



July 21, 2025

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
WASHINGTON, DC 20410-5000  
OFFICE OF PUBLIC AND INDIAN HOUSING

Thomas Sahlin  
Executive Director  
Atlantic City Housing Authority  
227 N. Vermont Avenue  
Atlantic City, NJ 08401

Geoff Dorsey  
Board of Commissioners Chair  
Atlantic City Housing Authority  
227 N. Vermont Avenue  
Atlantic City, NJ 08401

**DETERMINATION OF SUBSTANTIAL DEFAULT**

Dear Mr. Sahlin and Mr. Dorsey:

This letter contains a Determination of Substantial Default regarding the Atlantic City Housing Authority (ACHA), made pursuant to the explicit authority invested in the Secretary by the United States (U.S.) Housing Act of 1937 (Act), and delegated to me as the Principal Deputy Assistant Secretary of Public and Indian Housing. Please find in the paragraphs below the following: the Determination of Substantial Default; a legal background section explaining HUD's statutory authority and relevant program requirements implicated by this Determination; factual findings and the supporting documentation; a reasoned analysis of those findings applied to the applicable law; and, HUD's choice as to the remedy of this substantial default, as permitted by the Act. After ten (10) working days have passed from the date of this letter, HUD will take full possession of ACHA, including but not limited to its programs, projects, and assets, soon thereafter, at a reasonable time of HUD's choosing.

**DETERMINATION**

HUD has determined that the ACHA, a public housing agency (PHA) located in Atlantic City, New Jersey, is in substantial default "with respect to the covenants or conditions to which the public housing agency [(PHA)] is subject" pursuant to 42 U.S.C. § 1437d(j)(3)(A) of the Act, for its failure to comply with material requirements of its troubled performer Recovery Agreement with HUD, as mandated by 24 CFR Part 907.<sup>1</sup>

The substantial default determination is based on the following: ACHA is a troubled performer as designated by HUD under the Public Housing Assessment System (PHAS), having received an overall score less than 60 (of 100) points for its fiscal year (FY) ending March 31, 2022. As a troubled performer, ACHA was required to show substantial improvement in its subsequent annual PHAS assessments; and execute and comply with a Memorandum of Agreement

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<sup>1</sup> 24 CFR 907.3(b)(2): "Failure to act. In addition to the violations listed in paragraph (a) of this section, in the case where a PHA is designated as a troubled performer under PHAS, the PHA shall be in substantial default if the PHA... fails to comply with the terms of an MOA..."

(commonly referred to as a Recovery Agreement) with HUD. On December 21, 2023, HUD and ACHA signed a Recovery Agreement, which included four (4) Performance Requirements, each with sub-tasks and deadlines to be accomplished by ACHA. Subsequently, ACHA was issued a troubled performer designation for FY 2023. As of the date of this determination, four (4) Performance Requirements, each with sub-tasks and deadlines, had not been completed timely or remain past due. Hence, ACHA is found to be in breach of its Recovery Agreement due to the outstanding requirements. On account of ACHA's failure to meet the obligations of the Recovery Agreement, ACHA is in violation of material and fundamental program obligations pursuant to 24 CFR 907.3(b)(2). Hence, for the reasons described herein, I have determined ACHA to be in substantial default of HUD's public housing program requirements.

### **INTRODUCTION**

ACHA is a PHA in New Jersey that receives federal grant funds to operate a public housing program and an HCV program. Since ACHA's FY 2022, ACHA has been a troubled performer under PHAS. ACHA has failed to accomplish four (4) out of four (4) Performance Requirements in its Recovery Agreement. Therefore, HUD will declare ACHA in substantial default and take possession of ACHA, as outlined in this letter.

First, this letter summarizes the relevant legal background that provides HUD's authority to determine that ACHA is in substantial default of its public housing obligations; and HUD's authority to remedy the substantial default. In addition, the legal background section identifies and explains the relevant statutory and regulatory programmatic requirements that are implicated in HUD's findings supporting the Determination.

Second, this letter identifies key facts and findings in support of the Determination. ACHA has been aware of its deficiencies since the release of the FY 2022 PHAS score and executed a Recovery Agreement in 2023. ACHA failed to meet the deadlines for all four (4) Performance Requirements of its Recovery Agreement with HUD.

Finally, HUD describes the remedy selected to cure the substantial default, namely taking possession of ACHA, as permitted by the Act.

### **RELEVANT LEGAL BACKGROUND**

This section identifies and outlines the statutory and regulatory grants of authority to HUD's Secretary, which, when coupled with a PHA's assumption of grant agreement obligations, provide and support HUD's legal license to determine that a PHA is in substantial default and to impose and direct remedial actions and requirements up to and including taking a PHA into actual physical possession of the Department.

In addition, this section identifies and outlines programmatic requirements that ACHA violated. It is ACHA's material violation of program requirements that provide HUD with the authority to make a substantial default determination based on *any* such violation of program administration requirements found in federal statute, regulation, or the Annual Contribution Contracts (ACCs – the grant agreements) with HUD.

## **I. AUTHORITY FOR A DETERMINATION OF SUBSTANTIAL DEFAULT**

#### A. Substantial default authority found in the Act

To the explicit exclusion of all other laws found in the U.S. Code, and the grant agreement between HUD and ACHA, the Act provides explicit statutory authorization for HUD to make a determination that ACHA is in substantial default when it has violated program requirements:

Notwithstanding any other provision of law or of any contract for contributions, *upon occurrence of events* or conditions *that constitute a substantial default* by a public housing agency *with respect to the covenants or conditions to which the public housing agency is subject* . . . the Secretary *may*— . . .

See 42 U.S.C. § 1437d(j)(3)(A) (emphasis added). This provision gives the HUD Secretary discretionary authority to act “upon occurrence of events . . . that constitute a substantial default.” *Id.* The Act does not vest this authority to make the determination whether a substantial default has occurred in an additional entity, nor does the Act otherwise limit the HUD Secretary’s discretion to make this determination. See generally 42 U.S.C. § 1437d(j). Thus, the HUD Secretary, and his authorized delegates, have sole discretionary authority to determine whether ACHA is in substantial default under the Act.

#### B. Substantial default authority found in regulation

HUD regulations elaborate the substantial default legal framework by further defining the grounds for a substantial default:

A PHA *may* be declared in substantial default when the PHA:

- (1) Violates a *federal statute*;
- (2) Violates a *federal regulation*; or
- (3) Violates *one or more terms of an [Annual Contributions Contract] ACC*, or other covenants or conditions to which the PHA is subject.

See 24 C.F.R. § 907.3(a) (emphasis added). Thus, HUD has discretion to declare ACHA in substantial default under the Act for *any* violation of federal statute, federal regulation, or ACHA’s ACC(s) with HUD.

As will be detailed in the discussion section below, HUD has based its determination of substantial default on a violation of multiple terms of the troubled performer Recovery Agreement to which ACHA was bound. Under the framework provided by the Act and HUD’s corresponding regulations, *any single* valid determination of substantial default based on *any single* true violation is sufficient to allow HUD to seek remedies under the Act. Here, HUD’s determination is based on ACHA’s noncompliance with four (4) Performance Requirements of the Recovery Agreement.

#### C. Procedural requirements found in regulations for a determination of substantial default.

HUD regulations also provide the procedures for declaring substantial default. HUD must provide ACHA with a written determination—embodied by this letter—identifying “the specific statute, regulation, covenants, conditions, or agreements of which the PHA is determined to be in violation [and] the specific events, occurrences, or conditions that constitute the violation.” 24 C.F.R. § 907.5(a)(1)–(2). HUD has the discretion to determine whether an opportunity to cure the violation(s) is appropriate. *Id.* at § 907.5(a)(4).

## II. HUD’S REMEDIAL AUTHORITY TO CURE A SUBSTANTIAL DEFAULT

The Act grants HUD broad authority to exercise remedial relief to resolve a substantial default, up to and including taking possession of a PHA in whole or part:

Notwithstanding any other provision of law or of any contract for contributions, *upon occurrence of . . . a substantial default . . . the Secretary may— . . .*

(iv) *take possession of all or part of the public housing agency*, including all or part of any project or program of the agency, including any project or program under any other provision of this title; and

(v) *require the agency to make other arrangements acceptable to the Secretary* and in the best interests of the public housing residents... for managing all, or part, of the public housing administered by the agency or of the programs of the agency.

*See* 42 U.S.C. § 1437d(j)(3)(A)(iv)–(v) (emphasis added). This provision grants HUD extensive discretionary authority to remedy ACHA’s substantial default through “other arrangements acceptable to the [HUD] Secretary.” *Id.*

## III. PUBLIC HOUSING PROGRAM REQUIREMENTS UNDER 24 CFR PART 907 IMPLICATED BY HUD’S FINDINGS IN SUPPORT OF ITS DETERMINATION OF SUBSTANTIAL DEFAULT

### C. ACHA’s obligations under 24 CFR Part 907

Pursuant to 24 CFR § 902.75(b), PHAs that are designated as a troubled performer are required to enter into a Memorandum of Agreement (commonly referred to as a Recovery Agreement) with HUD that outlines recovery requirements and deadlines for the PHA as well as “consequences of failing to meet the targets, which include, but are not limited to, the interventions stated in 24 CFR Part 907 and in Section 6(j)(3)” of the Act at 42 USC § 1437d(j)(3). Pursuant to 24 CFR 907.3(b)(2), “in the case where a PHA is designated as a troubled performer under PHAS, the PHA shall be in substantial default if the PHA fails to comply with the terms of an MOA [(Recovery Agreement)].” *See* 42 USC § 1437d(j)(3)(A).

ACHA received a troubled designation for its FY 2022 and subsequently executed a Recovery Agreement outlining requirements and deadlines for ACHA’s recovery. As will be supported by

the facts and findings below, ACHA failed to comply with the terms of its Recovery Agreement in accordance with 24 CFR 907.3(b)(2).

### **FACTS AND FINDINGS**

The following four (4) facts and findings support HUD's determination of substantial default:

1. On August 9, 2023, HUD's Real Estate Assessment Center (REAC) issued ACHA a troubled performer designation for FY 2022 under PHAS. *See* Exhibit 1. The troubled designation resulted from an overall PHAS score of 45 (of 100) points, with deficiencies in physical, financial, and management indicators. *Id.*
2. Following ACHA's initial troubled designation, HUD executed a Recovery Agreement with ACHA on December 21, 2023, that addressed occupancy, physical conditions, financial management, and repositioning concerns. *See* Exhibit 2.
3. ACHA retained its troubled performer PHAS designation for FY 2023. On March 28, 2025, REAC issued ACHA a score of 40 (of 100) points with deficiencies in the physical, financial, and management indicators. *See* Exhibit 3.
4. ACHA failed to meet the deadlines for four (4) of four (4) Performance Requirements, constituting a fundamental and material breach of the 2023 Recovery Agreement. *See* Exhibit 4.

### **DISCUSSION**

HUD's determination of substantial default is based on violations of program requirements, as detailed below. Under the framework provided by the Act and HUD's corresponding regulations, any single determination of substantial default based on any single violation of these sources of program requirements permits HUD to seek remedies under the Act. *See* 42 U.S.C. § 1437d(j)(3)(A); *and* 24 C.F.R. § 907.3(a). The violations of HUD requirements support HUD's determination of substantial default as follows.

#### **I. ACHA FAILED TO COMPLY WITH ITS OBLIGATIONS UNDER ITS RECOVERY AGREEMENT WITH HUD.**

As required by 24 CFR 907.3(b)(2), ACHA must comply with the terms of its Recovery Agreement. *See* 42 USC § 1437d(j)(3)(A). ACHA has violated 24 CFR 907.3(b)(2) by failing to adhere to the conditions of its Recovery Agreement and neglecting to complete all necessary recovery actions.

On December 21, 2023, ACHA executed a Recovery Agreement with HUD that contained a comprehensive summary of all the recovery obligations and deadlines. *See* Exhibit 2. Further, the Recovery Agreement explicitly outlined repercussions for failing to achieve the designated objectives in accordance with the Act at 42 USC § 1437d(j)(3). *Id.* at p. 4. ACHA understood the potential outcomes of not meeting the requirements outlined in the Recovery Agreement.

As of the date of this determination, ACHA failed to meet the deadlines for 4 of 4 Recovery Agreement Performance Requirements. ACHA's failure to fulfill the requirements is a material breach of the Recovery Agreement pursuant 24 CFR 907.3(b)(2).

ACHA's failure to comply with the terms of its Recovery Agreement; and its inability or unwillingness to fully remedy its failing public housing program, is ample support and justification for HUD's determination that ACHA is in substantial default. Thus, pursuant to 42 USC § 1437d(j)(3)(A) and 24 CFR 907.3(b)(24), ACHA is in substantial default for its material violations of the Recovery Agreement.

### **REMEDY OF SUBSTANTIAL DEFAULT**

As stated above, upon a determination of substantial default, HUD may take any action provided for in 42 USC § 1437d(j)(3)(A), including "taking possession of all or part of the public housing agency, including all or part of any project or program of the agency..." Based on the gravity of ACHA's situation, I have determined that it is not appropriate to permit ACHA the opportunity to cure the substantial default. Further, I have also determined that the most appropriate substantial default remedy, in the context of the several factual findings made, is for HUD to take possession of ACHA. Accordingly, HUD shall be in full possession of ACHA, including, but not limited to, its programs, projects, and assets at a reasonable time of HUD's choosing.

### **CONCLUSION**

For all the foregoing reasons, due to the current state of ACHA's failure to achieve or maintain programmatic compliance, there is abundant support for HUD's determination that ACHA is in substantial default of its U.S. Housing Act programs and HUD's explicit legal authority to take possession of ACHA. PHAs are required to "develop and operate each [ACC-covered] project solely for the purpose of providing decent, safe, and sanitary housing for eligible families in a manner that provides serviceability, economy, and stability of the projects, and the economic and social well-being of the tenants." Further, a PHA must "develop and operate all projects covered by [the] ACC in compliance with all provisions of [the] ACC and all applicable statutes, executive orders and regulations issued by HUD . . ." ACHA's problems identified above are systemic operational issues. Accordingly, HUD has determined that ACHA has substantially and materially violated the Act, implementing regulations, and its ACCs with HUD.

If ACHA wishes to dispute the Determination of Substantial Default, it shall have no more than ten (10) working days from the date of this notification to demonstrate that HUD's Determination of Substantial Default is not based on substantively accurate information (see 24 CFR § 907.5(a)(3)). To dispute the determination, ACHA may submit a response in writing in accordance with 24 CFR § 907.5(b)(1) describing how the events, occurrences, or conditions described herein are in error and/or establishing that the events, occurrences, or conditions described herein do not constitute noncompliance with cited statutes, regulations, covenants, conditions, or agreements. *Id.* The response must be emailed to Howard Cumme, Director of the Newark Office of Public Housing, at [howard.s.cumme@hud.gov](mailto:howard.s.cumme@hud.gov).

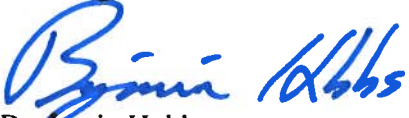
If no legitimate error or dispute with the determination or findings is clearly demonstrated to HUD in writing by ACHA within ten (10) working days of the date of this letter, HUD shall

proceed to take full possession of ACHA, its programs, projects, and assets as authorized by law soon thereafter, at a reasonable time of its choosing.

Nothing in this Determination shall be understood to have waived HUD's right to exercise any right or remedy permitted by statute, regulation, and the ACCs, including but not limited to those permitted under 42 U.S.C. § 1437d(j)(3)(A) as referenced above.

Should you have any questions regarding these timelines or requirements, please contact Mr. Cumme at 973-776-7250 or [howard.s.cumme@hud.gov](mailto:howard.s.cumme@hud.gov).

Sincerely,



Benjamin Hobbs  
Principal Deputy Assistant Secretary  
Office of Public and Indian Housing

Enclosures:

Exhibit 1 – FY 2022 PHAS Score Report

Exhibit 2 – 2023 Recovery Agreement

Exhibit 3 – FY 2023 PHAS Score Report

Exhibit 4 – 2023 Recovery Agreement Performance Requirements Status Update

CC:

Howard Cumme, Director of the Newark Office of Public Housing

Towanda S. Macon, Director, Office of Prevention, Recovery and Transformation





Exhibit 1

## U.S. Department of Housing and Urban Development

OFFICE OF PUBLIC AND INDIAN HOUSING  
REAL ESTATE ASSESSMENT CENTER

## Public Housing Assessment System (PHAS) Score Report for Interim

Report Date: 08/09/2023

PHA Code:	NJ014
PHA Name:	Housing Authority and Urban Redevelopment Age
Fiscal Year End:	03/31/2022

PHAS Indicators	Original Score	Adjustment	Net Score	Maximum Score
Physical	21	0	21	40
Financial	0	0	0	25
Management	16	1	17	25
Capital Fund	7	0	7	10
Late Penalty Points	-	0	0	
PHAS Adjustment	-	0	0	
<b>PHAS Total Score</b>	<b>44</b>	<b>1</b>	<b>45</b>	<b>100</b>
<b>Designation Status:</b>			<b>Troubled</b>	

Published 08/09/2023

Initial published 08/09/2023

Financial Score Details	Score	Maximum Score
Submission Type:		
1. FASS Score before deductions	23.42	25
2. Audit Penalties	0.00	
Total Financial Score Unrounded (FASS Score - Audit	23.42	25

Capital Fund Score Details	Score	Maximum Score
Timeliness of Fund Obligation:		
1. Timeliness of Fund Obligation %	90.0	
2. Timeliness of Fund Obligation Points	5	5
Occupancy Rate:		
3. Occupancy Rate %	94.29	
4. Occupancy Rate Points	2	5
Total Capital Fund Score (Fund Obligation + Occupancy Rate):	7	10

## Notes:

1. The scores in this Report are the official PHAS scores of record for your PHA. PHAS scores in other systems are not to be relied upon and are not being used by the Department.
2. Due to rounding, the sum of the PHAS indicator scores may not equal the overall PHAS score.
3. "0" FASS Score indicates a late presumptive failure. See 902.60 and 902.92 of the Interim PHAS rule.
4. "0" Total Capital Fund Score is due to score of "0" for Timeliness of Fund Obligation. See the Capital Fund
5. PHAS Interim Rule website - <http://www.hud.gov/offices/reac/products/prodphasinrule.cfm>



**Recovery Agreement between the Atlantic City Housing Authority**  
**And**  
**the United States Department of Housing and Urban Development**

This Recovery Agreement ("Agreement") is entered into between the Atlantic City Housing Authority (ACHA) and the United States Department of Housing and Urban Development ("HUD") as of this 15<sup>th</sup> day of December, 2023 (the "Effective Date").

**RECITALS**

**WHEREAS**, under the United States Housing Act of 1937 ("Act"), as amended, 42 U.S.C. § 1437 *et seq.*, HUD is responsible for administering low-income housing programs, and pursuant to the Act, HUD has entered into an Annual Contributions Contract ("ACC") with ACHA to develop and operate public housing projects of ACHA; and

**WHEREAS**, pursuant to the Act, HUD must evaluate public housing performance and has instituted the Public Housing Assessment System ("PHAS"); and

**WHEREAS**, ACHA received a failing PHAS score of 45 for the fiscal year ending 3/31/2022 (the 2022 PHAS Assessment"); and

**WHEREAS**, based on its 2022 PHAS Assessment, ACHA has been designated "Troubled" pursuant to section 6(j)(2) of the Act, 42 U.S.C. § 1437d, and 24 C.F.R. part 902, for financial, physical and/or management indicators, or other such deficiencies as HUD has identified; and

**WHEREAS**, the Act requires HUD and each Troubled Public Housing Agency ("PHA") to enter into a recovery agreement that establishes: performance targets; strategies for meeting targets; and incentives or sanctions for effective implementation of such strategies intended to improve the Troubled PHA's performance such that the agency is no longer designated Troubled; and

**WHEREAS**, the parties desire to correct all HUD-identified deficiencies through the implementation of this Agreement.

**NOW THEREFORE**, in consideration for the obligations contained herein, HUD and ACHA agree as follows:

**General**

ACHA agrees to strictly comply with all terms of this Agreement and the Recovery Action Plan(attached), including all performance requirements, outcomes, and deadlines in paragraphs 5 through 7 below ("Performance Requirements").

1. HUD, in its discretion, may provide technical assistance to ACHA, including training or contract support, in order to facilitate accomplishment of the Performance Requirements. However, ACHA's compliance with this Agreement shall not be contingent on HUD's provision of any technical assistance or other discretionary assistance.

2. ACHA must submit Progress Reports to HUD commencing 30 days after execution of the Agreement, and every 30 days thereafter until this Agreement is terminated. Each Progress Report, including any supporting documentation, must describe the status of ACHA's activities such that HUD can adequately monitor ACHA's progress toward the Performance Requirements.
3. Notwithstanding any Performance Requirements, consistent with section 6(j)(3)(B)(ii) of the Act and 24 C.F.R. 902.75(d), and subject to the waivers and alternate requirements under PIH Notice 2021-14 (HA) 11(a) and 12(d), ACHA agrees to:
  - a. improve its performance by at least 50% of the difference between the initial PHAS assessment score that led to the Troubled designation and the score necessary to remove the PHA's Troubled designation by the first released PHAS assessment for fiscal years ending on or after 3/31/25; and
  - b. improve its performance and achieve an overall PHAS score of at least 60% of the total points available by the next sequential fiscal year PHAS assessment.

Consistent with paragraph 9 below, failure by ACHA to comply with the PHAS assessment improvement requirement in this paragraph 4 shall be a basis for HUD to find ACHA in substantial default under section 6(j)(3)(A) of the Act.

#### **Performance Requirements**

4. **Increase Occupancy.** ACHA agrees to:
  - a. For fiscal year ending 3/31/2025 increase its occupancy rate for the low rent public housing program to at least 96%, calculated by dividing Unit Months Leased (Financial Data Schedule (FDS) line item 11210) by Unit Months Available (FDS line item 11190) for the fiscal year ending 3/31/2025, approved unaudited and approved audited FDS submission; or
  - b. No later than 3/31/2024, contract with a managing agent to operate any property not already achieving an occupancy rate of at least 96%. For the fiscal year ending 3/31/2025, the managing agent will increase the occupancy rate to at least 96% at each of the public housing properties under the contract.
5. **Improve Physical Condition of Dwelling Units.** ACHA agrees to:
  - a. For any developments scoring less than 60% on their individual physical inspection reports on the first released PHAS assessment for fiscal years ending on or after 3/31/2022, ACHA shall:
    - i. Procure a physical needs assessment ("PNA") from a qualified third-party vendor within six months of receiving the score; and

- ii. ACHA shall work with the PNA vendor to program the identified capital projects, based on available funding from the HUD Capital Fund Program, in the Capital Fund 5-Year Action Plan; and
    - iii. ACHA shall select a project delivery method (e.g., design-bid-build, design-build, construction manager at risk) and third-party vendor to undertake the capital projects identified in the agency's Capital Fund 5-Year Action Plan for each of the specified developments scoring less than 60%, no later than three months after receipt of the PNA report; and
    - iv. Make the contract award no later than two months after selection of the project delivery method and qualified third-party vendor; and
  - b. For the first released PHAS assessment for fiscal years ending on or after 3/31/2023, ACHA shall:
    - i. Increase the physical sub-indicator ("PASS") on the PHAS assessment to at least 24 out of 40 possible points, or 60%; or
    - ii. Within three months of receipt of the failing PASS score on the PHAS assessment, contract with a managing agent to operate all developments not achieving a score of at least 60 out of 100 possible points, or 60%, on their individual physical inspection reports. For the next sequential fiscal year's assessment, the managing agent will increase the physical scores to at least 60% for each of the properties under the contract.
- 6. Improve Financial Performance.** ACHA agrees to:
- a. Submit unaudited and audited financial statements for the fiscal year(s) ending 2022 within three months following the execution date of this Agreement, and
  - b. Submit unaudited and audited financial statements for the fiscal year ending 2023 within six months following the execution date of this Agreement; and
  - c. For the first released PHAS assessment for fiscal years ending on or after 3/31/2023, the ACHA shall increase the Financial sub-indicator ("FASS") on the PHAS assessment to at least 15 out of 25 possible points, or 60%.
- 7. Reposition Public Housing.** ACHA agrees to evaluate all opportunities to reposition, i.e., remove from its public housing inventory, all of its public housing properties.
- a. Within 9 months after the execution of this Agreement, ACHA must submit its evaluation of repositioning opportunities for all public housing properties as well as a detailed plan and timeline to submit an approvable application to HUD requesting one or more of the following actions to be taken with respect to all of its public housing properties:
    - a. Rental Assistance Demonstration ("RAD"); or
    - b. Section 18 Disposition and/or Demolition; or
    - c. Voluntary Conversion; or
    - d. Required Conversion.

8. This Agreement begins on the Effective Date and will continue until the later of: (A) ACHA fulfilling all Performance Requirements; or (B) ACHA improving its performance pursuant to paragraph 4 of this Agreement.

#### **Default and Remedies**

9. Failure of ACHA to strictly comply with the terms of this Agreement, including failure to meet any discrete Performance Requirements, shall constitute a default under this Agreement and shall be a basis for a determination of substantial default by HUD under section 6(j)(3)(A) of the Act.
10. In making a determination of substantial default, HUD will do so in compliance with the procedures in 24 C.F.R. 907.5. The notice of substantial default pursuant to 24 C.F.R. 907.5(a) shall constitute the notice of default under this Agreement.
11. If ACHA is determined to be in substantial default after breaching this Agreement, HUD may seek any available remedy, including any one or several of the following actions consistent with the Act and its implementing regulations:
  - b. Solicit competitive proposals from other PHAs and private housing management agents to manage all or part of ACHA's public housing program and project(s);
  - c. Petition for the appointment of a judicial receiver for ACHA;
  - d. Solicit competitive proposals from other PHAs and private entities with experience in construction management to oversee implementation of ACHA's public housing Capital Fund;
  - e. Take possession of all or part of ACHA including all or part of its public housing program and project(s);
  - f. Require ACHA 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).
12. Notwithstanding anything in this Agreement, HUD retains its full discretion to exercise any rights available under applicable law, including those in section 6(j) of the Act, to make a determination of substantial default or take any available remedial action against ACHA, regardless of ACHA's compliance with the terms of this Agreement.
13. HUD's exercise or non-exercise of any available rights or remedies under this Agreement or any applicable law will not be construed as a waiver of HUD's right to exercise that or any right or remedy at any time.
14. This Agreement does not in any way contemplate money damages for breach of this Agreement by HUD.

### **Modifications, Amendments, and Changed Circumstances**

15. This Agreement contains the complete and final expression of the recovery agreement between the parties and supersedes any other oral or written proposals, negotiations, conversations, discussions, or agreements between the parties related to the recovery agreement.
16. This Agreement does not supersede, modify, or amend the ACC between HUD and ACHA, or in any way excuse ACHA from complying fully with its obligations under the ACC. Nothing contained in this Agreement shall serve to limit, modify, or preclude HUD's right to take any remedial action under the ACC.
17. This Agreement may only be modified or amended by a written instrument signed by all of the parties expressly stating that such instrument is intended to modify or amend this Agreement. Any modification or amendment shall be limited to the provisions of this Agreement specifically referred to therein and shall not be deemed a modification or amendment of any other provision.
18. Modification or amendment of this Agreement shall not constitute a waiver of the applicable statutory or regulatory requirements.
19. Should any provision of this Agreement be determined to be invalid or unenforceable by any statute, regulation, or judicial ruling, such determination shall not affect any other provision of this Agreement to the extent that the Agreement shall remain operable, enforceable and in full force and effect to the extent permitted by law. Accordingly, each obligation imposed by this agreement should be construed as severable from the others to the extent it is practicable.
20. The parties shall not be responsible for any failure to implement the terms of this Agreement due to unforeseen and unavoidable circumstances outside of their control, provided that the failure to perform is excused by HUD in writing.
21. To the extent authorized by the Act and HUD regulations, and notwithstanding any other provision of this Agreement, HUD has the total discretion to unilaterally amend this Agreement to address changed factual circumstances affecting the PHA's implementation of this Agreement and, more generally, its programs.

### **Conflicts**

22. In the event of any conflict between the provisions of this Agreement and public housing requirements, including but not limited to the Act, applicable regulations, and the ACC, as those requirements may be amended from time to time, the public housing requirements shall prevail. HUD reserves the right to determine and resolve any such conflict.

### **No Third-Party Beneficiaries**

23. This Agreement confers no rights or remedies upon any person or entity other than HUD or ACHA.

**Miscellaneous**

24. No provision, term, or language contained in this Agreement shall be construed by any Court against HUD for having drafted the agreement. Further, this Agreement shall be read consistently with all applicable federal statutes, regulations, the ACC, or interpretive rule. If the agreement may not be read consistently with a statute, regulation, ACC, or interpretive rule, then the statute, regulation, ACC, or interpretive rule shall control. This Agreement places the exclusive authority with HUD to determine and reconcile any conflict.
25. Any citation of law in this Agreement includes the application of any succeeding law, regulation, ACC, or interpretive rule such as a PIH notice.
26. The parties agree that any cost related to their compliance with this Agreement shall be their individual responsibilities.
27. This Agreement may be executed and delivered in separate counterparts, which, when so executed and delivered, shall be deemed an original.
28. This Agreement may be executed electronically, and electronic signatures must be treated in all respects as having the same force and effect as handwritten or original signatures.
29. HUD and ACHA] (their employees, subcontractors, partners or assigns) shall comply with all applicable federal, state, and local laws and regulations, as amended from time to time during the term of this Agreement, in the execution of this Agreement.

IN WITNESS WHEREOF, the parties or their duly authorized representatives hereby execute this Agreement on the date first written above.

*Signature Page Follows*



UNITED STATES DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT

By:

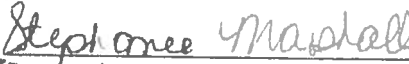
  
Monica Hawkins

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Atlantic City Housing Authority

By:

  
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Chair  
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By:

  
Thomas Sahlin

Executive Director  
Atlantic City Housing Authority

Attachment: Recovery Action Plan



## U.S. Department of Housing and Urban Development

OFFICE OF PUBLIC AND INDIAN HOUSING  
REAL ESTATE ASSESSMENT CENTER

## Public Housing Assessment System (PHAS) Score Report for Interim

Report Date: 05/07/2025

PHA Code:	NJ014
PHA Name:	Housing Authority and Urban Redevelopment Age
Fiscal Year End:	03/31/2023

PHAS Indicators	Score	Maximum Score
Physical	22	40
Financial	0	25
Management	13	25
Capital Fund	5	10
Late Penalty Points	0	
<b>PHAS Total Score</b>	<b>40</b>	<b>100</b>
<b>Designation Status:</b>	<b>Troubled</b>	
Published	03/28/2025	Initial published 03/28/2025

Financial Score Details	Score	Maximum Score
Unaudited/Single Audit		
1. FASS Score before deductions	23.13	25
2. Audit Penalties	0.00	
Total Financial Score Unrounded (FASS Score - Audit)	23.13	25

Capital Fund Score Details	Score	Maximum Score
Timeliness of Fund Obligation:		
1. Timeliness of Fund Obligation %	90.00	
2. Timeliness of Fund Obligation Points	5	5
Occupancy Rate:		
3. Occupancy Rate %	88.37	
4. Occupancy Rate Points	0	5
Total Capital Fund Score (Fund Obligation + Occupancy Rate):	5	10

## Notes:

1. The scores in this Report are the official PHAS scores of record for your PHA. PHAS scores in other systems are not to be relied upon and are not being used by the Department.
2. Due to rounding, the sum of the PHAS indicator scores may not equal the overall PHAS score.
3. "0" FASS Score indicates a late presumptive failure. See 902.60 and 902.92 of the Interim PHAS rule.
4. "0" Total Capital Fund Score is due to score of "0" for Timeliness of Fund Obligation. See the Capital Fund
5. PHAS Interim Rule website - <http://www.hud.gov/offices/reac/products/prodphasinrule.cfm>

## Recovery Agreement Performance Requirements Completion Status Update

Paragraph	Performance Requirement	Deadline(s)	Completion Status	Additional Details
4 Increase Occupancy	a For fiscal year ending 3/31/2025 increase its occupancy rate for the low rent public housing program to at least 96%, calculated by dividing Unit Months Leased (financial Data Schedule (FDS) line item 11210) by Unit Months Available (FDS line item 11190) for the fiscal year ending 3/31/2025, approved unaudited and approved audited FDS submission, or b No later than 3/31/2024, contract with a managing agent to operate any property not already achieving an occupancy rate of at least 96%. For the fiscal year ending 3/31/2025, the managing agent will increase the occupancy rate to at least 96% at each of the public housing properties under the contract	3/31/2025	Did not meet deadline	As of 3/31/2025, ACHA's overall occupancy rate was 71.4%.
5(a) Improve Physical Conditions of Dwelling Units	For any developments scoring less than 60% on their individual physical inspection reports on the first released PHAS assessment for fiscal years ending on or after 3/31/2022, ACHA shall i Procure a physical needs assessment ("PNA") from a qualified third-party vendor within six months of receiving the score, and ii ACHA shall work with the PNA vendor to program the identified capital projects, based on available funding from the HUD Capital Fund Program, in the Capital Fund 5-Year Action Plan, and iii ACHA shall select a project delivery method (e.g., design-bid-build, design-build, construction manager at risk) and third-party vendor to undertake the capital projects identified in the agency's Capital Fund 5-Year Action Plan for each of the specified developments scoring less than 60%, no later than three months after receipt of the PNA report, and iv Make the contract award no later than two months after selection of the project delivery method and qualified third-party vendor, and	(i) 2/9/2024, (iii) three months after receipt of PNA, and (iv) two months after selection of project delivery method and qualified third party vendor	Did not meet deadline	The PNA for Stanley Holmes was ordered by ACHA in summer of 2024, with the vendor starting work on 8/28/2024. Report was issued on 1/21/2025. ACHA has provided drafts of PNAs for all but one AMP (Scattered Sites) dated 4/4/2025. These reports have not yet been finalized.
5(b) Improve Physical Conditions of Dwelling Units	For the first released PHAS assessment for fiscal years ending on or after 3/31/2023, ACHA shall i Increase the physical sub-indicator ("PASS") on the PHAS assessment to at least 24 out of 40 possible points, or 60%, or ii Within three months of receipt of the failing PASS score on the PHAS assessment, contract with a managing agent to operate all developments not achieving a score of at least 60 out of 100 possible points, or 60%, on their individual physical inspection reports. For the next sequential fiscal year's assessment, the managing agent will increase the physical scores to at least 60% for each of the properties under the contract	(i) 3/31/2023, or (ii) 6/28/2025	Did not meet first deadline Second deadline upcoming	(i) FY 2023 PASS score was 22 out of 40 points. ACHA did not achieve the required 24 out of 40 points by the deadline. (ii) The deadline to contract with a managing agent is 6/28/2025. The Newark FO does not expect ACHA to meet this deadline.
6(a) Improve Financial Performance	Submit unaudited and audited financial statements for the fiscal year ending 2022 within three months following the execution date of this Agreement, and	3/21/2024	Did not meet deadline	Unaudited financials were submitted timely on 6/14/2022. The audited financials were submitted on 2/21/2024 but were rejected, and the re-submission was submitted late on 7/19/2024.
6(b) Improve Financial Performance	Submit unaudited and audited financial statements for the fiscal year ending 2023 within six months following the execution date of this Agreement, and	6/21/2024	Did not meet deadline	Unaudited financials were submitted timely on 6/15/2023. The audited financials were submitted late on 7/19/2024.
6(c) Improve Financial Performance	For the first released PHAS assessment for fiscal years ending on or after 3/31/2023, the ACHA shall increase the Financial sub-indicator ("FASS") on the PHAS assessment to at least 15 out of 25 possible points, or 60%.	3/31/2023	Did not meet deadline	FY 2023 FASS score was 0 out of 25 points for failure to submit audited financials timely.
7 Reposition Public Housing	Evaluate all opportunities to reposition, i.e., remove from its public housing inventory, all of its public housing properties. Within 9 months after the execution of this Agreement, ACHA must submit its evaluation of repositioning opportunities for all public housing properties as well as a detailed plan and timeline to submit an approvable application to HUD requesting one or more of the following actions to be taken with respect to all of its public housing properties: a Rental Assistance Demonstration ("RAD"), or b Section 18 Disposition and/or Demolition, or c Voluntary Conversion, or d Required Conversion	9/21/2024	Did not meet deadline	The majority of PNAs are still in draft form – vendor has only issued a final PNA for Stanley Holmes Village.

