authority could use the Section 8 standards and forms for these inspections.

Preventive Maintenance Needs Are Not Being Met

Preventive maintenance has not been given the attention it warrants. There are several related causes--the overwhelming workload demands generated by buildings and systems that have been neglected for years, the substantial resources devoted to vacancy renovations and other repairs, and limited resources. Also lacking is a program or strategy that schedules preventive maintenance on a cyclical basis. The engineering branch has begun to develop some preventive maintenance proposals, but does not currently have the staff to work on developing a comprehensive program.

The objective of preventive maintenance is *to detect and correct deficiencies on a systematic, cyclical basis so as to minimize hazards and prevent more costly repairs*. Preventive maintenance takes place on the basis of regular, methodical inspections. It includes a range of periodic work, from replacing toilet tank parts to repairing cracked walkways to maintaining roofs.

The area managers are responsible for developing maintenance work plans each year. These plans are to include all the maintenance activities for the area, to prioritize them, and to specify the resources necessary to do the work. The area managers determine labor, equipment, and other costs for carrying out the plans.

The maintenance management manual gives preventive maintenance third priority after emergency repairs and vacancy renovations. Each area manager is supposed to establish a master schedule of preventive maintenance activities, and assign personnel to work teams.

Preventive maintenance deferred

Area managers acknowledge that preventive maintenance would help control costs, but for many years they have had difficulty carrying out this activity. Aging buildings, systems, and appliances--all victims of neglect--create heavy workloads for area maintenance crews. As a result, preventive maintenance is often deferred.

HUD's 1979 review of the authority's maintenance operations concluded that preventive maintenance was not receiving sufficient attention. Even though the authority's maintenance management manual assigns a higher priority to preventive maintenance than routine maintenance, only 6 percent of the maintenance costs went to preventive maintenance compared to about 23 percent for routine maintenance. HUD recommended that preventive maintenance be performed before routine maintenance.²

We found that very little has changed since 1979. In FY1989-90, only 8 percent of the maintenance costs went to preventive maintenance, compared to more than 20 percent for routine maintenance.³

In a 1987 review of maintenance operations at two Oahu housing projects, HUD found that one of them had had no preventive maintenance since July 1985 and concluded that this was probably due to staff shortages. On the second project, HUD found that very little work had been done during FY1985-86 and nothing had been done during FY1986-87. HUD again recommended that preventive maintenance be performed before routine maintenance.⁴ When HUD reviewed maintenance operations on one of the neighbor islands in

1988, it found that preventive maintenance had been curtailed because of staff shortages and the heavy workload of renovating vacated units. It recommended some staffing changes, stating that "an effective [preventive maintenance] program is essential to maintaining the physical condition of the projects at the least cost possible."⁵

Eleven of the authority's twelve management areas planned to spend a total of 19,500 hours on preventive maintenance in FY1989-90, but actually spent only 11,450 hours on this activity.⁶ Nine of the areas spent less time than planned, two of them little or no time at all.

Vacancy renovations consume resources

One reason that preventive maintenance is deferred is because resources are being used for vacancy renovations. This has meant that some dwelling units occupied by long-term residents are not being adequately maintained.

The authority's objective is to complete a vacancy renovation in 34 work hours. Eight management areas were unable to meet this objective in FY1989-90.⁷ One area required an average of 101 hours to renovate a unit. Four areas required more than 50 hours per unit. Three areas required between 38 and 47 hours. Some maintenance supervisors say they cannot meet the 34 hour objective because older units have been neglected for many years.

The authority's area management manual requires maintenance crews to perform preventive maintenance when vacancy renovations are being done. But this makes preventive maintenance contingent on turnover. A September 1990 television news report called attention to an apartment at Wahiawa Terrace that was occupied by a long-term resident and which had not been painted for 17 years.⁸ The apartment also had extensive termite damage and disintegrating ceilings. It was repaired after the report was broadcast.

The authority should examine why vacancy renovations are taking two or three times as long to complete in some areas, and it should take steps to facilitate the process.

Need for equipment

Maintenance work increases when appliances and other equipment are not replaced in a timely manner, diminishing the time available for preventive maintenance. Equipment expenditures have declined over the past three fiscal years and they are projected to decline this year as well. The actual expenditures declined by about \$150,000 between FY1987-88 and FY1989-90.⁹ And the FY1990-91 budget for the federal low-rent program allocates only \$210,000 for this item, compared with \$559,000 in FY1987-88.

***Need for
commission-
approved program***

A preventive maintenance program is clearly needed to preserve and maintain the housing projects. The engineering branch has recently begun to develop preventive maintenance proposals. The branch has submitted state budget requests for general funds to carry out various preventive maintenance activities. For example, it requested \$3.3 million for roofing jobs and \$550,000 to hire five engineers and a secretary for a preventive maintenance program and other workload responsibilities. The branch is also pilot testing a preventive maintenance program for a Maui housing project, using a \$250,000 federal grant. It has proposed establishing teams of contract maintenance workers to do painting, carpentry, masonry, and similar jobs at housing projects.

These individual efforts are without the benefit of a preventive maintenance program developed in cooperation with the housing management branch and approved by the commission. The engineering branch has been unable to devote sufficient attention to this task because of staff shortages caused by a recent reorganization and an increasing workload brought on by substantial funding to construct new housing projects and modernize existing projects. A 1988 reorganization transferred most of the authority's housing construction and development positions to the Housing Finance and Development Corporation, leaving the engineering branch with only five engineers.

The federal government recently funded new engineering positions to help with modernization work, and the authority is developing a reorganization proposal to enlarge the staff of the engineering branch. But right now, the current staff of the branch has found it difficult to carry out its numerous responsibilities, including preventive maintenance activities.

In developing a preventive maintenance program, the engineering branch and the housing management branch should work together to establish priorities for preventive maintenance activities, to assign responsibility for different activities, and to develop strategies for implementing the program. The two branches should develop the program together and present it to the commission for approval.

**Major Repairs
Are Not Being
Done**

Federal and state housing projects have many problems, largely because major repairs have been deferred for years. Some problems create an unsightly living environment. Others could lead to structural damage. And still others are serious enough to endanger the health, safety, and welfare of residents.

We found that major repair projects requested by area managers have not been completed. The authority has deferred urgently needed work and has not spent funds that could have been used to finance some of these projects. Part of the problem lies in staffing difficulties. But part of the problem is that planning for extraordinary maintenance has not been systematic.

Area managers requested 423 extraordinary maintenance projects in the past three fiscal years. Our review of a random sample of 42 of these projects showed that only 7 were completed by October 1990. Of these completed projects, 3 were requested in 1987, 2 in 1988, and 2 in 1989. Of the 32 top priority projects requested by area managers, only 11, or about a third, were completed by October 1990.

We believe that some of these would have removed health and safety threats by replacing cracked sidewalks or broken entry doors; preserved buildings by eradicating termites; reduced workloads of the maintenance crews by replacing leaky roofs or corroded water lines; reduced the costs of maintenance by replacing shower fixtures that are expensive to repair because parts are not available locally; and improved living conditions by painting badly faded buildings.

Longstanding deferrals

Major repairs have been deferred for so many years that most of the authority's older housing projects now need even more extensive work, or renovation, before conditions are decent, safe, and sanitary.

Longstanding problems that have not been corrected include hazardous conditions created by asbestos or lead-based paint; health and safety threats caused by deteriorating water, gas, or sewer lines; and borderline living conditions caused by leaking roofs or termite-ridden windows, doors, and floors. Here we describe other examples of maintenance problems that could endanger the health, safety, and welfare of residents. Refer to the photographs on pages 18 to 20.

- **Deteriorating stairways leading to second-story apartments at Mayor Wright Homes.** Large pieces of concrete have fallen to the ground, railings are not properly anchored to the stairs, and some rusty railings have been replaced with rope webbing. The authority plans to repair the stairways in 1993 or 1994 if it receives \$525,000 from a federal modernization grant.
- **Deteriorating building canopies at Mayor Wright Homes.** Concrete ledges are breaking up and falling to the ground

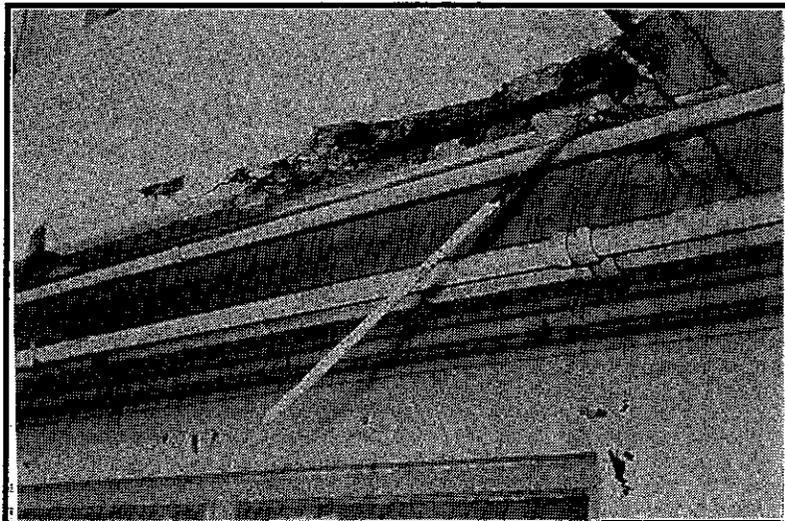
because weather conditions have caused reinforcement bars to rust and swell. The authority plans to repair the canopies in 1993 or 1994 if it receives \$400,000 from a federal modernization grant.

- **Dangerous electrical system at Palolo Valley Homes.** The exterior wiring is 32 years old and insulation is brittle or nonexistent, leaving bare wires exposed. Power outages have been caused by frayed wires. In August 1989, the federal government allocated \$1.2 million to modernize the electrical system, but as of December 1990, the system had not been replaced.
- **Old wiring system at Kaahumanu Homes.** Electrical wires are more than 30 years old and insulation is brittle or nonexistent. Main power lines are connected to the roof of one apartment, and someone standing on the lanai can touch the wires. In August 1989, a federal modernization grant allocated \$1.5 million to replace and upgrade the electrical distribution system, but as of December 1990, the electrical system had not been replaced.
- **Deteriorating earthquake joints on high-rise buildings at Kuhio Park Terrace.** Some joints have deteriorated so badly that a small child could squeeze through the openings and fall to the ground (boards have been placed over the joints to prevent this from occurring). The authority has not yet addressed this problem.

Unspent funds

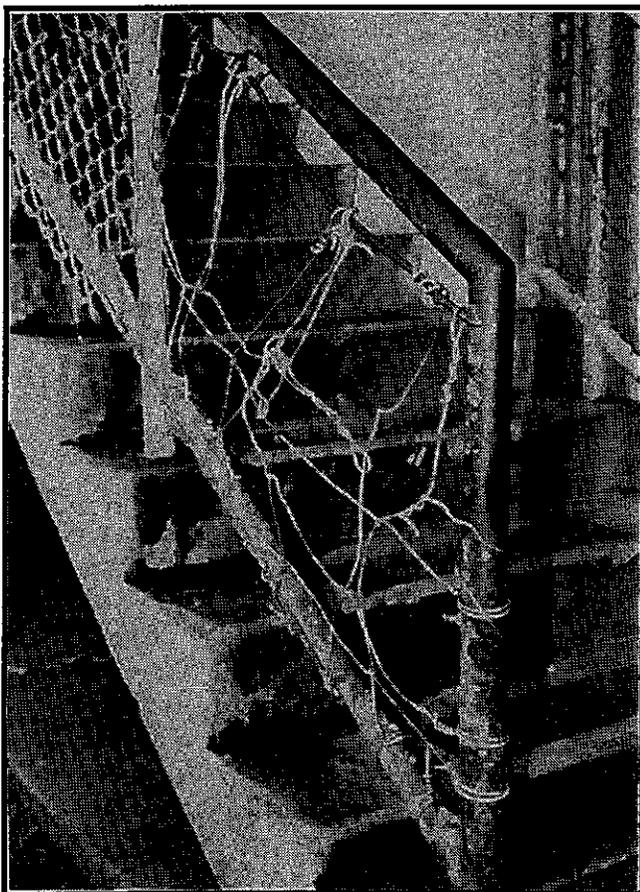
The authority has funds it could have used for extraordinary maintenance. These include the operating reserve funds of the federal low-rent program, excess Section 8 administrative fees, and federal modernization grants.

- **Unrestricted reserve funds.** The federal low-rent program receives federal operating subsidies to enable the authority to maintain adequate operating services and reserve funds. According to the executive director, the federal low-rent program had "unrestricted" balances totalling \$245,792 on June 30, 1989, and \$453,819 on June 30, 1990, in the reserve fund.¹⁰ These moneys were not used for extraordinary maintenance, perhaps because the authority was unable to fully evaluate the financial condition of the federal low-rent program because of vacancies in the administrative services office.

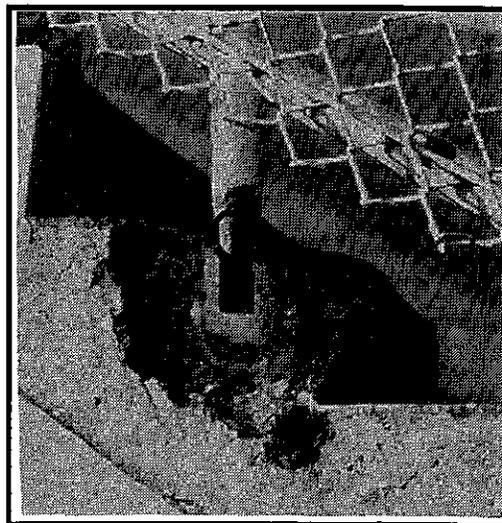


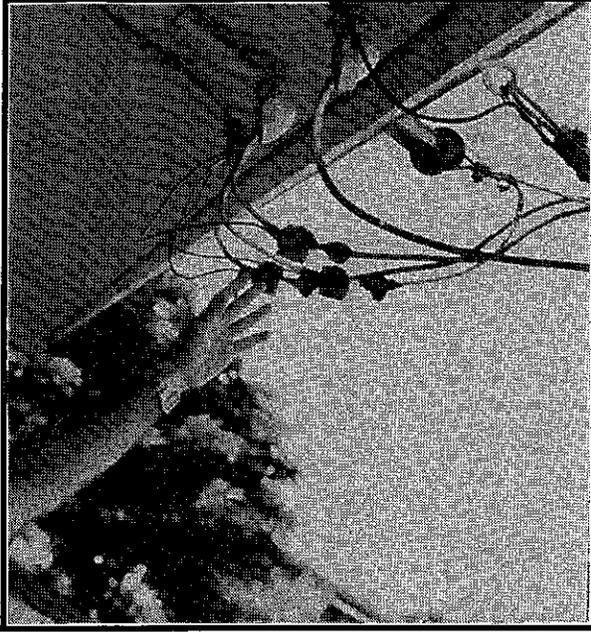
Crumbling concrete canopy with a deteriorating reinforcement bar: Mayor Wright Homes. About 20 canopies have deteriorated to the point where concrete chunks pose a danger to passersby. Weather conditions have caused the reinforcement bars to swell and break up the concrete. Built in 1952, Mayor Wright Homes has 1,431 residents living in 364 units.

Deteriorating exterior stairway in the same project. Note the unraveling rope webbing. The original metal sidings have rusted away.



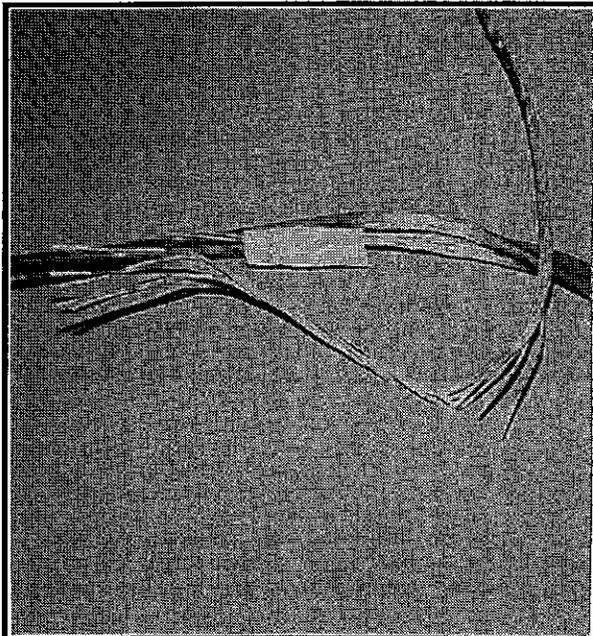
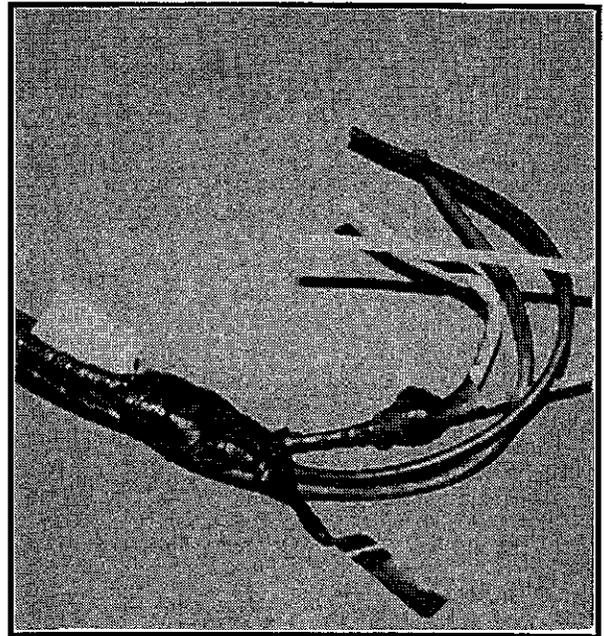
On another stairway, the metal post that anchors the railing has broken free of the concrete stair. We found several areas in this project with similar problems.



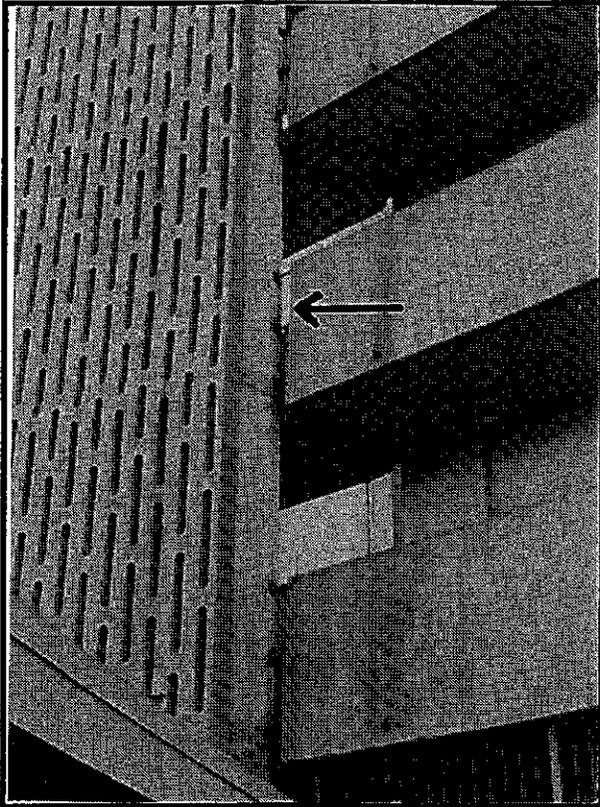


Main power lines within reach of residents: Kaahumanu Homes. In this federal housing project in Honolulu, the main power lines for one of the units are connected under a roof that overhangs a lanai area. This housing project was built in 1958 and has 457 residents.

Exterior wiring: Palolo Valley Homes and Palolo Homes. This wiring was repaired before finally giving out. Palolo Homes was built in increments between 1951 and 1953, and Palolo Valley Homes was built in 1957. About 1,778 persons live there.

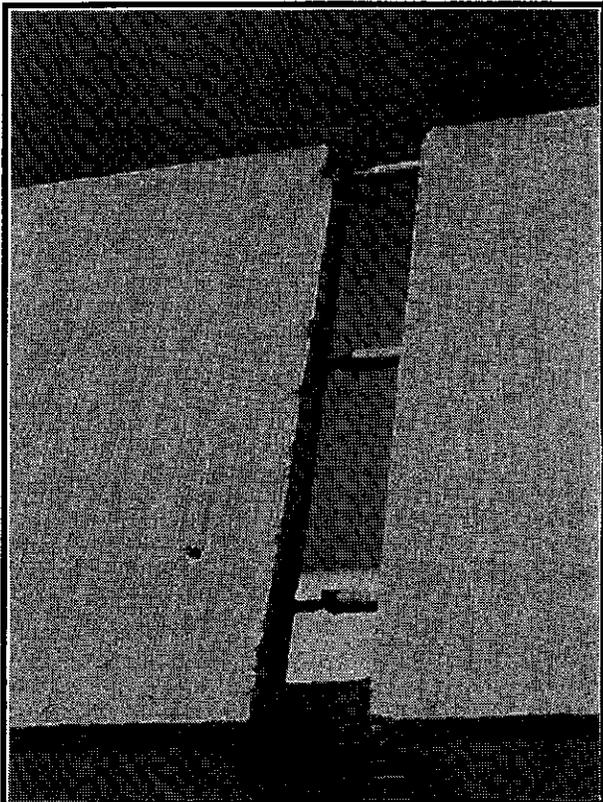
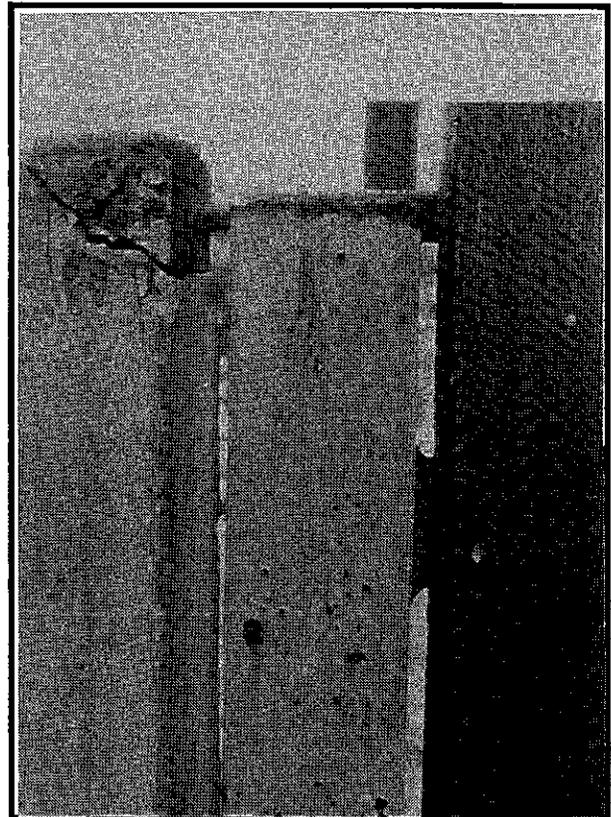


Exposed exterior wiring. These bare wires were removed from the exterior distribution system at one of the Palolo projects. This type of frayed wire has caused power outages at the projects on several occasions.



Gaps between an outer walkway and the main building: Kuhio Park Terrace. The deterioration of the metal connecting joints and concrete poses serious questions of safety.

Rusting joints and crumbling concrete. The metal plate covering the opening is corroded and could fall off, leaving the space exposed.



Missing metal plate. In this view of an outside walkway, the metal plate has fallen away, leaving a large opening. Some openings were wide enough for a small child to squeeze through.

- **Unrestricted Section 8 administrative fees.** The authority earns administrative fees for managing federal Section 8 programs that provide rental housing assistance to lower-income families. It is allowed to use the income generated by these fees, less administrative costs, for any housing-related purpose, including repair and maintenance. The authority has accumulated a substantial amount of these unrestricted funds. According to the executive director, four Section 8 accounts had unrestricted fund balances totalling \$2,747,123 on June 30, 1988, \$3,135,428 on June 30, 1989, and \$2,863,312 on June 30, 1990.¹¹ These moneys should be spent to correct urgent extraordinary maintenance problems.
- **Federal modernization grants.** Between March 1988 and August 1989, the federal government allocated nearly \$26.5 million so the authority could modernize 12 federal housing projects.¹² Nearly half of the funds were for major repair work in designated housing projects, but the authority spent only \$2.5 million from the total allocation by June 30, 1990.¹³ The engineering branch was not able to implement the grants in a timely manner because of limited staffing brought on by the recent reorganization, and other workload responsibilities. The authority's emphasis on constructing new housing projects has reduced the ability of branch staff to handle major repairs. The federal government's recent decision to fund additional engineers for the branch should help ensure that the grants are expended more expeditiously.

Weaknesses of current efforts

One source of the problem in handling major repairs is that the authority's extraordinary maintenance program is not based on a systemwide funding plan developed in concert by the two branches responsible for maintenance and then approved by the commission. Plans and budgets are developed separately without overall direction and control. Ultimately, the efforts fail to address the enormous repair needs of housing projects.

Two branches budget for extraordinary maintenance. The housing management branch, working with the administrative services office, develops the operating budgets for the federal and state low-rent programs. These budgets allocate the revenues earned by the two programs. The engineering branch develops the state executive budget requests for repair and maintenance funds and also develops the plans and budgets for modernization work funded by federal grants.

There is some interchange between the two branches, but essentially they develop separate budgets. Their efforts are not based on uniform priorities or realistic financial projections. There is no mechanism in place to allow the branches to work together in creating a plan for extraordinary maintenance.

Housing management requests

As required by their manual, every area manager submits a list of major repairs to the housing management branch each year. They are encouraged to include every repair they feel is needed, even though there will not be enough money to fund them all. The area managers prioritize the items by giving each one a different numerical rank. From these lists, the housing management branch decides which repairs to include in the operating budgets of the federal and state low-rent programs. The branch also prepares a list of repair projects for the engineering branch to consider including in the state budget request.

The most recent list sent to the engineering branch contained 198 repair projects totalling approximately \$24.5 million. Among these items were roofing jobs, sewer and gas system repairs, building and sidewalk repairs, termite treatment, and other projects related to health and safety. The engineering branch included only the first 16 projects (all roofing jobs) in its budget request.

The futility of this effort shows in the great difference between what the area managers request and what ultimately is funded. The authority has not received general fund appropriations for extraordinary maintenance projects since FY1982-83,¹⁴ and the housing management branch does not expect all of its top priority projects to be funded.

Engineering branch requests

For its executive budget requests for repair and maintenance, the engineering branch uses the list prepared by the housing management branch and also a list of its own priorities. The budget request prepared by the engineering branch for FY1991-93 included the 16 roofing jobs from the list prepared by the housing management branch and also other projects identified by the engineers (removing hazardous materials and funding contractors to do roofing repairs).

In addition to its executive budget request, the engineering branch develops plans and budgets for programs to modernize federal housing projects. The plans must follow federal modernization guidelines, and are therefore targeted at *modernizing housing projects as a whole* and not at repairing specific things in different

projects. The engineering branch recently prepared a "comprehensive modernization plan" to upgrade federal housing projects. This plan estimated that about \$85 million will be needed to modernize 38 of the 59 federal housing projects during the next five years.¹⁵

The state housing projects, of course, are not included in the federal modernization plan. Further, although the modernization plan includes projects having extraordinary maintenance needs, the federal government allocates funds only to certain targeted projects. In 1990, for example, HUD allocated funds to only 8 of the authority's 59 projects.¹⁶

Need for a systemwide plan

Area managers (who identify most of the repair needs) acknowledge that funds are limited, but they do not understand how the authority prioritizes requests for major repairs. Over the years, area managers have identified many needs, knowing that most of them will not be funded. They operate in a vacuum with little feedback from the housing management branch or the engineering branch. Yet they are forced to handle the complaints from residents who do not understand why their housing projects are not being repaired.

The authority needs to develop a systemwide plan that covers all low-rent housing projects, both state and federal. The plan should identify the needs of extraordinary maintenance, prioritize these by urgency, and indicate what sources will be used to fund those with the highest priority. Both branches should share the responsibility of developing the plan. Further, the commission should approve it.

After the reorganization of the authority, the housing management branch was charged with developing maintenance plans reflecting the authority's goals, the planning office with helping in the development of long and short-term plans, and the engineering branch with developing state budget requests and federal grant requests. However, the authority has not yet developed a mechanism to pull together their planning efforts.

The authority needs to establish a group to monitor the condition of low-rent projects. The group should include staff from the housing management branch, the engineering branch, and other offices as appropriate. A member of the commission should be invited to sit in on the group, as should a representative from the Oahu Tenant Advisory Council. The group should be staffed by the planning office and should structure its work as a continuing, cooperative effort.

The authority should also develop a system for keeping track of all major repair needs that have been identified by housing managers and engineers. This information should be documented (for example, in a work order), prioritized, and kept in a database that is comprehensive, accurate, and current. The engineering branch would verify the information coming into the database and develop cost estimates for top priority jobs. The planning group would use the data to monitor the status of housing projects and to develop and update a plan, approved by the commission, for funding extraordinary maintenance.

General Fund Appropriations Will Be Needed

The authority cannot implement a planned preventive maintenance program or correct longstanding extraordinary maintenance problems with available funds. The operating revenues of both the federal and state low-rent programs are not sufficient to cover the needs reported by area managers each year. As previously discussed, the federal modernization funds are restricted and therefore cannot be tapped for many repairs. The unrestricted Section 8 administrative fees, which are currently not spent, are still not enough. And the authority has spent part of a recent general fund appropriation.

In years past, the Legislature has appropriated general funds that have been used, in one way or another, to repair and maintain public housing. In 1976, for example, the Legislature appropriated \$1.2 million to repair and renovate some of the authority's buildings and facilities.¹⁷ Again in the early 1980s, it appropriated \$3.8 million for special maintenance.¹⁸ In 1989, the Legislature appropriated \$1 million for improvements and repairs to public housing for FY1989-90 and another \$1 million for FY1990-91.¹⁹

We believe the authority will need to ask for general funds to ensure decent, safe, and sanitary housing projects for people who earn low incomes. However, the authority must have its plans approved by the commission, and must also provide the Legislature with better information about the different housing programs currently included in the HMS 220 budget.

Insufficient operating revenues

The authority's low-rent programs do not generate enough operating revenues to fund the many extraordinary maintenance projects needed to improve long-neglected housing conditions. During the past three fiscal years, the authority had to cut a total of \$25.7 million from the area managers' budget requests for the major repairs of extraordinary maintenance. Of the \$29.3 million requested by managers for the three-year period, about \$3.6 million was allocated for this activity by the budgets approved by the commission. The

low-rent programs have been spending less than \$900,000 per year for extraordinary maintenance.²⁰

The authority also had to cut about \$7.7 million from area managers' requests for funds to improve the housing projects ("betterments and additions") and nearly \$350,000 from their requests for replacing appliances and other equipment.

Insufficient federal modernization grants

Federal modernization grants are insufficient to meet the extraordinary maintenance needs of low-rent housing projects. They are restricted to federal housing projects and can only be used to modernize those projects included in the HUD-approved budgets. The funds must be used for repairs and improvements approved by HUD, and they cannot be used for other purposes.

The authority's May 1990 modernization plan estimated that between 1990 and 1994 nearly \$85 million will be needed to modernize 38 of 59 federal low-rent housing projects. In 1990 HUD allocated just \$10 million for the first year of the planning period.²¹ The funding is for what are termed emergency, special purpose, and comprehensive modernization programs and is limited to 8 designated facilities. The authority does not expect to receive more than \$10 million in each of the next four years. And it may receive even less because the federal government has changed its method of allocating the modernization funds.

General fund appropriation spent

The \$1 million appropriated by the Legislature for FY1989-90 has been spent. According to the authority's administrative services officer, about half of the appropriation was used for major repair work in five low-rent housing projects. The other half was used for improvements such as installing chain link fences, landscaping, and the like. The amount used for major repairs did not go very far--more than half went to reroofing buildings in just two housing projects. The authority plans to use the FY1990-91 appropriation of \$1 million for similar purposes.

Better budget information needed

The HMS 220 budget does not provide the Legislature with enough information about public housing programs. To summarize, the HMS 220 program category combines two programs that serve different objectives, thereby making it difficult to sort out the funding levels for each. The true picture on federal funding levels is difficult to understand because there is a single line-item appropriation for all federal funds. The budget does not contain enough information about how well the authority is utilizing funds

from the different federal housing programs. Here we discuss ways to ensure that better information is passed on to the Legislature.

Revise the program structure

The HMS 220 program category contains the housing augmentation and assistance program. This program has two objectives:

- (1) ensure that housing is available for low-income families by providing public rental housing facilities at a reasonable cost and
- (2) facilitate the use of private rental housing for low and middle-income families by supplementing their rental payments. The first objective seeks to ensure the availability of housing by providing *rental facilities*; the second seeks to facilitate access to housing by supplementing *rental payments*.

The combining of two objectives in one budget category means that the Legislature cannot readily determine funding levels for each activity. For example, the budget for FY1991-93 shows that the Legislature appropriated \$4.2 million in general funds, \$1.5 million in special funds, and \$21.5 million in federal funds for HMS 220 programs in FY1990-91.²² It is difficult to determine how much of this was appropriated for public housing, and how much was for rental assistance payments. Yet this information would be essential in evaluating the authority's budget request.

Obtain more information on HMS 220 programs

The authority needs to provide the Legislature with more information about the programs currently included in the HMS 220 budget. It should provide a more detailed accounting of federal modernization grants and progress toward implementing them. This should include information about revenues, expenditures, and unrestricted fund balances for the federal modernization programs and other federal housing programs administered by the authority. This information could be attached to the authority's annual budget testimonies.

Since the budget request for the 1991-93 biennium has already been submitted, we believe that the HHA should provide the Legislature with the necessary breakdown of the HMS 220 program category so that the Legislature can consider making separate appropriations for the rental housing augmentation and maintenance program and the rental housing assistance program. Subsequent budget submissions by the authority should be under two separate program categories--one for rental housing augmentation and maintenance and the other for rental housing assistance.

Recommendations

1. To gather better information on the physical condition of its low-rent housing projects, the Hawaii Housing Authority should:
 - a. Establish housing standards that are approved by the commission.
 - b. Use the Section 8 standards and forms to conduct a one-time assessment of all low-rent housing projects to inventory housing conditions and to identify repair and maintenance needs.
 - c. Require the housing management branch to supplement its annual inspections by using Section 8 standards and forms until new standards are established.
 - d. Ensure that unit inspections and housing project inspections are conducted annually by trained staff. Formal training should include the appropriate use of inspection forms.
2. To ensure that preventive maintenance needs are met, the authority should:
 - a. Have the engineering branch and the housing management branch work closely together to develop, for approval by the commission, a preventive maintenance program that will systematically maintain all housing on a regular cycle. The program should include preventive maintenance of *all* types, ranging from maintaining appliances in dwelling units to maintaining roofs.
 - b. Examine why some vacancy renovations are taking so long and take steps to facilitate the process.
3. To ensure that major repairs are made, the authority should:
 - a. Establish a planning group to develop an extraordinary maintenance plan for approval by the commission. The group should consist of representatives from the housing management branch, the engineering branch, the commission, and the Oahu Tenant Advisory Council.
 - b. Develop and maintain a current database of major repair needs. The database should be used to plan and budget major repair projects.
 - c. Spend unrestricted funds accumulated under Section 8 for urgently needed extraordinary maintenance projects.

4. The authority should also:
 - a. Submit annual reports to the Legislature describing the financial status of the federal low-rent program and Section 8 program, and presenting plans and budgets for spending unrestricted funds.
 - b. For the 1991-93 budget, provide the Legislature with the necessary breakdowns for the HMS 220 budget category so that the Legislature can consider appropriations for rental housing augmentation and maintenance separately from rental housing assistance.
 - c. In subsequent years, submit budgets under two separate program categories--one for rental housing augmentation and maintenance, and the second for rental housing assistance.
 - d. Request sufficient resources, including positions, to carry out the preventive maintenance and extraordinary maintenance programs.

Notes

Chapter 1

1. Hawaii, Hawaii Housing Authority, *Composite Report July 1, 1989-June 30, 1990*, Honolulu, pp. 177-184.
2. *Ibid.*, pp. xiii-xxiii and 177-184.
3. Title 17, Chapter 535, *Hawaii Administrative Rules*, Exhibit I.
4. Letter to Newton Sue, Acting Auditor, State of Hawaii, from Mitsuo Shito, Executive Director, Hawaii Housing Authority, October 4, 1990.
5. Title 17, Chapter 535, *Hawaii Administrative Rules*, Exhibit II.
6. *Ibid.*, Exhibit IV.
7. Letter to Newton Sue from Mitsuo Shito, October 4, 1990.
8. *Ibid.*
9. *Ibid.* Additional information from the Hawaii Housing Authority Administrative Services Office.
10. U.S. Department of Housing and Urban Development, "Comprehensive Assessment/Program Budgets," March 1988, September 1988, and August 1989.

Chapter 2

1. U.S. Department of Housing and Urban Development, *HUD Comprehensive Management Review Report on Hawaii Housing Authority's Low-Income Public Housing Program*, Honolulu, September 1979, p. 7.
2. *Ibid.*
3. Hawaii, Hawaii Housing Authority, *Maintenance Activity Report by Project, July 1, 1989 to June 30, 1990*.
4. See enclosures transmitted with the letter to John Spierling, Chairman, Board of Commissioners, Hawaii Housing Authority, from Jayne Hulbert Humphrey, Acting Manager, Honolulu Office, U.S. Department of Housing and Urban Development, March 26, 1987.

5. U.S. Department of Housing and Urban Development, *Limited Management Review of Hawaii Housing Authority Management Area VIII (Kauai)*, Honolulu, September 1988, n.p.
6. Hawaii, Hawaii Housing Authority, *Maintenance Activity Report*.
7. Ibid.
8. KHON-TV 2, Action Line Report, Honolulu, September 13-14, 1990.
9. Letter to Newton Sue, Acting Auditor, State of Hawaii, from Mitsuo Shito, Executive Director, Hawaii Housing Authority, October 4, 1990.
10. Ibid.
11. Ibid.
12. U.S. Department of Housing and Urban Development, "Comprehensive Assessment/Program Budgets," March 1988, September 1988, and August 1989.
13. Information provided by the Hawaii Housing Authority Administrative Services Office.
14. Information provided by the Hawaii Housing Authority Administrative Services Office and limited to appropriations for "special" maintenance.
15. Hawaii, Hawaii Housing Authority, *Comprehensive Plan for Modernization*, May 1990, n.p.
16. Letter to Mitsuo Shito, Executive Director, Hawaii Housing Authority, from Gordan Furutani, Manager, Honolulu Area Office, Region IX, U.S. Department of Housing and Urban Development, September 17, 1990.
17. Act 227, SLH 1976.
18. Information provided by the Hawaii Housing Authority Administrative Services Office.
19. Hawaii, Senate Committee on Ways and Means and House Committee on Finance, *Executive Operating Budget Worksheets*, May 1989, p. 191.

20. Letter to Newton Sue from Mitsuo Shito, October 4, 1990.
21. Letter to Mitsuo Shito from Gordan Furutani, September 17, 1990.
22. Hawaii, State of Hawaii, *The Multi-Year Program and Financial Plan and Executive Budget*, December 1990, p. 1055.

Response of the Affected Agency

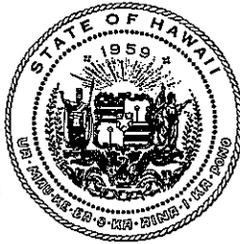
Comments on Agency Response

We transmitted drafts of this review to the Hawaii Housing Authority and the Department of Human Services on February 7, 1991. A copy of the transmittal letter to the authority is included as Attachment 1 and its response is included as Attachment 2. The Department of Human Services did not respond.

The Hawaii Housing Authority concurs with the recommendations in the report and says that every effort will be made to work towards accomplishing them. It agrees that a maintenance plan should be developed but disagrees with the proposed makeup of the planning group, seeing no need for representatives from the commission or the Oahu Tenant Advisory Council. Using federal funds, the authority is attempting to develop resident training initiatives that include the care and maintenance of dwelling units and to hire a consultant to implement a comprehensive preventive maintenance program. The authority will formulate plans to spend unrestricted fund balances, and it will consult with the Department of Budget and Finance on a program structure that would separate the housing augmentation program from the housing assistance program. Finally, it will make monthly statements on revenues and expenditures available to the Legislature for its review.

ATTACHMENT 1

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813



(808) 548-2450
FAX: (808) 548-2693

C O P Y

February 7, 1991

Mr. Mitsuo Shito
Executive Director
Hawaii Housing Authority
1002 North School Street
Honolulu, HI 96819

Dear Mr. Shito:

Enclosed are two copies, numbers 8 to 9 of our draft report, *Review of the Hawaii Housing Authority's Repair and Maintenance Program*. We ask that you telephone us by February 11, 1991, on whether you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than February 20, 1991.

Mrs. Winona Rubin, Director of the Department of Human Services, the Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,


Newton Sue
Acting Legislative Auditor

Enclosures

JOHN WAIHEE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
HAWAII HOUSING AUTHORITY
P. O. BOX 17907
HONOLULU, HAWAII 96817

MITSUO SHITO
EXECUTIVE DIRECTOR

FAX NO. (808) 848-3313

IN REPLY REFER
TO:

February 20, 1991

91:ASO/223

Mr. Newton Sue
Acting Legislative Auditor
Office of the Auditor
465 So. King Street, Room 500
Honolulu, Hawaii 96813

RECEIVED

FEB 21 2 26 PM '91

OFF. OF THE AUDITOR
STATE OF HAWAII

Dear Mr. Sue:

Thank you for the opportunity to respond to your report on the Hawaii Housing Authority's Repair and Maintenance Program. A strong, viable and systemized preventive maintenance program has always been the goal for the Authority. We have attempted to increase staffing and funding to establish and implement a program to provide decent, sanitary and healthful living units for our tenants. In spite of the shortage in resources, the Hawaii Housing Authority staff have taken every means possible to prioritize needs to provide safe and hazardous free dwelling units.

The findings you cited emphasized the difficulty the Authority has had in establishing a repair and maintenance program. We have not been able to create staff positions to collect information about the physical condition of our housing projects. The revenues we generate from dwelling unit rents have not been sufficient to expand staffing levels.

We have attempted to establish a preventive maintenance program but the requirements for a systematized program were beyond our capability. A resident training initiative supported by federal funds is currently being developed. This program will include care and maintenance of units. These kinds of programs and other initiatives will be used to resolve some of the repair and maintenance problems.

Concerning shortcomings in housing project inspections, the Housing Compliance and Evaluation Office has been tasked with the responsibility to inspect the physical condition of all structures, grounds, equipment, utility systems, beautification and health &

Mr. Newton Sue
Page Two
February 20, 1991

safety of all projects on a yearly basis. This is in addition to the housing management supervisors physical condition inspection. The Housing Compliance inspections are both announced and unannounced.

The report states that the federal low rent program had unrestricted balances totalling \$245,792 on June 30, 1989 and \$453,819 on June 30, 1990 on the reserve fund. These amounts represent the cash on hand, uninvested funds at the end of each fiscal year. HHA maintains a reserve level necessary for the sound operation of its federal low rent program, and is consistent with guidelines established by HUD.

During the period from 3/1/88 to 2/29/89 the Authority did perform and certify that 100% of our federal units were inspected using Section 8 standards; however the forms were not used. We agree that modifications to our existing forms can be done in order to gather better information on the physical condition of our low rent housing projects.

Under the CIAP funding a consultant is being hired to research and evaluate existing preventive maintenance practices and to develop and implement a comprehensive preventive maintenance program. This should set a base for a systematic program.

Although we agree that a maintenance plan needs to be adopted; we disagree with the proposed make-up of the planning group. Inasmuch as the commission needs to approve, there should be no need for one of them to sit on the committee. In addition, the Oahu Tenant Advisory Council is not representative of enough of the Authority's projects. Their membership is small with 15 of 64 projects represented. The committee should be made up of project managers, Engineers, and the Executive Director or his designee.

HHA will consult with the Department of Budget and Finance to develop a program structure to categorize the housing augmentation and assistance program. The two fund sources affected will be the general funds Rent Supplement Program and the federal funds Section 8 Rent Subsidy Program. The line items identified as payment to landlords and the associated administrative costs will be identified from the public housing portion of the program structure.

The Authority prepares monthly financial statements for the State Low Rent, General Funds, Teacher Housing, and the four Section 8 federal rent subsidy programs. The statements reflect budgeted versus actual revenues and expenditures. These statements will be made available to the legislature for their review.

Mr. Newton Sue
Page Three
February 20, 1991

In addition, the Authority will review the year end financial statements and formulate plans to expend unrestricted fund balance during the subsequent fiscal year.

The Authority concurs with your recommendations and every effort will be made to work towards accomplishing the recommendations. Our goal is to provide model rental housing units and to meet the housing needs for the special people in the State of Hawaii.

We appreciate this opportunity to comment on your report.

Sincerely,

A handwritten signature in black ink, appearing to read "Mitsuo Shito", written in a cursive style.

Mitsuo Shito
Executive Director

