

GAO

Report to the Chairman, Subcommittee  
on Housing and Transportation,  
Committee on Banking, Housing, and  
Urban Affairs, U.S. Senate

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February 2003

# PUBLIC HOUSING

## Information on Receiverships at Public Housing Authorities



G A O

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Highlights of [GAO-03-363](#), a report to Subcommittee on Housing and Transportation, Committee on Banking, Housing, and Urban Affairs, U.S. Senate

## Why GAO Did This Study

About 3,000 public housing authorities—state, county, and municipal agencies—develop and manage low-income housing in cooperation with the Department of Housing and Urban Development (HUD). Since 1979, 15 housing authorities have been placed in the hands of receivers—outside parties designated to manage the authorities during a specific period of time, usually several years. GAO was asked to identify the circumstances that led to receiverships, any differences in the way they operate and in their results, and the factors that have influenced the termination of receiverships.

## PUBLIC HOUSING

# Information on Receiverships at Public Housing Authorities

## What GAO Found

Receiverships at housing authorities have generally resulted from long-standing, severe, and persistent management problems that led to deterioration of the housing stock. Under an administrative receivership, HUD appoints either a contractor or a HUD employee to take over the housing authority's management. Because receiverships generally involve the complete takeover of a housing authority's management and operations, HUD views receiverships as a last resort when other interventions such as technical assistance or sanctions have failed. HUD has made these decisions on a case-by-case basis. In four cases, decisions to appoint receivers were made by courts. These judicial receiverships stemmed from lawsuits filed against housing authorities because of poor living conditions in public housing.

Administrative and judicial receiverships have operated similarly, and all of the receivers have had the same authority to make necessary changes. The specific corrective actions receivers have taken depended on the problems at the individual housing authority. Most receivers have found it necessary to oversee the complete reorganization of the housing authority's management and operations, develop and enforce policies and procedures, and improve physical conditions. In some cases, receivers have had to desegregate public housing to address fair housing violations.

Whether under administrative or judicial receivers, nearly all of the 15 authorities showed improvement during their years of receivership. The four housing authorities under judicial receiverships generally have continued to demonstrate strong performance; for example, performance scores have improved and have generally remained high. While housing authorities under administrative receiverships have also made improvements, some still demonstrated a significant problem with housing units in very poor physical condition.

According to HUD officials, HUD ends administrative receiverships when it is clear not only that conditions at the housing authority have improved but also that the authority's management can sustain the improvements. The decisions to end judicial receiverships are made by judges. To date, four administrative and two judicial receiverships have been terminated.

[www.gao.gov/cgi-bin/getrpt?GAO-03-363](http://www.gao.gov/cgi-bin/getrpt?GAO-03-363).

To view the full report, including the scope and methodology, click on the link above. For more information, contact David G. Wood at (202) 512-8678.

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**Abbreviations**

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| HUD   | Department of Housing and Urban Development  |
| PHA   | Public Housing Authority                     |
| PHAS  | Public Housing Assessment System             |
| PHMAP | Public Housing Management Assessment Program |

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United States General Accounting Office  
Washington, D.C. 20548

February 14, 2003

The Honorable Wayne Allard  
Chairman, Subcommittee on Housing  
and Transportation  
Committee on Banking, Housing  
and Urban Affairs  
United States Senate

Dear Mr. Chairman:

About 3,000 public housing authorities—state, county, and municipal agencies—develop and manage low-income housing in cooperation with the Department of Housing and Urban Development (HUD). HUD provides funding—nearly \$7 billion annually—and has contracts with these authorities that require them to maintain decent, safe, and sanitary properties and manage programs according to HUD’s regulations and requirements. Despite expenditures of this magnitude, many public housing properties have been unsafe and unsanitary for several decades. Some have violated fair housing requirements by maintaining segregated public housing. HUD provides technical assistance to authorities with such problems, and also can impose sanctions such as removing housing authority officials to help prompt corrective actions.<sup>1</sup> HUD may also place a housing authority under administrative receivership—taking over the authority’s management and operations.

Based on information from HUD, since 1979, 15 housing authorities<sup>2</sup> have been placed in the hands of receivers—HUD officials or outside parties designated to manage the authorities during a specific period of time, usually several years. HUD initiated 11 of these receiverships, while 4 were initiated by courts, generally in response to lawsuits from residents of public housing. Whether HUD-initiated (administrative) or ordered by a court (judicial), receiverships have had the same goal: to correct the problems at the housing authority and improve the residents’ standard of living.

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<sup>1</sup>We discuss the tools HUD uses to address problems at Public Housing Authorities in: *U.S. General Accounting Office, Public Housing Authorities: New Assessment System Holds Potential for Evaluating Performance*, [GAO-02-282](#) (Washington D.C.: Mar. 15 2002).

<sup>2</sup>After we began our review, HUD initiated an additional receivership at the Shelby County Housing Authority in Tennessee. We did not include this receivership in our study.

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As agreed with your office, this report provides information about receiverships at public housing authorities, specifically addressing the following questions:

- What circumstances led HUD to place public housing authorities under administrative receiverships and judges to order judicial receiverships?
- What are the differences, if any, in the way administrative and judicial receiverships have operated and in the kinds of actions receivers have taken?
- What are the differences, if any, in the results achieved with administrative and judicial receiverships?
- What factors have influenced the decision to terminate some receiverships?

To address the objectives, we interviewed HUD headquarters and field staff, housing authority officials, and the receivers themselves; reviewed public housing laws, policies and procedures; and reviewed documents concerning the impact of the receiverships on the housing authorities. For 8 of the authorities, we obtained and analyzed HUD's performance scores during the periods before and after receivers were appointed; these scores were unavailable for the other 7 authorities because their receivership predated HUD's scoring system or for other reasons. While we report changes in HUD's scores for these authorities, the small number of receiverships of each type preclude using the scores to statistically identify possible distinctions between administrative and judicial receiverships. Further, we did not explore other factors that might have contributed to changes in scores. We performed our work from February 2002 through December 2002 in accordance with generally accepted government auditing standards. Details about our methodology are in appendix I.

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## Results in Brief

Receiverships at housing authorities have generally resulted from long-standing, severe management problems that persisted despite repeated interventions and led to deterioration of the housing stock. Because receiverships generally involve the complete takeover of a housing authority's management and operations, HUD views them as a last resort and has imposed them only when interventions such as technical assistance or sanctions have failed. HUD initiated some of the administrative receiverships when the severity of the problems indicated

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that the authorities were not complying with their agreements with HUD. This has generally occurred when housing authorities allowed their public housing units to deteriorate. In some cases, HUD has taken over housing authorities for their failure to meet fair housing requirements. HUD has made these decisions on a case-by-case basis. The judicial receiverships stemmed from lawsuits filed against housing authorities because of poor living conditions in public housing. The judges in these cases determined that the problems at the authorities were so severe that only a receivership could remedy the situation.

Administrative and judicial receiverships have operated similarly, and all of the receivers have had the same authority to make necessary changes. The specific corrective actions receivers have taken depended on the problems at the individual housing authority. For example, receivers have replaced and rehabilitated public housing units that are in poor physical condition. Most receivers have found it necessary to oversee the complete reorganization of the housing authority's management and operations, develop and enforce policies and procedures, and improve physical conditions. In some cases, receivers have had to desegregate public housing to address fair housing violations.

Whether under administrative or judicial receivers, nearly all of the 15 authorities showed improvement during their years of receivership, according to changes in HUD's assessed scores and/or other evidence. The 4 housing authorities under judicial receiverships generally have continued to demonstrate strong performance; performance scores have improved and have generally remained high. While housing authorities under administrative receiverships have also made improvements, some continued to demonstrate a significant problem with housing units in very poor physical condition.

According to HUD officials, HUD ends an administrative receivership when it is clear not only that conditions at the housing authority have improved, but also that the authority's management can sustain the improvements. Of the 4 housing authorities whose receiverships HUD has terminated, 2 have maintained the improvements and 1 has experienced a recurrence of former problems. The fourth receivership officially ended in September of 2002—too recently to assess sustainability. The decisions to end judicial receiverships are made by judges. Two judicial receiverships have been terminated because of the improvements at the housing authorities, and both housing authorities have maintained their assessed performance levels.

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## Background

Under the Housing Act of 1937, as amended, Congress created the federal public housing program to help communities provide housing for low-income families. Congress annually appropriates funds for the program and HUD allocates them to public housing authorities (PHA). PHAs are typically created under state law, and a locally appointed board of commissioners approves their decisions. HUD and the PHAs have an annual contributions contract—a written contract under which HUD agrees to make payments to the PHA and the PHA agrees to administer the housing program in accordance with HUD regulations and requirements. HUD provides the housing authorities with several types of assistance including

- operating subsidies to cover the difference between rent payments and operating expenses;
- capital funds to improve the physical condition of properties and upgrade the management and operation of existing public housing developments; and
- HOPE VI grants, on a competitive basis, to revitalize severely distressed public housing. These grants fund the capital costs of improvements such as major rehabilitation and new construction, the demolition of severely distressed public housing, and community and support services for residents.<sup>3</sup>

In fiscal year 2000, HUD began implementing the Public Housing Assessment System (PHAS) to improve the department's ability to measure PHAs' performance. From 1991 until 2001, HUD had used the Public Housing Management Assessment Program (PHMAP) to evaluate public housing authorities. Both systems measure the same basic elements, but the earlier system is based on self-certified information from the housing authorities and does not include an independent physical inspection or input from the public housing residents—both integral parts of the new assessment system. The new system has three major indicators as follows:

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<sup>3</sup>See U. S. General Accounting Office, *Public Housing: HOPE VI Leveraging Has Increased, but HUD Has Not Met Annual Reporting Requirement* [GAO-03-91](#) (Washington, D.C.: November 2002).



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- The physical inspection indicator determines whether the housing authority is providing decent, safe, and sanitary housing to its residents.
  - The financial condition indicator determines whether the PHA has sufficient financial resources and is capable of effectively managing those resources.
  - The management operations indicator measures PHAs' management performance.

Finally, a survey measures residents' satisfaction with their living conditions. While this performance system has not yet been fully implemented, we concluded in our March 2002 report that it has the potential to provide a more reliable basis for evaluating housing authorities' performance than the previous system.

If a housing authority receives an overall score of less than 60 percent under the Public Housing Assessment System, or a score of less than 60 percent of the available points under more than one of the three major indicators (physical, financial, and managerial), it is designated as a "troubled" PHA. HUD assigns a recovery team to each troubled PHA and develops a plan to remedy the problems. Initially, HUD may offer technical assistance and training to a troubled authority. HUD may also sanction an authority, for example, by withholding funding. In some cases, HUD has entered into special agreements with PHAs that allow them flexibility in addressing unusual challenges. For example, at the Chicago Housing Authority, HUD waived some of its regulations for 10 years and allowed the authority to consolidate its capital and operating funds into a single block grant. The housing authority was thus able to undertake a large-scale redevelopment project to replace or redevelop most of its public housing.

Finally, HUD may place a housing authority under an administrative receivership. The department has the authority<sup>4</sup> to take possession of all or part of the PHAs operation and management. Generally, the receiver replaces the top management of the housing authority and dissolves the board of commissioners—the body that approves housing authority management decisions. Typically, HUD will assign one of its employees or hire a contractor to act as the board while the housing authority is under receivership. HUD will then develop a plan for improvement based on what

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<sup>4</sup>42 U.S.C. 1437 d (j) (3) (A) (iv).

needs to be done at the housing authority. Since 1985, HUD has placed 11 housing authorities under administrative receivership; these are listed in table 1. Additionally, judges have placed 4 housing authorities under judicial receivership since 1979; these are in table 2.

The Quality Housing and Work Responsibility Act of 1998 requires that HUD place poorly performing housing authorities under receivership if they are not able to substantially improve their performance—that is, to improve their scores under the new assessment system to 60—within 2 years. The act directs HUD to take over all or part of the operations of PHAs with fewer than 1,250 units or to seek a court-appointed receiver. For PHAs with 1,250 or more units, HUD must seek a court-appointed receiver. However, HUD is still making adjustments to the new scoring system and has not fully implemented it. Thus, no PHAs have been placed in receivership on the basis of their performance scores alone.

The following tables show the status of housing authorities under receivership as of December 2002. The tables show the primary problems that prompted the housing authorities placement under receivers, according to HUD and housing authority data. However, most of the housing authorities were placed in receivership for several reasons, and some degree of management difficulty underlies the reasons for all of the receiverships.

**Table 1: Administrative Receiverships as of December 2002**

| <b>Housing authority</b> | <b>Reason for receivership</b> | <b>Date placed under receivership</b> | <b>Status of receivership</b> |
|--------------------------|--------------------------------|---------------------------------------|-------------------------------|
| Beaumont (TX)            | Fair housing                   | October 2000                          | In progress                   |
| Camden (NJ)              | Physical/<br>management        | August 1997                           | In progress                   |
| Chicago (IL)             | Physical/<br>management        | May 1995                              | Terminated May 1999           |
| East St. Louis (IL)      | Physical/<br>management        | October 1985                          | In progress                   |
| Lafayette (LA)           | Fair housing/<br>management    | February 1995                         | Terminated<br>September 2002  |
| New Orleans (LA)         | Physical/<br>management        | February 1996                         | In progress                   |
| Orange County (TX)       | Fair housing                   | September 1993                        | In progress                   |

(Continued From Previous Page)

| Housing authority     | Reason for receivership | Date placed under receivership | Status of receivership    |
|-----------------------|-------------------------|--------------------------------|---------------------------|
| St. James Parish (LA) | Physical/management     | April 2001                     | In progress               |
| San Francisco (CA)    | Physical/management     | March 1996                     | Terminated September 1997 |
| Springfield (IL)      | Physical/management     | March 1996                     | Terminated September 1997 |
| Wellston (MO)         | Physical                | July 1996                      | In progress               |

Source: GAO and HUD.

Note: In 1996, HUD placed the Housing Authority of New Orleans in a partial receivership and in 2002 placed the authority in a full administrative receivership.

**Table 2: Judicial Receiverships as of December 2002**

| Housing authority    | Reason for receivership | Date placed under receivership | Status of receivership    |
|----------------------|-------------------------|--------------------------------|---------------------------|
| Boston (MA)          | Physical/management     | July 1979                      | Terminated September 1990 |
| Chester (PA)         | Physical                | August 1994                    | In progress               |
| Kansas City (MO)     | Physical                | July 1993                      | In progress               |
| District of Columbia | Physical/management     | May 1995                       | Terminated September 2000 |

Source: GAO and HUD.

## Receiverships at Housing Authorities Have Resulted from Severe, Long-standing Problems

The problems that compel HUD and the courts to place public housing authorities in receivership are serious physical, financial, and managerial deficiencies that violate agreements between HUD and the authority and that have persisted despite repeated interventions. The courts have imposed all four judicial receiverships to date in response to lawsuits that also involve the poor condition of public housing properties. (Appendixes II and III, respectively, discuss the details of these administrative and judicial receiverships.)

## HUD Uses Receiverships When Other Approaches Have Been Unsuccessful

The PHAs that HUD has placed under receivership have generally had severe management problems resulting in poorly maintained housing. These problems violate the agreements between the PHAs and HUD, which

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require that public housing be maintained according to HUD's standards—decent, safe, and sanitary. HUD has placed housing authorities under receivership after long-standing and severe problems that have not responded to other HUD interventions, such as training or sanctions. HUD has also taken over PHAs that were violating fair housing requirements by maintaining segregated public housing developments, where the segregation could not be addressed by other means.

Management difficulties are typically the cause of persistent problems at PHAs, according to HUD and housing authority officials. Managers may lack experience or may refuse to comply with HUD's requirements. For example, HUD determined that the St. James Parish Housing Authority in Louisiana could not fulfill its mission because of ineffective management. According to HUD officials, the public housing units at St. James were in deplorable condition and were deteriorating "at an alarming rate." HUD also cited high turnover rates among managers and insufficient training as the reasons the Housing Authority of New Orleans was unable to manage its maintenance and modernization programs. Eight of the 11 administrative receiverships involved PHAs that had problems with the physical condition of their units. For example, the Camden Housing Authority, the Housing Authority of New Orleans, the St. James Parish Housing Authority, and the Wellston Housing Authority were not completing routine maintenance on their public housing units before going into receivership. At the Chicago Housing Authority, most of the public housing had been poorly designed, was old, and was deteriorating.

At three PHAs, HUD took control of the management and operations primarily to address racial segregation in the public housing developments. HUD placed the Beaumont, Lafayette, and Orange County Housing Authorities under receivership in order to desegregate the public housing developments. At the Beaumont and the Orange County housing authorities, HUD is under court order (*Young v. Martinez*) to take actions to facilitate desegregation. When the PHAs failed to desegregate the developments, HUD decided to place both under receivership. HUD took over the Lafayette Housing Authority because the management was maintaining its public housing waiting lists based on race, ensuring that its developments were segregated.

In one case, HUD assumed control of a single program without placing the entire housing authority in receivership. According to HUD officials, the Puerto Rico Public Housing Administration lacked the capacity to manage its HOPE VI program. HUD hired a contractor to help manage the projects

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and provide technical assistance, but the housing authority was not properly overseeing the program. A report issued by HUD's Inspector General in March of 2001 reported a total breakdown of the housing authority's ability to administer its HOPE VI project. According to the report, the authority lacked effective management and accounting controls over its federal funds and did not effectively monitor the activities of the contracted project manager. HUD officials told us that the situation has improved, and that the program will be returned to the Puerto Rico Housing Administration in the near future.

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### Lawsuits over Poor Living Conditions Prompted Judicial Receiverships

To date, all judicial receiverships at PHAs have resulted from lawsuits filed by residents and have involved the very poor physical condition of public housing units. All four of the housing authorities under judicial receivership had similar histories of problems. Besides the poor condition of the occupied public housing units, the housing authorities had high vacancy rates because units had been deemed uninhabitable. As a result, those on waiting lists for public housing could not obtain housing, the neighborhoods surrounding the empty units deteriorated, and crime near the abandoned housing rose. According to HUD and PHA officials, poor management, corruption, and local political interference were the underlying causes of the problems at these housing authorities.

When residents in Kansas City, Missouri, filed suit against the housing authority, the judge ordered the PHA to rehabilitate or repair all housing developments in poor condition. When it failed to comply with the order, the judge ordered the PHA into receivership and named a receiver to oversee the redevelopment of public housing in the city. In Boston, according to a PHA official and the former receiver, the housing authority had lost control of its public housing developments before it went into receivership. Criminals controlled the developments, the PHA had stopped trying to maintain occupied units, and it failed to board up vacant units. Finally, residents filed suit, and the judge ordered the receivership. At the Chester Housing Authority, the judge made the decision to place the PHA in receivership after touring the developments and witnessing the poor living conditions and the drug dealing that went on in front of them, according to the attorney for the case. At the District of Columbia Housing Authority, the judge ordered the PHA into receivership after 2 years of investigating and detailing the poor condition of the public housing developments.

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## Administrative and Judicial Receiverships Have Operated Similarly, but Specific Remedies Have Varied

Administrative and judicial receiverships have operated similarly in that they usually both involve the complete takeover of a PHA's management and operations or of an entire program within a PHA. Both types of receivers have the same authority to implement any necessary changes to improve the PHA's performance. However, the remedies receivers apply vary, largely because the situations that result in receiverships differ. The nature and extent of the problems determine the kinds of goals that are set and the way they are addressed.

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## Both Administrative and Judicial Receiverships Involve the Complete Takeover of a PHA's Management and Operations

Once a PHA goes into receivership, the receiver has the authority to take full control of management and operations. The PHA's management relinquishes control of the housing authority to the receiver, and the locally elected board of commissioners is dissolved. In most cases, the receiver replaces the top management positions at the housing authority and institutes new policies and procedures to affect improvements. For example, when the Housing Authority of Kansas City entered a judicial receivership, the receiver brought staff from his consulting firm to fill top management positions. The receiver and his staff rewrote personnel standards, personnel policies, and procurement policies in order to restore the PHA's accountability. Similarly, under an administrative receivership at the St. James Parish Housing Authority, the receiver hired a new executive director, established a system of financial controls, developed new personnel policies, and put in place new maintenance guidelines for the public housing developments. At the Housing Authority of New Orleans, HUD and the City of New Orleans initially agreed to a partial or "quasi" receivership in 1996. It replaced the board of commissioners with a contractor and appointed an executive monitor to oversee the PHA's management and operations. When the housing authority had shown little improvement after several years, HUD imposed a full administrative receivership in January 2002 with a HUD employee as the receiver.

Although the legal authority of the administrative and judicial receiverships are the same, court-appointed receivers may be better able to effectively use their authority according to officials of several housing authorities and public housing experts that we spoke with. According to these officials, the court-appointed receivers are more insulated from local politics and better able to make necessary changes at the housing authority.

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## Receivers' Actions Respond to Specific Problems

Actions imposed by receivers to remedy problems at a PHA respond to the specific problems that need to be addressed. In all of the judicial receiverships and several of the administrative receiverships, the receiver has taken action to redevelop or rebuild a substantial portion of the public housing developments. Following are the examples of actions to remedy specific problems:

- At the Housing Authority of Kansas City, the receiver had every public housing unit either rebuilt or rehabilitated because of the poor condition of the housing stock.
- Similarly, at the Chicago Housing Authority, the receiver tore down some of the deteriorated and poorly designed housing developments.
- At the three PHAs where racial segregation was the problem, the receivers implemented plans to desegregate the public housing developments. At the Beaumont and Orange County Housing Authorities, for instance, HUD-appointed receivers provided incentives such as moving expenses to persuade public housing residents to move.

Receivers may also take other actions to prevent future problems in addition to responding to short-term needs. Examples of actions to prevent future problems are as follows:

- At the Boston Housing Authority, the receiver permanently disbanded the board of commissioners because it had been a source of some of the PHA's original problems—the board was not conducive to effective management. According to the receiver and housing authority officials, the members of the board did not have the necessary skills or political independence to make the right decisions for the housing authority. Currently, the top official for the Boston Housing Authority reports directly to the Mayor.
- At the District of Columbia Housing Authority, the receiver facilitated the restructuring of the housing authority so that it would become a separate entity rather than a department of the city. This restructuring allowed the PHA's management more control over its operations and budget.

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## Both Administrative and Judicial Receiverships Have Shown Improvement

According to HUD's assessed performance scores and/or other evidence, nearly all of the 15 authorities showed improvement during their years of receivership whether under administrative or judicial receivers. While the numbers are too small to statistically identify differences between judicial and administrative receiverships, we found that this pattern of improvement was consistent for the 4 housing authorities under judicial receiverships. Performance scores under judicial receiverships have generally remained high. In contrast, some housing authorities under administrative receiverships still demonstrate problems such as housing units in poor physical condition and high turnover among managers. In reviewing the 5 authorities under administrative receivership for which a sufficient number of HUD's assessed performance scores were available, we also noted that the 2 largest housing authorities showed more improvement than the 3 small and medium-sized authorities in the initial years of receivership; however, the small and medium-sized housing authorities improved their scores more over the long run.

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## PHAs Have Made Progress under Receivership

Most housing authorities under receivership demonstrated some type of progress, regardless of the initial problems. Almost all the authorities that were placed under receivership because of severe physical problems with their public housing units improved the physical condition of their units. For example, the Camden Housing Authority, the District of Columbia Housing Authority, the Wellston Housing Authority, and the Housing Authority of Kansas City all had problems with the physical condition of their units prior to being placed in receivership. Throughout their receiverships, all of these housing authorities improved the physical condition of their units through extensive rehabilitation and modernization efforts.

The three housing authorities (Beaumont, Orange County, and Lafayette) that were placed in receivership because of racial segregation also showed overall improvement, based on their performance scores. While HUD's performance scores do not have a component that captures the progress made in desegregating developments, they do indicate that, in recent years, these housing authorities generally made progress in improving the management of the agency and the physical condition of the housing stock. The Lafayette Housing Authority was in troubled status when it was taken over by HUD in 1995 but managed to receive performance scores that were high enough under the receivership to remove that designation.

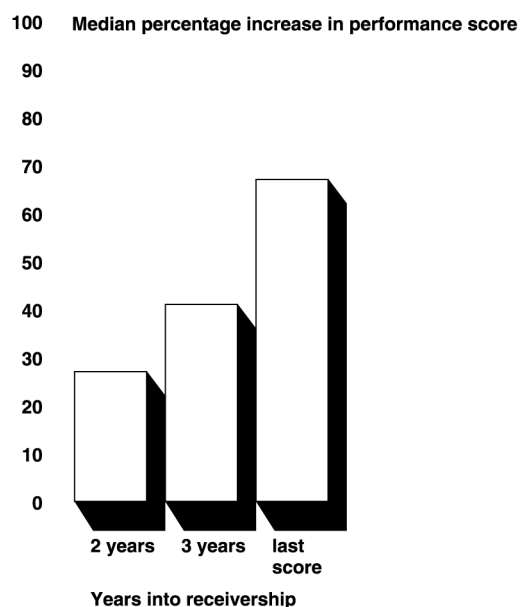


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Overall, HUD’s assessed performance scores show a pattern of improvement at housing authorities placed in receivership. The eight housing authorities for which a sufficient number of performance scores were available showed a median increase in their overall performance score of about 27 percent after 2 years of receivership and about 41 percent after 3 years of receivership. The last scores for PHAs—the last available score for PHAs currently under receivership and the score for the final year for PHAs that are out of receivership—showed a median increase of about 67 percent (see fig. 1).

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**Figure 1: PHA Performance under Receivership**



Source: GAO and HUD.

Note: We analyzed HUD data on seven receiverships for the 2-year mark and eight receiverships for the 3-year and last score marks. The last score category represents the last available score for housing authorities still under receivership and the final score under receivership for terminated receiverships. Median percentage increases are rounded to the nearest percent.

Although the number of available performance scores was not sufficient for the above analysis, the scores that were available for an additional 4 housing authorities also showed a general pattern of improvement. The Beaumont, Camden, East St. Louis, and the Springfield Housing Authorities

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showed some improvement in their performance scores during receivership.

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### Improvements Have Been Consistent at Authorities under Judicial Receiverships

All of the four housing authorities that have been or are currently under judicial receivership (Boston, District of Columbia, Kansas City, and Chester) have generally shown consistent improvements. Following are examples of improvements at these authorities:

- At the Housing Authority of Kansas City, Missouri, several units were either rehabbed or redeveloped during the receivership, and new procurement and personnel policies were instituted. By the late 1990s, the housing authority was consistently achieving lower crime rates, higher rent collections, and a higher occupancy rate.
- The District of Columbia Housing Authority demolished several vacant public housing units and extensively modernized others in order to improve the physical condition of its developments. According to a senior housing authority official, every unit that needed work was rehabilitated or modernized. Financial management systems were also put in place during the receivership, which allowed the housing authority better access to funding.
- The housing stock at the Chester Housing Authority also improved during receivership. The PHA has conducted revitalization work on several developments and has been able to decentralize all operations and implement agencywide standard operating procedures.

Further, all of these authorities continue to progress. Turnover among managers has decreased, and performance scores have been high.

In contrast, while housing authorities under administrative receiverships have also made improvements, some are still experiencing problems. For example, the public housing units at the Housing Authority of New Orleans, Louisiana, are still in very poor physical condition. Additionally, according to HUD officials, the housing authority still has significant management problems that have led to further HUD involvement in the receivership.

While the numbers are too small to statistically identify differences between judicial and administrative receiverships, we noted that HUD's assessed performance scores for the housing authorities under judicial receivership showed a generally consistent pattern of improvement. The

data for the eight authorities for which a sufficient number of performance scores were available are shown in table 3.

**Table 3: Change in Performance Scores for Housing Authorities under Judicial or Administrative Receivership**

| Housing authority                              | Score at beginning of receivership | Score at 2 years into receivership | Score at 3 years into receivership | Last score under receivership |
|--|------------------------------------|------------------------------------|------------------------------------|-------------------------------|
| <b>PHAs under judicial receiverships</b>       |                                    |                                    |                                    |                               |
| Chester  | 41.97                              | 71.67                              | 83.23                              | 90                            |
| Kansas City                                    | 51.46                              | 60.82                              | 74.71                              | 80                            |
| District of Columbia                           | 37.80                              | N/A                                | 79.25                              | 72                            |
| <b>PHAs under administrative receiverships</b> |                                    |                                    |                                    |                               |
| Chicago  | 51.07                              | 64.73                              | 69.96                              | 65                            |
| Lafayette                                      | 25.69                              | 83.73                              | 73.06                              | 85                            |
| New Orleans                                    | 48.18                              | 85.16                              | 61                                 | 43                            |
| Orange County                                  | 64.76                              | 71.90                              | 47.86                              | 87                            |
| Wellston                                       | 43.91                              | 42.45                              | 50                                 | 78                            |

Source: GAO and HUD.

Note: The Boston Housing Authority is not included in the judicial receiverships due to the receivership ending before performance score assessments began. The District of Columbia Housing Authority did not receive an overall performance score after 2 years in receivership (FY 1997). The last score category represents the last available score for housing authorities still under receivership and the final score under receivership for terminated receiverships. For all housing authorities in this table, scoring assessments began under PHMAP and continued under PHAS. See appendix I for more information.

## Improvements Varied by Housing Authority Size

While again the numbers of housing authorities are too small to statistically make distinctions, we also noted that among the five administrative receiverships for which a sufficient number of performance scores were available, the 3 small and medium-sized housing authorities experienced higher increases in performance scores, over longer timelines, than the 2 very large housing authorities. The scores for these authorities are shown in table 4.

**Table 4: Change in Performance Scores for Housing Authorities under Administrative Receivership, Based on Size of the Authority**

| Housing authority                  | Score at beginning of receivership | Score at 2 years into receivership | Score at 3 years into receivership | Last score under receivership |
|------------------------------------|------------------------------------|------------------------------------|------------------------------------|-------------------------------|
| <b>Small and medium-sized PHAs</b> |                                    |                                    |                                    |                               |
| Lafayette                          | 25.69                              | 83.73                              | 73.06                              | 85                            |
| Orange County                      | 64.76                              | 71.90                              | 47.86                              | 87                            |
| Wellston                           | 43.91                              | 42.45                              | 50                                 | 78                            |
| <b>Very large PHAs</b>             |                                    |                                    |                                    |                               |
| Chicago                            | 51.07                              | 64.73                              | 69.96                              | 65                            |
| New Orleans                        | 48.18                              | 85.16                              | 61                                 | 43                            |

Source: GAO and HUD.

Note: The last score category represents the last available score for housing authorities still under receivership and the final score under receivership for terminated receiverships. The analysis could only be done on 3 of the 6 small and medium-sized housing authorities and 2 of the 5 large or very large-sized housing authorities under administrative receivership. For all housing authorities in this table, scoring assessments began under PHMAP and continued under PHAS. See appendix I for more information.

Most of the small and medium-sized PHAs that have been placed in administrative receivership have had less severe physical problems than the large and very large housing authorities. For example, the three PHAs that HUD placed in receivership because of racial segregation can be classified as small or medium-sized. The receiverships at these three PHAs have focused primarily on ensuring that the segregation patterns end. For the most part, these housing authorities do not have the severe physical deterioration of their housing stock that large PHAs such as Chicago have. While other small and medium-sized PHAs under administrative receivership have had some physical problems with their public housing units, management, or both, the scale of the issues has been limited by the housing authority's size.

In contrast, large and very large housing authorities have often had significant physical and management problems that have required substantial work. The housing authorities of New Orleans, Chicago, and Camden have all had substandard housing units, high turnover rates for top managers, and weak internal controls. These PHAs have had to undertake major rehabilitation of public housing developments and initiate changes in personnel, procurement, and other policies in order to correct the deficiencies that led to receivership. In some cases, the improvements have

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not been sustained. For example, some public housing developments in both New Orleans and Chicago are still in poor physical condition.

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## Criteria for Ending Receiverships Vary

No set guidelines exist for ending either administrative or judicial receiverships because both are handled on a case-by-case basis. Receiverships that have been terminated have ranged from as little as one and a half years (Springfield and San Francisco) to approximately 11 years (Boston). To date, most of the current receiverships have lasted approximately 5 to 9 years.<sup>5</sup> Of the receiverships included in our review, only 4 administrative and 2 judicial receiverships have been terminated.

HUD's regulations, past or current, do not prescribe when HUD returns a PHA to local control once it's under an administrative receivership. The criteria HUD uses to make this decision vary depending on the problems that led to receivership and the severity of those problems. Judges make the determination to end judicial receiverships on the basis of a PHA's progress in satisfying the initial goals set for the receivership. The judge's criteria have varied depending on the level of improvement that is deemed necessary to overcome the problems that led to the receivership.

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## HUD's Termination Decisions Consider Severity of Problems

To date, HUD has terminated four receiverships—the Chicago Housing Authority, the Lafayette Housing Authority, the San Francisco Housing Authority, and the Springfield Housing Authority. The Chicago Housing Authority was in receivership for approximately 4 years as HUD privatized some functions, developed plans to improve maintenance and security operations, and began to rebuild and rehabilitate the housing stock. Once HUD completed these improvements and removed the PHA from troubled status, HUD began discussions with the Mayor for the return of the housing authority to local control. The receivership ended in May 1999. While the housing authority has continued to have some problems with its housing stock since 1999, it has sustained enough of the improvements that were made under the receivership and, thus, has avoided further intervention in its public housing program. In addition, HUD has entered into agreements

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<sup>5</sup>There are 10 receiverships in progress that are included in this review, 7 of which are in this range. There are three that are not in this range: the Beaumont Housing Authority (2 years), the St. James Parish Housing Authority (1.6 years), and the East St. Louis Housing Authority (17 years).

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with the authority that will lead to a complete physical transformation of its public housing developments within 10 years.

At the Lafayette Housing Authority, HUD decided not to terminate the receivership until all concerns about racial segregation had been addressed. The PHA was taken over as a result of severe management problems—the management was purposely segregating public housing developments by race, according to HUD officials. It was also in troubled status when it went into receivership, with an overall performance score of 25.69 percent for fiscal year 1995. It was removed from troubled status in 1998 after receiving a performance score of 83.73 percent for fiscal year 1997. However, HUD kept the authority in receivership because of racial segregation issues and did not end the receivership until the PHA enacted policies to bring the housing authority in full compliance with fair housing requirements. Once these policies were in place and HUD determined that the PHA could sustain the improvements, HUD terminated the receivership. The PHA was officially turned back over to local control on September 17, 2002.

At the San Francisco Housing Authority, HUD decided to terminate the receivership after the Mayor appointed a new board and strategies had been initiated to turn the PHA around. HUD had taken over the PHA in March 1996 at the Mayor's request, after he had fired the executive director and commissioners. HUD sent a recovery team of HUD officials, consultants, and employees from other housing agencies to assess the PHA's operations and develop strategies to deal with the problems. The acting HUD Assistant Secretary for Public and Indian Housing assumed the role of the board of commissioners. HUD also contracted to fill several key management positions to continue the recovery efforts and once the Mayor had appointed a new board member, HUD decided to turn the housing authority back over to local control. The housing authority was officially handed over to the new board in September 1997.

The Springfield Housing Authority (SHA) voluntarily transferred operational control to HUD in 1996. The housing authority was in troubled status and HUD agreed to monitor the SHA after it signed a Memorandum of Agreement (MOA) that was designed to correct the housing authority's deficiencies. A HUD official assumed the role of the board of commissioners throughout the receivership. Under the MOA, the SHA had made progress on several fronts, including quality of physical work and budget controls. In September 1997, the housing authority was removed from troubled status and HUD decided to transfer the SHA back to local

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control. The short receivership ended that month when the SHA board of commissioners passed a resolution accepting control of the housing authority.

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## Judges Have Terminated Receiverships That Met Their Goals

Thus far, judges have terminated two of the four judicial receiverships—the Boston Housing Authority and the District of Columbia Housing Authority. The receiverships ended when the judges determined that the housing authorities had met specific criteria or made substantial improvements at the PHAs. The Boston Housing Authority was initially placed in receivership in 1979 after residents filed a lawsuit against the housing authority alleging uninhabitable living conditions in the city’s public housing developments. In general, the PHA had problems carrying out basic functions of a housing authority. According to the receiver and a BHA official, the housing authority also had problems controlling crime in its public housing developments. The judge decided to return the PHA to local control after the housing authority improved the conditions that had led to receivership. Additionally, according to the receiver, he and the judge wanted the board of directors permanently disbanded and an effective manager appointed. After the authority accomplished these measures, the judge agreed to release the PHA from the receiver’s control and give the agency back to the city, with the Mayor acting as the receiver and the court maintaining supervision of the housing authority. The court’s active supervision of the PHA ended in 1990. According to the current Administrator of the Boston Housing Authority, the PHA has been able to maintain the governance structure and some of the improvements made under the receivership. The housing authority has achieved strong performance scores the last couple of years, and according to HUD officials, this is reflective of the progress that the PHA has made.

The District of Columbia Housing Authority was placed under a judicial receivership because of poor living conditions and failure to make vacant units available for residents. For these reasons, a lawsuit was filed against the housing authority, and the presiding judge placed the PHA in receivership. The judge’s criteria for ending the receivership were performance scores of 70 or higher for 2 consecutive years of assessment. The PHA was able to meet this requirement after extensive rehabilitation and modernization work on its public housing units and the reshaping of its administrative and financial management systems. The receivership ended in September 2000, and the PHA currently operates as an independent agency in cooperation with the D.C. government.

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## Agency Comments

We provided a draft of this report to HUD for its comment and review. We received comments from the Director, Field Operations Staff, and the Director, Troubled Agency Recovery Operations, who generally concurred with the content of this report. HUD commented that further analysis should be conducted on the differences between judicial and administrative receiverships, because it believes that judicial receiverships are more costly than administrative receiverships. In addition, HUD provided technical comments, which we incorporated in this report as appropriate.

We are sending copies of this report to the Chairman and Ranking Minority Member, Senate Committee on Banking Housing and Urban Affairs; the Ranking Minority Member, Subcommittee on Housing and Transportation, Senate Committee on Banking, Housing, and Urban Affairs; the Chairman and Ranking Minority Member, House Committee on Financial Services; the Chairman and Ranking Minority Member, Subcommittee on Housing and Community Opportunity, House Committee on Financial Services. We will send copies to the Secretary of Housing and Urban Development and the Director of the Office of Management and Budget. We also will send copies to other interested parties, and we will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>. Please contact me at (202) 512-8678 if you or your staff have any questions about this report. Key contributors to this report are listed in appendix IV.

Sincerely yours,



David G. Wood  
Director, Financial Markets and  
Community Investment



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# Scope and Methodology

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We gathered information on 15 public housing authorities (PHA) that have been under receivership. We excluded one receivership that HUD initiated after we began our study (Shelby County Housing Authority). We interviewed PHA officials, HUD officials who either were involved with a receivership or are now helping to monitor a PHA, and when we could, the receivers for the PHAs.

To identify the circumstances that led the Department of Housing and Urban Development (HUD) or the courts to impose receiverships, we reviewed HUD's guidance and policies regarding receiverships. In addition, we gathered information and obtained documents on the events and conditions at the PHAs that preceded each receivership. We also interviewed several housing authority officials, officials from industry groups, lawyers that handled the lawsuits resulting in receiverships, and HUD officials that had been involved in receiverships.

To identify potential differences in the way administrative and judicial receiverships operate, we interviewed officials involved with administrative receiverships and officials involved with judicial receiverships, including several receivers. In addition, we reviewed documentation on the actions receivers took to address the problems at the PHAs. We examined the impact of these actions on the PHAs.

To identify the conditions that lead to the termination of receiverships, we examined relevant documentation from HUD and the receivers and interviewed officials who were directly involved with a termination. In order to assess the performance of PHAs under receivership, we obtained all the performance scores from both the old and new scoring systems that were available for the 15 PHAs we reviewed. The data covered fiscal years 1991 (when performance assessments first began) through 2001 (the latest year for which scores were available). Performance scores were not available for all housing authorities for some years. The Boston and East St. Louis Housing Authorities were placed under receivership several years before HUD began assessing PHAs. The San Francisco and Camden Housing Authorities did not have an assessment score for the year that each housing authority was placed under receivership. Other receiverships began recently or lasted less than 2 years and, consequently, the housing authorities had very few performance scores. The Beaumont Housing Authority receivership and St. James Parish Housing Authority receivership began in 2000 and 2001, respectively. The Springfield Housing Authority receivership lasted less than 2 years. Where possible, we

examined changes in performance scores for these seven housing authorities while they were under receivership.

For eight PHAs that had performance scores at the time the receivership began and whose receiverships lasted at least 2 years, we conducted further analysis on the changes in performance scores that occurred during the receivership. We used the score for the fiscal year that a housing authority went into receivership as the beginning of receivership score. We used the 2- and 3-year intervals so that the assessments would reflect the effects of the receivers' actions as fully as possible. We used the final score for terminated receiverships in order to show the progress made during the entire receivership. For housing authorities still under receivership, we used the last available score to show as much of the progress made as possible. In either case, this score was the score for the fiscal year that the housing authority was last assessed while under receivership.

We used HUD's criteria to determine the size of PHAs. These criteria are based on the number of public housing units in a housing authority's stock, as follows:

- Very large, more than 6,599 units;
- Large, 1,250 units to 6,599 units;
- Medium, 500 units to 1,249 units;
- Small, 100 units to 499 units; and
- Very small, less than 100 units.

We conducted our work from February 2002 through December 2002 in accordance with generally accepted government auditing standards.

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# Administrative Receiverships

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## Beaumont Housing Authority (TX)

The Department of Housing and Urban Development (HUD) took over the public housing authority (PHA) in 2000 because of racial segregation in the public housing developments. The Beaumont Housing Authority is one of several housing authorities in East Texas bound by the *Young v. Martinez*, Final Judgment and Decree, which makes HUD responsible for addressing racial segregation in public housing developments. When the Beaumont Housing Authority failed to take the necessary steps to desegregate its public housing, HUD assumed control of the PHA's management and operations. Initially, HUD removed all the managers and the board of commissioners and hired a contractor to evaluate the problems and develop a work plan for improvement. A HUD staff person is currently the Acting Executive Director, and another HUD staff person has replaced the board of commissioners.

According to HUD officials, the problems at the Beaumont Housing Authority have effectively been remedied. The developments have been desegregated, and HUD believes that the current management is capable of operating the housing properly. HUD officials are currently preparing to end the receivership and to turn back the housing authority to local control. The Acting Executive Director is currently interviewing candidates for the position of Executive Director, and HUD has asked the Mayor of Beaumont to appoint an advisory committee that will become the board of commissioners once HUD ends the receivership.

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## Camden Housing Authority (NJ)

HUD took over the Camden Housing Authority in 1997 with the concurrence of the mayor of Camden. The PHA had a long history of problems. It was unable to provide decent, safe, and sanitary housing; had poor internal controls; was not complying with federal regulations; and political influence was interfering with its ability to improve, according to HUD officials.

HUD hired consultants to manage the housing authority and designated a HUD official to act as the board of commissioners. After assessing the conditions at the PHA, the consultants instituted initiatives to clean and repair the housing projects, improve management's relationship with the residents, and improve the PHA's organizational structure. Longer-term improvement efforts focused on modernizing the properties and improving property management, maintenance, financial management, administration, security, resident initiatives, and strategic planning. The housing authority now has an executive director in charge, but a HUD

official continues to oversee management and operations. Although the Camden Housing Authority is performing well, HUD is not returning it to local control at this time because of the instability of City of Camden, which the state of New Jersey has recently placed under receivership.

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## Chicago Housing Authority (IL)

The Chicago Housing Authority has had a long history of management problems and distressed housing conditions. HUD had designated the PHA as “troubled” as far back as 1979, when the department first began to focus on poorly performing PHAs. The Chicago PHA had weak internal controls, fiscal problems, and frequent turnover among its top management. In addition, the PHA’s housing was some of the worst in the country—old, deteriorating, and poorly designed for the climate.

In 1995, HUD took control of the PHA’s management and operations and put HUD employees in charge. HUD reorganized the PHA’s management, privatized some functions, developed plans to improve maintenance and security, and began to rebuild and rehabilitate the housing stock. HUD returned the housing authority to local control by 1999 after the PHA had improved its performance scores enough for HUD to lift its “troubled” designation. According to HUD officials, however, even though the Chicago PHA was no longer technically troubled, it still was not completely “fixed” because many of its housing developments were still in poor condition. However, after HUD returned the housing authority to local control it agreed to a grant of \$1.5 billion over 10 years so the PHA could carry out a transformation plan that calls for demolishing 18,000 public housing units and rehabilitating or redeveloping another 25,000.

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## East St. Louis Housing Authority (IL)

HUD took control of the East St. Louis Housing Authority in 1985. According to HUD officials, the PHA was mismanaged, routine maintenance was not being completed on the public housing units, modernization funds were being improperly used, and housing authority officials had been indicted for crimes that included larceny and embezzlement. Additionally, the city was in political chaos, contributing to the problems at the PHA, according to HUD officials.

HUD hired a contractor to manage the PHA and implement needed changes. The contractor reorganized the staff, rewrote all policies, and created a merit-based personnel system. In addition, it rehabilitated or repaired about one-third of the public housing units and established a

maintenance program to keep the units in compliance with HUD's standards. Currently, the PHA is performing well. An executive director runs the management and operations, and a full board of commissioners is in place. However, according to HUD officials, the PHA will remain under receivership—they do not believe the city is in a condition to operate the housing authority because of its financial problems. HUD officials responsible for monitoring the East St. Louis PHA believe that if they return it to local control now, it would not sustain the improvements that have been made under the receivership.

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## Lafayette Housing Authority (LA)

HUD took over the Lafayette Housing Authority in 1995 as a result of severe management problems and racial segregation in the public housing developments. The PHA was placing families in public housing developments based on their race rather than on their place on the waiting list. HUD disbanded the PHA's board of commissioners and hired a new Executive Director. HUD staff also developed new policies and procedures for placing families in public housing and provided the technical assistance needed to bring the authority back into compliance with fair housing requirements. HUD returned the Lafayette PHA to local control in 2002.

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## Housing Authority of New Orleans (LA)

The Housing Authority of New Orleans had a long history of management problems, and its public housing has long been in very poor condition. In 1996, HUD entered into a "cooperative endeavor agreement" with the city of New Orleans in order to correct problems at the PHA. Under this agreement, HUD dissolved the PHA's board of commissioners and chose a HUD representative as Executive Monitor to oversee the authority's progress in implementing improvements. The improvement plan focused mainly on rehabilitating and redeveloping the deteriorating public housing stock.

In 2002, after the PHA had made little progress, HUD took control of the PHA's management and operations. A team of HUD officials is now in complete control of the management of the housing authority. According to HUD officials involved in the receivership, they are working on reallocating staff resources, reorganizing the PHA's structure, and cutting back on unnecessary expenditures. They have procurement, management, and financial problems yet to address. According to HUD officials, they are also making progress toward improving the condition of the housing stock through several new construction and rehabilitation projects.

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## Orange County Housing Authority (TX)

HUD took over the Orange County Housing Authority in 1993 because of the management's failure to desegregate its public housing. As it is with the Beaumont Housing Authority, HUD is responsible for facilitating desegregation of Orange County public housing under *Young v. Martinez*, Final Judgment and Decree. A HUD staff person currently serves as the board of commissioners, and HUD has contracted with the Executive Director of a neighboring PHA to manage the day-to-day operations. HUD staff involved with the receivership told us that they had succeeded in desegregating public housing developments in three of the PHA's four communities. HUD staff felt that they had done as much as they could to desegregate the public housing developments and attempted to place the PHA under local control. However, local officials refused, according to HUD. As a result, HUD now plans to dismantle the housing authority. Public housing developments in two of the communities will be sold, although the units will remain as affordable housing. The developments in the remaining two communities will be transferred to another PHA.

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## St. James Parish Housing Authority (LA)

HUD took over the St. James Parish Housing Authority in 2001 after the authority had been in troubled status for almost 8 years. The PHA was poorly managed, was not completing routine maintenance on its public housing units, and was not boarding up vacant units. It had been under the supervision of HUD's Office of Troubled Agency Recovery since 1997 and began receiving assistance from HUD's Troubled Agency Recovery Center (TARC) in 1998. The PHA improved after receiving TARC assistance, but it continued to have problems—for example, it did not keep financial records and much of its housing stock was in disrepair—violating the provisions of its Memorandum of Agreement (MOA) with HUD.

HUD hired a consulting firm to run the management and operations of the PHA and to act as the board of commissioners. According to TARC officials, the consulting firm established financial controls, put in place new policies and procedures (including new personnel policies), and provided extensive training to staff at the facility. According to HUD officials, the PHA is currently doing well. The staff are now completing routine maintenance and following the consulting firm's policies and procedures. The housing authority now has an Executive Director, and HUD is training members of an advisory board that will become the board of commissioners once HUD returns the PHA to local control.

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## San Francisco Housing Authority (CA)

HUD took over the San Francisco Housing Authority in 1996 after the Mayor of San Francisco requested HUD's assistance. The PHA had managerial problems, high crime at its public housing developments, and problems with the physical condition of the units. HUD sent a team of consultants, HUD officials, and employees of other PHAs to act as managers and correct the problems. A HUD official functioned as the board of commissioners. HUD's recovery efforts included implementing new policies and procedures and reorganizing the PHA. HUD returned the PHA to local control in 1997. Several years after the PHA was returned to local control, it developed financial difficulties and sought the assistance of HUD's TARC. The TARC continues to monitor and provide assistance the San Francisco Housing Authority.

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## Springfield Housing Authority (IL)

The Springfield Housing Authority voluntarily transferred operational control to HUD in 1996. The PHA was in "troubled" status, and its deficiencies were not being corrected. The board of commissioners resigned, and a HUD official assumed its role.

In September 1996, the housing authority signed an MOA that was aimed at addressing the PHA's problems. Under the MOA, the PHA was able to make some changes, including improving its contract administration, modernizing its budget controls, raising the quality of construction work, and improving the physical condition of the housing stock. By September 1997, the PHA had improved enough to be removed from troubled status and returned to local control.

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## Wellston Housing Authority (MO)

HUD took over the Wellston Housing Authority in 1996 after a series of problems and 3 years of poor performance scores. The PHA had severe management and financial problems, as well as problems with the physical condition of its housing units. HUD initially had staff from its local area office act as the board of commissioners and executed an agreement with a nearby PHA to oversee the day-to-day management and operations. According to officials of the managing PHA, the Wellston Housing Authority was in a state of chaos. They found severe physical deficiencies in the public housing units, rents had not been collected, and there were no records to determine who lived in the public housing or whether residents were qualified to live there. According to HUD officials, the management of the housing authority prior to receivership was dysfunctional.

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According to officials responsible for operating the housing authority at the beginning of the receivership, they had to recreate all of the management and information systems and inspect all the units to determine maintenance needs. They had to reverify all the residents' incomes and determine whether or not residents had been paying rent. The management team completed a physical needs assessment of the units to determine the health and safety violations that needed to be addressed and routine repairs that were required. After the initial problems were resolved, the HUD Office of Troubled Agency Recovery in Cleveland took over the oversight of the PHA and hired an Executive Director to run the day-to-day operations. HUD also hired a contractor to act as the board. The contractor is currently training members of an advisory board that will eventually act as the board of commissioners once HUD returns the PHA to local control. According to HUD and housing authority officials, the public housing units are now in good condition and the housing authority is operating properly.



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# Judicial Receiverships

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## Boston Housing Authority

The Boston Housing Authority was initially placed in receivership on July 25, 1979, after tenants filed a class-action lawsuit in 1975 claiming unsafe and unsanitary living conditions at the public housing authority's (PHA) developments. The court's decision was affirmed on February 4, 1980. The next day the court appointed a receiver to take any and all actions needed to bring conditions in the housing units into compliance with the state's sanitary code and all other laws regulating the conditions and habitability of housing. The court gave the receiver all the powers that a housing authority's board of commissioners or executive director could exercise. The board of commissioners, which had contributed to the PHA's management problems, was disbanded and a new management structure was later put in place. The court would closely oversee the receivership's progress through weekly meetings, written reports, and hearings.

During the receivership, the housing authority undertook several improvements, including stabilizing and fully redeveloping several developments, rehabilitating vacant and dilapidated buildings, making extensive capital commitments, and overhauling maintenance systems. The redevelopment efforts resulted in the complete redesign and rehabilitation of several large developments and the conversion of one into a privately owned, mixed-income development. By 1984, the PHA had made enough progress to end the tenure of the initial receiver. Boston's Mayor assumed the powers of the receiver and appointed an administrator to exercise those powers. The new team continued the efforts of the past receiver, particularly working to reduce vacancies by rehabilitating empty units. These efforts substantially reduced the number of vacancies. The PHA also developed initiatives in operational areas such as security, tenant selection, and litigation.

The receivership terminated in September 1990 with the judge noting that supervision was no longer necessary because of the extensive improvements the PHA had made during the 1980s. According to Department of Housing and Urban Development (HUD) officials, the Boston Housing Authority is currently performing well and has received high performance scores in the last few years.

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## Chester Housing Authority

The Chester Housing Authority (Pennsylvania) was placed in receivership in August 1994 based on a class-action lawsuit filed in 1990. The lawsuit claimed that HUD had permitted and approved the de facto demolition of units in public housing developments by allowing them to deteriorate. At

the time, the PHA was not repairing and renting its vacant units, and HUD was already overseeing the PHA after declaring it in violation of its contract in 1991. According to the lawyer for the plaintiffs, the judge agreed with the plaintiffs, finding that HUD had in effect constructively demolished the PHA's units by allowing them to deteriorate. The receiver was charged with reorganizing the PHA, redeveloping and rebuilding the crumbling and unsanitary units, and helping to create mixed-income communities in the developments and neighborhoods.

Throughout the receivership, the PHA has improved on several fronts. It embarked on a revitalization effort that has culminated in the award of two HOPE VI grants to rebuild two of the most dilapidated developments. It has made progress in demolishing units and building new ones to replace them at other developments. According to PHA officials, it has also formed its own police force to provide better security at the developments. On the management side, the PHA has converted to an asset-management structure by decentralizing all operations and converting to site-based accounting and maintenance, and moving staff from centralized offices to specific developments. Each site now has its own waiting list for tenants and its own inventory, and all leasing functions occur at the sites. The PHA has been reorganized and has implemented new standard operating procedures for each department that have been approved by HUD and the court.

The PHA's performance scores have been high for the last 2 years but the housing authority remains under receivership. According to PHA officials, the main concern about ending the receivership is the ability of local authorities to manage it. The City of Chester has faced significant decline and was designated as a distressed municipality in the past. PHA and local HUD officials believe that since the court is concerned about ending the receivership, in all likelihood, some type of monitoring will continue once the receivership ends.

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## Housing Authority of Kansas City

The Housing Authority of Kansas City (Missouri) went into receivership after a lawsuit alleging uninhabitable conditions and fair housing violations in public housing developments. According to the attorney who filed the lawsuit in 1989, the living conditions in the developments were very poor and vacancies so high that the situation was tantamount to demolishing the units. On November 25, 1991, a Consent Decree was entered into that was aimed at improving the PHA, but the PHA repeatedly violated it. In July

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1993, a U.S. District Court judge placed the PHA in receivership and in September 1994 appointed a receiver.

Since the appointment of the receiver, the PHA has focused on rebuilding distressed communities and improving the quality of the housing stock. The housing authority has modernized several developments and received HOPE VI grants that it has used to completely redevelop some dilapidated developments and scattered-site units. It has also made other improvements, installing community gardens, playgrounds, and new curbs and gutters. On the management side, the PHA has implemented new procurement and personnel policies. According to the receiver, the receivership team reorganized the PHA and created standards for planning and development, construction, and development management. Finally, the PHA has taken steps during the receivership to promote self-sufficiency among residents.

Overall, the PHA has lowered crime rates, raised rent collections, and increased occupancy rates during the receivership. In addition, it now serves almost twice the number of households as it did in September 1994. Currently, the housing authority is in the final stage of receivership. In September 2002, the local board of commissioners was reconstituted. The receiver is now a Special Master, with oversight responsibilities for both the board and the PHA.

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## District of Columbia Housing Authority

The District of Columbia Housing Authority was placed in receivership in May 1995 after tenants filed a lawsuit in 1993. The lawsuit focused on two claims: first, that the PHA had constructively demolished public housing units by failing to maintain and allocate them to those on a waiting list, and, second, that the PHA had violated its contract with HUD by failing to maintain its units in decent, safe, and sanitary condition. Additionally, public housing was under the Mayor's control prior to the receivership and during that time, turnover of management was high. According to a study done on the receivership, the agencies operating public housing went through 13 different directors between 1979 and 1995. After negotiations on the receivership, the Mayor of the District of Columbia, HUD, and the plaintiffs' counsel entered into a written agreement that allowed the receiver virtually unlimited powers to manage the agency; the presiding judge would have oversight responsibility.

When the receivership began, the housing authority had a number of problems. According to PHA officials, the developments were

deteriorating, and many units were in poor physical condition. Management systems either worked inadequately or not at all. To address these problems, during the first year, the receiver focused on establishing the administrative and financial management systems necessary to proceed with needed improvements in the housing stock and the agency itself. The next step was a redevelopment strategy aimed at improving physical conditions by reducing density, integrating design features that would deter criminal activity, and substantially improving architecture, in part by incorporating architectural characteristics of surrounding communities. These efforts included three HOPE VI revitalization projects, three HOPE VI demolition projects, and four home ownership projects. Additionally, the housing authority created an Occupied Unit Rehabilitation Program to complete all deferred maintenance. The plan called for installing new flooring, kitchen appliances, and bathroom fixtures and making other repairs to units. The PHA also rehabilitated several vacant units that needed extensive rehabilitation. Finally, it decentralized its administrative structure in an effort to increase responsiveness and accountability.

The receivership produced improvements in the consistency of operations within the agency, reduced the number of vacant units, and improved the physical condition of the PHA's housing stock. The District of Columbia Housing Authority Act of 1999, which was enacted in February 2000, allowed the PHA to become independent and maintain control over personnel, financial, and procurement matters while working with the government of the District of Columbia. The receivership ended in September 2000, after the PHA met the judge's criteria for terminating the receivership by receiving a performance score of 70 or higher for 2 consecutive years of annual HUD assessments.

# GAO Contacts and Staff Acknowledgments

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## GAO Contacts

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## Acknowledgments

In addition to those individuals named above, Emily Chalmers, Jacqueline Garza, Curtis Groves, Tarek Mahmassani, and John McGrail made major contributions to this report.

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