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Resources, Community, and  
Economic Development Division

B-257435

June 3, 1994

The Honorable Joseph M. McDade  
Ranking Minority Member  
Committee on Appropriations  
House of Representatives

Dear Mr. McDade:

This correspondence responds to your May 4, 1994, request that we identify performance standards for the District of Columbia's Department of Public and Assisted Housing (DPAH). Because of your desire to incorporate such standards into the District's fiscal year 1995 appropriations bill--a bill which the Subcommittee plans to mark up within the next few weeks--we agreed with your office to determine whether the performance indicators already being used by the U.S. Department of Housing and Urban Development (HUD) could also be used by the Subcommittee to track DPAH's performance. HUD currently uses a set of 12 indicators as part of its Public Housing Management Assessment Program for tracking the performance of all public housing authorities.

To determine the applicability of HUD's public housing performance indicators to DPAH given the management and performance problems DPAH is currently experiencing, we consulted with persons with a wide range of experience and expertise in the field of managing public housing authorities. These persons included officials from HUD and HUD's Office of Inspector General, the National Association of Housing and Redevelopment Officials, the Council of Large Public Housing Agencies, and the Public Housing Authorities Directors Association, as well as the Special Master appointed by the D.C. Superior Court to investigate DPAH's operations.

In summary, on the basis of our discussions with these officials, we believe that 6 of HUD's 12 indicators could best assist the Subcommittee in measuring DPAH's performance. These indicators include vacancy rates, rent

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collection levels, the status of modernization efforts, and other operating characteristics. However, none of HUD's indicators directly measures the tenants' satisfaction. We also believe that before the Subcommittee makes these indicators part of the fiscal year 1995 District of Columbia appropriations bill or report, the Subcommittee should take into account several events or conditions that could affect the near-term need for or usefulness of the indicators. For example:

- As a result of a class action suit, DPAH is under close judicial scrutiny, and a court-appointed Special Master has recommended that DPAH be placed in receivership. This could affect the level of management control that the District government exerts over DPAH.
- According to government and industry officials, DPAH's management and operating processes are so wasteful and inefficient that the data needed to measure the indicators may not be available or reliable. Consequently, legislating the use of performance indicators at this point may be premature.

The government and industry officials said that developing a strong internal structure will take time but that DPAH, together with HUD, has taken several important steps to improve the overall operation of the department. For example, the District of Columbia and HUD have entered into a partnership to transform the District's public housing program over the next several years. Currently, DPAH is being guided by a five-member board that includes the Mayor of the District of Columbia and HUD's Assistant Secretary for Public and Indian Housing.

#### BACKGROUND

The Housing Act of 1937, as amended, established the public housing program to provide lower-income families with decent, safe, and sanitary housing. Although public housing is managed by local housing authorities, HUD subsidizes these authorities to help defray their operating and maintenance costs. In return, housing authorities agree to, among other things, maintain their housing projects in good repair, operate them efficiently, and maintain books and records according to HUD requirements.

To ensure that the housing authorities carry out their responsibilities, HUD monitors their performance with a

system of 12 performance indicators that are part of its Public Housing Management Assessment Program. For each indicator, measurable criteria are provided for assigning a grade--which can range from A to F--to the local authority's performance. A grade below C for an indicator signals a deficiency. HUD assigns points to the grades for each indicator and applies weighting factors to arrive at an overall evaluation score for each public housing authority.

On the basis of 1992 data, HUD recently gave DPAH two A's, one C, one "Not Applicable", and eight F's on the 12 indicators--one of the worst scores in the country, according to the Special Master. DPAH housing projects have been characterized by a high number of vacancies, long waiting lists, deteriorating physical conditions, and the lack of a preventive maintenance program. In addition, management turnover has been high, and efforts to reorganize the DPAH have been ineffective. As a result, DPAH has not, to date, achieved its primary objective of providing decent, safe, and sanitary public housing.

Almost 1 year ago, as a result of a class action suit brought against the District of Columbia by citizens on the public housing waiting list, a D.C. Superior Court Judge appointed a Special Master to investigate the claims in the suit and other circumstances of DPAH's operations and management. The Special Master issued his initial report on January 10, 1994, and his final report on April 6, 1994, recommending that DPAH be placed in receivership.

INDICATORS PROVIDE WARNING SIGNALS  
FOR POTENTIAL MANAGEMENT PROBLEMS

According to government and industry officials associated with administering, managing, and evaluating public housing, the following subset of six performance indicators comprises the basic elements of an early warning system that should alert management to operating problems:

- Vacancy data. Vacancy data report the total number of vacant units within a public housing authority's inventory. In brief, a housing authority is given a grade of F if its vacancy rate is over 8 percent or its adjusted rate has been over 7 percent, with no reduction in the rate for the past 3 years. To receive a grade of C, DPAH would need a vacancy rate of 2-3 percent; its current rate is 19 percent.

- Modernization. This indicator provides insight into how a housing authority spends its modernization funds. It examines the housing authority's performance in obligating modernization funds, administering contracts effectively, and inspecting modernization projects. We believe the execution of routine or complex capital improvement projects directly affects the number of units available for occupancy. A report by the Special Master describes record-keeping systems at DPAH that are so deficient that determining how much money has been spent for modernization is impossible.
- Rents uncollected. This indicator captures data on residents who owe rent to the housing authority. According to HUD officials, the financial viability of a housing authority is predicated on the revenues earned on rent: the more money collected, the more money available for operating expenses. According to the Special Master, DPAH has no effective rent collection system in place.
- Unit turnaround. The term "turnaround" refers to the average number of calendar days it takes for vacated units to be prepared for re-rental and for a new lease to take effect. According to HUD officials, the standard turnaround time is about 30 days. DPAH's average for fiscal year 1993 was 223 days.
- Outstanding work orders. This indicator refers to orders for routine and cyclical work that is performed on a seasonal basis, under warranty requirements, or as part of a preventive maintenance program. As of August 31, 1993, the percentage of DPAH's work orders that were outstanding ranged from 7 to 89 percent. According to the Special Master's report, these numbers describe a situation in which residents might call DPAH for a routine repair and wait 3-1/2 months before the apartment is returned to satisfactory working condition.
- Annual inspection and condition of units and systems. This indicator refers to the percentage of units that a housing authority inspects to identify the need for preventive maintenance and modernization. Completing such inspections for at least 95 percent of the units indicates an adequately managed housing authority. According to a 1993 DPAH certification report, the department inspected only 4 percent of its units annually.

According to government and industry officials, these indicators do not directly measure the tenants' satisfaction, but they do indicate problems that may lead to dissatisfaction. Many agree that a specific indicator measuring the residents' satisfaction would be helpful.

OFFICIALS NOTED IMPORTANT CONCERNS  
ABOUT USING PERFORMANCE INDICATORS  
TO ASSESS DPAH

According to the Special Master, DPAH cannot provide the most basic services to the residents it serves and cannot organize itself in a responsible and professional manner. Consequently, he has recommended that DPAH be placed in receivership. If this occurs, management and control of DPAH may be exercised by a court-appointed director.

Another concern expressed by the government and industry officials is that the current conditions at DPAH reflect poor management and operating practices over a long period of time. HUD's Inspector General has reported many examples of fraud, waste, and abuse within DPAH. The causes of the problems include a persistent lack of management systems and oversight. Because of these long-standing deficiencies, DPAH is now unable to provide reliable data to describe its current operational performance.

Officials we spoke with are also aware of HUD's on-going review of its Public Housing Management Assessment Program and recognize that the current set of indicators needs to be improved in some areas. Over the past year, HUD has identified "turning around public housing" as an organizational objective. HUD is now taking the first step toward reaching this objective by studying how to revise the assessment program's indicators. According to HUD officials, some indicators will be modified, others will be combined, and a security-related indicator may be added. HUD plans to release the results of this study by the end of fiscal year 1994.

The officials were optimistic about the newly formed partnership between HUD and the District government. In April 1994, the Mayor of the District of Columbia asked HUD to enter into a partnership to assess and transform the District's public housing program. The goal of the partnership is to develop plans for stabilizing DPAH's operations so that the department can improve its capacity

to deliver essential housing services to its residents. As part of the partnership, HUD and the District government developed a five-member executive committee consisting of the District's Mayor as the Chairperson; HUD's Assistant Secretary for Public and Indian Housing as Assistant Chair; and three members--a former District of Columbia Housing Director, the President of the City-wide Residents Association, and the Chair of the City Council's Housing Committee. The executive committee serves as the primary decision-making body for DPAH's daily operations and will help develop and monitor the department's planning.

The first task of the executive committee was to set short- and long-term priorities. On May 16, 1994, DPAH issued a draft 6-month plan to the executive committee. The plan outlined four core areas that will receive special attention during the next 6 months. The core areas are (1) management operations, (2) modernization and capital improvement programs, (3) finance and budget management, and (4) contracting and procurement. The action steps to be taken in the areas of concentration include renovating 300 vacant units, developing a detailed work plan for modernization efforts, estimating the costs of operating the program, and assisting public housing resident councils in applying for various grants for family investment and anti-drug activities.

#### CONCLUSION

Government and industry officials agree that the indicators measuring the vacancy rates, status of modernization projects, amount of rents uncollected, unit turnaround times, percentage of outstanding work orders, and number of annual inspections that have been completed provide early warning of a problematic housing authority. However, these officials question whether this is the right time to place additional requirements on DPAH because of the possibility that DPAH will be placed in receivership and the DPAH-HUD management initiatives now being developed. They believe that the best plan of action to help public housing residents in the District of Columbia is to allow time for the partnership's initiatives to evolve. In addition, the likelihood of DPAH's producing reliable performance data will be higher after management improvements have had time to take effect.

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As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this correspondence for 30 days. At that time, we will send copies of this correspondence to the Secretary of Housing and Urban Development; the Mayor of the District of Columbia; and the other agencies, organizations, and experts we contacted during our review. We will also make copies available to others upon request.

If your or staff have any questions about this correspondence, please contact me at (202) 512-7631.

Sincerely yours,



Judy A. England-Joseph  
Director, Housing and Community  
Development Issues

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