HUD ASSET MANAGEMENT E-NEWSLETTER

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Inside This Issue

Akron Metropolitan Housing Authority (AMHA), Ohio—Spotlight Interviews Anthony "Tony" O'Leary, Executive Director

The Akron Metropolitan Housing Authority (AMHA) is located in the northeast corner of Ohio, 35 miles south of Cleveland. Akron is part of the older, Midwest industrial belt that has experienced major changes during the last two decades as it moved towards an economy centered on research and medical services. Founded in 1938, AMHA now has 4,242 public housing units, 4,556 housing choice vouchers, and 1,000 other affordable housing units.

Akron was one of the first large agencies to demonstrate a successful conversion to asset management under HUD's "Stop-Loss" program. Spotlight talks this month with Tony O'Leary, Executive Director, to see how the organization weathered the changes and what challenges, if any, remain.

You were early adopters of asset management. Have you reached a post-conversion calm?

Tony—Yes, I'd say we're definitely at that stage. We're way past "converting" and are really just tweaking and adjusting. It's a lot like undertaking major rehabilitation —you never know what you'll find until you open up the walls.

Was it a lot of effort?

Tony—Yes and no. You have to understand that we began preparing for asset management as soon as HUD conducted negotiated rulemaking and it was clear the direction the Department was heading. So, by the time we started assembling our stop-loss application, we were well along the way to conversion. We didn't need to convert everything all-at-once. For example, we had already eliminated our central warehouse and imple-

Cascade Village Community Center, Akron, Ohio mented just-in-time inventory procedures. We also had specific performance goals for each property and expenditures were tracked by property.

Looking back, what were some of the greatest challenges?

Edgewood Village, Akron, Ohio

Tony—I've got strong accounting staff, so we were able to handle the new financial reporting requirements with (relative) ease. The hardest challenge was getting managers to supervise maintenance. At first, it didn't work very well. We engaged the services of a human resources expert who organized confidential meetings with each employee.

We did a lot of coaching to build managers' supervisory skills, enhance communication, and establish clear goals and accountability. The manager did not need to know all the technical aspects of maintenance, but needed to more actively manage maintenance operations to assure reliable completion dates. If contract help would be needed in order to meet a move-in date, then the manager needed to know that fact early on in the turnover process. Managers were encouraged to visit the apartments and work areas of the maintenance crews to follow-up on the progress.

Decentralizing day-to-day purchasing functions, including oversight of service contracts (landscaping, extermination, etc.) was also a challenge. Extensive training of the site managers was required.

Sometimes it is difficult for the property managers to understand why some of the reporting we ask for is needed. For example, Akron has a deliberate capital improvement program that uses a computer model to project capital needs for the next thirty years. Initial set up included a visit to every building and inventory of all physical components and their expected useful life. It was challenging to get the managers to send in updates as components under their watch were replaced. Initially some of them thought this type of reporting was a pain. However, the bells went off at budget time when the managers did not have to gather up capital needs information and make projections. They thought it was great to receive a comprehensive report and simply review and update it if necessary. This has improved the capital budgeting process and strengthened communication between property staff and the Construction Department. We're still refining this aspect of our program.

What about some of the surprises you found when you "opened up the walls?"

Tony—Though most of maintenance workers are assigned to specific properties, we kept a small group of skilled electricians and plumbers. After surveying the greater Akron area, we determined a market price for these skills. The agency decided not to charge full market price because we thought it would break the AMP budgets, but we did cover the cost of our overhead. We thought that the below market price would offer a great incentive for the managers to call upon our central division. Instead, we found we had much less call for those workers than we had prior to the transition to asset management. To our amazement, we discovered that, in the spirit of saving money wherever possible, certain AMP maintenance workers were stepping up and doing higher skilled work than before, so the managers did not call for skilled trades as much as expected. As a result, skilled trade positions were reduced by 25%.

At one level, we took this chain of events as inspiring news of managers assuming more budget responsibility for their properties. The managers really caught on quickly. At another level, we found that some managers may have been overly aggressive in saving costs and not spending enough resources on preventive maintenance! We're learning how to balance our system of incentives and oversight to achieve good, long-term outcomes.

Were major changes also needed to make the Central Office Cost Center (COCC) feasible?

Tony—Remember, we were motivated to meet stop-loss (our agency was scheduled to lose $2 million annually under the new Operating Fund formula). Immediately, we eliminated a number of central office positions. Now, we live within our management fees but also charge back to the projects for certain direct functions that are best handled centrally, e.g., evictions (handled in-house). We are constantly looking at balancing cost and organizational efficiency. One area that we are looking at as we revisit our COCC budget is perhaps bringing back some central purchasing support. Without doubt, though, we definitely operate now with much more of a business mindset.

How has the PHA's overall performance changed since before and after asset management?

Tony—Akron was a high performer prior to the transition and is a high performer now. So we don't see the transition as a net gain in that respect. But you have to remember that we had implemented some parts of asset management prior to the change. Our site managers are much more fussy and attentive now that they have both more control over their properties and that we've made appearance and market appeal a priority. One of the other benefits of asset management is that people see things more globally by learning what others do and seeing more of the whole picture. In other words, there is more transparency in our operation.

What lessons learned can you share with us?

Tony—First, we underestimated the amount of time needed for human resources training in the supervision aspects of project-based management. The majority of our managers at the AMPs were promoted from within. It was a real eye-opener to see how much supervisory skills training was needed. Even 2½ years into the process, there is still a tremendous need for training. We really take advantage of peer-to-peer training (when we find one individual who really excels at a certain skill).

Second, it takes time to see how all of your systems work together. Connected to this point, we are further updating job descriptions and developing better dashboard reports.

Third, we really need to do a lot more with standard operating procedures. We found that simple and concise procedures are helpful so that people have a common reference. This should help us with the challenge of having consistency between the portfolios of the 3 area managers. While we want people to be able to bring some of their own style in order to meet targeted outcomes, everyone needs to follow the guidelines, especially for things that pose audit and compliance issues.

Any closing thoughts you would like to share?

Tony—As a public agency you need to be sensitive to your larger public mission to serve the entire community. Sometimes people think that asset management means that housing managers make all the decisions. We want to empower our managers to run the day-to-day operations of their projects; however, there are still "owner" decisions that appropriately rest with the Board and the Executive Director. You need to find the proper balance and you need to have consistency in areas such as finance, personnel, and lease enforcement. I applaud our staff for what they have accomplished and expect that we'll continue to grow and improve.

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Nominations for Spotlight

Have a great story to tell about your PHA's transition to asset management? Or perhaps you know about another PHA that overcame obstacles and used creative solutions to make the transition? The Asset Management E-Newsletter editor is accepting nominations for the spotlight feature article for upcoming issues. Please send your nominations to Greg Byrne (Gregory.A.Byrne@HUD.gov). with a few brief sentences outlining the story. We will be happy to explore the story in detail and share it with the newsletter readers.

Asset Management Conference Training Materials Available

Between June and October of 2010, HUD sponsored ten successful Public Housing Asset Management Conferences around the county to provide training and technical assistance to public housing authorities to support their transition to asset management. Over a thousand people attended training on a broad range of topics including:

- The Central Office Cost Center
- Fee-for-Service
- Assigning Balance Sheets
- Allocating and Prorating Staff
- Project Based Budgeting
- Energy Conservation
- Procurement
- Site Based Waiting Lists
- Physical Needs Assessment and Asset Planning
- Proposed PHAS and Troubleshooting Performance

If you couldn't attend the conference, or if you did attend and wish to share the training material, you may access the materials from a zip file located on **this Web site**.

Processing of 2010 Operating Subsidy

Over the past several weeks, the Department has posted various materials relating to the processing of 2010 Operating Subsidies. This article summarizes these associated instructions and events.

1. The first important news is that PHAs will use the Subsidy and Grants Information System, or SAGIS, to submit their 2010 subsidy requests. SAGIS is an electronic system, eliminating the need either for paper submissions or Excel spreadsheets. The Department first attempted to use SAGIS in connection with 2008 subsidy processing. Because of problems with its initial introduction, the system was pulled and redesigned to address programming and load issues. PHA user manuals (both a "Quick Start" manual and a longer technical instructional manual) are now posted on the **2010 SAGIS Op Fund website**.

2. To ease workload for field and headquarters staff, entry to the system will be staggered. PHAs with 1,000 or more units will have SAGIS access beginning December 7. All other PHAs will have access beginning January 7. To allow adequate time to prepare, all PHAs will have until March 1 to complete their submissions.
3. The Department strongly encourages all PHAs to verify that their WASS and SAGIS accounts are properly updated (see **here**).
4. Because submissions will not be due until March 1, the Department will issue an Initial Obligation of operating subsidies by Jan 1st for the first two months of 2010. Information on the methodology used to determine this first obligation can be found **here**. The Department is currently operating under a Continuing Resolution. Once a final appropriations bill is enacted, or another continuing resolution adopted, the Department will issue a second obligation, likely covering another 3-4 months, or until all subsidy requests have been reviewed/approved.
5. To facilitate processing, certain fields on each project's subsidy form will be pre-populated, e.g., name of PHA, project number, PEL, etc. A table of pre-populated data is available **here**. Additionally, the Department will post information on the PILOT and Audit add-ons on the same web page. This information is taken from the most recent project-level financial statements. These amounts for PILOT and Audit shall be used by the PHA, unless more recent information is available.
6. In accordance with 24 CFR 990.195, the "frozen" formula income provision expired in 2009. Therefore, for purposes of calculating Formula Income, PHAs will use the project rent roll for June 2009 and inflate that amount by 1.48%. More information on determining Formula Income can be found in Notice, PIH 2009-47, Public Housing Operating Subsidy Calculations for Calendar Year 2010.
7. For utilities, the 2010 inflation factor is 3.5%. More information on the methodology used to determine the utility inflation factor can be found **here**.
8. It is anticipated, based on the House and Senate appropriations bills, that operating subsidies will support 100% of eligibility in 2010. For more information on estimated proration and subsidy eligibility, go **here**.

PHAs are also reminded that SAGIS is really a three-step process. First, a "PHA User" completes the subsidy request form. Typically, this person will be someone in the finance division of the agency. Second, the PHA Executive Director must then approve and submit the request. Finally, HUD approves the request. Specific instructions for PHA Executive Directors can be found beginning on page 16 of the **Quick Start manual**.

Technical Assistance Available for Transition to Asset Management

In fiscal year 2010, the Office of Public and Indian Housing's Real Estate Assessment Center can provide contractor resources to provide technical assistance (TA) to PHAs for their transition to asset management. Technical assistance can be provided in a number of asset management areas including:

- Studies to determine the feasibility of implementing asset management at PHAs with less than 250 units or 250-400 units.
- Project Based Funding
- Project Based Budgeting
- Project Based Accounting
- Project Based Management
- Project Based Monitoring
- Central Office Cost Centers
- Analysis of asset management project groupings
- Central Office and/or project staff asset management training
- Strategic Planning under asset management
- Asset repositioning
- PHA internal performance monitoring and assessment
- Development and/or facilitation of new polices or update existing policies governing the implementation of asset management including, but not limited to, site based waiting lists, procurement.

The technical assistance, which is available in blocks of five days, can be used for:

- On-site TA at the PHA to focus on specific implementation problems or feasibility assessments;
- On-site training for one or more PHAs on asset management related topics;
- Remote TA for, for instance, policy development, updates and revisions; and
- Other appropriate TA methods, depending on the needs of the PHA.

If you are interested in applying for technical assistance, please contact your local HUD office.

Upcoming Dates on the Asset Management Calendar

December 7, 2009, PHAs with 1,000 or more units will have SAGIS access

December 31, 2009, Audited Financial Statement due for FY 12/31/2008

January 7, 2010, PHAs with under 1,000 units will have SAGIS access

March 1, 2010, CY 2010 PHA submissions due for subsidy requests

What's New on the Web site?

- **Asset Management Technical Assistance for Public Housing Agencies**
- **Calendar Year 2010 Subsidy Processing**

Resources and Useful Links

General Information About Asset Management

For more information, please visit the HUD-PIH Asset Management Website. Click on the following hyperlinks for detailed information surrounding the key building blocks of asset management:

- **Project-Based Funding**
- **Project-Based Budgeting**
- **Project-Based Accounting**
- **Project-Based Management**
- **Project-Based Oversight**

Within each building block you may find specific topics of interest, including: AMP Groupings, and Stop-Loss.

Specific Links In This Issue

Links for specific materials referenced in this issue are shown in **blue bold typeface**, and are placed throughout this issue for ease of reference. When this newsletter is viewed as an electronic file, you may click on these links to be taken to the referenced materials.

Asset Management Help Desk—Questions and Answers

The Asset Management Help Desk can be reached at 1-800-955-2232 or by email at **assetmanagement@deval.us** Please use this phone number and email address to send inquiries regarding asset management.

SAGIS

Q The access link for SAGIS has been disabled. I'd like to start completing my 2010 Operating Subsidy request forms now. How can I regain access?

A Access to SAGIS for 2010 Operating Subsidy will be opened for PHAs with 1,000 or more public housing units on December 7, 2009. PHAs with fewer than 1,000 units will be able to access the system on January 11, 2010. All submissions will be due March 1, 2010. (See the article on **page 4** of this newsletter).

Project-Paid Costs

Q Our agency recently settled a lawsuit with a former resident regarding injuries suffered as a result of a property hazard. Can these costs be charged to the project or would they need to be funded through the Central Office Cost Center?

A A lawsuit against the property would be a direct project expense. Generally, a PHA would record the item under FDS line 10080 (transactions or events within the control of management that are either unusual in nature or infrequent in occurrence).

Fungibility

Q We would like to transfer funds from one project with sufficient excess cash to another project that needs additional funding. When can we make that transfer effective?

A A PHA can transfer funds from a project with sufficient excess cash to another project at any time during the year. Excess cash is determined at the end of each fiscal year, affecting fungibility for the following year.

Program Income

Q Are the rents that we collect from residents considered "program income" or is only the subsidy received considered "program income."

A Program income, under the Operating Fund Program, includes not just the operating subsidy that a project receives but the rental income collected. Both are subject to program rules regarding eligible costs. (In effect, the "program" enables the PHA to generate the rental income.)

Contact the Editor

Do you have an article idea, question, or comment for the editor? The Office of Public and Indian Housing is the editor of this monthly e-Newsletter.

Please send all inquiries to **assetmanagementnewsletter@deval.us**, with the subject line "Question/Comment for the Editor."