HUD ASSET MANAGEMENT E-NEWSLETTER

January 2009, Issue No. 18

Inside This Issue

PHA Spotlight - Charlotte Revisited

In June 2006, the Department published a report on the experiences of the Housing Authority of the City of Charlotte, North Carolina (CHA) in transitioning to asset management ("Demonstrating Successful Conversion to Asset Management: A Site Visit to the Charlotte Housing Authority"). The CHA was one of the early adopters of asset management and helped form Departmental guidance in this area. In this issue, the Spotlight follows up with the CHA to find out how they are doing, to explore a few of the challenges they faced, and the solutions they have uncovered.

When last visited, the CHA had recently decentralized much of its property management operations. It had

MacAlpine Terrace, Charlotte, NC

arranged its 3,041 public housing units into 30 asset management projects (AMPs). The site managers were given responsibility largely for the daily operations of their projects. The only property management task that was centralized was the waiting list. The agency did provide three maintenance services for a fee (locksmith, bulk trash, and plumbing), but the managers were free also to obtain these services from outside vendors (a true "arms-length" relationship). Additionally, the agency was projecting that its COCC would break even based on the HUD-approved fees.

What types of changes have you made in your AMP configurations?

To-date, we've not made any changes, although we are still considering some small tweaking.

In structuring the AMPs, we considered size (a large property generally structured as a single AMP), but also geography and type of project. Those original plans have served us well. We are fortunate, from an AMP planning perspective, that we don't have a lot of the smaller, scattered site properties that other agencies have, which introduce more difficult decisions regarding configurations.

What about HUD's assigned project-expense levels (PELs)? Have they held up?

What we've found is that many of the sites would have been adequately funded with the current PEL, if the proration were 100%. In light of the proration, many more projects have had to rely on "transfers" to meet operating needs.

Have you had much difficulty in preparing project-level financial statements, i.e., project-based accounting?

In the early planning stages for asset management, we decided to go with a software vendor that was grounded in multifamily housing (Yardi). Other than the normal transition issues in converting to a new software system, we have not had problems in implementing the project-based accounting systems. Indeed, by this stage, the housing managers are quite comfortable in using the monthly operating statements to monitor project conditions. Also, if we do make changes in our project groupings this year, our software system will easily allow for changes in configurations/cost centers.

If the COCC only offers three maintenance activities for a fee, then on-site staff either are multi-skilled (able to handle a variety of tasks) or you must have a flexible procurement system that enables the sites to obtain services on an as-needed basis. Is that the case?

Yes, it's a little of both. We do expect our on-site maintenance personnel to handle much of the work required in operating a project; however, we also understand that there are times when it is more cost-effective to contract out. We also understand that it doesn't make sense to staff up for peak-demand and, therefore, we will supplement on-site staff with contract assistance, as necessary.

How's the experience been with the three services that you originally planned to offer through fee-for-service?

We still offer those three services and, as designed, the projects can obtain the services from the outside if they feel it is in a project's best interest (price, responsiveness, quality, etc.). It turns out that most times the projects go with the in-house crews, but "option" is important in many regards. It empowers the on-site managers but it also keeps the central crews competitive.

At present, in developing the 2009-2010 budget, we plan to charge a market rate for all three of the three central maintenance activities. However, this was a gradual process necessitated by the need for additional funding to cover central office expenses. We've used the market rate from the beginning, but did not actually bill the sites for the cost of services until the COCC needed the fee revenue to balance its budget. We estimate the site needs for each of the services and budget accordingly. This process has worked well for us.

Any other major changes in your original model?

Although we wouldn't necessarily call it a major change, we've since decentralized our waiting list function.

In 2006, the CHA was structured around a centralized tenant certification and wait-list process. A centralized wait list was maintained by CHA and the central office would send a list of five pre-approved applicants to a property whenever a unit became available. However, the CHA found that many of its applicants were interested in specific properties or neighborhoods and would reject an available unit. Further, the applicant would have three opportunities before their name was moved to the bottom of the list, making it a game of chance for applicants to obtain a unit at a specific property or neighborhood.

To migrate to a decentralized system, the CHA polled all applicants on the central waiting list and asked them to either select their priority properties or to indicate that they would take the first available unit within the portfolio. Applicants were then shifted to property-based waiting lists according to their preferences. When a 'first available unit' applicant rejects a unit at one property, the household is removed from the waiting list at that property but remains on the other property-based waiting lists.

Site staff is responsible for managing their own waiting lists, and their own application processing. The former waiting list and applications staff has been restructured: some were retained to provide training and compliance oversight to the entire portfolio and the rest of the staff went to work at the properties as assistant property managers.

Decentralization has required more sophisticated staff and a greater investment in training. During the transi-

Seigle Point Apts, Charlotte, NC

2008 Operating Fund Annual Report Extract

As reported in last month's e-newsletter, the 2008 Operating Fund Annual Report provides key information on the Operating Fund program. The full report can be viewed **here**.

Using data extracted from the report, the table below shows the PUM and Annual revenue and expenses of a "typical" public housing project in 2007, excluding New York City. The average size of a public housing project, also excluding New York City, is 147 units.

Revenue and Expenses of "Typical" Public Housing Project

Description	PUM	Annual
Revenue		
Total Tenant Revenue	$174	$306,936
Operating Subsidy	$246	$433,944
Other Revenue	$36	$63,504
Total Revenues	$456	$804,384
Expenses		
Administrative Expenses	$128	$225,792
Tenant Services Expenses	$12	$21,168
Utilities Expenses	$100	$176,400
Maintenance and Operations	$159	$280,476
General Expenses	$39	$68,796
Total Operating Expenses	$437	$770,868
Excess Operating Revenue over Operating Expenses	$18	$31,752
Extraordinary Expenses	$5	$8,820
Net Operating Income	$13	$22,932

Note: amounts may not total due to rounding.

tion to a property-based approach, the central office provided extensive training to site staff. Today, after the transition, a smaller central staff continues to provide training and support, but the application processing itself is done at the property level.

Decentralization better meets the needs of applicants. This approach allows applicants to decide, based on their own needs and priorities, whether having a unit at any property sooner is more important than having a unit at a specific property eventually.

And the COCC? How has it held up under the fee-for-service arrangements?

As mentioned, we haven't always billed the three central maintenance fee-for-service activities. We billed only enough to balance the COCC budget, which is what we did the first two years.

In 2007-2008, using the HUD published fees, the COCC budget was developed within that fee structure and fee-for-service was billed for the locksmith services only to offset the shortfall. In the initial year there was positive income; in 2008-2009 the budget was balanced with fee-for-service income for both bulk trash and locksmith services, and this year the projection is that the COCC will have positive income.

Lessons Learned

The CHA continues to refine its asset-based management approach and will always seek a balance between the costs and benefits of centralized resources and site-based operations.

Spotlight thanks the Charlotte Housing Authority's Ralph S. Staley (CFO) and Troy D. White (COO) for their generous assistance in compiling this article. To learn more about the CHA, please visit their Web site at **www.cha-nc.org**.

Certification of Accuracy of Data in the Inventory Management/Public Housing Information Center System Used to Calculate the Capital Fund Formula Allocation (PIH 2008-46)

On December 10, 2008, HUD released Notice PIH 2008-46, requiring PHAs to certify the accuracy of data submitted to the Inventory Management System / Public Housing Information Center (IMS/PIC). This certification requirement applies to all PHAs that receive capital funds.

The Department will announce the schedule for completing the certification process on the Office of Capital

Improvements Internet site. The Department will also announce the schedule by sending an e-mail message to the executive director based on the e-mail address information uploaded by PHAs into the IMS/PIC system. Click **here** for this Notice.

Development Cost Limits (PIH 2008-47)

On December 22, 2008, the Department issued Notice PIH 2008-47, explaining procedures for establishing public housing development costs and transmitting the updated schedule of unit TDC limits for 2008. The total project cost to be funded with public housing capital assistance, as set forth in the proposal and as approved by HUD, becomes the maximum project cost stated in the ACC. Upon completion of the project, the actual project cost is determined based upon the amount of public housing capital assistance expended for the project, and this amount becomes the maximum project cost for purposes of the ACC. Click **here** for this Notice.

HUD Releases 2009 Public Housing Management Fee Table

On December 23, 2008, the Financial Management Division (FMD) of PIH-REAC released, for public housing, both the CY 2009 80th percentile management fees and the 80th percentile of administrative costs (for PHAs that elect asset management without a Central Office Cost Center, or COCC). These fee tables are effective January 1, 2009.

Table 1 of the document represents the 80th percentile of management fees paid in HUD's multifamily housing programs based on the 2006 Annual Financial Statements (AFS). Nationally, the 80th percentile management fee increased three percent from $51.60 per unit month (PUM) to $53.32 PUM.

In accordance with PIH Notice 2007-9, PHAs may use this table to establish the "reasonable" fee amount charged to each project.

In those markets where the fee declined, PHAs may use the higher of the two amounts. The amounts published represent fees paid for each occupied unit or allowable vacancy.

Table 2 of the document represents the 80th percentile of administrative costs paid in HUD's multifamily housing programs, also based on the 2006 AFS. It is applicable to small PHAs that elect to implement asset management without a COCC in determining "reasonable" total administrative cost. As with Table 1, in markets where the costs declined, PHAs may use the higher of the two amounts. The fee tables can be found **here.**

HUD Releases Initial CY 2009 Operating Fund Obligations

Over the week of December 22-26, 2008, HUD released the initial obligation of operating subsidies for CY 2009. Amounts for each project are now available in e-LOCCS. This initial obligation covers the first four months of the year, January-April.

- For an explanation of how each project's initial obligation was determined, click **here**.
- To access each project's obligation letter, click **here**.

CY 2009 subsidy forms for PHAs with fewer than 250 units were due January 7, 2009. Forms for PHAs with 250 or more units were due January 23, 2009.

Final subsidy eligibility will be determined once all subsidy forms have been processed.

Please note that, for PHAs that decline under the new formula and have not yet been approved for Stop-Loss, the Initial Obligations were based on a 24% transition amount. Unless such decliner PHAs can demonstrate a successful conversion to asset management, their overall subsidy amount for CY 2009 will reflect the complete 43% reduction as required under the transition funding schedule by the end of CY 2009.

HUD Posts PHAS Proposed Rule Scoring Tool Demonstration

HUD recently posted a narrated instructional video demonstrating the use of the PHAS Proposed Rule Scoring Tool. The scoring tool assists PHAs in understanding the scoring under the proposed rule, published August 21, 2008.

For a copy of the demonstration, click **here.**

HUD Issues FDS Excel Tool and FAQ

The FASS-PH office posted the Excel Tool that PHAs will use to submit their unaudited financial statements for fiscal years ending 6/30/08 through 3/31/09. Included with the posting is a user guide.

This Excel tool will be used in lieu of inputting financial data directly into the Financial Assessment Subsystem (FASS) on-line system.

- For more background on the new procedures, and a link to the tool, click **here**.
- For a copy of the FDS Line Item Definition Guide, click **here**.

Additionally, the FASS-PH Office has posted an FAQ addressing questions regarding the Excel Tool. This FAQ can be viewed **here**.

Training Alert: Asset Management Overview for Boards

The HUD Asset Management Web site now offers a Web-based training entitled, "Asset Management Training for PHA Boards: Asset Management Update." This session addresses the proposed Public Housing Assessment System (PHAS) Rule, that is intended to better align assessments with asset management regulations. The training also provides an overview of the new Financial Data System (FDS), and addresses the phased-in management fee for PHAs that cannot meet the reasonbableness requirements during their first year of asset management. See Resources and Useful Links at the end of this newsletter for a link to this training.

Upcoming Dates on the Asset Management Calendar

- **April 13, 2009**: Unaudited financial statements due to FASS-PH for PHAs with fiscal years ending 6/30/08, 9/30/08, and 12/31/08.
- **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

Click on the link below for specific materials referenced in this issue.

- Demonstrating Successful Conversion to Asset Management: A Site Visit to the Charlotte Housing Authority
- HUD Operating Fund Annual Report
- PIH 2008-46: Certification of Accuracy of Data in the Inventory Management / Public Housing Information Center System Used to Calculate the Capital Fund Formula Allocation
- PIH 2008-47: Development Cost Limits
- 2009 Public Housing Management Fee Table
- Asset Management Training: A/M Overview for Boards

What's New on the Website?

- Obligation letters
- Updated explanation of CY 2009 Initial Obligation Operating Fund
- CY 2009 Schedule of Management Fees
- FDS Excel Tool for Unaudited Submissions, FYEs 6/30/08, 9/30/08, 12/31/08, and 3/31/09
- Narrated PHAS Scoring Tool

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 pihirc@deval.us Please use this phone number and email address to send inquiries regarding asset management.

FDIC Insurance Limits

Q We understand the FDIC insurance limit was recently raised from $100,000 to $250,000. How does this affect PHA requirements for pledged collateral?

A 24 CFR §982.156 (c) requires the PHA to enter into an agreement with the depository in the form required by HUD. HUD Notice 96-33, Required HA Cash Management and Investment Policies and Procedures, requires that a General Depository Agreement (Form HUD-51999) be executed by the PHA and the depository. The depository must be a financial institution whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF). An original HUD-51999 should be maintained by the HA and the financial institution. Any portion of PHA funds not insured by a Federal insurance organization are to be fully (100%) and continuously collateralized with specific and identifiable U.S. Government or Agency securities prescribed by HUD.

On October 3, 2008, President Bush signed the Emergency Economic Stabilization Act of 2008, which temporarily raises the basic limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor. The temporary increase in deposit insurance coverage became effective upon the President's signature. The legislation provides that the basic deposit insurance limit will return to $100,000 after December 31, 2009.

Based on this temporary change to the insurance limit, a PHA would only require pledged collateral for the amount of its deposits over the deposit insurance amount that is in effect at any give time. Since the current insurance limited is $250,000 (until December 31, 2009), a PHA would only have to have its deposit balances (including interest earned) over the current $250,000 limit collateralized. However, once the insurance limited is decreased back to $100,000, then a PHA's deposits over that amount would have to be collateralized.

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 assetmanagement newsletter@deval.us, with the subject line "Question/ Comment for the Editor."