FINDINGS AND REFORMS FOR PRIVATELY OWNED HUD-SUBSIDIZED HOUSING

PROJECT-BASED SECTION 8 HOUSING IN HOUSTON AND THE WOODLANDS
VOL. 3
In 2018 and 2019, Texas Housers undertook a research project to understand the physical conditions of privately-owned HUD subsidized apartment developments in the greater Houston area. We also wanted to examine the demographic and economic conditions of tenants in these developments in order to test for any disparate racial treatment of residents.

Texas Housers staff visited each complex. We photographed the properties from the exterior and spoke in depth to tenants at several developments. We then compiled data related to the income, family composition and demography of the residents at each development from HUD-maintained databases.

Neighborhood characteristics were examined for local school performance, crime reports, income profiles, race/ethnicity and environmental hazards.

Texas Housers explored properties located both in the city of Houston and the nearby city of The Woodlands. Houston is a city where the white, non-Hispanic population comprises a minority of the population. The Woodlands is the major Texas city containing the proportionately largest share of White, non-Hispanic population.
We selected these two geographies to test whether the physical conditions of the apartment properties, ethnic/racial/economic tenant profiles of residents, neighborhood quality levels (crime, schools, environment, etc.) differed significantly between the properties in the two cities. This comparison was intended to document whether there was evidence of a disparate racial/ethnic impact in the provision and operation of HUD-subsidized housing.

The research lead Texas Housers to a firm conclusion that large inequities are present affecting African-American residents of these HUD-supported housing developments and that Hispanic households are deprived of a fair share of these subsidized housing units.

Left image: Copper Tree Village Apartments (Houston). Right image: Holly Creek Apartments (The Woodlands)
12 FINDINGS ON THE HOUSTON AREA PRIVATELY-OWNED HUD-SUBSIDIZED HOUSING PROGRAM

1. In the Houston area there are 49 HUD-subsidized housing developments that house approximately 15,000 people. African-American families are mostly housed in inferior and sometimes dangerous apartments in high crime, physically distressed, racially segregated areas while white, non-Hispanic families enjoy superior housing in safer, higher opportunity neighborhoods.

2. Overall, the quality of HUD-subsidized apartments is significantly worse than that of similarly priced private, non-subsidized rental housing.

3. 83% of Houston area HUD-subsidized apartments are occupied by people of color — largely African Americans (62%).

4. Hispanic renters are greatly underrepresented among the tenants of HUD-subsidized apartments. Hispanics are 16% of the residents of these apartments. Yet, 41.4% of Houston households experiencing severe housing burdens are Hispanic.

5. 61% of the HUD-subsidized housing stock is more than 40 years old and 20% are fifty years or older. In many cases, these older properties are deteriorated and functionally obsolete.

6. 22% of HUD-subsidized apartment developments, all occupied largely by people of color, are located in flood prone areas or areas subject to other environmental hazards.
7. 39 of the 49 HUD-subsidized apartment developments, and in particular those occupied by people of color, are located in neighborhoods served by low-performing public schools. Eleven are served by a public school rated “F” by the Texas Education Agency accountability rating system.

8. 73% of HUD-subsidized apartment developments are located in areas with very high levels of concentrated poverty.

9. The Real Estate Assessment Center (REAC) monitoring and inspection system HUD relies on to ensure the health, safety, maintenance and management of the HUD-subsidized apartments fails to identify hazardous conditions, exposing tenants to serious dangers.

10. The median household income of tenants in Houston area HUD-subsidized apartments is $10,205. Tenants exclusively have incomes near or below the poverty level, meaning most HUD-subsidized tenants in Houston live not only in neighborhoods of concentrated poverty but also in apartment projects which themselves further concentrate poverty.

11. Tenants have no opportunity to choose to move out of these high poverty, racially segregated neighborhoods and apartment complexes to a better neighborhood or to a better apartment complex because HUD rent subsidies are only available at the 49 apartment complexes with HUD contracts.

12. Management in each of the three Houston area HUD-subsidized apartments where Texas Housers did extensive outreach to tenants fail to safely maintain HUD-subsidized housing. We have observed repeated abusive and coercive treatment of tenants by property managers in violation of HUD regulations.
These are serious and systemic problems that require urgent corrective action. Texas Housers identified major differences between HUD-subsidized properties located in predominantly white neighborhoods housing predominantly white tenants (mostly located in the city of The Woodlands) and those located in communities made up predominantly of people of color that house tenants who are overwhelmingly people of color (mostly located in the city of Houston). In all cases, properties occupied by African-American tenants were markedly inferior and the most distressed properties.

What emerges from the research are two separate and unequal housing programs. One is a generally well-functioning program housing whites and the other, a vastly inferior and in some cases a life threatening HUD-funded program housing people of color. The 12 findings demonstrate a clear and pervasive negative disparate impact on people of color residing in HUD-subsidized housing, in terms of inferior physical condition of the housing, management abuses, and segregated and inferior neighborhood locations.

HUD has also failed to implement within its own subsidized property inventory the Fair Housing Act’s mandates it imposes on other governmental recipients of HUD funds. In its operation of the HUD-assisted housing program, HUD engages in racial discrimination, operates a dual, separate and unequal housing assistance program, fails to identify within that program Impediments to Fair Housing, fails to develop and carry out plans to overcome significant barriers to Fair Housing choice and refuses to fulfill its legal mandate under the Fair Housing Act to promote racially integrated living environments.
INTRODUCING THE FOUR REFORMS

Congress needs to restore adequate funds for paying adequate market rents, making physical improvements, rebuilding or replacing obsolete and dangerous apartments and for vigorous administrative oversight of the program.

Reforms must not, however, be delayed with the excuse that additional funding must first be available. Reforms and legal compliance are within HUD’s power today. Reforms that HUD can immediately implement are:

1. Ensure equitable, decent housing at all HUD-subsidized housing developments.
2. End existing housing discrimination and comply with Fair Housing.
3. Replace substandard apartments with high opportunity apartments.
4. Partner with tenants and local communities to maintain quality homes and neighborhoods.

Adoption of these reforms is essential to begin the dismantling of the racially separate and unequal nature of the program and to protect the lives of tenants. HUD must carry out these reforms immediately in order to make the case to Congress and the American people for the appropriation of adequate funding to fully overcome the serious problems in the program.

These four reforms are consistent with the Four Universal Rights for Homes and Neighborhoods that Texas Housers advocates:
The right to choose freely where to live in a decent, affordable home.

The right to stay in a neighborhood and not be involuntarily forced out.

The right to equal treatment in public facilities, benefits and services.

The right to have a say in decisions affecting life, home and community.
DETAILS OF THE FOUR REFORMS FOR PRIVATELY OWNED HUD-SUBSIDIZED HOUSING

1. **Ensure safe, decent housing at all HUD-subsidized housing developments:** Evaluate the apartments to determine if they are good, decent and safe homes providing tenants an opportunity to improve the quality of their lives and those of their children.

   a. **Reform the existing HUD Real Estate Assessment Center (REAC) inspection criteria** to better assess conditions directly affecting the quality of life of tenants by implementing all the recommendations made by the General Accounting Office in its March 2019 audit. End the practice of permitting owners to self-certify correction of REACT deficiencies.

   b. **End erroneous REAC inspections and scoring** that have led to unjustifiably high housing quality scores for some properties with high percentages of African-American and Hispanic tenants. HUD should independently audit inspections to ensure non-biased, uniform REAC inspection scores to present accurate housing assessments of housing quality.

   c. **Institute a new Community Assessment Score (CAS)** based on the following factors:
      - Neighborhood crime rates
      - Neighborhood poverty concentration
      - Local school performance data
      - Environmental health and safety data
      - Evidence of neighborhood gentrification

   d. **Institute a new Tenant Satisfaction Assessment Score (TSAS)** based on a periodic sample survey of residents of each property. In addition to general satisfaction the assessment should also allow tenant reporting of management issues including timeliness of tenant requested repairs, appropriate rent determinations, fines and house rules.
e. When a Presidentially Declared Disaster impacts a geography in which a HUD-subsidized development is located, an emergency REAC Disaster Recovery inspection (REAC-DR) should take place with a follow up inspection required of all occupied disaster-impacted living units every 60 days until no health or safety deficiencies are found.

2. End existing housing discrimination in the HUD subsidized apartment program and comply with Fair Housing: Develop and implement a HUD-subsidized housing fair housing assessment and desegregation plan

a. Utilizing criteria that HUD requires local governments to use to prepare their Analysis of Impediments to Fair Housing for HUD-subsidized properties, HUD should evaluate the locations, tenant composition and marketing plans for its public housing and HUD assisted housing inventory and identify the extent to which the current unit inventory perpetuates racial and economic segregation. This analysis should include a plan for the desegregation of HUD-assisted housing and actions to increase the integration of the HUD assisted population into high opportunity neighborhood.

b. Given the severity of the problems uncovered in the local area, HUD should specifically develop and carry out a remedial Houston regional affirmative marketing and desegregation plan for privately-owned HUD-subsidized apartment developments and assign staff and resources to implement and monitor the plan. HUD should further require each subsidized apartment development to develop, submit and implement a new affirmative marketing plan consistent with and incorporating the goals and initiatives of HUD’s Houston regional affirmative marketing and desegregation plan. Plans should provide date specific benchmarks to achieve property level physical improvements, deconcentration and racial and economic integration. The plans should propose a remedy for the systemic deprivation of Hispanic renters of program benefits and the racial segregation and inferior quality of apartments the program makes available to African-American tenants.
c. Offer tenants of HUD-subsidized housing an option to move out of project-based apartments in racially and economically distressed areas, areas of environmental hazard and areas served by low performing public schools.

- Tenants in project-based HUD properties in these distressed areas should receive the option to convert to a tenant-based Housing Choice Voucher on their one year and five year anniversaries at a project-based property
- Provide special priority mobility counseling and support options to tenants with children under ten years old who live in properties in these distressed areas.

d. Adjust the rent paid owners of HUD-subsidized apartments upwards or downwards from existing levels using a formula based on:

- Small Area Fair Market Rents
- Five year averaged REAC score
- Community Assessment Score (CAS)
- Tenant Satisfaction Assessment Score (TSAS)

3. Replace substandard apartments with high quality, high opportunity apartments: Establish a process to transfer subsidies from obsolete, dangerous, poorly managed and undesirable apartments to more desirable apartments.

a. Properties that fail two consecutive REAC inspections or three consecutive Tenant Satisfaction Assessment Scores should have their HUD-contracts terminated, HCVs issued to tenants and the subsidy contract authority transferred to better apartments. HUD should implement an ongoing, proactive process to identify and contract with landlords offering high quality apartments to replace distressed properties.

b. Establish a workable program to provide a regular contracting and funding process to purchase and rebuild low scoring properties as tenant co-ops or nonprofits

c. Establish a process through which a city or state may request expedited action by HUD to transfer of existing project-based contracts to higher quality affordable housing in high opportunity areas. 10
4. **Partner with tenants and local communities to maintain quality homes and neighborhoods:** Cooperate with tenants, cities and state government to ensure the quality of the living environment and the upkeep of HUD-subsidized housing.
   a. HUD should actively encourage and **support the formation of resident councils** that are independent of property management. The right to organize a resident’s council should be posted at each development, along with an email and telephone number to contact HUD for information and assistance. HUD should make clear to landlords that they may not interfere with efforts of tenants to organize and meet independently. HUD should ensure landlords afford tenants the right to invite outside NGOs to work on the premises to assist tenants to organize.
   b. Each HUD Field Office should establish a geographically representative panel of twelve tenants living in different HUD-subsidized housing (**HUD Field Office Tenant Residents Council** (FOTRC)). The council should also include the elected president of each local property tenant or residents’ council. The FOTRC will meet at least twice each year with the HUD field office director, head of Multifamily Assisted Housing and the head of Public and Indian Housing in a consultation and listening session to discuss policies, issues and concerns tenants and HUD staff have with the HUD-subsidized housing inventory. The HUD Regional Director, Multifamily Assisted Housing Director and Public and Indian Housing Director should also meet with each FOTRC at least once each year.
   c. Set up a **tenant concern hotline** and use reports from the hotline to prioritize REAC inspections, to inform tenants of the proper process for making repair requests, refer tenants to legal services assistance and advise tenants of their rights.
d. Post the REAC inspection, Community Assessment Score and Tenant Satisfaction Assessment Score on the site of each apartment development along with a graphic (similar to an appliance energy efficiency or new car mileage sticker) indicating where the property ranks on a scale in comparison with other HUD-subsidized properties in the HUD region.

e. Collect and review data from local code compliance inspections to better target REAC inspections and to use as a factor in computing the REAC score. Establish a process for city officials, tenants or third parties to communicate to HUD about local code inspection violations which, in the case of series health and safety violations will trigger immediate REAC inspections.

These findings and recommendations confront the systemic problems that have persisted for so long that these injustices have been widely accepted as the status quo for low-income residents of color.

HUD’s stated mission is to “to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD is working to strengthen the housing market to bolster the economy and protect consumers; meet the need for quality affordable rental homes; utilize housing as a platform for improving quality of life; build inclusive and sustainable communities free from discrimination, and transform the way HUD does business.”

The shortcomings of HUD not only threaten the lives of tenants in hazardous properties, but they also threaten future investment in expanding housing opportunity and hinder public trust in the agency’s ability to administer and enforce housing programs that families have no choice but to turn to.
HUD must carry out these reforms immediately in order to make the case to Congress and the American people for the appropriation of adequate funding to fully overcome the serious problems in the program.

Families and vulnerable people need both HUD's commitment to their health, safety and well-being, and public funding that can ensure that dangerous apartments for people who struggle to make ends meet are not the status quo in this country.
1. The study includes 43 properties in the city limits of Houston and 6 properties in The Woodlands, a city north of Houston. Thirty-two Houston properties are majority African-American. Five of the six properties in the Woodlands are majority white. Tenants in that one property are 49% African-American. There is one majority white, non-Hispanic property in the city of Houston (a senior property). There are two majority Hispanic properties in Houston (both senior properties). There are also two majority Asian properties, also both senior properties.

2. The 2017 HUD Picture of Subsidized Housing Report indicates that there are 49 Project-Based Section 8 Properties in between Houston and The Woodlands, with 14,935 residents between the two areas. There were reportedly 13,821 people in Houston, and 1,114 people in The Woodlands. Thirty-two of the 49 (65%) Project-Based Section 8 properties are majority Black, and 56% of those properties were found to have at least one life-threatening safety deficiency according to the Real Estate Assessment Center. The NeighborhoodScout Crime Reports for those neighborhoods indicate that 96% of the majority Black properties are located in neighborhoods that are more dangerous than 76% of the neighborhoods across the country. 22.4% of Houston is Black, but 68% of the properties are located in neighborhoods that exceed that average.

3. 2017 HUD Picture of Subsidized Households report

4. "Severe housing problems consist of one of the following: severe cost-burdened – monthly household costs exceed 50% of monthly income; severe overcrowding – more than 1.5 persons per room; unit lacks complete kitchen facilities; and unit lacks complete plumbing facilities. Disparities between racial/ethnic categories of
households experiencing severe housing problems in Houston was 41.1%, which was disproportionately higher than the proportion of all Black/African American households in Houston. Hispanic households had the greatest percentage difference in the Houston region with 41.4% of the households experiencing severe housing burdens were Hispanic while the Hispanic households only accounted for 27.0% of the total households in the region. Non-Hispanic White households in both the region and the city had a lower proportion of households experiencing a severe housing burden than the percentage of Non-Hispanic White households in the total population. 2015 Analysis of Impediments to Fair Housing Choice, City of Houston, August 2015, page 56

5. Based on FEMA Flood Hazard Maps available in September of 2018, 22% of the properties we studied were located in flood prone areas.

6. Based on the 2018 Texas Education Agency Accountability scores, 79% of the Project-Based Section 8 properties studied are served by public high schools that received a score of 79 or lower (a C grade). 66% or two-thirds of those low performing schools serve properties that are majority African American.

7. The 2017 American Community Survey estimates that an average of 18.8% of Houston households were impoverished. 73% of the HUD-subsidized households in this study are located in neighborhoods that exceed this level. 27% of the subsidized households studied were located in neighborhoods with a poverty rate that was at least two times higher than the city’s average.


9. Passing scores for some of these properties appear to be based on different criteria. For example in 2014, REAC scored CopperTree Village in Houston at 92c, while in the same time frame, REAC scored Wood Glen in The Woodlands 92b and 85c. CopperTree’s score fell to 31c only after tenants complained to HUD and now stands at 75c even though its residents still suffer with sewage backing up at various points on the property, with sparks flashing from
electrical outlets, apartment charred by electrical fire left standing, rampant mold, among a long list of continuous health and safety code violations. How CopperTree could get a passing score, much less score the same or better than Wood Glen defies logic. Instead the comparison of the two scores harkens back to the double standard of “separate but equal,” which American civil rights laws were supposed to end.

10. For example, given that much of the existing HUD-subsidized housing stock consists of old, deteriorated and functionally obsolescent apartment developments located in distressed, racially segregated neighborhoods with concentrated poverty it is desirable to transfer the contracts to newer, better housing in higher opportunity neighborhoods. HUD policies and practices today make transfer of the contracts very difficult to the point it seldom happens.