
Office of Inspector General

Audit Report

Acquisition of Family Housing

U.S. Coast Guard

Report Number: MA-1998-112

Date Issued: April 9, 1998





Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Subject: **ACTION:** Report on Acquisition
of Family Housing, U.S. Coast Guard
Report Number: MA-1998-112

Date: April 9, 1998

From:

Reply to
Attn of: JA-1


Lawrence H. Weintrob
Assistant Inspector General for Auditing

To: Chief of Staff
U.S. Coast Guard

This report presents the results of our audit on the U.S. Coast Guard's (Coast Guard) Acquisition of Family Housing. Our audit objective was to determine whether family housing acquisition projects were adequately justified. We discussed the audit results with the Acting Chief, Housing Programs Division, and representatives of the Office of Civil Engineering, on March 2, 1998.

BACKGROUND

Coast Guard family housing policy, as promulgated in the Coast Guard Housing and Planning and Programming Manuals, is intended to ensure all members and their dependents are adequately housed in a favorable community environment, and within reasonable commuting times of members' duty stations. Coast Guard policy calls for members to first seek private community housing using housing allowances; second, to obtain available Coast Guard leased housing when housing allowances are insufficient to afford private housing; and third, to occupy existing government owned housing. As a last resort, the Coast Guard may acquire housing for its members by construction, purchase, or transfer from other government agencies, when this method has been demonstrated to be cost effective.

We reviewed 14 family housing acquisition projects on Coast Guard's Shore Facilities Requirements List for funding in Fiscal Year 1997 through Fiscal Year 2000. The estimated cost of these projects was \$74.5 million. We made site visits to five projects. The audit was conducted in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States.

RESULTS-IN-BRIEF

The Coast Guard considered adequacy standards when planning housing acquisitions, as required. However, some projects were approved although the private sector, and existing government housing, could meet members' housing requirements. Other projects were not always reassessed when housing conditions changed. Of the nine projects we found were not adequately justified, the Coast Guard canceled two, decided not to proceed with construction of two, and is reassessing requirements for two projects. The remaining three projects advanced to the acquisition stage.

Project Analysis

We reviewed 14 family housing acquisition projects, and concluded 9 were not adequately justified. The estimated cost and funding years as of March 1998 was:

Project Location	Cost <i>(In Thousands)</i>	Funding Year(s) As of March 1998
Honolulu, Hawaii	\$ 21,300	2001-2002
Sault Ste. Marie, Michigan	8,800	1998
Cape May, New Jersey	3,000	2001
Valdez, Alaska	700	1998
Alameda, California	6,400*	1997-2000
Tustin, California	(No Estimate)	Canceled
Oregon Inlet, North Carolina	600	1997
Ketchikan, Alaska	876	Canceled
Cape Hatteras, North Carolina	<u>3,000</u>	1997
Total 9 Projects	\$ 44,676	

* Costs for rehabilitation and renovation of housing acquired through Department of Defense base closure.

The nine projects were approved, in part, to provide management flexibility in assigning members to housing, to protect against possible future housing shortages, and to benefit from available excess Department of Defense housing.

During our audit, three of the projects, estimated to cost \$10 million, and having questionable justification (Alameda, Oregon Inlet, and Cape Hatteras) advanced to the acquisition stage; and two of the projects (Tustin and Ketchikan) were canceled. The Alameda project was approved to benefit from available excess

Department of Defense housing, the Oregon Inlet project was approved as a hedge against possible future housing shortages in the next 15 years, and the Cape Hatteras project was approved to provide additional flexibility in assigning members to housing.

The Tustin project was canceled because the acquisition conflicted with City of Tustin plans to redevelop this excess Department of Defense property. The Ketchikan project was canceled after the availability of leased housing was reconsidered. Prior to cancellation of the Tustin and Ketchikan projects, the Office of Inspector General briefed the Deputy Commander, Pacific Area, and Chief, Shore Division, Maintenance and Logistics Command Pacific, on the questionable justification for these projects.

During discussions with Coast Guard representatives on March 2, 1998, we verified the Honolulu, Sault Ste. Marie, Cape May, and Valdez projects had not reached acquisition. In these discussions, Coast Guard representatives agreed our audit results, as discussed below, showed these four projects should be reconsidered.

Honolulu, Oahu, Hawaii. The Coast Guard is planning to construct additional family housing in Honolulu in Fiscal Years 2001 and 2002. The construction plan consists of 66 units, mostly 2-bedroom townhouses, at an estimated cost of \$21.3 million. When the project planning proposal was approved in 1990, a shortage of adequate and affordable rental units existed on Oahu, and annual vacancy rates were less than 2 percent. Article 4.C.6 of the Coast Guard Housing Manual states, “The fact that more than 2 years can elapse between programming and acquisition makes constant surveillance of the housing market essential.” This constant surveillance reduces the risk that unneeded, and uneconomical, family housing will be acquired.

During our site visit to Honolulu and surrounding areas, we found adequate and affordable housing, within reasonable commuting distance, was available. The manager of the Department of Defense Community Homefinding Service confirmed there were about 850 affordable, and adequate two, three, and four-bedroom, rental units available throughout Oahu. Housing affordability was determined by comparing rental rates with housing allowances for military members assigned to Hawaii, and housing adequacy was determined by physical inspection of rental units by Department of Defense Community Homefinding Service personnel.

The manager, Community Homefinding Service, also stated the rental vacancy rate in Oahu was about 7 percent. Furthermore, a report and analysis of military

housing needs on Oahu, conducted for the Department of the Navy, found the rental market vacancy rate on Oahu was expected to stabilize between 5 and 6 percent by 2001. Based on a reassessment of housing requirements and local availability, the Coast Guard elected not to proceed with construction as planned.

Sault Ste. Marie, Michigan. The Coast Guard is planning to construct 49 family housing units in Fiscal Year 1998 at an estimated cost of \$8.8 million. The Coast Guard did not determine the number of adequate houses rented or purchased by members, when identifying the need to acquire family housing at Sault Ste. Marie. Article 4.A.2.d. of the Housing Manual states adequate private housing occupied by members should be considered in determining housing requirements. At the time of our site visit, 24 members occupied private rentals and 34 members had purchased houses. However, the project justification showed no members were living in adequate private rental or purchased housing. Consequently, the number of housing units to be constructed may be overstated.

We toured the Sault Ste. Marie area, accompanied by the Coast Guard Local Housing Officer. Housing market information provided by local realty agents also showed available, affordable, and adequate housing units existed. Coast Guard is currently conducting another validation study.

Cape May, New Jersey. The Coast Guard is planning to acquire family housing at Training Center Cape May. The project, consisting of 12 units, was to be constructed in Fiscal Year 2001 at a cost of \$3 million. During our site visit, we determined, based on physical observations of Coast Guard occupied housing and discussions with local housing officials, the combination of Coast Guard owned and leased housing, and privately rented and purchased units, were sufficient to satisfy the housing needs of Coast Guard members. Further, recent Coast Guard streamlining efforts reduced housing needs at Cape May. Based on a reassessment of housing requirements and local availability, the Coast Guard elected not to proceed with construction as planned.

Valdez, Alaska. The Coast Guard is planning to purchase three housing units in Fiscal Year 1998 at an anticipated cost of \$700,000. The combination of Coast Guard owned housing and community support housing has been meeting members housing needs in Valdez. The local housing officer, in a telephone discussion, informed us that 26 of 29 members eligible for family housing were living in Coast Guard owned units, and the other 3 members were living on the local economy. Since all 29 eligible members are in family housing or living on the local economy, there is no need to purchase additional houses, or use the leased housing program. Coast Guard is currently conducting another validation study.

RECOMMENDATIONS

We recommend the Coast Guard Chief of Staff:

1. Reevaluate the need for family housing projects at Sault Ste. Marie and Valdez.
2. Ensure project justifications are revalidated prior to final funding approval.

ACTION REQUIRED

Actions taken and planned by Coast Guard are reasonable. Please provide written comments within 30 days on specific actions taken.

We appreciate the cooperation and assistance provided by Coast Guard representatives. If you have any questions regarding this report, please contact me at (202) 366-1992, or John Meche at (202) 366-1496.

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