Asset Management e-Newsletter

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Inside this Issue

Supplemental Guidance on Phase-In Management Fees

As part of the transition provisions to assist PHAs in converting to asset management by 2011, PHAs can take advantage of certain phase-in fees. PHAs can also continue to allocate overhead, provided they report that overhead at the project (and program) level. In response to requests for more guidance on these phase-in provisions, on May 28, 2008, HUD issued "Supplemental Guidance on Phase-In Management Fees." The document describes instructions on the phase-in fees, outlines some safe-harbor provisions, and also provides sample language that PHAs can include with the Annual Plan submissions.

For a copy of the supplemental guidance and additional detail, please click here. ◇

Property Management Profiles Now Available

On May 23, 2008, the Department posted *Property Management Profiles: Examples for Public Housing Authorities*. This document was developed to provide assistance to PHAs as they transition to asset management. Brief profiles on organizational structure, staffing and functions of PHAs transitioning to asset management are included in the document. A total of seven small, medium, and large PHAs were selected based on their approach to the transition and the ways in which they worked through the asset management requirements.

The document also contains profiles of three private-sector property management companies, both for-profit and non-profit. These private management companies possess significant affordable housing portfolios and may be used to identify practices found in the property management industry.

Please note the profiles do not constitute mandates or endorsements of particular PHA or private property management operations. ◇

New FAQ Documents on Asset Management

The Department recently posted two new FAQ documents:

The first document includes answers to various questions raised by HUD/PIH Field Office Staff during regional trainings on Asset Management held in 2007. While some of the questions are

Continued on page 2…

similar to ones previously addressed either through the Asset Management Help Desk or through other FAQs, the document nevertheless serves as a compilation of the subject material. The "Questions and Answers from Regional PIH Field Office Training on Asset Management" document can be found here.

The second document represents recent financial reporting questions, with specific attention to: phase-in fees, allocated overhead, mixed-finance projects, and cash management. The June 27, 2008, FAQ on financial reporting can be found here. ◇

HUD Obligates CY 2008 Third Quarter Operating Subsidy

The Department has obligated a third funding cycle for Operating Fund subsidies for an additional three months covering July through September of CY 2008. Funding is available in eLOCCS, starting on July 1, 2008.

Estimated proration for CY 2008 is 82%, in accordance with the $4.194 billion in operating subsidies for CY 2008 provided by the Consolidated Appropriations Act of 2008 (P.L. 110-161) and the Department's budget model estimates. The final proration amount is subject to change based on final review and approval of 2008 PHA subsidy requests. A number of factors may influence a PHA's final CY 2008 subsidy eligibility, including changes in unit inventory and approved revisions.

For additional information, including how PHA subsidy amounts were calculated for the three

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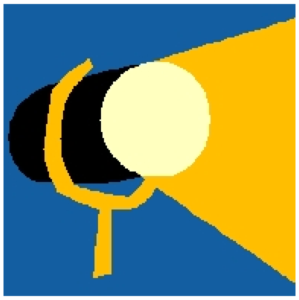
obligation periods as well as how subsidy eligibility was calculated for Turnkey III and Mutual Help Projects, please click here. ◇

PHA Spotlight: Helena Housing Authority, Montana



This edition's Spotlight features a "medium" PHA, Helena Housing Authority (Helena) in Helena, MT. Helena has 366 Public Housing units. Helena is an agency that, prior to the 2008 appropriations bill, was required to convert to asset management. It now has the choice of electing to convert, although Helena had progressed far down the path by the time the bill was passed. The Spotlight spoke with Helena's Executive Director, Colleen McCarthy about its experience with the conversion to asset management.

Tell us about your Public Housing inventory.

We have three AMPs (Asset Management Projects). One of the AMPs is called Stewart Homes, which consists of 132 units in a campus-like configuration of similar looking buildings in the center of town. About 72 units were built in 1938 and 1939, with the rest added in 1950. Our main administrative building is also located here.

Our elderly and disabled AMP (M.E. Anderson) has 76 units and is at the southern end of Helena.

The remaining 158 units, duplexes and single family homes, are scattered completely throughout this community. We thought about dividing this AMP again into three projects, representing different regions of town where the scattered sites are located. However, we were concerned about both the reporting burden and the fact that these projects might not "cash flow" on their own. Therefore, we left the scattered sites as one AMP.

In addition to Public Housing, what other programs does Helena run?

Continued on page 3…

Helena administers about 645 Housing Choice Vouchers (345 of its own and 300 for the State). We're a partner in two tax credit projects, totaling 41 units, and a Shelter-Plus program involving about 30 units. We just ended a ROSS grant that supported a partnership with the Career Training Institute (CTI) and provided funding for educational and self-sufficiency programs.

Public Housing makes up the largest part of our inventory. That said, we operate the tax credit projects and our Shelter-Plus units under a "conventional" model, with project-based staff (though shared), project-based accounting, etc., similar to Public Housing. The tax credit units have more complex rules for managing and admissions follow-up, but otherwise we don't treat tax credit clients any differently than Public Housing clients. We are responsible for over 400 project-based units of housing, which makes us the largest landlord in Helena.

Where are your managers located?

With the exception of our M.E. Anderson complex (AMP 2), most of our staff – both project staff and central staff – are located at Stewart Homes (AMP 1). It made sense to house the staff for the scattered sites (AMP 3) at our main location. The scattered sites didn't have a separate project office and the inventory is dispersed. For M.E. Anderson, it only requires about half an FTE to oversee that project. So, the manager for that complex also helps with our scattered sites. She spends half her time at the elderly site and the other half at the main office. We have the same type of sharing arrangement for our maintenance staff.

Can you tell us how you made the decision to convert to Asset Management?

I hold several leadership positions with NAHRO, so I have had the opportunity from the very beginning to understand the conversation between HUD and the industry representatives, the struggles and the issues. In reading all the information, it became clear to me back in 2005 that HUD was serious about making this change to asset management. I felt as a manager that we would try to embrace this decision and start to prepare my agency to move forward. So, right at the beginning, I educated the staff and Board and, in late 2005, we decided to go ahead and restructure the housing authority into properties and property managers and that is where I first ran into my biggest challenges. I had approximately four employees who thought that this conversion was something I had created and not mandated by HUD and they wrote a letter to the Board and the Mayor stating that there was no need to restructure the organization as it has worked fine the way it was for 30 years. We overcame that hurdle by educating the Board, reiterating why we were doing this and showing them documents from HUD, making it clear that conversion to Asset Management was required. I feel that we are at a point today where we are much further along than most housing authorities our size because we started these efforts long ago.

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We understand that Helena converted to a new software system that supports reporting requirements under Asset Management. Can you describe the agency's experience with this transition?

We needed to convert our software systems and find software that supported all of our programs under an asset management model. We also had different systems (vendors) for different applications, which weren't well integrated. This resulted in some inefficiency and left a lot of room for error. We wanted to have one program that would handle accounting, payroll, occupancy, work orders, etc. We have one staff member, Josh, our Business Services Manager, who was assigned to manage the software conversion. It went smoothly; we had heard a lot of horror stories. Josh and I interviewed a lot of housing authorities and spoke one-on-one with workers who had gone through similar conversions. We

Continued on page 4…

also issued an RFP, to which five companies responded. We conducted a lot of upfront research before selecting a vendor and we were aware of the many pitfalls associated with the software conversions that other housing authorities experienced. The total conversion cost about $80,000 and took over a year. We started in 2006 with the initial research and we just went live with the new software in January 2008. In the end, the conversion to this new software system was completed smoothly, and we can now generate all the reports we need to manage. For example, with work orders, we can now input the cost of materials as well as the personnel time into one system and generate a report that shows us the cost of a particular work order. We hope to have a conversion in our inventory system as well, so that as a maintenance technician buys materials, there is a system that keeps an updated tracking of our inventory.

The NAHRO Network was extremely important in our initial research prior to converting to the new financial software. When Josh and I attended a conference, we made sure to speak with as many people as possible regarding our potential software conversion.

What's been your experience with the first year of project-based budgeting and accounting?

Of course, the software conversion was critical to our success here. Our COCC is in good financial shape right now. We made cuts early, including in the area of staff training, and our goal was to drive as much of the business on to the AMPs. As for the AMPs, overall we're breaking even. However, we've found that the senior complex is struggling to "cash flow" and, therefore, we end up subsidizing it (through the fungibility provisions) with cash flow of the scattered sites.

We've had challenges with Stewart Homes. It is an older property and it comes with the struggles of managing an extremely old property.

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I don't want to give the impression that we purposefully drove so many costs out of the business and that we didn't send people to training that they needed. We are concerned about not going over budget in the first year, as we had no historical basis to develop the budget. As a result, we were extremely conservative. We took a hard look at training, maintenance and supplies in trying to stay within our budget. Building the budget for FY 2009 will be a lot easier than building it for FY 2008.

Has Helena taken advantage of any of the phase-in provisions for management fees?

No, we are attempting to fully meet the financial requirements of Asset Management for our properties and COCC by June 30, 2008.

Even though your unit count is 366 and therefore exempts you from continuing to convert this year, per the 2008 Appropriations Bill, why have you made the decision to continue with Asset Management?

As I understand, exemption was only for one year. For all practical purposes, we had nearly completed the conversion process. We simply did not want to stop or "undo" all the work we had accomplished in converting to asset management; we were too far along. We have seen many benefits as part of the conversion.

How are you handling resident services under asset management? Has anything changed?

Our resident services program has not really changed. We do a lot of "partnering", which has continued. We have a partnership with Career Training Institute (CTI). Years ago, Helena received a grant from HUD that allowed us to buy a building, which we call the Family Investment Center. We rent the building to CTI, who operate the program. Rental income from CTI is used to provide educational opportunities for residents, and annually, this program serves 30 families.

Continued on page 5…

Another commitment that is unique to our housing authority is the Board's support of a special resident service program. The Board committed $ 3000/AMP from the Operating Subsidy, and created a program called "Fresh Start" which allows Helena (in partnership with CTI) to identify two families per AMP who will get intense services and provide families with education and self-sufficiency support to move them out of Public Housing. We track closely what participants are doing and at what point they have received these services. Our tracking system demonstrates that single moms are going to technical college and getting nursing degrees.

We also received grant money from HUD for a Family Self-Sufficiency (FSS) coordinator, and while this grant was not renewed, we are still committed to continuing that program.

How involved has the Board been in the Asset Management transition?

I have educated the Board all along, and therefore they have had the benefit of reading the NAHRO and HUD publications. At a board meeting, we had a lengthy discussion about how we are going to divide the AMPs (from original six to the current three). They have been very supportive in the decision-making process.

What benefits have you seen in Helena's conversion to Asset Management?

We have achieved greater efficiency and accountability in converting to property management concepts. If Asset Management were to "go-away" tomorrow I would continue to structure and manage the agency using most of the basic concepts of Asset Management. The one exception is procurement for our agency specifically; we could attain greater cost savings and efficiency if we were allowed more flexibility in purchasing and inventory management.

In terms of the transition to Asset Management, are there any words of advice you can give to others in a similar situation?

I really think that education of the board and the employees, and getting them involved and helping them to understand the process are keys to success. As a result of this transition, we have benefited from a lot of team building, which has helped us to achieve our goals. ◇

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Coming Soon! Year 3 Stop Loss Kit Guidance

The Department will soon publish a Notice providing guidance surrounding Year 3 Stop Loss submissions. HUD will also be posting a new Stop-Loss Submission Kit for Year 3, which will soon be available on the Stop Loss page of the Asset Management website. ◇

Asset Management Help Desk: A List of Questions

Question: My PHA has 3 AMPs. We have a large lawn machine that we've assigned to our largest AMP (we do not have any central maintenance), but is used by all three projects. Do we need to charge or invoice the other two projects a fee each time they use the equipment?

Answer: A PHA has several options with respect to such equipment. First, it could assign it to the COCC and handle lawn maintenance through a fee-for-service arrangement. Second, it could assign the equipment to the Other Project column on the Financial Data Schedule. Third, the PHA could assign the equipment to one of the AMPs (likely the one where it is used the most). A PHA would not need to charge (or invoice) the other projects when they used the equipment. Rather, the equipment could be used without need for any usage charge; however, to the extent that there were on-going costs associated with the equipment, the PHA may charge each project a share of the costs, proportionate to the use of the equipment. This third model would likely be the most practical arrangement.

Similarly, a PHA may allocate the equipment (asset) to each project, but likely this option would be the least practical from an accounting standpoint.

Continued on page 6…

Question: My authority needs new equipment for the central office and is interested in financing the purchase with an unsecured loan. Do we need HUD approval of that loan?

Answer: If the PHA is purchasing the equipment with "local" funds, including fees earned through the operation of Public Housing, it would not need HUD approval for anything related to that transaction. In fact, even if the PHA were purchasing the equipment with program funds – say, a small PHA that was not implementing asset management – it would not need HUD approval provided the PHA was not pledging a Public Housing asset as collateral for the loan. An unsecured loan does not require HUD approval.

Question: Can a Housing Authority charge Management Fees, Bookkeeping Fees, and Asset Management Fees to the Turnkey III Homeownership Program? If so, what fee amount guidance should be used?

Answer: PHAs can charge to the Turnkey III program the same schedule of management fees as permitted for the Low Rent program. ◇

Upcoming Dates on the Asset Management Calendar

- **July 1, 2008**: Required date of board approval for July 1 PHAs for all project budgets (Year 2)
- **July 15, 2008**: Revised Operating Subsidy Forms
- **October 15, 2008**: Stop Loss Year 3 Submission Deadline

What's New on the Website?

- New Financial Reporting FAQs
- Explanation of Third Year Obligations under Operating Fund Program for Calendar Year (CY) 2008
- July 2008 Obligation Letters
- Utility Expense Level (UEL) Calculator

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- Supplemental Guidance on Phase-In Management Fees
- Property Management Profiles (as of 05/16/2008)
- Frequently Asked Questions: Module I and Module II Asset Management Training
- Data to be used for completing CY 2008 Operating Subsidy Submissions

Resources and Useful Links

For more information, please visit the HUD-PIH Asset Management Website here. 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. ◇

Continued on page 7…

Contact the Editor

Do you have an article idea, question, or comment for the editor? The Office of Public and Indian Housing (PIH) is the editor of this monthly e-Newsletter. Please send all inquiries by email to AssetManagementNewsletter@hud.gov, with the subject line "Question/Comment for the Editor."◇

Congratulations!

Participating 6/30 FYE PHAs have just completed their first year of

Project-Based Accounting

and

Project-Based Budgeting!