



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

300 North Los Angeles Street, Suite 4054
Los Angeles, CA 90012

OFFICE OF PUBLIC HOUSING

April 29, 2026

Board of Commissioners
c/o Ms. Janet Jernigan, Board Chairperson
Housing Authority of the City of Needles
908 Sycamore Drive
Needles, CA 92363

Dear Commissioners:

On March 30, 2026, the Needles Housing Authority was designated Troubled/ Capital Fund Troubled by HUD based on a failing Public Housing Assessment System audited financial score of 25 (of 25), physical score of 22 (of 40), management score of 6 (of 25), and Capital Fund score of 0 (of 10), and an overall score of 53 (of 100) for the fiscal year ending 06/30/2024, as shown in the enclosed PHAS Score Report.

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 Needles Housing Authority should take immediate action to identify the source(s) of the performance deficiencies and develop and implement a plan to determine if an acceptable PHAS score can be achieved and sustained or to identify other uses for the housing subsidies. Included below is a list of actions 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. **Please provide our office with a proposed recovery plan within 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.

Recovery Agreement and Score Improvement Requirements

Please be advised that HUD is initiating actions to develop and execute a binding Recovery Agreement with the Needles Housing Authority 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 Needles Housing Authority 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

26 and 60 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 Needles Housing Authority to comply with HUD requirements, its Recovery Agreement and/or its Annual Contributions Contract 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 Needles Housing Authority 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 Needles Housing Authority public housing program and project(s);
- Petition for the appointment of a judicial receiver for Needles Housing Authority
- Solicit competitive proposals from other PHAs and private entities with experience in construction management to oversee implementation of Needles Housing Authority public housing Capital Fund;
- Take possession of all or part of Needles Housing Authority, including all or part of its public housing program and project(s);
- Require Needles Housing Authority 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).

Common Suggestions for PHA's Recovery Plan:

Physical

When a public housing agency becomes physically substandard, it typically has either: (1) failed to prioritize capital funding; or (2) failed to correct deficiencies identified in previous REAC inspections 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 becomes management substandard, 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 limitation and are correctly classified in HUD systems.
- Consider contracting property management of Public Housing to another entity or public housing agency.

Capital Fund

A designation of Troubled based on Capital Funds 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.

If you have any questions or need assistance in developing your recovery plan, please contact Mayfelisa Miso at mayfelisa.miso@hud.gov or Twan Quach at twan.quach@hud.gov.

Sincerely,

MEENA
BAVAN

Digitally signed by: MEENA
BAVAN
DN: cn = MEENA BAVAN C =
US, o = U.S. Government OU =
Department of Housing and
Urban Development, Policy
Development and Research
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Meena Bavan
Director
Office of Public Housing

Enclosure

cc:

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