



A child peeks out the door of the apartment where she lived with her mother and two sisters in rural southern Illinois. (Will Widmer, special to ProPublica)

HUD'S HOUSE OF CARDS

“Pretty Much a Failure”: HUD Inspections Pass Dangerous Apartments Filled With Rats, Roaches and Toxic Mold

The system for inspecting federally subsidized properties is failing low-income families, seniors and people with disabilities and undermining the agency's oversight, The Southern Illinoisan and ProPublica have found.

by Molly Parker, The Southern Illinoisan, Nov. 16, 2018, 11 a.m. EST

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In the winter of 2017, a toddler was rushed to the emergency room after swallowing rodent poison inside her family's unit at the federally subsidized Clay Arsenal Renaissance Apartments in Hartford, Connecticut. Her mother had placed sticky traps throughout the house after another one of her children was bitten on the arm by a mouse, according to a local housing advocate who worked with the family.

state's consumer protection laws by advertising that the development was

habitable even though it was plagued by a pest infestation, black mold and water damage.

That same month, residents of Texas Coppertree Village Apartments in Houston filed suit against the U.S. Department of Housing and Urban Development, saying the federal government had failed to hold their landlord accountable for deplorable conditions and criminal activity at the federally subsidized complex, including rapes, aggravated assaults and robberies.

In all three cases, despite well-known, long-standing problems, the properties had passed their most-recent inspections mandated by HUD.

Apartment complexes subsidized by HUD collectively house more than 2 million low-income families around the country. Some are run by public housing authorities and others are owned by private for-profit or nonprofit landlords. By law, the owners of such complexes must pass inspections demonstrating they are decent, safe and sanitary in exchange for millions of dollars in federal money each year.

But as thousands of renters across the country have discovered, passing scores on HUD inspections often don't match the reality of renters' living conditions. The two-decade-old inspection system — the federal housing agency's primary oversight tool — is failing low-income families, seniors and people with disabilities and undermining the agency's oversight of billions of dollars in taxpayer-funded rental subsidies, an investigation by The Southern Illinoisan and ProPublica has found.

HUD has given passing inspection grades for years to dangerous buildings filled with rats and roaches, toxic mold and peeling lead-based paint, which can cause lifelong learning delays when ingested by young children. The same goes for buildings where people with disabilities have been stranded in high-rise apartments without working elevators, or where raw sewage backs up into bathtubs and utility drains. The agency has passed buildings where ceilings are caving in and the heat won't kick on in frigid winter months as old boiler systems give out.

The failure of HUD's inspection system has been on display in the southern Illinois towns of Cairo and East St. Louis, which have had their public housing taken over by HUD. In both towns, complexes received passing scores as decades-old buildings deteriorated.

HUD's inspection system "is pretty much a failure," and the agency's staffing levels after years of budget cuts are "wholly inadequate" to assess properties, said Sara Pratt, a former senior HUD official who worked at the agency under Presidents Bill Clinton and Barack Obama.

Kate Walz, director of housing justice with the Sargent Shriver National Center on Poverty Law, a social justice and legal advocacy organization based in Chicago, said, "We just shake our heads sometimes."

“Some owners fail an inspection and they have a great building, and some owners pass it, and they have just a horrible building,” she added. “We’re running up against this all the time.”



The McBride housing development in Cairo, Illinois’ southernmost city, was shuttered after HUD determined it was uninhabitable last year. (Will Widmer, special to ProPublica)

The consequences of these failures are made more severe by the paucity of affordable housing in communities across the country. Nearly one in five of the nation’s 43 million renters spend more than half of their income on housing, according to an April report by The Pew Charitable Trusts. With few alternatives available to families who live in deep poverty, many choose to stay where they are and endure their conditions rather than complain and risk eviction and homelessness.

That’s why it’s critical that HUD ensures the safety and stability of government-funded housing units set aside for low-income families, housing advocates say. It’s a difficult charge given that the vast majority of these apartments are decades old, and many of them have gone without routine maintenance for years.

Representatives of the Clay Arsenal Renaissance Apartments have said that they tried to fix problems there and that the property’s passing scores meant it met HUD’s standards. After a yearslong effort led by tenants, HUD ended its contract with the owner in May. The St. Louis Housing Authority did not respond to a call seeking comment, but in news reports it said that efforts have been made to improve conditions at Clinton-Peabody, including by addressing the mice problem. And after tenants of the Texas Coppertree Village Apartments filed suit against HUD, inspectors gave the building a failing score and HUD has issued two default notices to its owner. HUD’s response to the tenants’ lawsuit was due on Tuesday, but the department has sought an extension.

The Southern emailed a synopsis of its findings to a HUD spokesman several weeks ago. The agency declined to comment in detail. HUD spokesman Jereon Brown said in an email that “the perfect system hasn’t been, and probably will not be designed. That given, the agency continues to learn and we realize the challenges of a 20-year old system.”

HUD declined to make Secretary Ben Carson available for an interview, but in late October, [Carson shared a two-page statement on Twitter](#) that said he “directed a wholesale reexamination” of how the department conducts inspections. Carson wrote that the agency is exploring “immediate improvements and those refinements over the long-term.”

The letter did not elaborate on those changes or when additional details would be made public.

“We’re simply signaling that change is coming,” Brown said. “The details will be released when we’re convinced we have a system that will better serve the residents.”

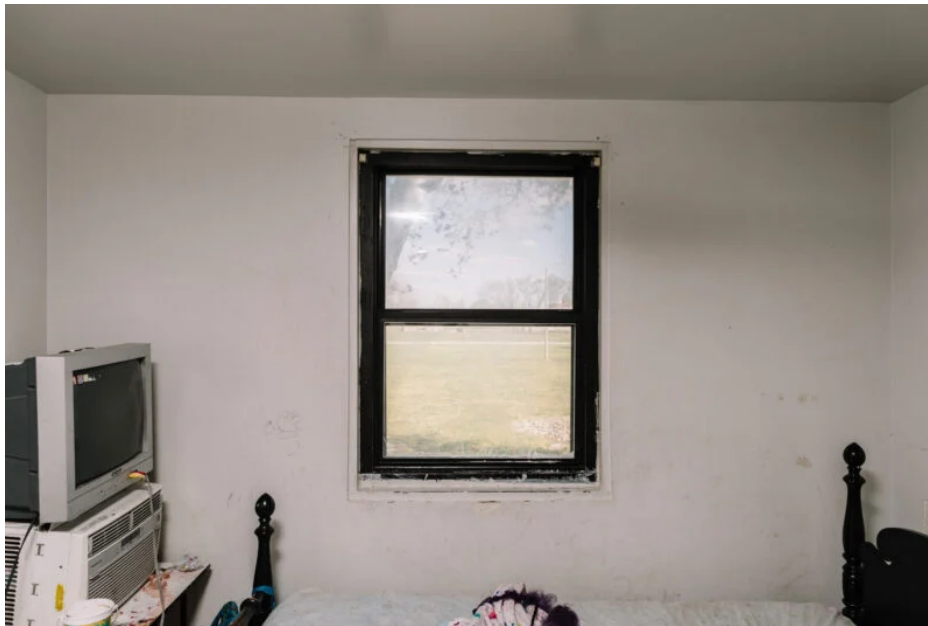
HUD’s inspection system was born out of political fallout from the agency’s previous oversight failures.

“HUD has been plagued for years by scandal and mismanagement,” then-HUD Secretary Andrew Cuomo [told lawmakers during a Senate hearing in 1997](#), announcing a reform plan, of which standardized inspections was a central feature. In the 1980s, he said, HUD was the “poster child for fraud, waste and abuse.”

“At the time, if you knew HUD at all, you knew it through its failures,” Cuomo said, citing as examples Cabrini-Green in Chicago and Pruitt-Igoe in St. Louis, large public housing complexes that have since been leveled.

Facing calls for his department’s elimination, Cuomo called for the creation of a Real Estate Assessment Center within HUD, which would largely rely on contractors to assess the financial and physical conditions of landlords managing HUD-subsidized properties.

All properties are supposed to be inspected at least once every three years, and poorer performing ones more often. HUD also has the ability to perform an inspection at other times in response to complaints by tenants or others. Scores are issued on a 100-point scale, with a 60 needed to pass. After the inspection, landlords receive a list of all life-threatening health and safety violations, and they have three days to fix those problems. If a privately owned property fails with a score below 30 or has two consecutive scores below 60, it is referred for enforcement action, which can include termination of a contract.



A broken window inside the bedroom of an apartment at the Samuel Gompers Homes, part of the East St. Louis Housing Authority. (Will Widmer, special to ProPublica)

HUD survived the 1990s, but not before Congress cut a quarter of its annual budget and ordered a massive downsizing. The agency's workforce has been reduced by more than half since the mid-1980s, from roughly 17,000 to about 8,000.

HUD has fielded complaints for years about flaws with its inspection system, particularly with respect to its complicated scoring algorithm that struggles to tell the difference between unsafe properties and decent ones, said Mike Gantt, senior vice president of The Inspection Group, a consulting company that helps properties prepare for their inspections.

"Many people have believed these scores to be largely meaningless for nearly 20 years, and this includes many HUD officials who will say so privately," Gantt said. "This is not a newly discovered problem. Any claim to the contrary amounts to a cover up or ignorance of historical fact."

Through a spokesman, Cuomo, now the governor of New York, defended the creation of the inspection system in the 1990s, saying that before it, there was no uniform system for inspecting federally subsidized housing across the nation. But spokesman Tyrone Stevens added that, with the passing of two decades and a dropoff in federal funding and oversight, Cuomo believes the system needs to be reevaluated.

The system's flaws were brought into sharp relief a few years ago, when deplorable conditions in apartment buildings owned by the nonprofit Global Ministries Foundation prompted news reports and a 2016 Senate hearing that called into question HUD's oversight.

Over a number of years, the nonprofit and a subsidiary had purchased 60 properties for low-income residents in Alabama, Florida, Georgia, Indiana, Louisiana, New York, North Carolina and Tennessee. The nonprofit, run by an evangelical minister in Memphis, Tennessee, named Richard Hamlet,

entered into contracts with HUD to house thousands of tenants in about 40 of the properties.

By 2014, Global Ministries was receiving about \$40 million in federal funds annually to offset reduced rents through HUD's project-based Section 8 program.

Internally, HUD officials were raising serious questions about the conditions at the properties, said John Gemmill, who retired from the department in 2016 as director of the agency's Memphis office. But externally, little happened, and tenants suffered.

When Cynthia Crawford moved into Warren Apartments in Memphis in 2013, she was desperate for a place to live. For nearly four years prior, she had been homeless, bouncing between friends' couches and shelters. Her children were in foster care, and to get them back, she had to have a home. But the conditions they endured were horrendous. "These were not just any house mice. I'm talking about rats so big we thought they were possums. A lot of ceilings were falling in on families. Stoves and fridges didn't work. We had issues with floors falling out from under people," Crawford said. "It was just an absolutely hopeless feeling."

For years, the inspection scores assigned to the Memphis properties were inflated as they fell into disrepair, well before Global Ministries purchased them, said Brad Watkins, director of the Mid-South Peace and Justice Center, a civil rights organization that works with tenants. The scores began to drop only after Watkins and others raised concerns with HUD, he said.



Cynthia Crawford said she lived for years in unsafe conditions at the federally subsidized Warren Apartments in Memphis. She co-founded a tenants' union to fight for better living conditions. (Andrea Morales, special to ProPublica)

Then, in the spring of 2015, Crawford and other residents began organizing and Memphis' local paper, The Commercial Appeal, revealed that people

were living in unsafe units at Warren Apartments, one of the Global Ministries properties. At roughly the same time, Hamlet paid himself a salary of \$500,000. After the story ran, HUD inspectors returned, this time issuing a failing score for Warren and Tulane apartments, which were inspected jointly. Months later, HUD moved to end a contract with Global Ministries for these two properties.

This prompted reporters and advocates in other states to start asking questions. In the spring of 2016, U.S. Sen. Marco Rubio, R-Fla., visited a troubled 400-unit apartment complex in his home state that was owned by Global Ministries. During the visit to Eureka Garden Apartments in Jacksonville, Rubio told a representative of the owner that the conditions he had witnessed were “terrifying and inexcusable,” according to news reports. Days later on the Senate floor, Rubio turned his attention to HUD. He criticized the agency for not giving the property a failing inspection score.

“I, for the life of me, don’t know how they passed any inspections because, I’m telling you, I visited and I’m not a building inspector, but you don’t have to be one to visit this building and know there is no inspection that the building should ever pass,” Rubio said.

That August, under pressure from HUD and the public over poor housing conditions, Hamlet announced plans to put all of Global Ministries’ HUD-subsidized properties up for sale.

Brown, the HUD spokesman, said that Global Ministries “hurt a lot of folks in Memphis” and that the department forced Hamlet to sell his HUD-subsidized properties. But in an interview, Hamlet said that the department had been familiar with deteriorating conditions in the properties that Global Ministries bought, as they had long been a part of HUD’s rental subsidy program under prior owners. The department also had to review his financing plans, approve the purchases and enter into contracts with the nonprofit.



The office building at the now-shuttered Warren Apartments, which was owned by Global Ministries Foundation. (Andrea Morales, special to ProPublica)

In the interview, Hamlet blamed tenants for lacking basic housekeeping skills, faulted the management companies he hired to run day-to-day operations and said he was targeted by HUD officials because he's a pastor. He defended his salary, saying a consultant told the nonprofit's board that he was "underpaid." "It's clear we became the pinata of all the frustrations of the whole Section 8 program on some of these older properties," Hamlet said.

The problems with Global Ministries prompted a broad re-examination of oversight at HUD and promises of reform.

In the last two years alone, Brown said, HUD has increased training and oversight of contractors who conduct inspections on the agency's behalf. In 2016, HUD ordered inspectors to mark down properties for shoddy repairs such as using plywood to cover holes in drywall or tape to fix a rotting refrigerator gasket. And in 2016 and 2017, the agency decertified more than 50 contract inspectors after determining they had not properly followed protocols.

These changes had a dramatic effect on inspection scores nationally. From 2015 to 2017, the failure rate nationwide roughly tripled — from 4 percent to 13 percent for public housing complexes, and more than doubled from 2 percent to 5 percent for privately owned projects subsidized under HUD's project-based multifamily programs. About 260 private properties with housing assistance failed, roughly one of out of every 19, as did about 430 public housing complexes, roughly one in eight properties inspected in 2017.

At the same time, the number of inspections of privately owned multifamily properties has decreased dramatically over the same period,

from 8,400 in 2015 to 4,900 last year. HUD declined to answer a question about the reason for the drop.

But even after the changes HUD made to improve inspection protocols, unsafe properties continue to pass in some places. Nowhere is that more apparent than in Hartford.

In early 2017, a school family resource coordinator reached out to the Christian Activities Council, a neighborhood advocacy organization in Hartford, after a child at her school said she'd been bitten by a mouse. A community organizer with the nonprofit arranged a meeting with the child's mother to find out more. But at the appointed time, the mother wasn't home. Her other child had swallowed rat poison and was in the emergency room at a local hospital.

Shortly after this incident, Cori Mackey, the nonprofit's executive director, and other advocates began knocking on doors in Hartford's North End, a distressed neighborhood that sits a half-mile from the capital city's downtown.

The Clay Arsenal Renaissance Apartments consist of 26 buildings, each containing six to 12 units. Most tenants did not realize that they shared a landlord, Mackey said. But after speaking about their shared concerns, the tenants decided they wanted to take on the landlord, Ah Min Holding LLC, and its managing member, Emmanuel Ku, and ultimately, HUD. A core group of six residents led the charge.

In April 2017, the Christian Activities Council reached out to HUD's regional office in Boston to express concerns about unsafe conditions despite the property's passing inspection scores. The following month, a construction analyst from HUD's Boston office visited the property and found outdated kitchens, dead mice, nonfunctioning baseboard heaters and rickety outdoor decks, according to a report obtained by The Southern in a records request.

The next month, HUD issued Ah Min Holding a notice of default, giving the owner seven days to fix the most serious health and safety violations. But nothing really changed, the residents said.

Between late June and early July 2017, a HUD inspector assessed the property again. Because the department had been made aware of problems, this particular inspection was more intensive than is typical. Still, the property passed, scoring 73, just one point less than the previous year's 74.

The property was marked down for mold and mildew, infestation and defective windows and doors inside units. But the owner compensated for those problems by posting high scores in other categories, including the exterior of the buildings and the grounds, which tenants said were

manicured in the days before HUD officials arrived, while their units received little attention.

In early July, a little more than a week after the inspection, tenants held a rally and press conference where several detailed their poor living conditions and what they said was an absentee landlord. Afterward, Joseph Crisafulli, a senior HUD official from the agency's Boston office, addressed the tenants, saying, "The stories I've heard about are as far away from acceptable HUD housing as I've heard in my 29 years at HUD."



Before HUD ended its funding contract, the Clay Arsenal Renaissance Apartments in Hartford had passed its HUD inspections despite tenant complaints about conditions. (Sarah Blesener, special to ProPublica)

That same month, a rodent expert from Cornell University found that the mouse problem at Clay Arsenal defied amateur mouse traps. Because mice were living and breeding behind fridges, in walls and cabinets and in the cushions of plush furniture, he recommended an extensive and professional extermination effort to control the problem.

In September 2017, Yulissa Espinal, one of the tenants' leaders, gave birth to a baby girl. She and her baby had to stay in the hospital for a week and then in a hotel for another while a social worker and city code enforcement officer attempted to force her landlord to rid her unit of rodents.

When Espinal returned home two weeks later, she said she found a dead mouse in the living room. It wasn't long before the live mice returned, she said, forcing her to set traps around her baby's crib at night. "I worried one would get into the crib and bite her," said Espinal, a school bus driver raising four children on a limited income.

She and others continued to plead with HUD for help, while Ah Min Holding mounted a challenge to another default notice sent by the department, threatening to cancel the company's contract. Ku's attorney, Carl A. S. Coan III, told HUD that such a decision was "arbitrary" and

“completely contrary” to the department’s enforcement regimen for a property that had passed its most recent inspection. Ku did not respond to request for comment through Coan. HUD withdrew the second default notice and instead required Ku to fix a lengthy list of problems by January 2018, a deadline the department extended numerous times.

Dismayed, the advocates and tenants kept searching for answers. They discovered what they considered an opening: Ah Min Holding had not properly obtained certificates of occupancy for its rental buildings, which require a city inspection when there is turnover of a rental unit. The city agreed. In February of this year, city officials inspected about 100 of Ah Min’s units, and nearly all of them failed.

In April, HUD once again notified Ah Min Holding that the company was in violation of its contract with the department. On May 2, the mayor of Hartford told Ku in a letter that the city would charge Ah Min \$99 per violation per day until he fixed the issues. Two weeks later, a city committee voted to end Ah Min Holding’s tax abatement, which was worth about \$266,000 annually.

In response to HUD’s April default notice, the property manager for Clay Arsenal said that the repairs required by HUD had been completed, and asked for more time to address the city’s code violations.

On May 31, tenants found letters taped to their door from HUD, announcing that the agency had pulled the company’s contract and would provide them assistance in relocating. HUD also sent Ku a letter stating that “in light of the conditions at the project, and your continuing failure to provide decent, safe housing,” the agency was denying his company’s request for additional time to fix problems.



After giving birth, Yulissa Espinal and her newborn baby had to sleep away from her home for two weeks last year because of rodents in her units. She said it wasn’t long before the mice returned. (Sarah Blesener, special to ProPublica)

Rhonda Siciliano, spokeswoman for HUD’s Boston office, said that routine inspections are only one of the agency’s oversight tools for holding landlords accountable: “Is it the primary one? Yes. Is it 100 percent foolproof? No.”

Siciliano said that as soon as problems were brought to HUD’s attention by the advocacy organization, the agency responded. But that’s the problem, said Mackey, the executive director of the nonprofit helping the tenants.

“HUD acted only because we put pressure on them, not because that’s part of their standard oversight system,” she said.

Even as HUD is making promises to further reform the inspection system, years of inflated scores assigned to unsafe and deteriorating properties has caused harm that will be hard to reverse.

Congress has made cuts to programs that pay for renovations at apartment complexes for years, and this has led to a massive backlog of repairs. In 2011, HUD published a study saying that some 1.2 million public housing units needed about \$26 billion in large-scale repairs, and that the backlog would grow by more than \$3 billion annually. (There has not been a more recent assessment.)

One of the most dramatic public housing oversight failures is playing out in New York City, in Cuomo's home state, where nearly 400,000 people live in public housing. For decades, the New York City Housing Authority, the nation's largest, managed to avoid many of the pitfalls and public relations nightmares that plagued other large cities. It was considered a success story for government-run housing. But not anymore.

This winter, thousands of tenants were without heat. The housing authority later admitted it had not properly conducted inspections for lead paint in recent years, and hundreds of children were poisoned. Units are overrun with rats and mold. In a complaint, federal prosecutors accused local officials of trying to conceal the extent of the problems and mislead HUD inspectors with actions such as turning off the water to buildings to conceal leaks and posting "Do Not Enter" signs on basement rooms. The city, which manages the housing authority, has agreed to spend more than \$2 billion over a decade on renovation efforts, and to be overseen by a federal monitor under the terms of a consent decree that still must be approved by a federal judge.

Yet, records show that HUD has known about serious health and safety deficiencies inside New York City's public housing complexes for years. Some inspection reports estimated more than 1,000 health and safety deficiencies; the properties continued to receive passing scores. On Wednesday, a judge declined to sign off on the consent decree because he said it did not go far enough to address conditions he described as "somewhat reminiscent of the biblical plagues of Egypt." He asked both sides to come back next month with a proposal for how to proceed.

Similarly, in the town of Cairo, located in the southern Illinois region known as "Little Egypt," residents of the Elmwood and McBride apartment complexes lived with mice, mold and heating outages that forced them to heat their homes with gas ovens. And for years, HUD gave these buildings passing grades as they fell apart.

Today, both buildings are empty.

Vines stretch up their sides. Plywood boards have been stapled over windows. Mangled, wind-whipped metal awnings hang over them. Once

home to hundreds of children, it's now eerily quiet. Before HUD moved everyone out, nearly a sixth of the population of this town at Illinois' southernmost border lived in the two 1940s-era apartment complexes.

When HUD placed the housing authority into receivership, an agency spokesman told The Southern that HUD was "stunned ... at what it saw, not just in terms of deplorable living conditions" but also "poor and absent record keeping, the staggering backlog of critical repairs."

When HUD finally announced a plan to address the unsafe conditions in the spring of 2017, officials told residents that the buildings were too far gone to save, and that the department was no longer in the business of building public housing. Residents were provided vouchers that subsidize rent in the private market, but many had to leave Cairo because it had few rental apartments. The shuttering of Elmwood and McBride leaves few public housing options: two high-rise towers and several smaller buildings.



The McBride housing development in Cairo. HUD announced plans to shutter McBride, and the nearby Elmwood housing complex, in April 2017. (Will Widmer, special to ProPublica)

When HUD's inspector general released a report this summer examining why the department didn't step in sooner, faulty inspections were identified as part of the problem.

Brown, the HUD spokesman, previously told The Southern that what happened in Cairo was a "rare" oversight failure on the department's part. Three inspectors who had performed physical inspections at the Alexander County Housing Authority between 2009 and 2016 have been decertified for performance issues.

But Jeremy Kirkland, HUD's acting deputy inspector general, told a House subcommittee in late September, "I am absolutely certain there are others out there like Elmwood and McBride."

Data journalist Kate Rabinowitz and news application developer Dan Nguyen contributed to this report.

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Do you live or work in public housing? Share your story using our [questionnaire](#).

Correction, Nov. 16, 2018: *This story originally misstated the role that Cori Mackey, executive director of the Christian Activities Council in Hartford, Connecticut, had in arranging a meeting with a mother whose child had been bitten by a mouse. It was a community organizer in her office who arranged it, not Mackey.*