THE FIRST YEAR OF ASSET MANAGEMENT

EXAMPLES FROM 6/30 AND 9/30 PUBLIC HOUSING AGENCIES

THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OCTOBER 23, 2008

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SECTION I – INTRODUCTION

Per Contract C-DEN-02060, this document provides information (profiles) about six different Public Housing Agencies (PHAs) that have recently completed their first year of asset management (June 30 and September 30 fiscal year ending (FYE) PHAs). These profiles are intended to assist other PHAs in understanding how similar PHAs handled the transition to asset management, particularly with respect to the conversion to project-based budgeting, project-based accounting, and project-based management.

Project-based budgeting, project-based accounting, and project-based management are fundamental building blocks of asset management in Public Housing. Each profile contains information on the organization's property portfolio, its organizational structure and approach to asset management and project-based management. Each profile also includes a description of how the PHA met project-based budgeting and project-based accounting requirements in the first year.

The PHAs included with this report are shown in Exhibit 1.1. Although this list is not intended to be a representative sample, an effort was made to select PHAs with different size, portfolio, and geographic characteristics. This document focuses on large and medium PHAs with multiple projects. ***Please note that these profiles do not constitute mandates or endorsements of particular PHA operations by HUD*.**

Exhibit 1.1: Profiled Public Housing Agencies

Organization	Cohort
San Antonio (TX) Housing Authority (San Antonio)	Large PHA (over 1,000 units)
Housing Commission of Anne Arundel County (MD) (HCAAC)	Large PHA (over 1,000 units)
Housing Authority of the County of Monterey (CA) (Monterey)	Large PHA (over 1,000 units)
Housing Authority of the City of Reno (NV) (Reno)	Medium PHA (250-1,000 units)
Florence (AL) Housing Authority (Florence)	Medium PHA (250-1,000 units)
Lebanon County (PA) Housing Authority (Lebanon)	Medium PHA (250-1,000 units)

The PHAs profiled share many similarities, though they also differ from one another in important ways. Exhibit 1.2 lists some key characteristics of these PHAs. Each of these characteristics, along with other important aspects of PHA operations, are further described and discussed throughout this document.

Exhibit 1.2: Public Housing Agency Characteristics

Characteristic	San Antonio	HCAAC	Monterey	Reno	Florence	Lebanon
FYE	6/30	6/30	6/30	6/30	9/30	6/30
Public Housing Units	6,468	1,026	615	764	647	405
Public Housing Projects	31	5	11	8	4	3
HCV Units	1,200	1,856	3,874	2,498	677	540
Gainer/Decliner	N/A*	Gainer	Gainer	Decliner	Decliner	Decliner
Stop Loss Applicant	N/A*	N/A	N/A	No**	Yes	Yes
Operating Statements Produced Regularly?	Yes	Yes	Yes	Yes	Yes	Yes

*San Antonio is a Moving to Work (MTW) Agency.
**Reno successfully applied for a higher project expense level (PEL).

The PHAs included in this report have all completed their first year of asset management. Most indicated that their organizations are continuing to evolve. It is important to note that, while there are certain tendencies among PHAs with respect to organizational structure, based in part on HUD requirements, there is no "one size fits all" model. PHAs must adapt their organizations to best meet local needs, while remaining within the basic parameters of asset management.

The First Year of Asset Management - Some Observations

- ***Project-based budgets are an integral part of Public Housing under asset management***. The PHAs profiled each take the project-based budgeting requirements very seriously, and use the budget process and the budget itself to help manage their projects. Budget creation at the beginning of the year is seen as a key planning opportunity, and site-based staff is increasingly involved in this process, with appropriate oversight, in recognition of their expertise of particular project operations.
- ***Project-based accounting is an essential tool used by PHAs to monitor performance on an ongoing basis***. Although not required by HUD regulation, the PHAs profiled create regular operating statements and use those statements as one tool to evaluate financial and other types of performance of their projects, including the performance of site-based staff. This has led to an increase in the quality and efficiency of services provided and a significant increase in the amount of project-level knowledge afforded to some PHAs.
- ***Site-based Project Managers are active participants in the day-to-day operations of their projects***. While each PHA profiled differs slightly in this regard, site-based Project Managers are enjoying more autonomy and authority over day-to-day project operations, increasing PHA focus on individual projects as opposed to the overall Low Rent program. Each PHA has dedicated employees responsible for operations at each project, and the level of autonomy grated to that site staff is dependent on experience, knowledge, and comfort.
- ***There is not any "one-size-fits-all" approach to asset management***. Consistent with earlier findings, PHAs will continue to adopt organizational and staffing models based on their local needs and contexts, utilizing some of the flexibility provided by asset management regulations.
- ***Many PHAs are adopting best practices from other, non-Public Housing programs within their larger portfolios***. Many of the PHAs profiled here provide a wide array of affordable housing. PHAs that operate programs other than Public Housing may be able to take best practices (e.g. budgeting, staffing, fee allocation, etc.) from those programs to assist in the operation of Public Housing. This process has the potential to increase staff comfort and understanding.
- ***Early and ongoing training and communication can ease the difficulties of the transition***. Many PHAs profiled spoke highly of the importance and success of ongoing training efforts. The asset management transition is a significant one for many PHAs and in some instances can lead to changing roles for staff and new organizational structures. Ongoing communication with key stakeholders and training can help to unlock the benefits of the asset management model.

SECTION II – PUBLIC HOUSING AGENCY PROFILES

Six PHAs are presented in this section. These include the San Antonio Housing Authority (San Antonio), the Housing Commission of Anne Arundel County (HCAAC), the Housing Authority of the County of Monterey (Monterey), the Housing Authority of the City of Reno (Reno), the Florence Housing Authority (Florence), and the Lebanon County Housing Authority (Lebanon). The organizational and staffing characteristics of the PHAs presented can provide information to other organizations regardless of size. These PHA organizational arrangements are not standard or required models, but are provided as examples of PHAs with different portfolio sizes.

The emphasis of this research is on structures, functions, and responsibilities to manage Public Housing. Therefore, not all offices or departments are discussed for each PHA (e.g. Section 8 Housing Choice Voucher (HCV) program).

Large Public Housing Authorities

San Antonio Housing Authority (Texas)

(As of September 26, 2008)
http://www.saha.org/

Portfolio Details

The San Antonio Housing Authority (San Antonio) owns 6,468 Public Housing units grouped into 31 projects. San Antonio also owns or administers approximately 3,000 non-profit units and approximately 12,000 HCV units. San Antonio's current portfolio is shown in Exhibit 2.1:

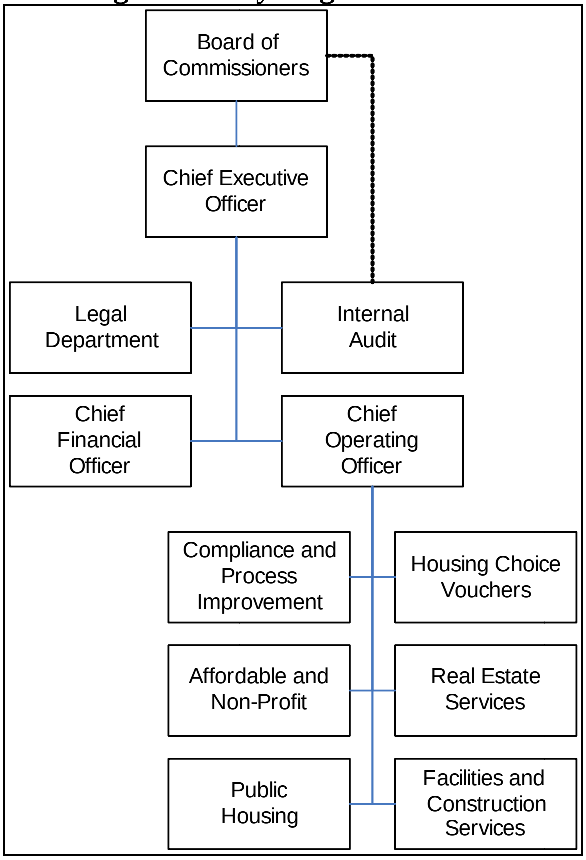
Exhibit 2.1 San Antonio Housing Authority Portfolio

Program	# of Units
Low-rent Public Housing	6,468
Non-profit units	3,181
Housing Choice Vouchers	Approximately 12,000

Organizational Structure and Approach to Asset Management

San Antonio's organizational structure consists of an office dedicated to each main program area, (including Public Housing), supported by legal, finance, and operations at the central office. A condensed version of San Antonio's organizational chart is shown in Exhibit 2.2.

Exhibit 2.2: San Antonio Housing Authority Organizational Chart*



*This diagram has been simplified and does not show all offices.

Each program office at San Antonio reports to the Chief Operating Officer. The Chief Finance Officer oversees staff performing finance, accounting, procurement, energy, risk management, HR, customer and corporate communications, and research and community planning activities. Site-based Property Managers are responsible for the day-to-day operations of their properties, including most maintenance functions. The Property Managers report to District Managers who in turn report to the Director of Public Housing.

San Antonio has had dedicated Property Managers assigned to individual properties across its portfolio for years prior to the official conversion to asset management under HUD regulations. However, as part of the transition, many Property Managers became responsible for larger portfolios and for more activities of their portfolios. While most Property Managers possessed the necessary technical skills to oversee a larger portfolio, others required additional training and assistance, particularly in financial and oversight areas. San Antonio has identified training needs and is focusing on procurement and financials for Property Managers to address these areas.

San Antonio utilizes a fee-for-service approach for legal services and for certain maintenance/trade functions. San Antonio continually evaluates the fees charged for these activities, and regular discussions are held with relevant trade groups to review the cost of these services and the future viability of the fee-for-service model. This fee evaluation is an integral part of San Antonio's annual budget process.

The San Antonio COCC charges its projects the standard fees laid out in the fee schedule included in PIH Notice 2007-9, *Changes in Financial Management and Reporting for Public Housing Agencies Under the New Operating Fund Rule (24 CFR part 990)*. All Public Housing projects as well as the non-profit portfolio are charged the same fee amounts, which enables San Antonio management to better compare property performance across the portfolio. In the first year these fees were sufficient to fund the operating activities of the central office, which had a positive cash flow in FYE 2008.

Project-based Budgeting and Accounting

The project-level budgeting process at San Antonio is driven by Property Managers with support and oversight from the central office. Centrally, San Antonio has developed a Budget Work Group responsible for providing Property Managers with several key pieces of budget information, including historical budget data, prior year actual operating data, and current actual expenditures. San Antonio has also assigned staff accountants to each project that assist Property Managers with all levels of the budget management process.

On the site-level, Property Managers develop the first draft of the property budget which is then reviewed by the Finance Department and adjusted as necessary. The Director of Public Housing provides continuous feedback to the Property Managers on budget management. Property Managers are accountable for their budgets and, at a minimum, must work towards ensuring that their properties break even or have positive cash flow.

San Antonio completes property-level financial statements on a monthly basis, typically by the fourth day of the following month. Meetings with the Property Managers are held for those projects whose actual performance significantly varies from budgeted performance. These meetings discuss strategies on how to resolve any financial and other issues identified. Dashboard indicators, such as occupancy and turnover rates, are produced electronically and are available for review daily. Property Managers that are demonstrably successful in managing to their budget are provided with higher levels of flexibility (with appropriate oversight) in making procurement and other property management decisions.

Challenges Overcome and Lessons Learned

San Antonio is in the process of evaluating whether some currently decentralized compliance activities (e.g. wait list administration) should be recentralized or overseen using a hybrid approach to maximize oversight and monitoring in these important areas.

Since its conversion to Asset Management, San Antonio has increased the number of staff training opportunities provided. San Antonio follows a continuing education model. Training is available to staff on a monthly basis. To date, San Antonio Housing Authority staff has participated in training focusing on financial analysis and budgeting. Senior staff has also provided focused training to the PHA's Board.

In general, the transition to asset management has worked well for San Antonio. They had systems, including IT systems in place prior to the official conversion and were well positioned administratively, which contributed to a smooth conversion. San Antonio has overcome some staff concerns and resistance encountered in the initial period of the transition and attributes this success to upfront and honest communication of the changes required and the active involvement of all stakeholders, including employees and residents.

Housing Commission of Anne Arundel County (Maryland)

(As of September 26, 2008)
http://hcaac.com/

Portfolio Details

The Housing Commission of Anne Arundel County (HCAAC) has 1,026 Low-rent Public Housing units organized into five projects. HCAAC also has 1,856 units in their HCV program, in addition to units participating in a host of other programs. HCAAC's current portfolio is shown in Exhibit 2.3.

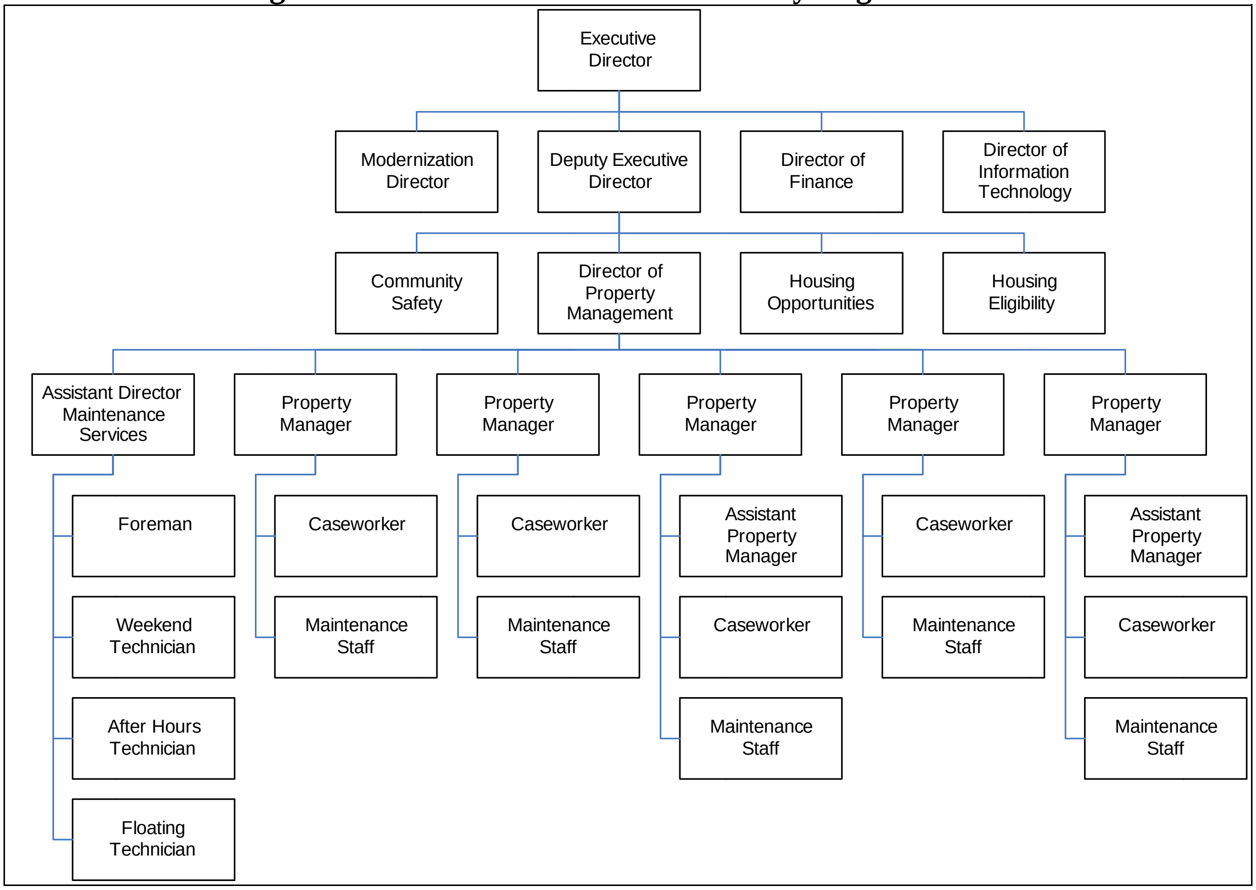
Exhibit 2.3: Housing Commission of Anne Arundel County Portfolio

Program	# of Units
Low-rent Public Housing	1,026
Housing Choice Vouchers	1,856
Market Rate Apartments	39
Commercial	17
Key Choices Homeownership	13
HOPWA	42
Continuum of Care	35
HOME Rental Program	22
State Rental Allowance Program	24

Organizational Structure and Approach to Asset Management

The diversity and complexity of HCAAC's portfolio is reflected in its organizational chart, which is shown in Exhibit 2.4.

Exhibit 2.4: Housing Commission of Anne Arundel County Organizational Chart*



*Note: Only Property Management is broken into its smallest organizational components.

The Director of Property Management has the primary responsibility of overseeing the day-to-day activities of site-based Property Managers. HCAAC's Housing Opportunities department administers and manages all of the rental subsidy programs of the non-PHA owned units. The Housing Eligibility department administers and manages all applications, waitlists and eligibility functions for all programs in HCAAC's portfolio. The Community Safety department administers and manages all safety, risk and criminal issues in all programs.

HCAAC's conversion to asset management was conducted in stages to manage the process and to help adjust staff and other stakeholders to the transition. These stages involved establishing goals and benchmarks throughout the process. Some time was taken to evaluate the most recent phase prior to moving to the next phase. Preliminary discussions regarding the transition were held in 2004 and the first phase of the operational plan was implemented in 2006, with each phase occurring in stages up to early 2008.

HCAAC has had an on-site management system since the early 1990s. The main transition elements at HCAAC included decentralization of the Maintenance department to the site level and changes to the site-based management structure. Some of the staff who were to perform supervisory roles in the transitioned organization were relatively inexperienced in the budgeting and oversight process. These new responsibilities, combined with the decentralization of maintenance oversight, impacted HCAAC's staffing and led to a higher staff turnover than initially expected, primarily in maintenance. It became clear to HCAAC that the most effective hiring strategy would be to fill vacant positions with people with prior experience in the wider multifamily industry. The impact of the transition was minimal for these new hires with private sector experience, as they were already used to operating in the business model towards which HCAAC was transitioning. The transition focus of recently hired staff was on learning the particular requirements of HUD regulations.

Project-based Budgeting and Accounting

HCAAC is located in the jurisdiction of HUD's Baltimore Hub Field Office. However, HCAAC charges its projects a property management fee higher than HUD's published rate for the Baltimore Office because they are in close proximity to Washington, DC and their management costs tend to run higher than those in Baltimore. In the first year, HCAAC charged each project fees according to the following schedule in recognition of the flexibility afforded to PHAs in the first year:

- A $7.50 PUM bookkeeping fee;
- A Management Fee of $52.50 PUM. This fee, which is slightly in excess of the HUD fee amount for Baltimore, is based on an HCAAC survey of property management companies in their area. HCAAC identified $52.50 PUM as being well within the area norm and HCAAC anticipates that this fee amount will be acceptable to HUD going forward;
- A $10 PUM asset management fee;
- A $10 PUM safety fee. This fee funds the employees in the Community Safety department, which includes these employees' benefits and transportation. The three members of the safety department spend time at all of the properties engaged in lease enforcement and working with law enforcement on crime issues; and
- An admissions and occupancy fee. The proceeds from this fee are used to fund HCAAC's centralized Admissions and Occupancy department. The fee amount varies for each project and program to account for the variety in processes involved. For Public Housing projects, this fee is in the $8.12 to $12.75 PUM range, depending upon the project. Generally, those projects with the higher admission and occupancy fee rates require more effort in client placement. This fee-for-service arrangement for centralized admissions and occupancy is distinct from more common allocation arrangements, but it has been a workable model for HCAAC.

HCAAC's Finance Department prepares a budget worksheet for the Property Managers and management staff supplies the historical data, information on staff benefits, the anticipated amount of the operating subsidy, and other information. The Property Managers complete the remaining categories of the budget worksheet using information they have on their projects. The budgets are then submitted to the Director of Property Management who reviews and makes adjustments to the document prior to its submission to the Finance Department for final review and approval. By having the Property Managers involved in the development of the budget, HCAAC has improved the accuracy and usefulness of the budgeting process. Additionally, Property Managers have a more vested interest in managing their budgets and are taking more responsibility over their expenses. The ability to manage to the approved budget is factored into the Property Manager's annual performance evaluation. HCAAC produces operating statements on a monthly basis.

HCAAC realized early in the process that a robust program of staff training would greatly ease any difficulties associated with the transition. Due to the limited availability of external staff training opportunities, HCAAC leveraged internal resources. HCAAC's Finance Department provided training and explanations of the project-budgeting process to the Property Managers early in the transition process. The Director of Finance taught a NAHRO course on project-based budgeting and accounting. HCAAC plans to have as many of its Property Managers attend state conferences and other opportunities so that they can participate in the latest training available. HCAAC also continues to provide training and consulting services to other PHAs as they transition to asset management.

Challenges Overcome and Lessons Learned

HCAAC is an agency that embraced asset management early on. The agency had already implemented and realized the benefits of many asset management components, so that when the Final Rule was issued, the agency just had to add to the steps already completed by decentralizing maintenance, decentralizing some warehousing and inventory, and moving some additional responsibilities to the site level. The transition was well communicated from the management and executive team to the rest of the agency. As a result, the management team was able to gauge employee reactions to the changes.

Housing Authority of the County of Monterey (California)

(As of September 26, 2008)

http://www.hamonterey.org/

Portfolio Details

The Housing Authority of the County of Monterey (Monterey) has 1,300 total units, 615 of which are Low-rent Public Housing organized into 11 projects. In addition to managing a 3,874 unit HCV program, Monterey has a very diverse portfolio encompassing a variety of affordable housing types. Monterey owns or manages elderly projects, tax credit projects, USDA Farm Labor complexes, a six-month migrant complex for the State of California Migrant Services, State of CA-funded affordable housing developments, bond projects and HOME layering projects. The majority of Monterey's Pubic Housing units are located in the Salinas, the largest city in the county of Monterey. Monterey's current portfolio is shown in Exhibit 2.5:

Exhibit 2.5: Housing Authority of the County of Monterey Portfolio

Program	**# of Units**
Low-rent Public Housing	615 organized into 11 projects
Housing Choice Vouchers	3,874
Elderly	352 (includes Public Housing and other programs mentioned in this table)
Tax Credit	27
USDA Farm Labor Complex	134
State of California Affordable Housing	50 affordable and 82 seasonal migrant farm housing
Bond Projects	174 (166 elderly and 8 family)
HOME Layering Projects	204 (some are included in the totals above)
Multifamily Project based Section 8 Housing for the Elderly	64 (included in the above Elderly total)
CPD-Homeless Continuum of Care Supportive Housing Program (transitional housing)	56

Organizational Structure and Approach to Asset Management

Monterey is in the process of reorganizing to maximize the efficient operation and oversight of its diverse portfolio. Under the new structure, Monterey's main offices will include a central office that houses the following offices: the Executive Office, Finance, Human Resources, Information Technology, Property Management and Housing Assistance Programs. The Executive Office includes the staff support for the Board of Commissioners and the Office of Asset Management and Quality Control. The Quality Control Office is a new department that will ensure compliance with asset management program requirements. The Human Resources and Information Technology departments support the entire agency. The Property Management department oversees operations of all properties that are owned and/or managed by Monterey.

The Housing Assistance Programs Office oversees the HCV program. Within the Housing Assistance Programs department, the Eligibility department handles initial eligibility for all programs, including HCV and Public Housing.

Monterey uses a regional model of site-based property management. Most projects have 50 units or fewer, which makes the regional approach more cost effective in Monterey's situation. Monterey's on-site staff consists of either Area Housing Managers or Housing Management Aides. Sites that are in close proximity to each other are typically managed by the same Area Housing Manager regardless of the program in which the project participates. Depending on the property and location, an Area Housing Manager's portfolio may consist of only Public Housing units. Many Property Managers manage other programs in addition to Public Housing. This regional structure and experience across multiple program types enables Monterey's Area Housing Managers to apply asset management best practices across a number of different programs.

During the reorganization under asset management, many functions such as accounts receivables and rent collections were decentralized to the site level. As part of their reorganization, Monterey is evaluating the placement of their maintenance staff, which are currently located centrally and utilized by the projects using a fee-for-service approach.

Monterey has elected to use a hybrid approach to tenant selection. Site-based eligibility is used at some sites, while central eligibility is used for their family Public Housing in Salinas in order to comply with FHEO regulations.

Project-based Budgeting and Accounting

Monterey charges a property management fee, bookkeeping fee and asset management fee generally within the guidelines established by PIH Notice 2007-9, *Changes in Financial Management and Reporting for Public Housing Agencies Under the New Operating Fund Rule (24 CFR part 990).* Monterey's Board is considering amending its Annual Plan to include a phased-in management fee approach consistent with PIH guidance on the phase-in of those fees. Monterey's current PUM overhead amounts are very close to the fee limitations set by fee guidance, and Monterey expects to achieve fee reasonableness within the limitations set by PIH by 2011.

Budget development at Monterey is led by the centralized Finance Department but incorporates significant input and assistance from regional Property Management staff. The budget is developed using a spreadsheet that aggregates historical data and input from Property Managers and maintenance staff on what they have identified as needs of the property. Monterey actively involves the Property Managers and the maintenance staff in managing the properties' budgets. Managers have the flexibility to disburse funding and make the appropriate budget decisions. The process is overseen by a Director of Housing Management who has been involved in the budgeting process for over a decade. Monterey produces monthly operating statements which are reviewed with the Property Managers and during Board meetings.

Challenges Overcome and Lessons Learned

Monterey is an operating subsidy "gainer" under the new formula. Due to these subsidy increases and careful management to individual project-level budgets, most of Monterey's Public Housing projects are operating with positive cash flow. Consistent with Monterey's expectations at the outset of the transition, elderly projects are not performing as well from a financial perspective as their family projects. Monterey has two elderly housing projects one with 20 units and the other with 50 units; both are in rural areas. Current rental revenue from fixed-income residents at these projects is slightly insufficient to cover the costs of maintaining these complexes.

While Monterey's transition is ongoing, they had been structured fairly well in terms of assigning Property Managers to projects prior to the onset of the asset management transition. Monterey's continues to provide training and assistance to its Property Managers. Had Monterey known at the beginning of asset management what they know now, they would have accelerated the staff training process in the areas of budget management, procurement, maintenance management and supervision of subordinate staff.

Medium Public Housing Authorities

Housing Authority of the City of Reno (Nevada)

(As of September 30, 2008)

http://www.renoha.org/

Portfolio Details

The Housing Authority of the City of Reno (Reno) operates several types of housing programs. Reno owns eight projects with 764 Public Housing units. Reno also owns 284 units of market rate housing, administers 2,500 HCVs, and is the performance-based contract administrator (PBCA) for 3,500 units in Nevada. Most of Reno's market rate properties are managed by private management companies and overseen by agency staff. Reno's current portfolio is shown in Exhibit 2.6:

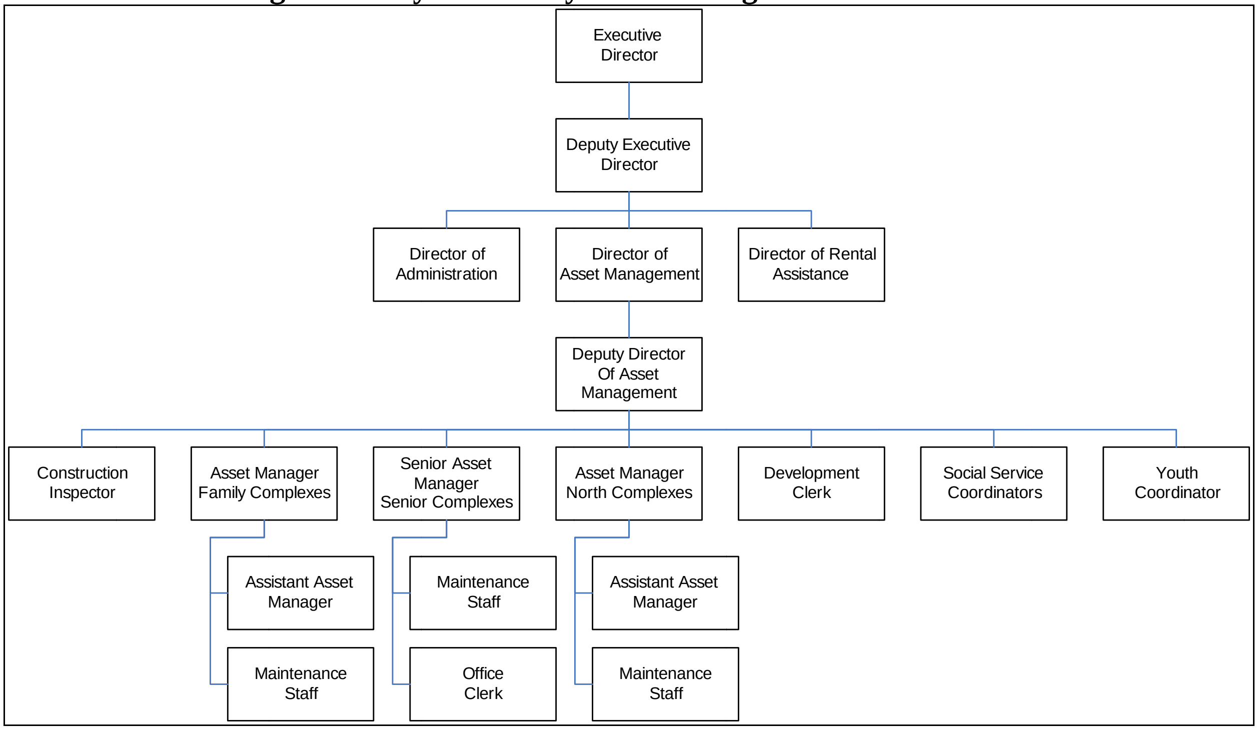
Exhibit 2.6: Housing Authority of the City of Reno Portfolio

Program	**# of Units**
Low-rent Public Housing	764 units, eight projects
Housing Choice Vouchers	2,498
Market Rate	284

Organizational Structure and Approach to Asset Management

Reno's overall organizational structure reflects the multiple programs it administers. The organizational chart is shown in Exhibit 2.7. The on-site property management function is performed by personnel with the title of Asset Manager.

Exhibit 2.7: Housing Authority of the City of Reno Organizational Chart*



*Note: Only the detail under the Director of Asset Management is shown.

Public Housing property management functions are housed in the Department of Asset Management. The Department of Asset Management consists of five Social Service Coordinators that administer the Family and Economic Self Sufficiency Program as well as several state-level sufficiency programs and one Youth Coordinator. The Youth Coordinator is responsible for coordinating with outside agencies that provide activities and programs for children in Reno, such as mentoring programs, after-school programs, computer proctoring, recreational activities and privately-funded camps. These employees are assigned to the central office and all but the Youth Coordinator are funded via non-operating subsidy HUD and state grants. Maintenance staff members not assigned to particular projects serve in a support role, as does the Development Clerk. Asset Managers monitor the timeliness of work orders and report this to Reno management. This has been one of many positive changes due to the transition noted by Reno management. Prior to the conversion, on-site management was minimally involved in maintenance at the site level.

The remainder of staff in the Department of Asset Management is assigned to particular projects. Asset Managers are supported by Assistant Asset Managers, Office Clerks, and Maintenance Technicians as needed at particular projects. In some instances, the Asset Managers that oversee the Public Housing program also oversee small tax credit or unassisted properties given geographical and workload considerations. Reno employs three Asset Managers that split their time among the eight Low Rent projects in the portfolio.

PBCA administration, which Reno operates through a wholly owned non-profit subsidiary, is not shown in this organizational chart. The HCV Program is operated through the Department of

Rental Assistance, and the Director of Administration handles accounting and other similar business functions. The Department of Rental Assistance also handles all applicant intake procedures including Public Housing.

Asset Managers are responsible for procurement of materials and supplies for the projects. Prior to asset management, Reno had a central store and employed a full-time staff person to oversee distribution of supplies to projects. Procurement costs were reduced and timeliness of supplies distribution improved when the Asset Managers were able to order the supplies and materials independently. Reno management is still responsible for overseeing contracts.

Reno has also contracted a private courier service to make daily deliveries to each project, a move that is more cost-effective than employing a full-time messenger as they did prior to asset management.

Project-based Budgeting and Accounting

Reno charges its projects' a property management fee, bookkeeping fee and asset management fee within the guidelines established by PIH Notice 2007-9, *Changes in Financial Management and Reporting for Public Housing Agencies Under the New Operating Fund Rule (24 CFR part 990).*

Asset Managers and maintenance staff are involved in developing project-level budgets. Asset Managers were given the previous year's budget and were asked to coordinate with their maintenance staff to determine both the anticipated funding required to operate the projects and to identify the types of training that would be most useful for the staff in performance of their day-to-day responsibilities. Asset Managers were ultimately responsible for identifying and justifying each budget line item, which both increases their accountability and recognizes their expertise regarding their particular project.

Reno ended their fiscal year on target with their budgets. Although Reno does not provide financial incentives to Asset Managers to manage to the budgets, Reno has observed that their Asset Managers have been driven by the satisfaction of meeting their goals. Moving forward, Reno anticipates that Asset Managers will continue to drive the budgeting process with support from the central office.

Reno produces monthly operating statements centrally with copies provided to Asset Managers by the fourth week of the month. Financial information data is uploaded to an online system and Asset Managers are able to access the information on an as-needed basis. The Accounting Office is in the process of posting budget data and all of the budget data for the following year is available prior to the beginning of the fiscal year.

Challenges Overcome and Lessons Learned

Reno has found that their decentralized procurement process developed under asset management has been very successful. Site-level Asset Managers purchase products for day-to-day needs and find that the process is now more streamlined and efficient in terms of ordering and receiving the correct products. Oversight of the billing process has also become simpler. The cost of the procurement process was greatly improved with the elimination of the full-time messenger position and its replacement with a part-time courier service.

Reno recognizes that the training provided to the staff should have been on a more aggressive schedule. Reno is currently focused in training staff on techniques to maximize curb appeal, maintenance oversight, workload reviews, prioritization of workload, and financial management.

Florence Housing Authority (Alabama)

(As of September 26, 2008)
http://www.flohousing.org/

Portfolio Details

The Florence Housing Authority (Florence) is a medium-sized PHA with 647 Low-rent Public Housing units in four projects and 677 HCVs. Florence does not manage any other projects or programs, although outside of the Housing Authority there is a separate non-profit with a separate Board that manages four single family homes. Florence's portfolio is shown in Exhibit 2.8.

Exhibit 2.8 Florence Housing Authority Portfolio

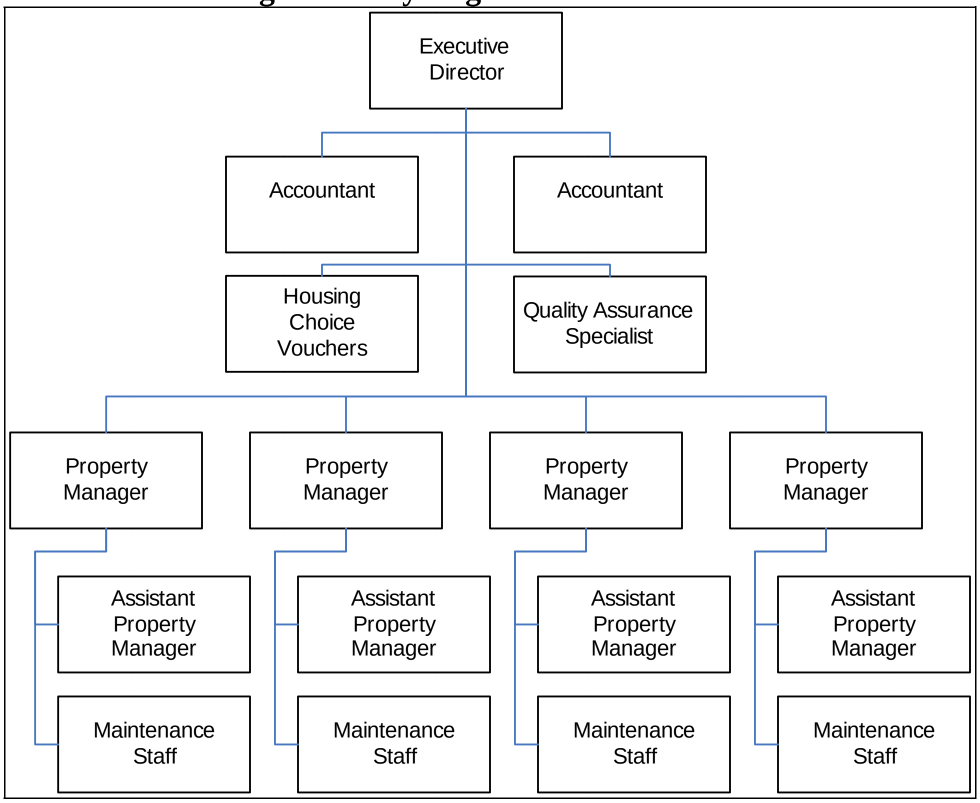
Program	# of Units
Low-rent Public Housing	647
Housing Choice Vouchers	677

Organizational Structure and Approach to Asset Management

Florence's COCC consists of four staff: the Executive Director, two Accountants, and a Quality Assurance Specialist. The Quality Assurance Specialist is a position that was created a year into Florence's conversion to asset management. The Quality Assurance Specialist is responsible for all of the programmatic monitoring and conducting constant Rental Integrity Monitoring (RIM)-type reviews of Florence's portfolio. He also conducts EIV security reviews at each project and for the HCV program. This involves visiting all of the property management offices, ensuring that re-exams are conducted, and reviewing files and reports, monitoring vacancies and tenant account receivables, and reviewing information on MASS and SEMAP. The Quality Assurance Specialist performs reviews of the HCV department on a constant basis and ensures that all policies are being followed. The Quality Assurance Specialist does not supervise the projects or the HCV program.

When Florence converted to asset management it created four new offices and decentralized maintenance and property management. The COCC leases space from one of the projects and has offices on the first floor of one of the projects elderly high-rise buildings. Each project has a Property Manager, an Assistant Property Manager, and two-to-three maintenance staff. Florence's organizational structure is shown in Exhibit 2.9.

Exhibit 2.9: Florence Housing Authority Organizational Chart



Project-based Budgeting and Accounting

Florence charges its four projects a bookkeeping fee, a property management fee, and an asset management fee. These fees are based on leased units on the first day of the month and the guidelines issued by HUD. Each of the Property Managers is aware of the importance of leased units to Florence's bottom line. Florence has successfully applied for and received Stop-Loss approval, and continues to fund its COCC using fee revenue.

Florence produces project-level operating statements monthly. At a monthly meeting these operating statements are then reviewed by accounting staff with the Property Managers for general financial performance, variances from budgeted amounts, and other items. Property Managers hold primary responsibility for the day-to-day management of each project in Florence's portfolio. The Assistant Property Managers typically do not participate in these meetings unless there are special circumstances around their particular project. Florence also conducts monthly "spot check" reviews of each project's inventory, an activity where the Property Manager, maintenance staff and Accounting staff are involved, especially if a discrepancy is detected. These "spot check" inventory reviews are in addition to the annual inventory review conducted by the COCC.

Challenges Overcome and Lessons Learned

Prior to converting to asset management, Florence had a Director of Housing Operations who was the only one working "globally" on Public Housing within the agency. With the creation of four projects, each staffed with a Property Manager and an Assistant Property Manager, Florence greatly increased its human resource assets focused on project operations. Each of the Property Managers and Assistant Property Managers have been trained in the operations of Public Housing, are knowledgeable about HUD policies, and have improved Florence's relationships with its residents. With only one person managing lease-ups and one person responsible for re-examinations prior to conversion to asset management, it was difficult for Florence staff to know and understand the residents and their concerns. Since Property Managers and Assistant Property Manages are now on-site and fully responsible for all of the day-to-day operations of the project, Florence has improved its awareness of its residents and the quality of its service.

Another challenge that Florence encountered during its conversion to asset management centered on record management. It was difficult to access old tenant information records at each project because the files were kept centrally and were not easily accessible to the Property Managers. Florence now employs the services of a contractor who manages Florence's records. The contractor is responsible for scanning files, keeping a back up, uploading the data into Florence's server and disposing of files appropriately. This process has improved access to critical project-level information and has contributed to effective management at Florence.

Lebanon County Housing Authority (Pennsylvania)

(As of October 2, 2008)
http://www.lebanoncountyhousing.com/

Portfolio Details

The Lebanon County Housing Authority (Lebanon) is a medium-sized PHA with 405 Low-rent Public Housing units and 540 Housing Choice Vouchers. The Public Housing units are organized into three projects, which Lebanon refers to as areas. In addition to Public Housing and HCV, Lebanon also manages 100 Section 202 and 103 Tax Credit units. Lebanon's portfolio is shown in Exhibit 2.10:

Exhibit 2.10 Lebanon County Housing Authority Portfolio

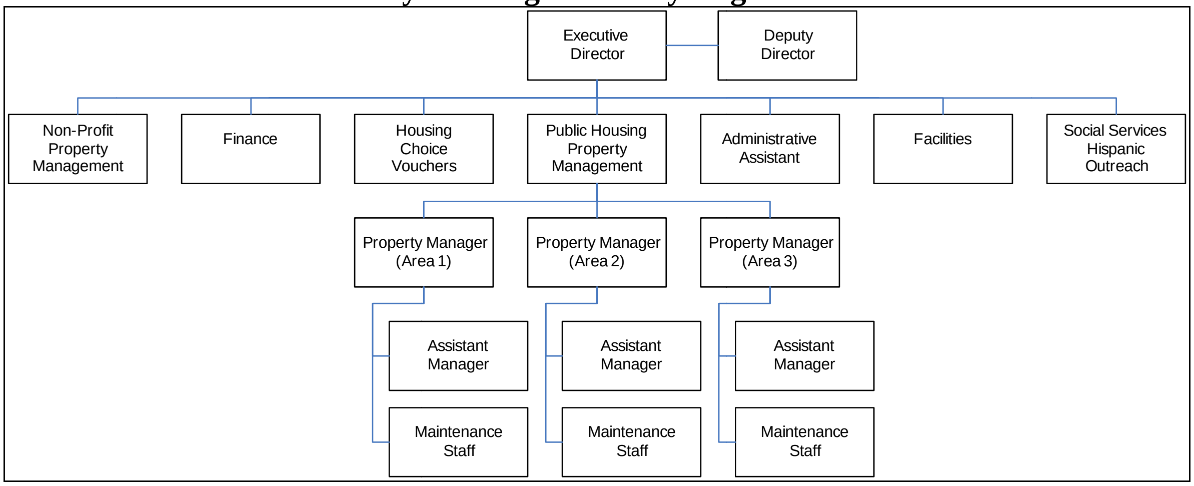
Program	# of Units
Low-rent Public Housing	405
Housing Choice Vouchers	540
Section 202	100
Tax Credit	103

Organizational Structure and Approach to Asset Management

Lebanon's central office consists of eight staff: the Executive Director, the Deputy Executive Director, the Finance Director, the Housing Choice Vouchers Director, the Director of Non-Profit Property Management, the Social Services Hispanic Outreach Director, the Director of Facilities and an Administrative Assistant. The Deputy Executive Director also serves as the Director of Public Housing Property Management and supervises on-site Public Housing management staff. The Non-Profit Manager is responsible for overseeing Lebanon's Tax Credit and Section 202 projects. Site-based managers of the Tax Credit and Section 202 projects have similar responsibilities as the Public Housing managers for their respective programs.

Lebanon has a full-time Property Manager, a full-time Assistant Manager and a complement of maintenance staff dedicated to each of its three Public Housing projects. The Property Managers and their staff have extensive autonomy and are responsible for the day-to-day operations of each project. Lebanon's organizational chart is shown in Exhibit 2.11:

Exhibit 2.11: Lebanon County Housing Authority Organizational Chart



Lebanon has a close working relationship with the Lebanon County Redevelopment Authority and several of Lebanon's employees, including the Director of Facilities and the Administrative Assistant, provide services to the Redevelopment Authority. The Redevelopment Authority pays Lebanon appropriate fees and prorated costs for these services. Lebanon also operates a resource and referral program for members of the Hispanic community in Lebanon County through the Social Services Hispanic Outreach program. These activities are funded through the United Way and other private funding, and Public Housing residents are free to utilize services provided by this program.

Project-based Budgeting and Accounting

Lebanon had been using project-based budgeting for its Tax Credit and Section 202 developments prior to the regulatory requirements associated with asset management in the Public Housing program. In the first year of project-based budgeting for Public Housing, Lebanon developed the budgets using the format they used for the Tax Credit and Section 202 programs to maintain consistency and simplify the transition to the extent possible, and continues to use similarly formatted budgets. As there was no historical project-level data available, these budgets were developed by taking historical Low Rent information and breaking it down to individual projects. The budgets were developed primarily by COCC staff with minimal involvement from the Property Managers. The second year of project-based budgeting was a refinement of the first year, with the Property Managers taking a more direct role in the development of their budgets. In the third and subsequent years, Property Managers will take the lead in the development of their budgets.

Lebanon charges its three projects a bookkeeping fee, a property management fee, and an asset management fee in accordance with HUD regulations. In addition, Lebanon centralizes its waiting list and rent collections and charges the projects a fee for processing rent payments.

Lebanon produces project-level operating statements approximately every six weeks. The Property Managers review these operating statements and are fully aware of how much money they have and how they are spending their funds. The operating statements, which are reviewed at least monthly by the COCC, are also a component of monthly Board meetings which are attended by Property Managers. Financial statements are reviewed along with rent collection, unit turnover, and other important performance information in these and other regular meetings.

Challenges Overcome and Lessons Learned

Lebanon's transition to asset management has gone relatively well. One challenge occurred during the division of physical inventory among the three projects. The initial division turned out to be unexpectedly contentious among projects due to the assignment of some older inventory, as projects were concerned that it would cost them more in the long run in terms of having to purchase new items. These issues have since been resolved.

Lebanon converted to asset management the day after Labor Day 2006. This date was picked because Lebanon had to be fully transitioned by October 1 to comply with the requirements of the Year One Stop-Loss application. The target date provided Lebanon with about a month to work through any wrinkles in the process before the actual required date of transition. Lebanon started the transition six months before, with weekly meetings that combined transition planning and staff training. No new staff members were hired. Additional responsibilities were given to existing staff and training was provided through outside consultants and commercially available seminars. Six months of planning and preparation enabled Lebanon staff to keep their eye on the conversion process without prolonging the discomfort associated with any organizational change.