CHAPTER 1: TRANSFORMING THE ASSESSMENT, MONITORING, AND ENFORCEMENT OF QUALITY STANDARDS IN HUD-ASSISTED HOUSING

In the past two years, the U.S. Department of Housing and Urban Development (HUD) has developed and implemented a new system of assessment, monitoring, and enforcement to ensure the quality of HUD-assisted housing.[1] This state-of-the-art national system assesses housing quality through HUD's new Real Estate Assessment Center ("Assessment Center") while concentrating remediation and enforcement functions in two additional new HUD agencies: the Departmental Enforcement Center ("Enforcement Center") and the Office of Troubled Agency Recovery, with two associated Troubled Agency Recovery Centers ("Recovery Centers").

Need for the New System

In June 1997, HUD Secretary Andrew Cuomo introduced the HUD 2020 Management Reform Plan, a fundamental management overhaul to improve the manner in which the Department operates and administers its programs. The plan formulated two overarching missions for HUD:

- To empower people and communities.
- To restore the public trust.

One of the important problem areas that the HUD 2020 plan identified was HUD's weak capacity for housing oversight. As a result of ineffective Federal oversight, HUD and its community partners could not consistently ensure that Federal funds were providing quality low-income housing—a key factor in the empowerment of families seeking self-sufficiency and communities seeking revitalization. Moreover, the lack of enforcement of national standards in housing programs supported by Federal tax dollars was eroding the public trust

[1] For purposes of this report, the term "HUD-assisted housing" includes public housing, properties with project-based Section 8 assistance or other project-based assistance, and FHA multifamily insured properties.

and support for HUD's programs to help low-income households afford the high cost of housing.

Approximately three million low-income households currently live in rental housing units subsidized or insured by HUD. More than 1.1 million of these households (most of them families with children, seniors, or persons with disabilities) live in the approximately 14,000 developments that are owned and managed by the Nation's 3,200 local public housing agencies (PHAs).[2] The remaining households live in approximately 30,000 privately owned multifamily assisted housing properties.[3] HUD supplied these properties with construction or insurance subsidies and, in many cases, provides ongoing rental subsidies to their owners on a long-term, contractual basis. Public housing agencies are serviced by HUD's Office of Public and Indian Housing (PIH), while HUD's Office of Housing has responsibility for servicing multifamily assisted properties.

The housing that HUD provides must be, in the words of the Housing Act of 1937, "decent, safe, and sanitary"[4] and in good repair. Studies conducted before the introduction of HUD's new monitoring systems, however, indicated that these standards were not being met consistently. Well-publicized incidents of rundown housing, poorly maintained properties, misappropriation of housing funds, and landlord fraud and abuse cast a cloud over HUD's entire subsidized housing effort.

---

[2] A public housing agency is a local, nonprofit, quasi-governmental agency (or, in a relatively small number of cases, a department of the local government) chartered under State or local law and contractually required to follow Federal assisted housing regulations. Local or regional PHAs build or acquire housing with Federal (and sometimes State and local) funds and manage them to provide a supply of affordable housing. PHAs may manage public housing, Section 8 Moderate Rehabilitation, tenant-based Section 8 voucher assistance, and a variety of self-sufficiency and other programs.

[3] More than 1.4 million additional households have Federal rental certificates or vouchers that they use to defray the costs of modest, privately owned rental housing among cooperating landlords. The quality of these units is monitored through a separate system that is beyond the scope of this report.

HUD knew that problems existed with the quality of some of its public housing and multifamily housing stock. But prior to the HUD 2020 management reforms, its monitoring and enforcement systems were insufficient to allow the Department to identify problems quickly, accurately report their extent, and target resources to the properties having the worst problems. HUD lacked the basic information about the physical and financial condition of its subsidized housing stock needed to enforce quality standards. Indeed, since the mailing addresses for the management offices in HUD's records were not always the same as the addresses of the properties, HUD could not even identify the location of all its assisted stock.

As HUD Secretary Cuomo commented on the release of a 1999 report[5] on the new Assessment Center:

> For too long, when people heard the words "subsidized housing," they immediately thought of another government program gone wrong. The truth is a small number of problems overshadowed the real success of affordable housing in our Nation. But perception is everything, and for our part, HUD never demonstrated that we could effectively account for the quality of the housing we support.

A host of problems had contributed to this situation. Prior to the HUD 2020 management reforms, HUD had no uniform system for assessing its public and assisted housing developments. Piecemeal and uncoordinated systems of property inspections and management assessment hampered effective Federal oversight and produced an imperfect picture of the HUD-assisted housing stock. PIH operated one assessment system for public housing, while the Office of Housing operated a separate system for the privately owned multifamily developments. Neither system included an independent assessment of compliance with specific quality standards, and neither addressed all aspects of housing performance.

[4] United States Housing Act of 1937, Section 2.

[5] U.S. Department of Housing and Urban Development, *A House in Order: Results From the First*

The prior monitoring system for public housing, the Public Housing Management Assessment Program (PHMAP), was established in the early 1990s. It relied on housing agency self-assessment and self-certification of key indicators. Many of the indicators dealt with issues of process, such as whether the PHA had performed inspections, rather than on key outcomes that affected the lives of residents. The multifamily programs used a different, but equally flawed, system that relied on HUD asset managers with oversight responsibility for individual properties. Not only did these managers service far larger property portfolios than their private market counterparts, but they were also responsible for enforcing complex regulations that varied from program to program. This impaired their ability to deal with problems before they became acute. Both systems were hampered significantly by outdated, often manual, data management systems.

Organizational issues also impeded oversight. Assessment activity was typically conducted at the Field Office level, so there was no guarantee that program standards were applied consistently throughout the country. A particularly serious structural weakness lay in the assignment of assessment and enforcement functions to the same HUD personnel who needed to develop positive working relationships with the housing providers they serviced, creating potential conflicts between the servicing and compliance roles.

By the mid-1990s, HUD's previous attempts to ensure that performance met prescribed standards were widely recognized as ineffective. In a 1997 evaluation of public housing assessment, the U.S. General Accounting Office (GAO) found serious deficiencies in HUD's prior system for monitoring public housing, PHMAP. The GAO report stated that:

> Our review and those of others indicate that PHMAP scores are often inaccurate, imprecise, and must be changed when HUD verifies the data

National Assessment of HUD Housing, cover letter, May 1999.

> that public housing agencies have submitted to support their scores…. The HUD Inspector General also questioned whether or not PHMAP scores accurately measure the management performance of PHAs….
>
> Other public housing professionals—property managers, and those representing industry associations—agreed that *more information is needed than PHMAP provides* to give a complete picture of how well a PHA is managed. For example, they noted that *PHMAP does not automatically include an on-site observation and inspection* of a PHA's housing developments.[6] [Emphasis added.]

The HUD Inspector General also criticized PHMAP and called for reforms in assessment procedures:

> In our prior audits, we reported that PHMAP is not always a reliable indicator of a Housing Authority's [HA] performance because HUD's controls did not assure integrity of the scores and PHMAP performance data did not effectively assess the quality of the subsidized housing stock…. *[We] agree with HUD's efforts to establish and implement a standard inspection protocol to assess the physical condition and quality of public housing.* The current process for evaluating HA performance does not consider the quality and livability of its housing stock. *We also agree with HUD's decision to develop the Public Housing Assessment System (PHAS) to replace the existing PHMAP to provide for a more complete assessment of HA operations.* The current PHMAP process relies entirely too much on the HA's self assessment of their performance.[7] [Emphasis added.]

The monitoring of HUD's multifamily programs was also a target of criticism. The GAO described a series of problems in a 1995 report:[8]

> Long-standing deficiencies in staffing, data systems, and management controls have impeded HUD in managing its portfolio…Weaknesses in management controls—including the physical inspections, financial statement reviews, and management reviews performed by its field offices—have prevented HUD, according to its Office of the Inspector General, from consistently identifying and resolving problems that could lead to insurance claims, excessive rental subsidies, and/or substandard living conditions. In addition, field offices have not adequately followed up with owners and management agents to ensure that identified problems have been corrected.

---

[6] "Public Housing: HUD Should Improve the Usefulness and Accuracy of Its Management Assessment Program," January 1997, GAO/RCED–97–27, pages 40 and 43.

[7] Audit of HUD's FY 1998 Financial Statements by the Office of the HUD Inspector General.

[8] HUD Management: FHA's Multifamily Loan Loss Reserves and Default Prevention Efforts (Letter Report, 06/05/95, GAO/RCED/AIMD–95–100), p.12.

HUD's Response

To remedy the problems identified by GAO and HUD's Inspector General and meet HUD 2020 goals of empowering residents and restoring the public trust, HUD created a new assessment, monitoring, and enforcement system. This system provides HUD with substantially improved capacity to assess and improve the performance of its subsidized and insured rental stock.

The new system is composed of three interrelated agencies—the Assessment Center, the Office of Troubled Agency Recovery with two Recovery Centers, and the Enforcement Center. The Assessment Center provides independent assessments of the physical quality and financial condition of public housing and multifamily developments. The Center also assesses the management capacity of PHAs and resident satisfaction with public housing developments. The Recovery Centers and the Enforcement Center provide the know-how and the enforcement "muscle" to ensure that identified problems are remedied. The Recovery Centers provide technical assistance and help develop remediation plans that chart the course to recovery for housing agencies with substandard performance ratings. The Enforcement Center uses a variety of legal and programmatic tools to enforce quality standards in properties built under the aegis of one of HUD's Multifamily Assisted Housing programs. The Enforcement Center is also charged with seeking receivership for housing agencies that do not show sufficient progress under the Recovery Centers.

The Assessment Center and the Enforcement Center are freestanding offices reporting directly to the Secretary. They play no role in day-to-day program operation. Although the two Recovery Centers report to the Office of Troubled Agency Recovery, which is located within PIH, the staff work primarily with housing agencies that have been referred by the Assessment Center. They therefore do not have the conflict of interest previously experienced by HUD staff required to both service PHAs and identify poor performers.

Integral to the reform of HUD's assessment, monitoring, and enforcement procedures was the development of the Public Housing Assessment System (PHAS), a versatile, multicomponent database implemented by the Assessment

Center. PHAS data are used for performance assessments and referrals to the Recovery Centers and the Enforcement Center. As its name indicates, PHAS was designed to assess public housing performance. In addition, certain PHAS components have been adapted to assess multifamily properties. The development and implementation of PHAS was based on rigorous and independent validation tests of the system, the assessment instrument, and the computer technology, in consultation with local PHAs, managers of privately owned multifamily housing, housing industry representatives, advocacy groups, and other stakeholders.

Principal Benefits of the New System

The new system of assessment and enforcement has greatly strengthened HUD's monitoring capabilities. Specifically, the new system gives HUD the capacity to:

- **Use limited resources more effectively by reorganizing the division of functions across offices.** The new system has consolidated the assessment, remediation, and enforcement functions into specialist centers, allowing HUD's program offices to concentrate on servicing and support. This reorganization puts the assessment and enforcement functions in the hands of specialists trained in these functions and removes the potential conflict of interest that occurs when the same offices are assigned both service and compliance functions.
- **Accurately assess the performance of HUD's public housing and multifamily assisted developments.** The new system establishes, for the first time, a consistent set of performance indicators for the physical and financial condition of public and multifamily housing. Using state-of-the-art technology, standardized protocols, independent inspectors and auditors, and a series of quality assurance checks at every stage of the assessment process, the new system reduces subjectivity and promotes fairness in the assessment process. This system enables HUD to identify and differentiate between situations where early intervention may prevent relatively small problems from becoming serious and situations where remediation of

serious problems is necessary. It also enables HUD to identify and reward strong performers.

- **Provide effective mechanisms for dealing with the most serious problems.** Under the new system, troubled PHAs are referred to the Recovery Centers, where Center staff, who have extensive program knowledge as well as specialist expertise in dealing with problems in areas such as financial management, facilities management, and information systems, provide critical input to the development of recovery strategies. The Recovery Centers also provide technical assistance targeted to the individual agency's problems. Substandard multifamily properties are referred to the Enforcement Center, where staff draw on a wide range of program, financial, and legal expertise to deal with the most complex and difficult problems in multifamily housing.
- **Provide incentives for self-improvement by assisted-housing providers.** The new system provides a "carrot" to PHAs and multifamily property owners to improve performance by offering rewards, such as less frequent inspections, to high performers. At the same time, it provides a "stick" in the form of the Enforcement Center. Early experience indicates that the existence of an effective and credible enforcement system encourages compliance.
- **Establish a baseline against which to measure progress in the physical condition of HUD-assisted stock.** The Assessment Center has completed a comprehensive survey of the physical condition of the HUD-assisted stock as a whole, including both public and multifamily housing. It has thus created a national baseline against which to measure future progress. In FY 1999, 80 percent of public housing developments and 86 percent of multifamily properties were found to be in standard or excellent condition, indicating that, while there is room for improvement, the vast majority of properties are in decent condition.
- **Live up to its fiduciary responsibility to taxpayers.** HUD's oversight role is crucial to ensuring that assisted families live in decent and safe housing and that recipients of Federal funds are held accountable for how they spend the public's money. By establishing its new assessment and enforcement system

and by continuing to work with its affordable housing partners to implement and improve it, HUD is more effectively meeting its fiduciary obligations.

Together, these new capabilities ensure that the Department is better positioned to meet its mandate to provide decent, safe, and sanitary housing to the low-income residents who live in HUD-assisted properties.

Progress in Implementing the New System

Following a period of consultation with HUD's local partners, the Assessment Center began carrying out physical, financial, and management assessments in late 1998, with resident services and satisfaction assessments starting a year later.[9] The Enforcement Center took over the enforcement function for multifamily properties in 1998. The Recovery Centers took on the responsibility for remediation of housing agencies identified as troubled under PHMAP in the summer of 1998, and in Fall or Winter 2000 the Centers will begin receiving PHAS-based referrals of troubled housing agencies. Throughout the development and implementation phases, HUD has continued to meet regularly with interested stakeholders to obtain feedback on how to improve the system. Indeed, intensive meetings with public housing industry representatives in late 1999 led to changes in the descriptions of 65 percent of the physical assessment protocols.

A July 2000 GAO report on HUD's oversight of the physical quality of its assisted housing stock commended the Department's new system for monitoring and enforcement of physical quality, noting that:

> HUD's establishment of a new physical inspection system is a positive step in HUD's effort to address weaknesses in its oversight of multifamily and public housing properties. In particular, *HUD's establishment of uniform standards and inspection procedures helps to address inconsistencies* that have existed in both the way standards were applied to HUD properties and the way physical inspections were performed. Equally important, HUD's *establishment of centralized databases for collecting information on properties' physical condition* provides HUD not only with detailed, readily available

[9] Public housing agencies, however, received PHAS scores on an advisory rather than official basis until Summer 2000.

> information on the condition of properties, but also with *a mechanism that it can use to (1) ensure that deficiencies identified during inspections are corrected; and (2) help HUD take appropriate action against property owners and housing agencies that fail to provide housing that is decent, safe, sanitary, and in good repair*.[10] [Emphasis added.]

While the GAO report identified some concerns regarding the procedures the Assessment Center employs to ensure the quality and consistency of physical inspections, it noted that the Assessment Center has recently taken a number of actions to strengthen its quality assurance procedures. The Center is incorporating refinements of these procedures identified both through its own experience and by the GAO. In particular, the Assessment Center has developed an inspector tracking system that will enable it to identify and take corrective action in the event that inspectors do not perform to standards. In addition, new contracts for inspection services will upgrade the contractors' quality control activities by integrating them with the overall Assessment Center quality assurance plan. Finally, the Assessment Center is continuing its practice of testing the reliability of its inspection protocol to maximize consistency and objectivity. As requested by Congress, the Center is presently conducting a statistically valid test of the physical inspection protocol and conducting a thorough analysis of the results; both the methodology and the results will be reviewed by an independent expert to determine whether additional improvements are needed to ensure high quality and consistent inspection results.

The Importance of Federal Oversight

The establishment of the comprehensive new system for monitoring and enforcing the quality of HUD-assisted housing described in this report is motivated by HUD's fundamental responsibility to ensure that the residents of public and multifamily housing have homes that are decent and safe, as well as by HUD's fiduciary obligation to ensure accountability in the expenditure of

[10] *HUD Housing Portfolios: HUD Has Strengthened Physical Inspections but Needs To Resolve Concerns About Their Reliability*. General Accounting Office, GAO/RCED–00–168, July 2000, p. 28.

Federal funds. If HUD is to regain the public trust, it must meet these critical objectives.

In addition, HUD continues to serve the necessary Federal role in protecting the rights of the disempowered, particularly low-income tenants, minorities, and persons with disabilities. HUD also continues to provide a vital leadership role in developing and promoting better ways to provide decent, safe, and affordable housing, and in helping its local partners think strategically about the different policy options available to them. Accurate information on the performance of HUD-assisted housing is crucial for both roles.

A strong Federal oversight role is also necessary to compensate for the absence of significant market pressure to improve the quality of public and multifamily assisted housing. The residents of public and multifamily housing are low-income families who are generally unable to afford market-rate housing. They are thus unable to promote the responsible operation of public and assisted housing by "voting with their feet" and moving out of poorly managed assisted developments.

The importance of Federal oversight of the low-income housing programs has not been diminished by the recent trend toward increased devolution in housing and other Federal social programs. While control over many of the details of the administration of housing programs has properly devolved to State and local officials, HUD's oversight role remains as important as ever to ensure that assisted families live in decent and safe housing and that recipients of Federal funds are held accountable for how they spend the public's money.

Although HUD retains primary responsibility for overseeing the quality of HUD-assisted housing, it recognizes the importance of consulting regularly with its partner organizations. From the outset, housing assistance programs have represented a partnership between the Federal Government and local organizations, including PHAs, resident groups, and the private owners of multifamily properties, both for-profit and nonprofit. As the process of establishing and operating the new monitoring and enforcement system has unfolded, HUD has carried on extensive consultations with its local partners, industry organizations, advocacy groups, and other stakeholders regarding the procedures and protocols with which properties are assessed. This ongoing

consultation process will continue as the system evolves.

In This Report

This report provides an overview of the structure and accomplishments of HUD's new Assessment Center, Enforcement Center, and Recovery Centers. Chapter 2 provides an overview of how the new system works, while Chapter 3 summarizes some of the system's accomplishments. Chapter 4 presents the results of the first year of physical inspections under the Assessment Center.

CHAPTER 2: HOW HUD'S NEW MONITORING AND ENFORCEMENT SYSTEM OPERATES

Under the HUD 2020 Management Reform Plan, three new agencies were created to implement the Department's new system for assessing, monitoring, and enforcing the quality of the HUD-assisted rental housing stock: the Real Estate Assessment Center, the Departmental Enforcement Center, and the Office of Troubled Agency Recovery with two associated Recovery Centers. The Assessment Center provides a standardized, detailed, and versatile system for collecting and analyzing information on all of HUD's assisted housing stock. The Recovery Centers and the Enforcement Center consolidate the remediation and enforcement functions into the hands of specialist staff, removing former conflicts between the supportive servicing role and the role of strict enforcement, which had previously been assigned to the same program offices. This chapter provides a brief overview of the operations of the new Centers.

Real Estate Assessment Center

The Assessment Center's role is to provide HUD with objective information on the operation of its subsidized housing programs. The Assessment Center collects, processes, and analyzes data on the performance of public housing agencies (PHAs) and individual multifamily assisted housing projects and provides summary measures of this performance. Based on the results of its assessments, the Assessment Center refers underperforming housing agencies to the Recovery Centers and underperforming multifamily properties to the Enforcement Center.

The Assessment Center has developed a sophisticated electronic portfolio management system that uses modern computers, Web-based technology, and statistical methodologies to assess how HUD-assisted housing is managed, maintained, and operated. The system also provides data for informed policy decisions on resource allocation, program effectiveness, and future policy direction.

The Assessment Center's Integrated Systems: An Overview

The Assessment Center has developed a multicomponent, integrated data system for collecting and processing information on four key aspects of performance by PHAs and multifamily property owners:

- The physical condition of all public housing and multifamily assisted properties (Physical Assessment Subsystem).
- The financial soundness of all public and multifamily assisted housing (Financial Assessment Subsystem-PHA and Financial Assessment Subsystem-MF).
- The management capability of public housing agencies (Management Assessment Subsystem).
- The satisfaction levels of public housing residents and the services provided to them (Resident Assessment Subsystem).

The first two subsystems—for physical and financial assessment—are applied to both public and multifamily housing. The remaining two subsystems—for management and for resident services and satisfaction—apply only to public housing. As applied to public housing, the four subsystems form the basis for the Public Housing Assessment System (PHAS), which replaces PHMAP as the tool for monitoring housing agency performance. This dramatically increases both the scope of information collected and the objectivity of the data collection process.

Data from the Assessment Center's integrated assessment systems are used to develop performance assessment measures for housing agencies and multifamily properties. These measures form the basis for referrals of PHAs and multifamily properties to the Recovery Center and the Enforcement Center, respectively.

Public housing assessment. For PHAs, performance scores are computed individually for physical, financial, and management condition and for resident services and satisfaction. In calculating agencywide scores for each of these four indicators, the various data items that contribute to the score are weighted to reflect their relative importance. Scores on the four indicators are then totaled to

develop an overall PHAS score for the agency, with a maximum possible score of 100 points.

Multifamily housing assessment. Currently, the Assessment Center assesses individual multifamily properties on physical and financial condition, with plans to assess resident services and satisfaction in the near future. The criteria applied to the assessment of the physical condition of multifamily properties are the same as those applied to the assessment of public housing developments, and ensure consistency in the application of the statutory mandate for decent, safe, and sanitary housing in good repair. However, both the financial data and the measures of financial performance constructed from the data differ somewhat from those employed in the assessment of PHAs. This reflects differences in the types of information needed to assess the financial condition of PHAs and multifamily properties.

Individual Assessment Areas

Assessing physical condition. To carry out physical assessments, inspectors use the same data collection protocols, developed by the Assessment Center, for all types of public and multifamily housing throughout the country. This procedure creates a common standard of expected performance. The base of the entire physical inspection regimen is HUD's commitment to ensure that all HUD-assisted properties meet the statutory requirements of decent, safe, and sanitary housing in good repair.

Physical data are collected on approximately 60 items, covering building exterior, sites, building systems, dwelling units, and common areas. Health and safety conditions are also identified. The physical inspections look for deficiencies in various inspectable items. The deficiencies are assigned criticality levels and classified on three severity levels, all reflected in the physical inspection scores. All multifamily and public housing developments in HUD's inventory are inspected, along with a statistically valid random sample of all dwelling units. Inspections are performed once a year, but certain high-performing properties may receive less frequent inspections.

Field inspectors—trained and certified in Assessment Center protocols and working for HUD-contracted firms—conduct the physical inspections. Inspectors enter information directly into handheld computers, submitting the data to the Assessment Center via the Internet. Assessment Center software provides the inspector with uniform definitions and a standard inspection protocol, thus reducing subjectivity. Inspection firms carry out follow-up inspections on a sample of properties for quality assurance purposes.

On receiving the electronic transmissions from the field, Assessment Center personnel perform automated data checks, systematic reviews of various data elements of completed inspections, targeted reviews, and in-depth checks of a random sample of inspections. The Assessment Center continues to monitor and test the performance of its protocols and modify them as needed.

If inspectors find health or safety hazards during the inspection, they notify the multifamily property owner or PHA representative at the time of the inspection; in addition, the Assessment Center makes this finding available to the Office of Housing or the Office of Public and Indian Housing (PIH) within 24 hours. All exigent health and safety violations must be addressed by the owner or the PHA immediately. Follow-up to ensure that conditions have been abated is conducted by field staff from the Office of Housing or PIH.

Assessing financial status. Financial assessments, generally conducted each year,[11] measure the fiscal soundness of the operating entity and compliance with HUD financial regulations and contractual requirements. Accountants for housing agencies and multifamily properties provide audited financial data using Assessment Center electronic templates, submitting them to the Assessment Center over the Internet. Although some differences exist in the financial information collected for multifamily properties and public housing agencies, financial statements from both types of providers are prepared according to generally accepted accounting principles (GAAP). The adoption of GAAP accounting standards—which are uniform, consistent, and widely

[11] Financial assessments are conducted annually for all PHAs and for about two-thirds of the multifamily inventory. The remaining one-third of the multifamily inventory is not subject to financial reporting for a range of reasons. (For example, most projects without FHA insurance are not subject to financial reporting.)

recognized and accepted—is an important HUD 2020 management reform. These standards also require accounting for physical assets, enabling monitors to see relationships between financial assets and building quality. The system automatically flags data falling outside generally expected parameters and performs automatic and targeted quality checks.

Assessing management conditions. In conducting management assessments of PHAs, the Assessment Center measures performance in the areas of vacant-unit turnaround, capital fund capacity, work order processing, annual inspections, security, and economic self-sufficiency. In contrast to the earlier PHMAP system, the Assessment Center protocols seek outcome-oriented information and quantitative data in addition to qualitative process indicators. This facilitates verification of data and provides a more complete picture of management capacity. For example, whereas the PHMAP system asked *whether* the PHA completed repairs deemed necessary on the basis of its property inspections, the PHAS management subsystem asks for the *number of units* on which repairs were completed. Housing agencies submit management data on Assessment Center electronic templates via the Internet.

Assessing resident services and satisfaction. The Assessment Center also annually assesses residents' satisfaction with the public housing developments in which they live. HUD contractors survey a representative sample of the residents of a housing agency. This ensures accuracy within five percent of the results that would be obtained if all residents were surveyed. The contractor computerizes responses and aggregates them across the housing agency, reporting only the aggregated results to the Assessment Center to ensure the confidentiality of individual households. Other factors—the quality of PHA plans to address resident concerns and the actual implementation of those plans—also contribute to the score received by PHAs on the resident services and satisfaction indicator.

Advantages of HUD's New Assessment System

PHAS and the Assessment Center provide several key advantages over HUD's earlier assessment systems. These include:

- ***Standardization of information.*** The Assessment Center's standardized data collection protocols and procedures promote fairness in assessment and reduce subjectivity. HUD's new system provides a standardized framework for measuring the physical quality of developments; requires uniform, industry standards of accounting; and emphasizes quantification and outcomes in management reporting. PHAS physical data are collected by inspectors trained according to Assessment Center standards and certified by the Center.

- ***Incorporation of quality control features.*** Automated data checks and staff reviews are built into every aspect of the system. Controls are formally prescribed and automatically implemented, bringing a proactive element to the system. For example, the standardization of training for inspectors strengthens the quality of data collection, and the quality of data submitted to the Assessment Center is systematically reviewed before being used to construct performance measures. The current system of controls is being strengthened through the Assessment Center Quality Assurance Program, adopted in 2000. Under the program, the Assessment Center will prepare a semiannual report on its quality assurance activities. The Assessment Center is developing an inspector tracking system to identify poor performers and is revising its contractor requirements to better integrate contractors' quality control efforts with those of the Center.

- ***Sampling for data quality and cost-effectiveness.*** Sampling techniques—used to assess the physical quality of dwelling units and resident satisfaction—help control costs while contributing to the data's overall quality by increasing the number of performance-related items that the system can include. The Assessment Center also makes use of sampling techniques in its quality assurance checks.

- ***Adoption of the best available technology.*** Advanced technology improves every aspect of the assessment process. Handheld computers

are used to collect physical data, while electronic templates organize financial data. Data for all indicators are transmitted electronically to the Assessment Center, which notifies PHAs and property owners of assessment results in the same manner. The Assessment Center's data processing systems facilitate both sampling and quality assurance processes, while advanced programming methods make it possible to integrate information across the Assessment Center's databases for analysis purposes. Overall, the integration of advanced technology into the core of the assessment system reduces both the time and error inherent in the manual transmission and processing of data. It also enhances the quality and range of data in the system and expands the possible scope of analysis for which the data can be used.

- ***System versatility.*** The assessment system is versatile enough to accommodate change and development in response to input from stakeholders and program experience.

These features cut across the system, lending strength to the Assessment Center and to PHAS as tools for monitoring HUD's assisted housing stock.

Other Assessment Center Activities

HUD is making use of the Assessment Center's capacities to strengthen the quality of appraisals of single-family homes insured by the Federal Home Administration (FHA)—promoting uniform appraisal standards and identifying problem performers. The Assessment Center has also developed a system to assist in income verification for households that receive HUD rental subsidies. While observing Federal privacy restrictions, the Assessment Center uses a computerized matching system to identify serious discrepancies between the income data reported by assisted households to the Internal Revenue Service and the Social Security Administration and the incomes reported to housing agencies and multifamily owners.

Departmental Enforcement Center

The Departmental Enforcement Center was established to address waste, fraud, and abuse in HUD programs, combining the enforcement activities of several HUD offices under one authority. It has recruited and trained a staff of specialists well-versed in the legal and programmatic tools needed for effective enforcement. In its first years of operation, the Enforcement Center has concentrated on the multifamily housing portfolio.

The Assessment Center refers multifamily properties whose physical or financial conditions are not within specified parameters to the Enforcement Center. Properties are referred to the Enforcement Center if they receive 30 percent or less of the possible points on the physical condition indicator. In the case of financial condition, if certain financial items fall substantially outside the expected range, the Assessment Center flags these items and refers the property to the Enforcement Center. The Enforcement Center may also receive elective and emergency referrals from the Office of Multifamily Housing, which is located within the Office of Housing, and from the Office of the HUD Secretary. In Fall or Winter 2001, the Enforcement Center will begin to receive referrals of PHAs that have not made sufficient progress, based on PHAS assessments, while working under the Recovery Centers.

Referrals come directly to the Enforcement Center central office, which assigns them to one of five satellite offices in Atlanta, Chicago, Fort Worth, Los Angeles, and New York City. An enforcement team, which combines legal, analytical, financial, program, and enforcement expertise, sends a formal letter to property owners informing them of referrals. Owners then have 30 days to respond. At this point, many take steps to avoid further Enforcement Center action, either remedying the problems immediately or proposing a management and improvement operating plan (MIO) that lays out steps to be taken to improve the property and the source of the resources to do so.

For each referral, the enforcement team conducts a comprehensive evaluation to determine if its involvement is necessary, considering, among other things, the owner's proposed response to the referral. If the Enforcement Center determines that satisfactory steps to remedy problems have already been taken by the owner on a voluntary basis (or in other cases where the Enforcement Center determines that further action on its part is unnecessary), the case is

returned to the Office of Multifamily Housing for follow-up. For cases it retains, the team develops an action plan, using information developed during its evaluation of the property as well as any other relevant information provided by the owner. The action plan, which is an internal HUD document, describes what the owner must do to bring the property into compliance, as well as the steps that will be taken should the owner fail to comply. Once the action plan has been developed and agreed upon by the Enforcement Center and the director of the Multifamily Hub,[12] the Enforcement Center sends a letter to the owner outlining the steps that must be taken to bring the property into compliance.

The Enforcement Center may also take enforcement actions to resolve a problem if an owner does not cooperate. Recommended enforcement actions may include debarments from future participation in HUD programs, financial penalties, foreclosures, or other actions. Some cases may be referred to HUD's Inspector General for potential criminal action or to the U.S. Department of Justice for potential civil action.

HUD's Mortgagee Review board, which enforces program requirements for FHA-approved lenders, also operates under the aegis of the Enforcement Center. In addition, the Enforcement Center currently undertakes compliance activities for a number of HUD offices, while the Secretary of HUD has recently authorized Center involvement in enforcement activities associated with Davis-Bacon, lead paint hazards, and real estate settlements. It is expected that, in the future, the Enforcement Center will take on expanded responsibility for much of the other enforcement activity now carried out by offices elsewhere in HUD.

Troubled Agency Recovery Centers

The primary responsibility for improving conditions in PHAs identified as troubled by the Assessment Center falls to the Troubled Agency Recovery Centers, which report to the Office of Troubled Agency Recovery at HUD headquarters. The two Centers, located in Cleveland and Memphis, began operation in the summer of 1998, taking on responsibility for remediation of housing agencies identified as troubled under PHMAP and absorbing the

[12] The Multifamily Hub serves the role of field office for HUD's multifamily programs.

existing troubled agency workload at that time. Once PHAS scores are issued and PHAs have had the opportunity to appeal, the Recovery Centers will begin to receive referrals based on PHAS scores beginning in Fall or Winter 2000.

The Assessment Center refers housing agencies to the Recovery Centers when they receive less than 60 percent of possible points on either the overall PHAS score or on one or more of the physical, financial, or management indicators. One of the two Centers takes on oversight responsibility for the agency, with assignment based on geographic proximity. The Recovery Center provides general servicing (including, for example, the provision of operating subsidies and modernization funds) and also works with the housing agency to remedy the specific problems that led to its troubled status. (While housing agencies with scores just above the 60-percent threshold for troubled status are not referred to a Recovery Center, they receive targeted technical assistance from PIH to help them avoid troubled status.)

The first step of the recovery process is an assessment of PHA operation. For PHAs with more than 250 units, a formal assessment, including an examination of needs and resources, is conducted if such a study has not been undertaken recently. For smaller PHAs, a formal evaluation is not required. A Recovery Center Recovery Team—typically including specialists in public housing revitalization, financial management, and facilities management—works with the housing agency administration to develop a Memorandum of Agreement (MOA) that lays out a recovery plan. Local government officials are required to agree to and sign the MOA. This reflects HUD's recognition that successful PHA recovery requires local government to be aware of and accept the terms of the recovery plan and to be committed to providing appropriate resources and services.

The Recovery Centers use targeted, intensive technical assistance as their principal tool in aiding recovery. For example, a housing agency may receive assistance from Recovery Center staff or a HUD contractor in updating its information management capacity or work order system. The HUD-funded technical assistance that becomes available when an agency is designated troubled can be extremely valuable to that agency, which may lack funds to purchase such technical assistance on its own. In addition to services provided

by their own staff, the Recovery Centers contracted for $9.6 million in technical assistance services in FY 1999, with an average value per agency of $80,000.

If a housing agency has not made up at least half the points it needs in order to regain a standard designation (60 percent or higher) on PHAS within one year, or has not regained standard designation within two years, the agency must, by statute, be referred to the Enforcement Center, which is required by law to seek a receivership for it. Even after referral to the Enforcement Center, however, the housing agency remains in the Recovery Center, which continues to provide technical assistance and services until the agency has achieved standard performance levels. (Since PHAS scores had advisory status until Summer 2000, sufficient time will not have passed for a troubled housing agency to complete the process leading to assignment to the Enforcement Center as a result of PHAS scores until at least Fall or Winter 2001.)

CHAPTER 3: ACCOMPLISHMENTS OF HUD'S NEW ASSESSMENT, MONITORING, AND ENFORCEMENT SYSTEM

Implementing HUD's new system of assessment, monitoring, and compliance was an ambitious task, both in terms of its scope and the level of technical expertise required. In three years, however, HUD has proceeded from a plan to a modernized, operational system. The new system has an unprecedented capacity to monitor the quality of HUD-assisted housing and contribute to the residents' quality of life. It has provided:

- ***Greater knowledge.*** The new assessment and monitoring system provides government officials, advocacy groups, housing practitioners, and the general public with a reliable flow of information concerning the performance of public and multifamily assisted housing. The Assessment Center data show that the majority of the HUD-assisted housing stock is performing well. The data also show where problems remain and provide a baseline against which to measure progress for individual developments, different housing programs, and HUD-assisted housing as a whole. In addition, Assessment Center assessments identify high performers, so that they may be rewarded, and provide an early warning system for potential problems.
- ***Improved procedures for addressing identified problems.*** The establishment of the Enforcement Center and the Recovery Centers has given HUD the capacity to effectively resolve problems identified through the assessment system. The division of labor within the new system, with expertise in public housing remediation at the Recovery Centers and expertise in enforcement at the Enforcement Center, makes it easier to take appropriate action.
- ***Greater encouragement for voluntary compliance.*** HUD's new system gives regular, clear direction to public housing agencies and multifamily owners concerning their responsibilities for maintaining housing quality. In addition, the existence of a credible, effective monitoring system is in itself an incentive to keep performance levels high. The Enforcement Center is finding that

many landlords referred to it are correcting problems in advance of enforcement action.

Real Estate Assessment Center

The Real Estate Assessment Center has centralized the assessment of all HUD-assisted housing into a single streamlined organization. The Assessment Center is currently providing timely, accurate, and objective assessments of physical condition and financial soundness of public and multifamily assisted housing, as well as assessments of management capability and resident satisfaction for public housing. The Assessment Center is responsible for oversight of approximately 3,200 public housing agencies (PHAs) and approximately 30,000 multifamily properties. In addition, it assesses the quality of nearly one million appraisals performed annually for new homebuyers in the Federal Housing Administration (FHA) Single-Family Insurance Program. The Assessment Center also assists HUD in conducting income verification procedures for the approximately 4 million households receiving rental subsidies from HUD.[13]

Key accomplishments of the Assessment Center to date include:

- ***Physical assessment.*** Completed over 60,000 physical inspections within HUD's inventory of public and multifamily housing to date. Results indicate that a large majority of the stock is in standard or excellent condition (see Chapter 4 for details). The physical inspection system won the Government Technology Leadership Award from *Government Executive* magazine in December 1999.

- ***Financial assessment—multifamily housing.*** Reviewed more than 31,680 financial statements as of the end of September 2000, using the newly developed Financial Assessment Subsystem for multifamily housing. Results indicate that 73 percent of multifamily property managers and owners had no serious compliance deficiencies warranting attention by the Office of Housing or by the Enforcement Center. Less than four percent had

[13] The income verification process applies to households receiving tenant-based subsidies (such as housing vouchers) as well as households living in HUD-assisted stock.

deficiencies serious enough to warrant Enforcement Center attention. The financial assessment system was cited as a "best practice" by the Association of Government Accountants in April 2000 and won a technology award at the E-Gov 2000 conference from the Government Solutions Center.

- ***Financial assessment—public housing.*** Using the Financial Assessment Subsystem for public housing agencies, reviewed financial statements and issued advisory scores for more than 2,100 PHAs with fiscal years ending September 30, 1999, through June 30, 2000. Of the housing agencies assessed, 44 percent were scored as high performers and 46 percent as standard performers, while less than 11 percent received substandard scores.
- ***Management assessment.*** Reviewed and approved management operations submissions from 3,162 public housing agencies in the first full year under PHAS. Of these housing agencies, 98 percent received scores indicating standard performance, and only two percent were designated "substandard." To date in the second full year of PHAS, the management team has reviewed submissions from 2,431 PHAs. Of these PHAs, 97 percent have been classified "standard," with three percent designated "substandard."
- ***Resident satisfaction assessment.*** Implemented the Resident Services and Satisfaction Survey to determine public housing residents' satisfaction with their living conditions. As of September 2000, more than 312,000 residents in 3,169 PHAs had been surveyed, with a response rate of more than 47 percent. Eighty-seven percent of respondents said they were satisfied or very satisfied with their living conditions.

Throughout its existence, the Assessment Center has also paid careful attention to the quality of its assessment procedures and their implementation, seeking input from the housing industry and other stakeholders and providing frequent training sessions on the system. It has:

- Carried out extensive consultations with public housing and multifamily industry groups regarding the PHAS rule between 1998 and 2000, including 16 meetings on physical inspections, more than a dozen on financial assessments, and several on tenant income verification and resident survey

implementation. Participants included the American Association of Homes and Services for the Aging, the Council of Large Public Housing Authorities, the Institute of Real Estate Management, the Mortgage Bankers Association, the National Affordable Housing Management Association, the National Association of African Americans in Housing, the National Association of Housing and Redevelopment Officials, the National Council of State Housing Agencies, the National Leased Housing Association, the National Low-Income Housing Coalition, the Public Housing Directors Association, and others.

- Carried out more than 100 presentations and training opportunities in 2000 alone on physical inspections, financial assessment, and other aspects of PHAS. Presentations and training were offered at national, regional, and State meetings of affordable housing industry associations, at HUD-sponsored conferences, and through satellite broadcasts and on-site training at public housing agencies.

Departmental Enforcement Center

In a short period of time, the Enforcement Center has developed from a new idea—to consolidate HUD's enforcement activities under one authority—into a working organization that is effective, efficient, and successful. In its first two years, the Enforcement Center's activities have been focused on the multifamily housing portfolio. The Center has recruited and trained staff for satellite centers in five cities (Atlanta, Chicago, Fort Worth, Los Angeles, and New York). Through the Enforcement Center's training programs, its analysts and attorneys have become a cadre of expert investigators equipped to address and resolve problems in some of multifamily housing's most troubled properties.

As part of the centralization of enforcement efforts, the staff of HUD's Mortgagee Review Board, which imposes sanctions for illegal activity by FHA-participating lenders in both the single-family and multifamily program areas, also has been assigned to the Enforcement Center. In addition, the Secretary of HUD has recently authorized the Center's involvement in enforcement activity related to Davis-Bacon, lead paint hazards, and real estate settlements.

The Enforcement Center began receiving referrals from the Assessment Center to work with owners of substandard multifamily properties in March 1999; prior to this date, it received referrals from the Office of Multifamily Housing. By Fall or Winter 2001, the Center will begin receiving PHAS-based referrals of troubled housing agencies for judicial and administrative receivership proceedings in cases where the agencies have not made sufficient progress with the Recovery Centers.

Since its establishment, the Enforcement Center has undertaken a wide range of activity with regard to the multifamily assisted stock. It has:

- Received 1,595 multifamily property referrals between September 1, 1998, and August 15, 2000.
- Resolved 728 multifamily cases:
    - ◊ Forty-two percent of the cases were resolved after a comprehensive evaluation by the Enforcement Center determined either that the problem had been remedied or that no enforcement action was necessary. These cases were returned to the Office of Housing for normal servicing. In practically all of these cases, the owner, as a combined effect of the score it received from the Assessment Center and the property's referral to the Enforcement Center, took steps to avoid further Enforcement Center action, such as fixing up the property or reimbursing HUD for questionable payments.[14]
    - ◊ Twenty-one percent were resolved after an action plan (or other negotiated action) was agreed upon by the Enforcement Center, the Multifamily Hub, and the owner to resolve the property's problems.
    - ◊ Thirty-five percent were resolved through unilateral action taken by the Enforcement Center.
    - ◊ Two percent were resolved by referral to HUD's Inspector General or the Department of Justice.
- Saved HUD and taxpayers $8.3 million through reimbursements by owners of multifamily properties for misused funds or past inflation of funding requests, and $14.4 million through abatement or termination of Section 8 contracts.

[14] Actions taken by owners to avoid Enforcement Center action in these cases generated considerable savings for HUD and owner investment in properties in addition to the savings and investment in properties reported in the bullets in the main text.

- Spurred owners to invest $46 million in their properties as a result of negotiated actions.

The Enforcement Center's success has been recognized beyond HUD. In particular, the U.S. Department of Agriculture is creating an enforcement center of its own, modeled after HUD's.

Troubled Agency Recovery Centers

As part of the HUD 2020 management reforms, the Department established two Recovery Centers under the Office of Troubled Agency Recovery. The Recovery Centers, located in Cleveland and Memphis, assist underperforming PHAs in correcting major physical, financial, and management deficiencies. The staff combines wide program knowledge with the specialist skills required to restore troubled PHAs to a standard level of performance. It provides intensive oversight and monitoring to ensure that PHAs make progress toward recovery. From the time of inception until July 2000, the Recovery Center has:

- Received assignment of 97 troubled public housing agencies based on Public Housing Management Assessment Program (PHMAP) scores: 62 small PHAs (PHAs with less than 250 units), 24 medium PHAs (250 to 1,249 units), and 11 large PHAs (more than 1,250 units).
- Restored 52 percent of these agencies (30 small, 15 medium, and 5 large) to standard status.
- Provided $9.6 million in contract technical assistance services in FY 1999, with an average value per agency of $80,000, in addition to technical assistance provided by Recovery Center staff.
- Reduced the average time in troubled status for recovered PHAs from 1.5 years to 8.3 months.

CHAPTER 4: RESULTS FROM THE ASSESSMENT CENTER'S PHYSICAL INSPECTIONS

HUD's new system of assessment, monitoring, and enforcement has put into place, for the first time, a national system to obtain complete and consistent information on the physical condition of HUD-assisted housing. Although it is only one of four indicators used in the Assessment Center assessments, physical condition is, quite literally, the most visible indicator of the performance of HUD's assisted housing and the aspect of that performance that most directly affects residents. Further, the same physical inspection protocol is used for all types of developments, in all parts of the country, multifamily and public housing alike. This facilitates comparisons based on geography and program type.

This chapter reports on the baseline data obtained in FY 1999, the first year of the physical inspections.[15] These data provide a picture of the physical quality of HUD-assisted housing with a level of detail and accuracy never before possible. In FY 1999, HUD carried out a physical inspection process that encompassed 40,813 properties, accounting for more than 90 percent of all units in the subsidized stock. More than 27,000 multifamily properties were inspected, and more than 13,000 public housing properties were inspected.[16]

This chapter first examines HUD-assisted housing from a property-level perspective, with all properties weighted the same regardless of number of dwelling units. It then turns to a second perspective—an analysis of properties weighted by the number of dwelling units in a development. This second perspective gives a clearer picture of the relationship between the size of a development and its physical condition.

The analysis categorizes physical inspection scores as follows:[17]

---

[15] As a result of a continuing dialogue between HUD and its partners, inspection forms and protocols have changed somewhat since FY 1999. Results under the revised protocols will be posted on HUD's Web site when available.

[16] While the FY 1999 Public Housing Assessment System (PHAS) physical indicator scores were used as a basis for referral of multifamily properties to the Enforcement Center, the physical indicator scores for public housing agencies were only advisory in FY 1999.

[17] The categories used in this analysis do not correspond precisely to physical indicator scoring categories used by the Assessment Center, which themselves vary somewhat between public

- 90 or above—excellent.
- 60–89—standard.
- 31–59—substandard, upper range.
- 0–30— substandard, lower range.

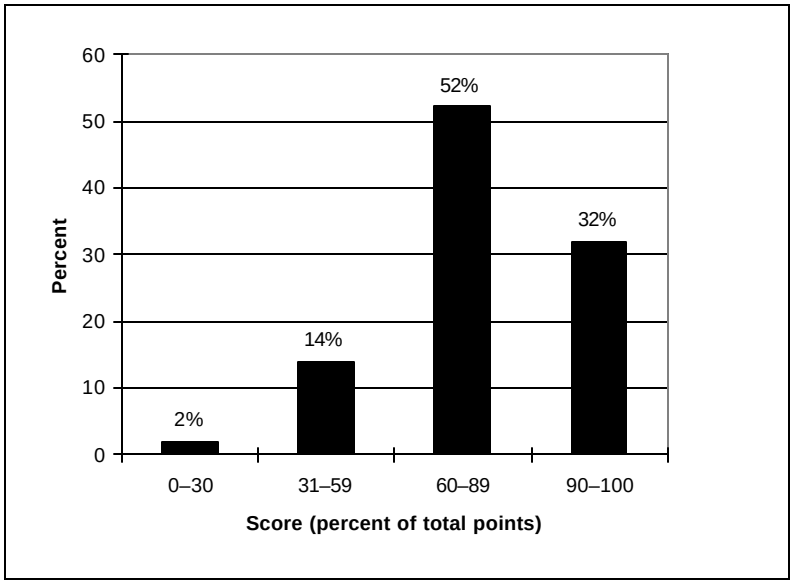
(Because the substandard category spans a broad range, the figures included in this chapter break this category into two subcategories, 0–30 and 31–59, for a total of four categories overall.)

Physical Condition of Properties

The most basic finding on the physical condition of HUD-assisted housing is that the majority of developments are in standard or excellent condition (see Figure 1). Of the more than 40,000 public housing and multifamily developments

Figure 1: The Physical Condition of HUD-Assisted Housing

The large majority of federally-assisted properties are in standard or excellent condition.



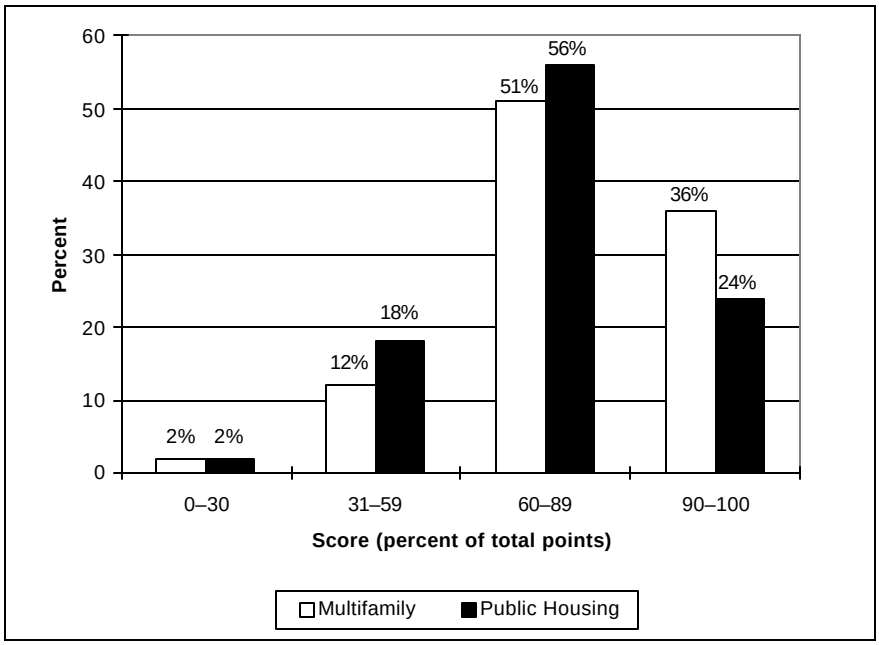
housing agencies (PHAs) and multifamily properties. Under PHAS, physical inspection scores of less than 60 percent of the available points for public housing agencies trigger a referral to the Recovery Center. Physical inspection scores of 30 percent or less for multifamily properties trigger a referral to the Enforcement Center, although the Office of Multifamily Housing may also choose to

inspected through the Assessment Center in FY 1999, more than 34,000 properties, or 84 percent, received physical scores of 60 or more. Nearly one in three properties, 32 percent, are rated at 90 or above, indicating excellent performance. About 16 percent of properties are considered substandard, scoring less than 60, with about two percent falling in the lowest range, with scores of 30 or less.

Condition of multifamily and public housing. A high percentage of both public housing and multifamily developments are in standard or excellent condition, as Figure 2 shows. Eighty-seven percent of multifamily properties and 80 percent of public housing properties have physical inspection scores of 60 or greater. More than one in three multifamily properties (36 percent) receive scores of 90 or above, while about one in four public housing developments (24 percent) score in this range.

Figure 2: Physical Condition of Public and Multifamily Properties

More than three-fourths of both public and multifamily properties receive standard or excellent scores.

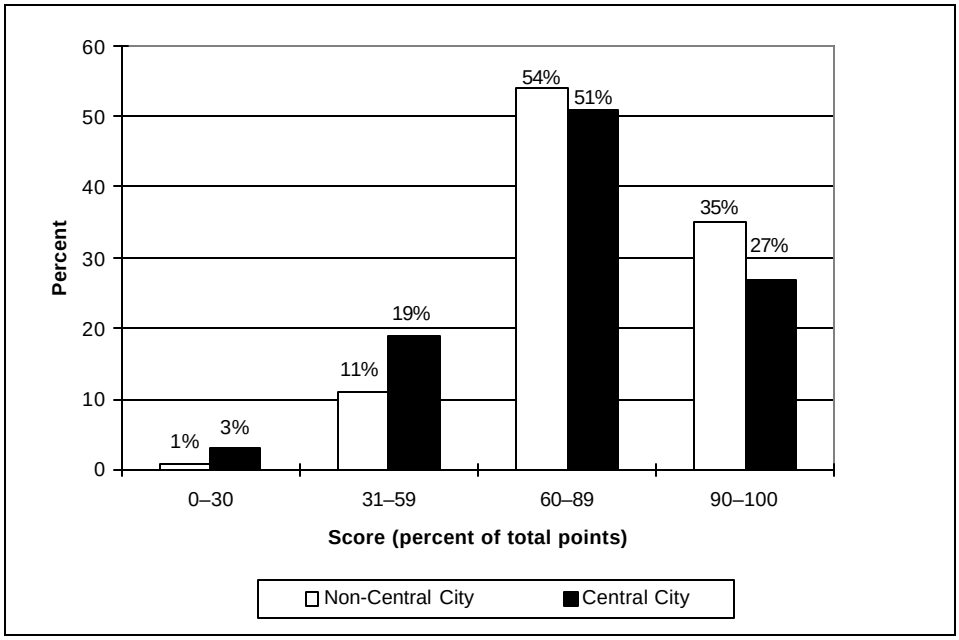


refer some properties with higher scores to the Enforcement Center.

Condition inside and outside central cities. HUD-assisted properties located outside central cities are more likely to receive scores in the standard to excellent range (see Figure 3). Eighty-nine percent of properties located outside central cities score 60 or above, while 78 percent of the properties located inside central cities score that high. At the other end of the performance scale, only 12 percent of properties outside central cities receive substandard scores (below 60), as compared with 22 percent of central city properties.

Figure 3: Physical Condition of Properties Inside and Outside Central Cities

Properties located outside central cities are more likely to receive scores in the standard to excellent range.

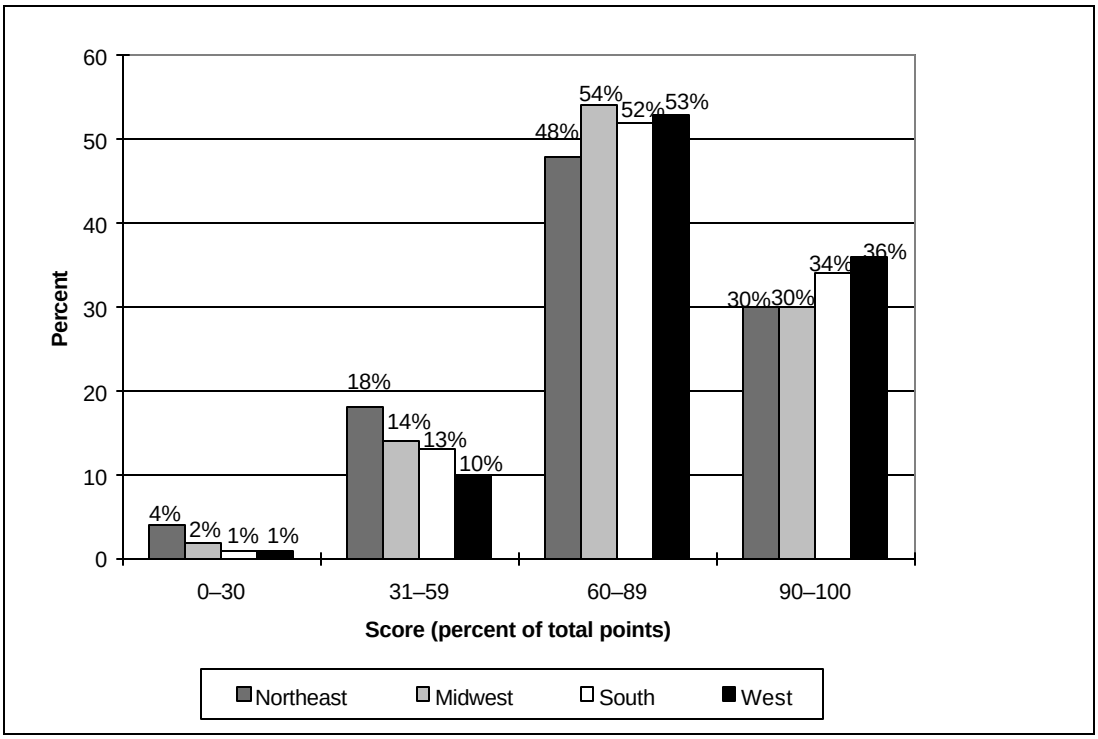


Condition by geographic region. The West and South have the greatest percentages of properties in the standard to excellent range—89 percent in the West and 86 percent in the South, with the Midwest figure of 84 percent close to this range (see Figure 4).[18] Property scores in the Northeast tend to modestly trail those of other regions, with 78 percent of properties in the Northeast scoring standard or excellent. Properties located in the West and South are somewhat

[18] Regional definitions are those used by the U.S. Census Bureau.

Figure 4: Physical Condition in Different Geographic Regions

Properties located in the West and South have the highest percentages of high scorers.



more likely to score in the excellent range (34 percent of properties in the South and 36 percent of properties in the West, compared with 30 percent in the Northeast and Midwest). Properties in the Northeast are most likely to be rated substandard (22 percent scored below 60). Northeastern properties are also more likely to score 30 or lower than properties in other regions, which may be due in part to the age of developments located in Northeastern cities.

Physical Inspection Results From a Unit-Weighted Perspective

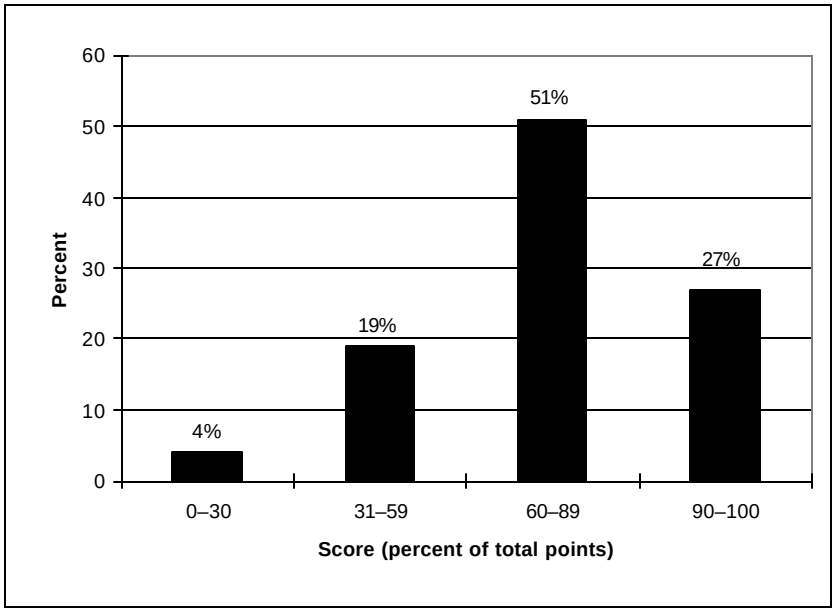
Up to this point, this analysis has treated properties of all sizes equally. The physical inspection result for a large development of 500 dwelling units counted the same as the score of a small property with 50 or fewer units. The remainder of this chapter, by contrast, looks at data that is statistically weighted by the number of dwelling units in a property.

Physical condition—unit-weighted. The unit-weighted analysis indicates that nearly three in four HUD-assisted units (74 percent) are in properties receiving

standard or excellent scores (see Figure 5). More than one in five units (23 percent) are in properties scoring in the excellent range. While the unit-

Figure 5: The Physical Condition of HUD-Assisted Housing (unit-weighted)

More than three out of four units are in properties with standard or excellent performance.



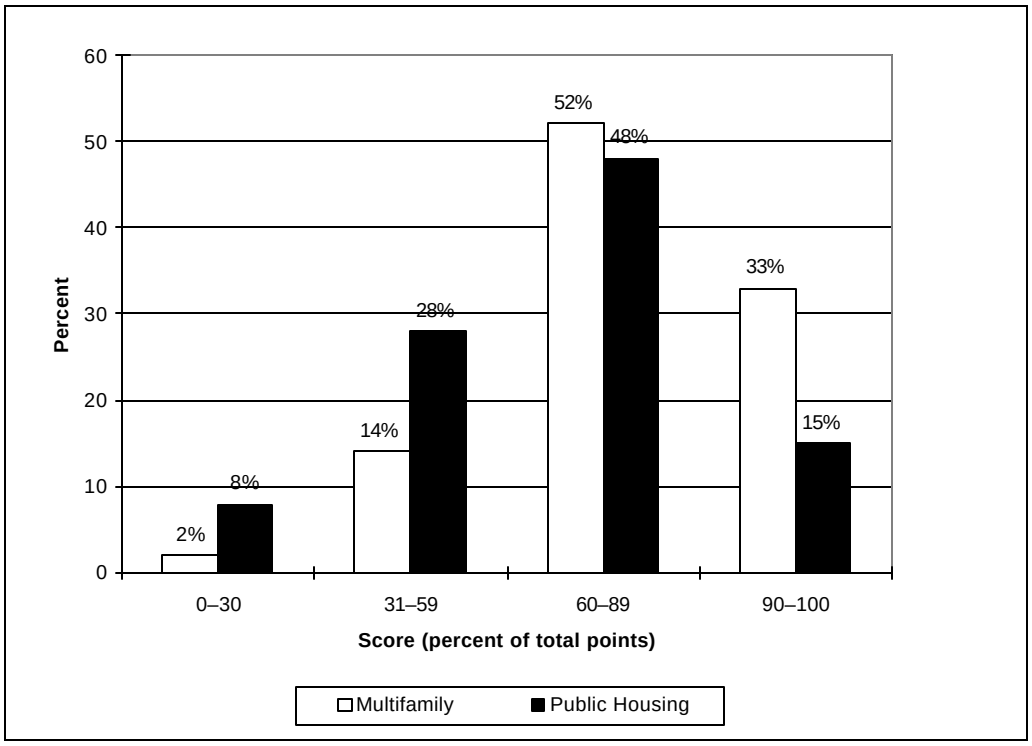
weighted analysis still finds that the vast majority of subsidized units are in standard or excellent condition, it presents a somewhat less favorable picture of physical condition than the analysis in Figure 1, where 84 percent of properties received scores in the standard to excellent range, with 32 percent in the excellent range. On the other end of the performance scale, 23 percent of dwelling units are in developments scoring below 60, compared with 16 percent of properties in Figure 1. One can infer from these figures that the larger properties in the inventory of HUD-assisted housing are less likely than smaller properties to be in standard or excellent condition.

Multifamily and public housing—unit-weighted. In the unit-weighted analysis, the difference between the percentage of multifamily properties and the percentage of public housing developments scoring in the standard to excellent range is larger than was the case in the unweighted analysis (see Figure

6). Eighty-five percent of multifamily units and 63 percent of public housing units are in developments receiving scores in the standard to excellent range. In turn, the percentage of units in properties with substandard scores is considerably higher in public housing than in multifamily properties—36 percent versus 16 percent.

Figure 6: Physical Condition of Public and Multifamily Housing (unit-weighted)

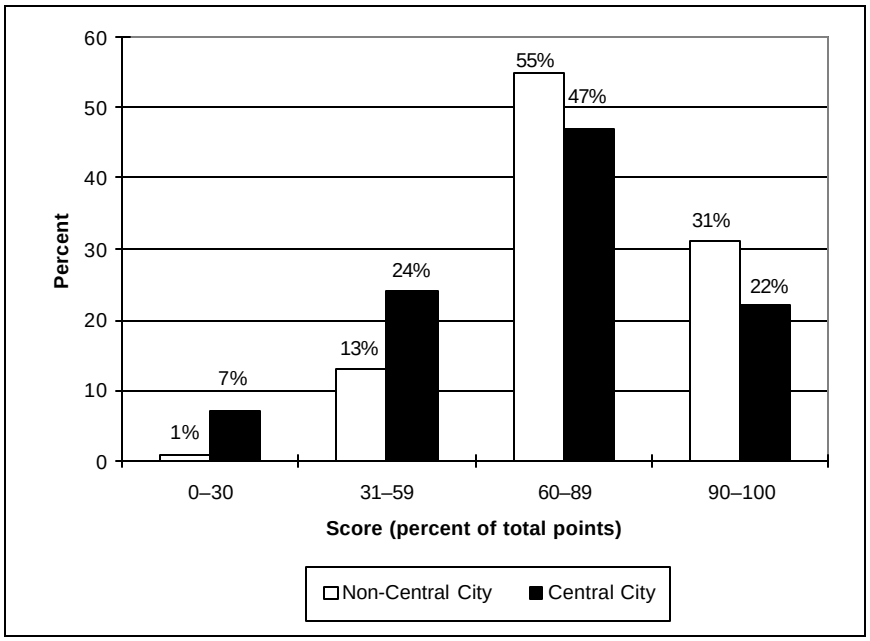
Multifamily units are more likely than public housing units to be in properties scoring in the standard to excellent range.



Inside and outside central cities—unit-weighted. The unit-weighted analysis shows that more than three-fourths (84 percent) of the units located outside of central cities are in developments scoring in the standard to excellent range, compared with 69 percent for central city dwelling units (see Figure 7). The proportion of central city units that are in properties scoring below 60 is more than twice that of units located outside of central cities: 31 percent compared with 14 percent.

Figure 7: Physical Condition Inside and Outside Central Cities (unit-weighted)

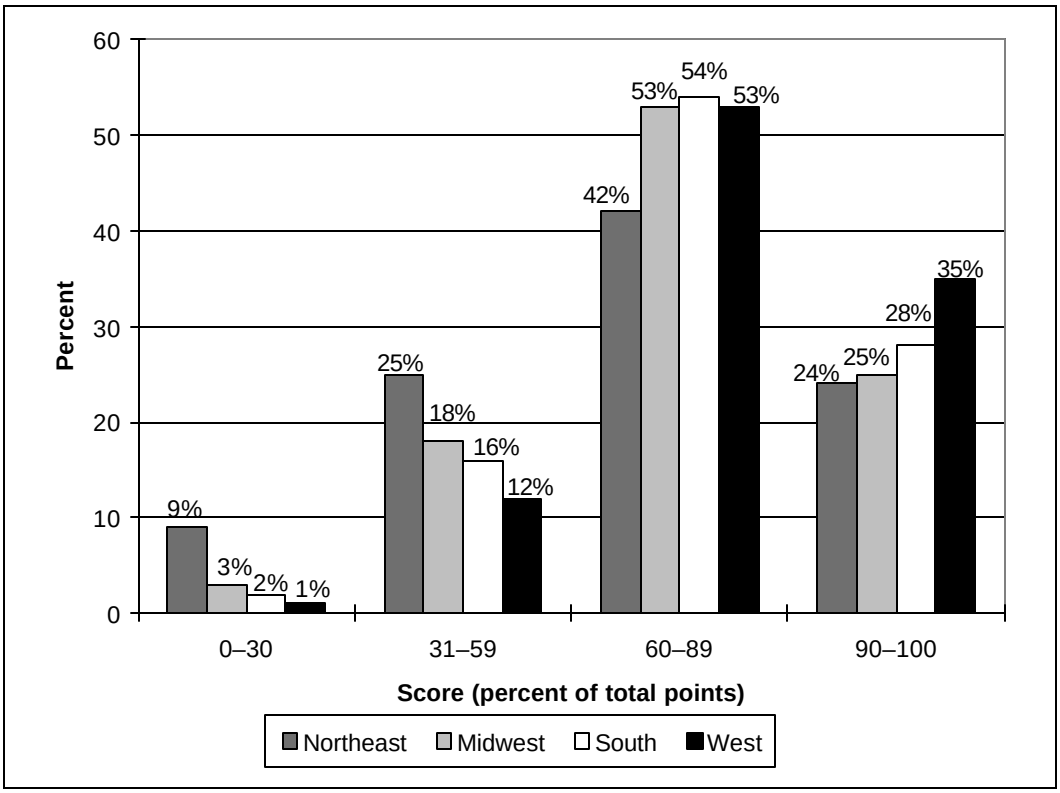
Units in developments outside of central cities are more likely to be in properties scoring in the standard to excellent range.



Regional—unit-weighted. Units in properties in the Northeast are more likely to be in developments scoring in the substandard range than are units in other regions (see Figure 8), a situation which may, at least partially, reflect the greater age of the stock. Almost one-third of units in the Northeast are in developments receiving substandard physical inspection scores (34 percent), whereas in all three of the other regions, less than 25 percent of the units are in such developments. The percentages of units in properties receiving substandard scores are 21 percent, 18 percent, and 13 percent for the Midwest, South, and West, respectively. Units located in the West are more likely to be in developments scoring in the excellent range than are units in other regions.

Figure 8: Physical Condition by Geographic Region (unit-weighted)

Units in properties in the Northeast are more likely to be in developments with substandard scores.



Discussion

The information reported in this chapter provides a baseline from which to measure future progress in managing, monitoring, and improving federally assisted housing in the 21st century. HUD's physical inspection of public and multifamily housing shows that—while there is room for improvement—the majority of developments are in standard or excellent condition, and a majority of units are in these standard or excellent developments. The data also show where improvement efforts should be targeted.

In the past, HUD could not have demonstrated, with any confidence, that the vast majority of its subsidized rental units provided decent housing for their residents. Nor did it have a detailed analysis of where substandard

developments and units were concentrated. The establishment of the Assessment Center and PHAS has made this sort of basic information available to facilitate planning and remediation efforts.