

HUD ASSET MANAGEMENT E-NEWSLETTER

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Pine Ridge, Marquette, MI.

Let's begin with your public housing inventory. Tell us about your two AMPs.

Lake Superior Village is the family AMP, with 34 buildings containing 113 dwelling units and 4 non-dwelling units (used for office, maintenance, Head Start and a youth/family center). About a mile away is Pine Ridge, the 9-story high rise that has 140 apartments. All but five units at Pine Ridge are one bedroom apartments.

How much were you going to lose under the new formula?

We were scheduled to lose about \$112,000 under the new formula, which is a substantial amount for an agency of our size (about \$37 per unit monthly).

When you first heard about the conversion to Asset Management, what went through your mind?

Frankly, our first thoughts were focused on how we might get under the 250 unit threshold so we wouldn't have to convert! But Stop-Loss agencies aren't exempt from asset management, so the unit threshold wouldn't have mattered anyway. Once we faced reality, we looked at our portfolio and realized that our 257 units did fall logically into two AMPs—the first one with all the family apartments that are located in one large block and the

PHA Spotlight - Marquette

This month the Spotlight shares the story of the Marquette, MI Housing Commission (MHC) and its conversion to asset management. The City of Marquette is located in the central region of Michigan's Upper Peninsula along Lake Superior. It is the largest community in the Upper Peninsula, with a population of approximately 21,000.

The MHC has 2 Asset Management Projects (AMPs), with a combined total of 257 units. It also administers 50 housing choice vouchers.

The MHC is a "decliner" agency under the new Operating Fund formula. It applied under Year 1 for Stop-Loss but was denied. Disappointed but not deterred, it applied for Year 2 and was approved.

The Spotlight spoke with Bonnie Pelto, MHC's Executive Director.



second comprised of smaller sized units in an elevator building a mile away.

What happened during the first year of conversion?

The first year, there was more uncertainty, in our minds, about what was really required to convert. We didn't receive a lot of outside direction. Initially, we thought that there were not enough budget funds for us to go to asset management training so we had worked hard trying to figure things out on our own.

Mostly, I started a new manual record-keeping system so that we could better understand the costs of each project. I started identifying and categorizing expenses and employee time by the family or elevator building sites.

We kept meticulous time records with each staff person keeping track of how much time was spent between AMPs. Some costs were allocated on a 45/55 split while others were obviously associated with only one or the other AMP. We thought we were doing the right things and submitted our plan for Year 1 of Stop Loss.

How did your Housing Commission do when the Year-1 assessment results were available?

We flunked. We thought we were in compliance by dividing up time and costs carefully. Turns out we needed more direction—a lot more direction. We thought asset management was really just an accounting exercise. The assessment results were devastating. I felt like I had failed my housing commission.

How did you get on track?

The day that the on site assessment review occurred was pivotal. The entire administrative staff was in the room. The reviewer clearly described expectations and what the program is meant to do. I realized where we had been going off-track. We still had centralized services even though we had been keeping track of time applied to either AMP. The light bulb went off! We had focused on creating separate accounting, but not on actual property management. With all of us in the room at the same time, the assessment reviewer walked us through recommendations. We came to understand what we had to do achieve compliance with the criteria for successful conversion. We knew that we just *had* to turn things around and felt motivated to do it.

What did you start doing differently?

We decided to change job descriptions that aligned with the principles of asset management. Though our family AMP was closer to the model of project-based management, we continued to manage our elderly AMP, where the Executive Director's office is located, pretty much the same way as in the pre-asset management world. For example, our Project Manager for Pine Ridge was handling several centralized functions for both projects and the Executive Director was carrying out some site management functions including supervising maintenance at Pine Ridge and conducting resident meetings. The Project Manager at Pine Ridge did not monitor the project performance and had very little understanding of the project budget. Now the Project Manager for each AMP is responsible for a full range of on-site property management functions including staff supervision, budget preparation and monitoring, purchasing (up to \$5,000), processing invoices, setting standards for unit turnovers, inspections, marketing units, maintaining the waiting lists, certification and recertification of tenants, and lease enforcement.

Meanwhile, during this period, the supervisory and non-supervisory staff decided to join unions. I was concerned about how we would be able to pull off all these changes successfully. Keeping open and effective communication with the unions helped during this time. We had to realign positions and raise the administrative salaries as our people took on greater financial, administrative and maintenance responsibilities for their respective AMP. We were able to drop a maintenance supervisor position because the size of the AMP and the new role of the manager eliminated the need for it. Our organizational structure ended up as follows:

Lake Superior Village AMP – 117 family units

- Property Manager (Full-time)
- 1 Administrative Assistant (Part-time)
- 2 Maintenance Persons (Full-time)

Pine Ridge AMP – 140 units E/D

- Property Manager (Full-time)
- 2 Maintenance Persons (Full-time)

Central Office Cost Center (COCC)

- Executive Director/Asset Manager (Full-time)
- 1 Administrative Assistant (Full-time, 50% allocation for Housing Choice Voucher coordination)



Lake Superior Village, a family property of the Marquette Housing Commission

Training helped us in numerous ways. The managers were sent to supervisory skills training and I went to a national conference on asset management. We found ways to become a more efficient operation so that the managers could have time to know their properties better. A simple thing, but new to us, was going to a voice mail system. The tenants and customers responded more positively than I thought they would to voice mail and it became a great time-saver for us. We also educated the tenants about things that they could do directly rather than come through the office. I had to learn to defer and delegate questions to the project managers and to stop doing tasks that were now in their job descriptions. The managers learned more about problem solving, and taking ownership of their budgets. They have expanded their maintenance knowledge, looked more keenly at the details of the physical operation and now perform quality control inspections.

How difficult was it to achieve feasibility of the Central Office Cost Center and what is it like now?

Once I realized we were entitled to a one time amount to start out our COCC, that Capital Fund (CF) Admin-

istration is money for the COCC, and I understood how the project management fees/bookkeeping fees worked, we did OK. One of the great benefits of having the COCC (which de-federalized funds), is that it gave me flexibility in the use of those funds. We have a separate 501(c)(3) for the purpose of creating additional affordable housing and that has resulted in having noon meetings with developers, partners, city officials, etc. I have had resources with which to pay for meals occurring as a result of these meetings—especially those that I or my board requested take place. Also, as a result of Asset Management, I keep meticulous time records for myself. It's been revealing from the standpoint of how much time I spend on the CF, HCV, each AMP, and miscellaneous. Our COCC is still doing well but hasn't accumulated enough resources for me to do anything big. We plan to apply for the Section 811 Program when the NOFA is released. We must have \$10,000 in start up money ourselves for that program, which could come from our COCC. A real benefit as a leverage tool.

Continued on the next page.

You have been in the business for 37 years. What results do you see from the conversion to Asset Management Projects and applying the principals of Asset Management?

Employees feel empowered. One example is that the each project manager presented the budget for their own AMP to the Board.

The marketability of the projects has improved. The quality of apartment turnovers is better than before the switch to asset management. Curb appeal around the properties is better. New tenants have told us that the appearance of the apartments exceeded their expectations. All this enhances our reputation in the community.

Our focus on project performance has shown many benefits. Project managers are including summary written reports with their monthly budget reviews, showing greater knowledge and accountability at each AMP. Another benefit of asset management is accountability in supply ordering and use. There is less waste and opportunity for supplies to disappear as each AMP must live within its budget. I have been asked by other housing commissions in the Upper Peninsula to put together a training session on project performance.

MHC created a separate non-profit, Marquette's Affordable Housing Program, Inc., to develop more affordable housing in the area. The value of MHC as a responsible, experienced partner in this venture is enhanced because the lenders can see that asset management principals are in place at the AMPs.

What final comments would you like us to impart to the readers of this newsletter?

One part of the transition that was hard for me to understand at first was how persons could be solely devoted to separate AMPS. There was a definite learning curve and I recommend getting all the training you can early in the process. Now I see how employees are more efficient, know their projects better and are invested in how their development is doing. I am so proud of my staff for accomplishing so much in such little time. I think asset management is wonderful!

Contacts

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Delay in the Effective Date of the Refinement of Income and Rent Determination Requirements Final Rule

A delay in the effective date of the Refinement of Income and Rent Determination Requirements Final Rule was published in the Federal Register on March 27, 2009. The rule, originally scheduled to be effective on March 30, 2009, will be effective on September 30, 2009.

One of the provisions in the Final Rule published in the Federal Register on January 27, 2009, is making use of the Enterprise Income Verification (EIV) system mandatory. While all other provisions of the Final Rule were to be effective on March 30, 2009, multifamily owners and management agents were to be provided an additional six months, to September 30, 2009, to implement use of the EIV system. The Department has determined that a further delay in the mandatory use of EIV beyond September 30, 2009 by multifamily owners and management agents is not necessary. Therefore, the use of EIV will also become mandatory for multifamily owners and management agents effective September 30, 2009.

The Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs Final Rule was published in the [January 27, 2009 Federal Register](#). The proposed delay in the effective date and information relating to non-citizens was published in the [February 11, 2009 Federal Register](#). The Final Rule delaying the effective date was published in the [Federal Register on March 27, 2009](#). To learn more about obtaining access to and using the EIV system go to the [Multi-family EIV website](#).

HUD Releases Audited Financial Submission Tool for Year 1

PHAs subject to the Single Audit Act are normally required to submit unaudited financial statements within two months of the end of the fiscal year and audited financial statements within nine months of the end of the fiscal year. HUD provides PHAs with a template for these financial statements, called the Financial Data Schedule, or FDS. As a result of the conversion to asset management, HUD had to modify the audited and unaudited FDS templates (and also modify the submission dates for the first reporting year). In April, HUD released the new audited FDS spreadsheet, which can now be submitted for Year 1.

A HUD computer system release, scheduled for October 2009, will enable PHAs to submit audited and unaudited financial information directly into the Financial Assessment Subsystem (FASS) on-line system. Consequently, it is expected that, beginning with fiscal years ending 12/31/08, PHAs will revert back to using the on-line system in lieu of the utilizing the FDS spreadsheet.

For more information, see the [FASS-PH webpage](#).

Update: 2009 Subsidy Processing

All PHAs should now have received their next installment of CY 2009 operating subsidies (May-September). This obligation was based on each project's approved CY 2009 subsidy submission. The Department did not adjust the original proration, 88%, for this obligation. An updated proration estimate is expected later in May.

For more information on CY 2009 subsidy processing, click [here](#).

Update: Regional Asset Management Conferences

As reported in the last edition of the e-newsletter, HUD is sponsoring ten regional asset management conferences. The first conference will be held May 27-29, 2009, in Washington, D.C. The second conference will be in Atlanta, GA on June 15, 16, and 17, 2009. The third will be in St. Louis, MO on June 22, 23, and 24, 2009. Other locations include Boston, Chicago, Dallas, Las Vegas, Newark, San Francisco, and Seattle. Hotel locations and registration for the Atlanta and St. Louis conferences have been posted on the [conference website](#).

The conferences will focus on the operations of projects under asset management, as this is the core of the transition. Instructors will use a case-study approach to encourage discussions and provide hands-on problem solving experience. The topics will include:

- Central Office Cost Center
- Fee-For-Service
- Assigning Balance Sheets
- Allocating and Prorating Staff
- Project-Based Budgeting
- Energy Conservation
- Project-Based Procurement

- Site Based-Waiting Lists
- Physical Needs Assessments and Asset Planning
- Proposed PHAS and Troubleshooting Performance

The case studies will be based upon a hypothetical PHA and projects, using budget, balance sheet, performance, physical, financial, management and other data to work through case studies designed to provide realistic examples of asset management transition challenges. For instance, participants will troubleshoot performance problems using an Excel tool, review a sample budget, examine the fees that the projects can pay the Central Office Cost Center, determine whether to set up site-based waiting lists, and make asset planning decisions.

The regional conferences will be particularly useful for PHA employees who want to understand the broader context of asset management's requirements and the implications for implementation at the project level. These conferences are not intended to address in-depth accounting or financial reporting transactions but are concerned more with the administrative and management decisions associated with the transition to asset management.

For more information about the conferences and registration procedures, click [here](#).

Upcoming Dates on the Asset Management Calendar

- **May 15, 2009**, Deadline for submission of appeals under 24 CFR 990 (see [Notice PIH 2009-10](#))
- 2009 HUD Asset Management Conferences:
 - May 27, 28, and 29**, in Washington, D.C.
 - June 15, 16 and 17**, in Atlanta, GA.
 - June 22, 23 and 24**, in St. Louis, MO.
- **June 30, 2009**: Unaudited financial statements due to FASS-PH for PHAs with fiscal years ending 3/31/09.

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, Stop-Loss, Subsidy and Grants Information System (SAGIS), etc.

[Specific Links In This Issue](#)

Links for specific materials referenced in this issue are shown in [blue times roman 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.

[What's New on the Website?](#)

- [Briefing on Operating Subsidy Calculation for New Mixed Income Projects](#)
- [January 2009 Obligation Letters](#)

Asset Management Help Desk - Questions and Answers

The Asset Management Help Desk has a new phone number and e-mail address. The new phone number is 1-800-955-2232 and the new email address is assetmanagement@deval.us Please use this phone number and email address to send inquiries regarding asset management.

[Is Working Capital a 'Prepayment'?](#)

Q Does the 6 months of fees that the Central Office Cost Center (COCC) is allocated as working capital constitute a prepayment of fees earned during the first year of Asset Management or are these amounts in addition to the fees that PHAs can earn the first year?

A The “working capital”, which represents 6 months of management fees, bookkeeping fees, and asset management fees for the public housing program, is not an advance or a prepayment but an initial assignment of funds from the balance sheet to the COCC. Thus, in the first year that the PHA adopts fee-for-service (COCC), it gets this working capital and also charges fees each month in accordance with established guidelines. As such, the COCC may actually build up its COCC net assets if revenues exceed expenses.

[Management Fees on Demolished AMPs](#)

Q We have an AMP that was demolished in 2008. We are still receiving Operating Subsidy for the AMP. What amount of Management Fees can the COCC charge in each year that we still receive operating subsidy?

Are we allowed to charge the number of units that the AMP had times the rate?

A For units that are scheduled for demolition or disposition, the COCC would continue to charge the normal management fee until the project becomes eligible for the Asset Repositioning Fee, i.e., the first day of the next quarter six months after the date the first unit becomes vacant after the relocation date included in the approved relocation plan. From that point forward, the COCC would charge a reduced management fee, in accordance with Section 7.5 of the Supplement to PIH Notice 2007

[HUD Approval Requirements for Fee-for-Service Arrangements](#)

Q Must a PHA receive prior HUD approval for a central maintenance service it provides projects under fee-for-service?

A No. While a PHA must maintain documentation to ensure that any fees charged are reasonable, the PHA does not need prior HUD approval.

[Reporting Other Business Activity](#)

Q My PHA had “other business activity” before its conversion to asset management. Can it now combine that other business activity with the COCC or must it report both activities separately?

A A PHA can combine all business activity within the COCC column. At its option, it could also continue to report “other” business activity separately from

the business activity associated with its public housing programs.

Youth Activities Worker and Cost Allocation

QOur PHA employs a youth activities worker that has office hours at different projects throughout the week. Can this employee be charged to the projects as a direct expense or must we absorb that cost as part of the COCC's fee income?

AA youth activities worker would be considered a direct project expense. Preferably, this employee would be charged to each site based on actual hours; however, if reasonable, the PHA could also allocate this employee's time across affected projects.

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 by email to assetmanagementnewsletter@deval.us, with the subject line "Question/Comment for the Editor."