

MEMORANDUM

To: Members of the Committee on Financial Services

From: Committee Staff

Date: May 17, 2024

Re: May 22, 2024, Housing and Insurance Subcommittee hearing entitled, “PHA Oversight: How Scandals and Mismanagement Harm Residents and Taxpayers”

On Wednesday May 22, 2024, at 10:00 am, the Subcommittee on Housing and Insurance of the Committee on Financial Services will hold a hearing in 2128 Rayburn House Office Building entitled, “PHA Oversight: How Scandals and Mismanagement Harm Residents and Taxpayers.” Testifying at the hearing will be:

- **Mr. Bill Slover**, Principal, AVCO Interests and former Chair of the District of Columbia Housing Authority (DCHA) Board
- **Mr. Matt Doherty**, Former Executive Director, Atlantic City Housing Authority (ACHA)
- **Mr. Georgi Banna**, General Counsel and Director of Strategic Initiatives, National Association of Housing and Redevelopment Officials (NAHRO)

General Background

This hearing will highlight the troubling number of Public Housing Agencies (PHAs) that are failing to achieve their core mission to manage federal housing dollars and safeguard residents. PHAs are local, quasi-governmental entities that administer federal housing assistance programs under contracts with the Department of Housing and Urban Development (HUD). They are recognized under federal law as any state, county, municipality, or other governmental entity or public body that builds or operates units under HUD’s Public Housing or Section 8 Housing Choice Voucher programs. There are more than 3,300 PHAs across the nation, managing over 900,000 Public Housing units and administering over 2.3 million vouchers. While PHAs range in size from the very small (0-49 assisted housing units) to the very large (10,000+ units), roughly two-thirds of all PHAs manage 500 or fewer units and one-third of all PHAs manage fewer than 100 units.¹

PHAs manage their properties in accordance with federal program rules. By law, as a condition of receiving federal housing funds, PHAs are required to provide decent, safe, and sanitary housing for their residents. They are also required to maintain the physical conditions of units as well as accurate records of resident incomes, unit occupancy, and rents paid to property owners. PHAs must also submit

¹ HUD GIS Helpdesk: Public Housing Authorities data, available at: <https://catalog.data.gov/dataset/public-housing-authorities>.

periodic plans to HUD for how they are using funds to serve the needs of their residents. These residents include low-, very low-, and extremely low-income households, and some of the most vulnerable populations, such as the elderly and disabled.

Depending on the HUD program involved, PHAs may own the units they manage (such as under the Public Housing program) or contract with private owners or landlords to provide housing assistance for a resident (such as under the Section 8 Housing Choice Voucher program). They may also perform duties under the Performance-Based Contract Administration (PBCA). PBCAs are contracted and paid by HUD to perform tasks including make subsidy payments to landlords under the Section 8 Project-Based Rental Assistance program, among other responsibilities.

Oversight of PHAs

While PHAs are local entities organized under local laws, they are also subject to federal rules and oversight by HUD's Office of Public and Indian Housing (PIH). Thus, ultimately it is the responsibility of HUD to hold all PHAs accountable and take corrective action to protect residents and taxpayers. As part of its federal oversight, HUD uses multiple compliance tools, including requiring regular reporting on each PHA's "policies, programs, operations, and strategies for meeting local housing needs and goals."² In addition, the performance of each PHA is scored using the Public Housing Assessment System (PHAS), which is based on physical (40 percent), financial (25 percent), management (25 percent) and capital fund (10 percent) indicators. Out of a total of 100 points, PHAs scoring 90 or higher are designated as "High Performing," those scoring between 89 and 60 are designated as "Standard" or "Substandard," and those scoring 59 or less are designated as "Troubled."³

PHAs designated as Troubled are subject to additional federal scrutiny. For example, Troubled PHAs are subject to annual assessments (vs. every two years for other PHAs). HUD is also required to conduct additional onsite assessments and monitoring under a corrective action plan developed and followed by the PHA.⁴ Troubled PHAs are given a maximum of two years to improve their overall PHAS score and must make "substantial improvement." This includes cutting in half the difference between their PHAS score and 60 within the first year. Those that do not make this improvement can be declared in "substantial default" of their contract with HUD. Substantial default status provides HUD with the statutory authority to bring the PHA into an administrative receivership, where HUD directly runs and manages the day-to-day operations of the PHA. The law also provides for judicial receiverships of PHAs, which are monitored and supervised by federal courts.⁵

² HUD background on Public Housing Agency (PHA) Plans, available at: https://www.hud.gov/program_offices/public_indian_housing/pha#.

³ HUD Office of the Inspector General, "HUD Has Not Referred Troubled Public Housing Agencies as the Law and Regulations Require," February 4, 2020, available at: <https://www.hudoig.gov/reports-publications/report/hud-has-not-referred-troubled-public-housing-agencies-law-and>.

⁴ Code of Federal Regulations, Title 24, Subtitle B, Chapter IX, Part 985, Subpart B, Section 985.107, available at: <https://www.ecfr.gov/current/title-24/subtitle-B/chapter-IX/part-985/subpart-B/section-985.107>.

⁵ HUD background on Receivership, available at: https://www.hud.gov/program_offices/public_indian_housing/oro/receiverships.

Failures in Oversight and Accountability

Despite having the tools to perform needed PHA oversight and more than 1,400 Office of Public and Indian Housing staff, HUD seems unwilling or unable to effectuate meaningful reforms to improve the conditions of many at-risk PHAs. For example, HUD is required by law to submit a list of Troubled PHAs to Congress annually. However, the HUD Office of Inspector General (OIG) reported in early 2020 that HUD had failed to do so for the preceding 11 years.⁶ In fact, HUD staff had not even been referring Troubled PHAs to its leadership. This in turn prevented HUD from attempting to take any corrective action. According to the OIG: “*Without this referral mechanism, a PHA could remain troubled for an indefinite period while conditions stagnate or deteriorate.*”⁷ When HUD finally did issue a new “Report to Congress on Troubled Public Housing Agencies” later in 2020, it stated that there were 88 PHAs in Troubled status in FY19 and two currently in receivership (the Housing Authority of the City of Gary, IN, and Alexander County Housing Authority of Cairo, IL).

Additionally, this lack of oversight and accountability for failing PHAs is severe enough that it is endangering the health and safety of residents. In 2023, the OIG audited HUD’s oversight of the physical condition of the Public Housing units PHAs administer and found that nearly 5,200 inspection reports contained nearly 33,000 life-threatening deficiencies that were required to be corrected within three business days.⁸ Equally troubling, the OIG found more than 5,000 of those deficiencies were never certified by a PHA as corrected at all. Moreover, of the nearly 28,000 deficiencies marked by PHAs as corrected, HUD had only verified 3,600.⁹ The OIG also found numerous instances of improper monitoring of lead in the water, as well as broader compliance issues with lead-based paint rules.¹⁰ Such challenges and failures carry an enormous cost for both residents, who have not had access to decent, safe, and sanitary housing, and taxpayers, who continue to provide billions of dollars each year to PHAs.

Without meaningful oversight and accountability, it is impossible to guarantee that PHAs will make any sustainable progress towards improving access to decent, safe, and sanitary housing as required by the law. Unfortunately, there are dozens of current examples of mismanagement, corruption, and other scandals at PHAs under HUD’s watch across the country. The most prominent headline occurred recently when 70 current and former employees of the New York City Housing Authority (NYCHA) were arrested in what the Department of Justice called the largest single-day bribery legal action in its history. According to the New York Post, “...*the avalanche of bribery and extortion crimes occurred*

⁶ HUD Office of the Inspector General, “HUD Has Not Referred Troubled Public Housing Agencies as the Law and Regulations Require,” February 4, 2020, available at: <https://www.hudoig.gov/reports-publications/report/hud-has-not-referred-troubled-public-housing-agencies-law-and-regulations-require>.

⁷ *Ibid.*

⁸ HUD Inspector General, “HUD Can Improve Its Oversight of the Physical Condition of Public Housing Developments,” May 30, 2023, available at: https://www.hudoig.gov/sites/default/files/2023-06/2023-CH-0004_0.pdf.

⁹ *Ibid.*

¹⁰ HUD Office of Inspector General, “Priority Open Recommendations,” August 23, 2023, available at: https://www.hudoig.gov/sites/default/files/2023-09/Priority_Recommendations_August_2023_FLAT_508.pdf.

*in about a third of the 335 developments in the New York Housing Authority — the country’s biggest public housing agency — when the suspects demanded cash in exchange for lucrative construction, maintenance and no-bid contracts.”*¹¹ This not the first time that NYCHA, currently under a federal monitorship, has run afoul of the law. In 2018, NYCHA admitted in court to falsifying federal safety records and endangering the lives of its residents.

Another large PHA, the District of Columbia Housing Authority (DCHA), also has a history of serious, repeated mismanagement. A 2022 report from HUD found more than 80 deficiencies at the PHA, highlighting health and safety violations, chronic payment fraud, and a culture of mismanagement.¹² The report concluded that “*DCHA’s inability or refusal to take serious and immediate remedial action for the items or subjects identified in this assessment, and make material progress in resolving these issues, may eventually lead to HUD making a determination of DCHA’s default*” and revocation of its PHA status.¹³ This report follows years of headlines in outlets such as *The Washington Post* detailing the waste and incompetence of DCHA officials, including stories about both overpayments to landlords and shockingly high vacancy rates.¹⁴

Likewise, in Atlantic City, residents of the Atlantic City Housing Authority’s (ACHA) public housing units have for years been subject to substandard and even dangerous living conditions. The seriousness of this situation recently came to light when hundreds of residents were forced to evacuate ACHA’s Stanley Homes after an inspection revealed they were living in squalor, some with no heat or running water.¹⁵ Meanwhile, one ACHA employee was charged with fraud in connection with the misuse of federal funds that were supposed to benefit low-income residents,¹⁶ among other serious allegations of waste, corruption, and favoritism from local Atlantic City officials.¹⁷

¹¹ McCarthy, Craig, et al. “70 Current and Ex-NYCHA Workers Cuffed in Historic, Decade-Long \$2m ‘classic Pay-for-Play’ Bribery and Extortion Bust.” *New York Post*, New York Post, 6 Feb. 2024, available at: <https://nypost.com/2024/02/06/metro/dozens-of-city-housing-employees-arrested-sources/>.

¹² HUD, “District of Columbia Housing Authority (DC001) Assessment,” 2022, available at: https://oag.dc.gov/sites/default/files/2022-10/DCReview_Final%209302022%20%281%29.pdf.

¹³ *Ibid.*

¹⁴ Steve Thompson, “1 in 4 public housing units sit vacant during D.C. affordability crisis,” *The Washington Post*, October 19, 2022, available at: <https://www.washingtonpost.com/dc-md-va/2022/10/19/dc-public-housing-vacancy-spirals/>.

¹⁵ Siafa Lewis, “Stanley Holmes Village residents ‘don’t deserve to live like this,’ Atlantic City mayor says,” *CBS News*, December 15, 2022, available at: <https://www.cbsnews.com/philadelphia/news/stanley-holmes-village-inspection-report-inhumane-conditions/>.

¹⁶ United States Attorney's Office District of New Jersey Press Release, “Former Atlantic City Housing Authority Coordinator Charged with Fraud in Connection With COVID-19 Relief Funds,” April 30, 2024, available at: <https://www.justice.gov/usao-nj/pr/former-atlantic-city-housing-authority-coordinator-charged-fraud-connection-covid-19>.

¹⁷ Wayne Parry, “Move to oust corrupt ‘cartel’ from Atlantic City is rejected,” *Associated Press*, January 9, 2020, available at: <https://why.org/articles/move-to-oust-corrupt-cartel-from-atlantic-city-is-rejected/>.

Legislative Proposals

- **H.R. 6550, to require the Inspector General to produce an updated report on the status of the New York City Housing Authority** (Rep. Lawler)

This bill would require the HUD Inspector General to review and report to Congress on the compliance status of NYCHA pursuant to the terms of its 2018 court-ordered settlement.