



**National Association of Housing and Redevelopment Officials**

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**U.S. House of Representatives  
Committee on Financial Services  
Subcommittee on Housing and Insurance**

**“PHA Oversight: How Scandals and Mismanagement Harm Residents  
and Taxpayers”**

**May 22, 2024**

The National Association of Housing and Redevelopment Officials (NAHRO) has worked for over 90 years to ensure that all families have access to safe, secure affordable housing in strong, resilient communities across the country. NAHRO, established in 1933, is a membership organization of over 26,000 housing and community development providers and professionals throughout the United States. NAHRO members create and manage affordable housing for low- and middle-income families and support vibrant communities that enhance the quality of life for all. NAHRO members administer more than 3 million homes for more than 8 million people.

NAHRO’s core mission is to advance the creation of strong, sustainable and affordable communities through advocacy, professional development, and empowerment of our diverse members. NAHRO does this by advocating for additional resources and common-sense changes to existing housing programs so that all Public Housing Agencies (PHAs) have the fundamental tools they need to create long-term housing solutions. Ensuring that families across this country have access to safe, secure homes is the top priority for NAHRO and its members. We envision a future of thriving communities with affordable homes for all.

Critical to the work of a PHA is a PHA’s Board of Commissioners. PHA commissioners oversee how billions of dollars in federal, state, and local funds are spent to improve housing for more than 8 million low-income individuals, including the elderly and the disabled. A PHA commissioner’s job, however, is not a one-size-fits-all job. The multitude of PHAs around the country exist in response to a patchwork of federal, state and local legislation intended to allow for local solutions to local housing issues. As

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such, each authority's board of commissioners is independent and operates in its own unique way. This is how PHAs were set up through the Housing Act of 1937 and state enabling laws. These differences include how individual commissioners are appointed and the duties and responsibilities they are expected to perform

PHAs utilize a variety of federal rental assistance and community development programs, however the public housing and Section 8 programs are two of the largest programs agencies operate. The Public Housing program remains the oldest source of federally assisted affordable housing in the country. Public housing units are permanent units that must remain affordable in perpetuity. Since its inception in the 1930s, public housing has evolved dramatically, but still provides critical housing to low-income families, seniors, and individuals with disabilities nationwide. Children and elderly individuals comprise the majority of public housing residents—34% of public housing units house families with children and 37% of public housing units have an individual over the age of 62 as the head of household. Most residents of public housing spend 30% of their income on rent, except when residents opt to pay a flat rent or a PHA charges a minimum rent. This structure has long been successful in making housing available to families that otherwise may not be able to afford a home. According to 2023 HUD Picture of Subsidized Housing (POSH) data, 1,604,633 individuals live in public housing. Only 4% of public housing households rely on welfare—like Temporary Assistance for Needy Families (TANF), General Assistance, or Public Assistance—as a major source of income. The average household income reported by public housing residents is \$18,284.

The Section 8 or Housing Choice Voucher (HCV) program—one of the Section 8 programs—is another rental assistance program managed primarily by PHAs. The Section 8 program is a prime example of how, in addition to administering public housing, PHAs are also at the forefront of managing public-private partnerships. The program allows PHAs to directly distribute subsidies to private landlords in the private housing market. The HCV program provides federal rental assistance to approximately 2.3 million households. According to HUD's POSH data, 77% of the families on the program are very low-income, earning less than 30% of the adjusted median income (AMI) for their locality. The remaining families are generally very low-income, earning less than 50% of AMI. Similar to the Public Housing program, just 4% of HCV households rely on welfare as a major source of income.

PHAs are local governmental entities that represent the communities that they serve. To the extent that the federal government supports local governments and individual communities across America, the federal government should support PHAs. PHAs understand the local needs, concerns, and conditions of their communities and strive to provide safe, secure housing even when facing challenging funding realities. Systemic underinvestment in affordable housing has directly contributed to the nation's growing affordable housing needs. Years of insufficient investments in housing programs across the board have exacerbated the affordable housing crisis by failing to provide adequate options for low- and middle-income families. Although increases to the HUD budget have occurred year-over-year since 2016, these increases have not kept pace with on-

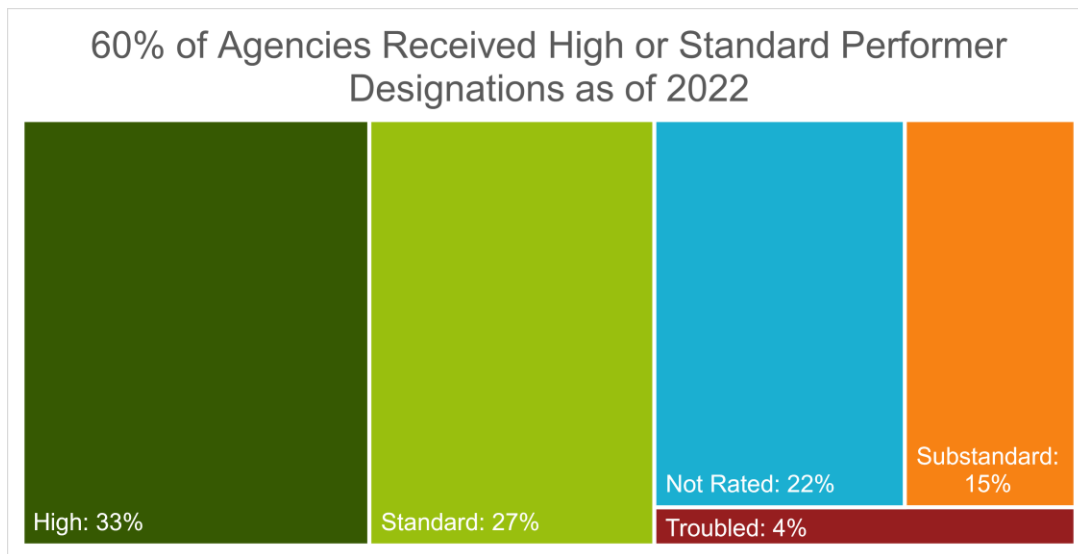
the-ground costs. Lack of housing supply, rising rents, tight rental markets, increased insurance premiums, and federal inflation factors that do not keep pace with rising costs on the ground all contribute to the growing need for additional federal support of rental assistance and community development programs. Underfunding of public housing capital needs has created a considerable backlog that must be addressed to ensure public housing units are preserved for future generations. Yet, based on federal performance metrics, PHAs that manage and maintain public housing operate the program effectively, especially when considering funding trends over the past decade.

### **PHAs Generally Score Well on HUD Performance Metrics.**

According to the most recent data published by the Department of Housing and Urban Development (HUD), PHAs that administer public housing generally perform well and are responsible stewards of federal taxpayer dollars. HUD assesses public housing via the Public Housing Assessment System (PHAS). PHAs are scored along four metrics: the physical state of the project, as previously measured by the Uniform Physical Condition Standards (UPCS) and now the National Standards for the Physical Inspection of Real Estate (NSPIRE), the financial health of the project, management of the project, and compliance with capital fund requirements.

PHAs receive a numerical score from HUD derived from the sum of the four metrics within PHAS, including inspections. Agencies designated as high performers get additional benefits, including being subject to fewer regulations and being assigned preference when applying for certain grants. Those that are substandard receive additional oversight from HUD and must work to improve their scores. Troubled housing agencies are provided 2 years to improve to a passing score.

In 2023, 82% of PHAs received a high or standard performer designation or were not required to be designated, with 33% designated as a high performer and 27% designated as a standard performer. Just 15% of agencies received a substandard designation, meaning that these agencies received a substandard score in one of the four metrics. Agencies with substandard designations submit a corrective action plan and receive monitoring from HUD to increase their scores. Only 4% of PHAs are designated as troubled, the lowest rating. An agency must have major problems in key areas to be considered troubled. The PHAS designation protocol does not apply to agencies that have 249 or fewer units of public housing, Moving to Work (MTW) participants, and Rental Assistance Demonstration (RAD) projects (accounting for 22% of agencies). Agencies with 249 or fewer units of public housing do receive a numerical score for certain PHAS metrics, and the frequency with which they are reassessed is based on that score.



Across all PHAs, only 3% of agencies received substandard inspection scores and 2% received substandard financial scores meaning the vast majority of agencies designated substandard still provide safe, decent units and act as responsible stewards of federal funding.

### **HUD Regularly Assesses the Quality of Public Housing and HCV Units.**

Prior to July 2023, public housing was inspected using the Uniform Physical Condition Standards (UPCS). In 2023, HUD transitioned to a new inspection protocol, the National Standards for the Physical Inspection of Real Estate (NSPIRE). Although HUD is now using this new inspection protocol, many properties have not yet been inspected using NSPIRE and have not yet received NSPIRE scores. Units will receive their first NSPIRE scores at some point between 2023 and 2025. As of the publication of this report, no NSPIRE scoring data has been made public. As such, this section will provide an analysis of public UPCS data.

The UPCS model requires contracted inspectors to walk through public housing properties and visually inspect five major areas: the overall housing site, building exteriors, general building systems, building common areas, and residential units. Inspectors are trained to look for specific deficiencies in the units and properties. NSPIRE will reduce the number of inspectable areas from five to three – the unit, inside the building, and outside the building, including the exterior.

Through UPCS, agencies receive a score where points are deducted based on the severity and criticality of the deficiencies in the unit. The maximum score is 100, and scores below 60 are considered failing. 2021 physical inspection score data from HUD shows that 90% of inspections yielded a passing score of 60 or higher on record, with most scores between 83 and 100. According to NAHRO analysis of HUD data, failing scores are typically outliers. NSPIRE will use a weighted defect scoring method based on the location and severity of the deficiency.

For inspections of units with HCV tenants, HUD is transitioning from the Housing Quality Standards (HQS) protocol to a new protocol known as National Standards for the Physical Inspection of Real Estate (NSPIRE) for vouchers. The new NSPIRE for vouchers protocol is intended to be more objective than the HQS protocol leading to more standardized inspections. NSPIRE for vouchers should align HCV unit inspections more closely to how public housing units are inspected via NSPIRE. This increased standardization will mean that inspections by different inspectors at the same unit should result in the same list of deficiencies and same score.

### **PHAs Provide Critical Housing Assistance and Services to Their Residents.**

Recently, new federal programs have been created to help preserve public housing units by utilizing the Section 8 program. Created as a mechanism to address the chronic underfunding of the public housing program, the Rental Assistance Demonstration (RAD) and Section 18 demolition/disposition options have become important tools for housing agencies to modernize and redevelop their public housing units. RAD simplifies the long-term recapitalization of public housing so agencies can make capital improvements to public housing developments. Over 231,681 units of public housing have converted or are planning to convert through RAD. The program has been incredibly helpful for the long-term sustainability of the public housing program for PHAs that can make RAD deals work.

PHAs also manage self-sufficiency programs, including the Family Self-Sufficiency (FSS) and the Resident Opportunity and Self-Sufficiency (ROSS) programs and the Jobs Plus Initiative. PHAs that receive funding for these programs are able to help their residents reach self-sufficiency through a variety of mechanisms including program coordinators, support services, and employment-related services. Over 57,500 households actively participated in the FSS program with 10,000 additional households in initial Moving to Work agencies. Over 4,000 families have completed the program and graduated. Of the participants, 100% of the graduating families did not require temporary cash assistance (i.e., TANF/welfare), and 34% of graduates did not need rental assistance within one year of leaving the FSS program. The FSS program is an important tool PHAs use to help families move towards financial independence.

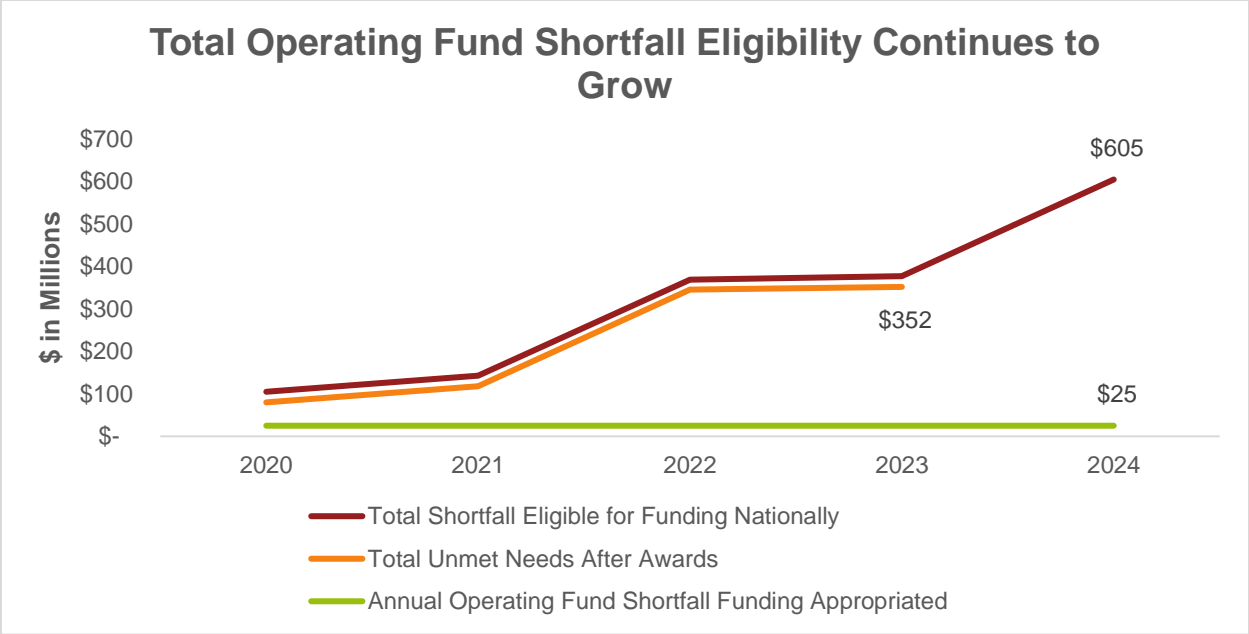
During the recent COVID-19 pandemic, PHAs served as invaluable community hubs to distribute food, health care, and other necessities of daily life to the most vulnerable community residents. During the pandemic, PHAs quickly pivoted to new technologies and modes of operation to ensure that residents were still well served. Many PHAs had to quickly implement new waivers that provided broad flexibilities and create new processes to ensure the health and safety of their residents. For example, during this period, many PHAs did their first remote video inspections, virtual eligibility and annual income reexaminations, and safely monitored unit conditions. When provided the appropriate tools, PHAs can quickly pivot while ensuring their residents are provided critical services when provided the flexibilities to respond to their local community's needs.

## **Congress Has Consistently Underfunded PHAs and HUD Programs**

PHAs effectively provide housing assistance to millions of Americans despite consistent underfunding of HUD programs. A significant amount of public housing was built between the 1950s and 1970s. In 2010, the national Public Housing Capital Needs Assessment determined that the total backlog for public housing capital funding was \$26 billion, and that Congress would need to appropriate \$3.4 billion (in 2010 dollars) per year to meet all public housing capital needs. The report noted that each year the cost of the backlog compounds at a rate of 8.7% due to inflation and the increased cost of addressing deferred maintenance. As a result, even when accounting for other federal capital programs that have helped modernize and improve public housing, such as the Rental Assistance Demonstration, NAHRO's analysis estimates the Capital Fund backlog has grown to over \$90 billion in 2024. This growth is directly tied to insufficient funding over the past decades which leads to increased costs of repairs when PHAs are forced to choose certain capital repairs and defer others due to funding realities.

Although Capital Fund appropriations have increased in recent years with all-time highs in 2022, 2023, and 2024, Congress has not once provided an annual appropriation of \$3.4 billion to the Capital Fund. Addressing the Capital Fund backlog and providing adequate annual appropriations is critical to ensuring that aging public housing units remain decent and safe, leading to the long-term sustainability of the program.

PHAs also receive Operating Fund dollars for daily operating expenses associated with managing public housing properties. Appropriations for the Operating Fund rarely cover the full costs of the Operating Fund formula, which HUD uses to determine annual program costs. Certain recent market changes—including inflation, a pandemic-related lag in rent collection, and skyrocketing insurance premiums—have further impacted public housing operating costs. The most recent PHA-level data shows that average monthly spending rose by 23% for agencies operating the public housing program from 2022 to 2023, while the Operating Fund increased by only 15%. This gap creates an operating fund shortfall. In Fiscal Year 2024, the average shortfall amount was \$199,683 per PHA operating public housing included in the data, totaling \$605 million nationally. Again, this shortfall has a direct connection with federal funding not keeping pace with actual costs.



In recent years, Congress has appropriated \$25 million to help fill the funding gap. Still, nearly 1 in 10 eligible PHAs continue to have significant shortfalls. These shortfalls are linked to challenges seen across all rental markets coming out of the COVID-19 emergency, including, but not limited to, inflation, the impacts of the eviction moratorium, rising insurance premiums, increased costs in maintenance due to supply chain issues, and staffing shortages across all sectors. More support from Congress is needed to help PHAs meet the current financial uncertainty and allow them to operate the public housing program within the realities of a post-pandemic economy while remaining competitive employers for hiring necessary maintenance staff.

Although Congress usually funds the Housing Choice Voucher program at or very close to the amount needed to renew each voucher that was in use in the prior year, Congress has not fully funded the administrative fee account for the Housing Choice Voucher program since 2003. PHAs use administrative fees for a variety of activities, including day-to-day operations like income determinations and reexaminations, unit inspections, disbursing HAP to landlords, policy and operational planning implementation, financial management, record-keeping, reporting, and other overhead activities related to the HCV program. Other administrative activities can include pre-move counseling, helping a family find an appropriate unit, and certain post-lease up activities. One of the administrative fee uses is ensuring that public housing agencies are able to attract and retain qualified staff. Increasing this funding will contribute to necessary human capital investments.

**Congress Should Support PHAs and Help Them Serve Their Residents.**

NAHRO’s PHA members remain focused on advocating for adequate and responsible

funding for housing and redevelopment agencies while remaining realistic as we consider the affordable housing challenges we face. Funding provided by Congress must support holistic approaches to housing and community development to help build and preserve affordable units through streamlined programs that allow for creative, local solutions. Congress should take the following actions to support the success of PHAs:

- **Increase Investments in Affordable Housing Programs:** Insufficient investments in affordable housing exacerbates the affordable housing crisis by failing to provide adequate housing options for low- and middle-income families. Congress should fully fund public housing, Housing Choice Vouchers, Project-Based Rental Assistance contracts, and community development programs to guarantee all families have access to safe and secure housing.
- **Improve Housing Preservation Options:** Ensuring that housing preservation options, such as the Rental Assistance Demonstration (RAD) program, accurately reflect on-the-ground rental prices is essential. HUD's Operating Cost Adjustment Factor (OCAF) methodology requires revision to better align with current market conditions. Congress and HUD must continue maximizing existing housing preservation efforts and increase housing inventory by creating new repositioning options and making them voluntarily available to all housing agencies. Mixed-finance development along with Section 30, the Capital Fund Financing Program, and the Operating Fund Financing can also work as tools in a toolbox that can help preserve public housing.
- **Streamline Federal Regulations:** Simplifying cumbersome federal regulations and requirements will enable housing agencies to operate more efficiently and cost-effectively, allowing them to better address the unique needs of their communities. Although some programmatic guiderails are necessary to ensure statutory compliance, current regulations are overly cumbersome, confusing, and often overreaching. PHAs should be able to focus more on their programs and less on unnecessary and redundant paperwork.
- **Demonstrate Congressional Support for Local Flexibility:** Congress must ensure that housing agencies have the necessary flexibilities to meet local needs effectively, acknowledging the importance of local expertise and community engagement in the affordable housing sector. HUD regulations must also reflect this need and not further complicate an already complex regulatory environment.

NAHRO stands ready to partner with Congress in supporting PHAs to serve as stewards of public housing and other critical housing assistance programs that provide shelter for the most vulnerable in our communities.