U.S. Department of Housing and Urban Development
San Francisco Regional Office - Region IX
One Sansome Street, Suite 1200
San Francisco, California 94104-4430
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April 6, 2026

Board of Commissioners
c/o Candace Andersen, Chair
Housing Authority of the County of Contra Costa
3133 Estudillo Street
P. O. Box 2759
Martinez, CA 94553
candace.andersen@bos.cccounty.us

Dear Commissioners:

On March 6, 2026, the Housing Authority of the County of Contra Costa (HACCC) was designated Troubled by HUD's Real Estate Assessment Center ("REAC") based on a failing Public Housing Assessment System (PHAS) audited Financial score of zero (of 25), Physical score of 29 (of 40), Management score of 16 (of 25), Capital Fund score of 7 (of 10), and an overall score of 52 (of 100) for the Fiscal Year ending March 31, 2024, as shown in the enclosed PHAS Score Report. The Financial score of zero is based on a Late Presumptive Failure (for failure to make required financial indicator submissions).

PHA Recovery Plan Due Within 30 Days

It is critical that the Agency assesses its current situation to determine if recovery is feasible or if alternative options for affordable housing should be considered. The Board of Commissioners/Governing Body of the HACCC should take immediate action to identify the sources(s) of the performance deficiencies and develop and implement a plan to recover its PHAS score and ensure long-term sustainability at an acceptable level of performance.

Recovery Agreement and Score Improvement Requirements

Please be advised that HUD is initiating actions to develop and execute a binding Recovery Agreement with the HACCC, as required by federal statute, to document and ensure that recovery efforts have been put in place and the Agency achieves and sustains acceptable performance or identifies other opportunities for affordable housing. If HUD's assessment determines that Public Housing can be sustained and improved, the Recovery Agreement will include recovery benchmarks in accordance with statutory requirements, implemented by regulations found at 24 CFR 902.75(d). **Specifically, the HACCC must meet two sequential benchmarks after being designated Troubled:** 1) a 50% recovery of the Troubled PHAS score on the first released PHAS assessment that is at least 12 months after the Troubled designation – that is to say, a minimum PHAS score for that period of 56 and 2) a full recovery to a PHAS score of 60 or higher on the next sequential fiscal year PHAS assessment.

Noncompliance and Substantial Default

Please also be advised that a failure by the HACCC to comply with HUD requirements under the United States Housing Act of 1937, as amended, may result in the referral of your agency to HUD's Assistant Secretary for Public and Indian Housing for a declaration of substantial default. If HACCC is determined to be in substantial default under section 6(j)(3)(A) of the Act and 24 CFR 907, HUD may seek any available remedy, including any one or several of the following actions consistent with the Act and its implementing regulations:

- Solicit competitive proposals from other PHAs and private housing management agents to manage all or part of HACCC public housing program and project(s);
- Petition for the appointment of a judicial receiver for HACCC;
- Solicit competitive proposals from other PHAs and private entities with experience in construction management to oversee implementation of HACCC's public housing Capital Fund;
- Take possession of all or part of HACCC, including all or part of its public housing program and project(s);
- Require HACCC to make any other arrangements acceptable to HUD, in its full discretion, for managing all or part of the public housing program and project(s).

The following list of actions is offered as common suggestions to the Board to use in self-diagnosing the source(s) of its deficiencies and identifying solutions to recover its performance for long-term sustainability.

<u>Financial</u>

Typically, when a public housing agency faces financial challenges, it must either: (1) increase revenue; (2) decrease expenses; or (3) implement a combination of both.

Revenue

• Evaluate tenant screening, lease enforcement, and rent collection policies and actions to increase tenant rental revenue.
• Consider establishing or raising minimum rents.
• Consider obtaining approval from HUD to sell non-performing Public Housing property or non-residential property covered under a HUD Declaration of Trust.
• Consider selling unencumbered property.
• Consider obtaining supplemental funding from State or local government agencies to cover budget deficits and cost overruns of its Public Housing or non-federal programs.
• Consider reducing the scope of non-federal programs to operate within their financial means.
• Determine whether all portability revenue is being collected from the issuing public housing agencies in the Housing Choice Voucher program.

Expenses

- Consider reducing salaries and employee benefits to levels that stay within budget parameters.
- Consider reducing management and line staffing levels.
- Evaluate utility consumption, energy policies, and consider implementation of energy conservation measures and agreements to reduce energy costs.
- Evaluate all existing contracts for cost and necessity.
- Evaluate and re-price insurance costs.
- Evaluate the need and usage of fleet vehicles.
- Consider contracting property management or maintenance of Public Housing to another entity or public housing agency.

<u>Late Presumptive Failure</u>

Late Presumptive Failure typically results from: (1) failure of a public housing agency to prepare financial statements and submit them timely; (2) failure of a public housing agency to procure and oversee an independent auditor timely and properly; or (3) for a public housing agency that is a component of local government, local regulatory or statutory obstacles.

Financial Statement Preparation and Submission

- Evaluate management/staff ability to prepare financial statements.
- Consider procuring a fee accountant to prepare financial statements.
- Confirm that the Board receives and approves financial statements timely and in advance of regulatory deadlines.
- Verify that staff are correctly identified in and have access to HUD systems.

Audit Procurement and Oversight

- Evaluate the solicitation and procurement process for the independent auditor.
- Confirm that the independent auditor's contract allows sufficient time between the notice to proceed, and the regulatory deadline for submission.
- Evaluate staff's oversight of the independent auditor's contract to ensure that contract requirements and deadlines are met.

Regulatory and Statutory Obstacles

- Identify any local and State requirements that may be impacting the public housing agency's ability to complete its audit timely.
- Determine if the public housing agency's audit is a component part of a larger local or State audit.
    - Determine whether the amount of funding to the public housing agency meets the local or State thresholds for inclusion.
    - Determine if the local or State audit timelines are compatible with the HUD's requirements for submission.

  - Consider requesting an exception to local and State requirements to allow the public housing agency to submit its own audit.

Physical

When a public housing agency has achieved low scores on the PHAS Physical Condition indicator, it typically has either: (1) failed to prioritize capital funding; or (2) failed to correct deficiencies identified in previous REAC inspection reports.

Capital Funding

- Evaluate current contracts for priority and necessity in relationship to needed capital funding.
- Account for the amount of capital funds received and purchases made to date.
- Verify that capital funds are not being used for non-capital purposes.
- Evaluate the most recent physical needs assessment or conduct a new one.
- Evaluate the use of resources for underfunded maintenance and modernization needs rather than for development.

Physical Inspection Deficiencies

- Verify that required annual inspections by the public housing agency are being conducted and that generated work orders are being completed timely.
- Evaluate maintenance staffing levels, skill levels, and performance as well as how maintenance staff are deployed.
- Evaluate the maintenance plan as well as the planning efforts for REAC inspections.
- Evaluate the use of previous REAC inspection reports for capital fund and maintenance planning.
  - Verify whether health and safety deficiencies, which are cause for heavily weighted point deductions, are being targeted for immediate repairs. (These include tripping hazards, sharp edges, blocked exits, mold and mildew, exposed electrical wiring, fire hazards, improper storage of flammable or volatile materials, and pest infestations.)
  - Verify whether critical and severe deficiencies, which are cause for a magnitude of point deductions for each inspectable area, are being targeted for repairs. (These include site issues such as fences, grounds, mailboxes, graffiti/litter, parking lots, driveways, roads, walkways and steps, play areas, refuse disposal areas, and storm drains; and building systems issues such as sanitary systems, domestic water systems, elevators, HVAC systems, sprinkler systems for fire protection, emergency power records and auxiliary lighting, and electrical systems.)
  - Verify whether the most common and frequent deficiencies are being repaired sufficiently. (These include damaged interior and exterior walls, roof components, common area hallways and stairways, utility closets/rooms, kitchen appliances, window screens and locks, door surfaces and hardware/locks, and peeling paint.)
- Consider contracting maintenance of Public Housing to another entity or public housing agency.

- Consider a repositioning strategy for the agency's assets if conversion to the Section 8 platform would allow for improved management of the properties.

Management

Generally, when a public housing agency achieves low scores on the PHAS Management indicator, it has failed to maintain an acceptable occupancy level in its developments.

- Evaluate waiting list, tenant selection, and initial certification processes to ensure coordination with property managers and timely preparation for move-ins.
- Assess existing new tenant intake policies and practices and consider implementing those that would contribute to quicker lease up, such as starting the certification process earlier or limiting the number of unit-offer turn-downs for new tenants.
- Assess existing continued occupancy policies and practices and consider implementing those that would reduce the frequency of move-outs, such as educating tenants on lease enforcement and how to be good renters or limiting transfers for existing tenants.
- Assess the impact of current operating protocols for late rent payments as well as timely payments to vendors.
- Evaluate the turn-around time of vacant units for occupancy, including the time it takes maintenance to make-ready units and the time it takes property managers to lease up units.
- Assess the feasibility and desirability of under-occupied developments, e.g. physical condition and configuration, rehabilitation costs and lifespan, neighborhood factors such as crime and proximity to employment, transportation, and services, etc., and consider repositioning options if appropriate.
- Ensure that units taken offline for modernization, special use, or other allowed reasons have been approved by HUD, do not exceed their permissible time limitations, and are correctly classified in HUD systems.
- Consider contracting property management of Public Housing to another entity or public housing agency.

Capital Fund

Losing points in the Capital Fund indicator results from failure of the public housing agency to obligate its Capital Funds timely.

- Evaluate management/staff performance, timeliness, and effectiveness in procurement and contracting functions, e.g., preparing solicitations, evaluating bids, entering obligation information into HUD systems, and maintaining documentation.
- Evaluate management/staff ability to prepare award recommendations for Board review and approval.
- Confirm that the Board receives and approves contract awards timely and in advance of obligation deadlines.
- Verify that staff are correctly identified in and have access to HUD systems.

Please provide the San Francisco PIH Office with a proposed recovery plan within thirty (30) days of receipt of this letter. Your plan will be reviewed by a Recovery Team of subject matter experts to determine further assistance to be provided by HUD and actions to be taken. If you have any questions or need assistance in developing your plan, please contact Sarah J. Dean, Portfolio Management Specialist, at sarah.j.glover-johnson@hud.gov or 415-489-6448.

Sincerely,

DANIEL
ESTERLING

Digitally signed by: DANIEL ESTERLING
DN: CN = DANIEL ESTERLING C = US O = U.S. Government OU = Department of Housing and Urban Development, Office of Public and Indian Housing
Date: 2026.04.06 09:14:25 -07'00'

Dan Esterling
Acting Director
Office of Public Housing, San Francisco

Enclosure
PHA Score Report

cc:

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<tr><td>9APH</td><td>Originator: S. Dean, PMS Date 4/2/2026
Telephone 415-489-6448</td><td></td></tr>
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Correspondence Code	Originator 9APH	Concurrence 9APH	Concurrence 9APH	Concurrence	Concurrence	Concurrence
Name	DEAN	RODRIGUEZ	ESTERLING			
Date	**4/2/2026**					