ASSET MANAGEMENT E-NEWSLETTER

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HUD Releases the 2008 Public Housing Management Fee Tables

On Friday, April 25, 2008, the Financial Management Division (FMD) of PIH-REAC released, for public housing, both the CY 2008 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 retroactive to January 1, 2008.

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 1.49 percent from $50.84 per unit month (PUM) to $51.60 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

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may use the higher of the two amounts. The amounts published represent fees paid for each occupied unit/allowable vacancy.

Table 2 of the document represents the 80th percentile of administrative costs paid in HUD's multifamily housing programs based on the 2006 Annual Financial Statements (AFS). It is applicable to small PHAs that elect to implement asset management without a Central Office Cost Center (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. ◇

Revised Reporting Brief on Capital Fund Program Includes Information on Reporting Force Account Labor

The Department previously issued *Reporting Brief #2: Financial Reporting Under the New Operating Fund Rule* to illustrate the reporting of Capital Fund activity under asset management based on the proposed changes to the Financial Data Schedule (FDS). The brief was recently revised to include information on the proper reporting of force account labor. Force Account Labor, in the context of Capital Fund, refers to labor performed directly by the PHA. A copy of the revised reporting brief can be downloaded here. ◇

Update on the Transition to New Development Numbers

To simplify PHA reporting, HUD initiated a transition to new development numbers. As of

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April 20, 2008, all active PHAs have been converted to new development numbers. As requested by PHA users, more than half of the duplicate building numbers identified before the transition were changed. Due to volume of requests and time constraints, 25,575 buildings remain to be converted to a non-duplicate building number during the transition. However PHAs can start using these new development numbers now. Conversion to the format "B_0001" will be in accordance with PIH Notice 2007-28. Please contact your PIC Coach for a list of the 25,575 buildings.

HUD has posted a standard spreadsheet template for modifying building-entrance numbers pairs for any PHA desiring to change these or other numbers. The template can be downloaded here. All columns, except "Comments," are required.

All normal edit and submission rights in Development and Inventory Removals have been restored.

To assist users in navigating their way through all of the changes that have occurred during the transition to new development numbers, the Department has prepared a set of development and building number crosswalk reports. To reduce file sizes, these reports are broken down geographically and are all in MS Excel spreadsheet format. The Development and Building Number Crosswalk Reports may be downloaded here. ◇

Asset Management Election Deadline Extended for PHAs with 250-400 Units

Per PIH Notice 2008-16 (HA), PHAs that own or operate between 250 and 400 public housing units were required to submit their election to continue with asset management or be exempt from asset management by Friday, April 25, 2008. At the request of PHAs, the Department extended the deadline to Friday, May 23, 2008. PHAs should still follow the instructions outlined in *Guidance on Implementation of Election to be Exempt from Asset Management CY 2008 Operating Subsidy Submissions for PHAs with 250-400 Units*. ◇

Update: CY 2008 Operating Fund Subsidy Submissions

The deadline for submitting Operating Fund subsidy information into SAGIS was Friday, April 25, 2008. (All PHAs have been provided with interim funding through June 2008 based on estimate of need.) As part of the data validation for this new system, on Thursday, May 1, 2008, the Department e-mailed PHAs a file for each AMP, in MS Excel format. The file is populated with the form HUD-52723 data extracted from SAGIS. PHAs are to verify the reported data. Any corrections should be made directly in the file. PHAs had from May 1, 2008 through May 15, 2008 to send the validated file for each AMP. ◇

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HUD Issues PIH Notice 2008-22 on Energy Performance Contracts

On April 25, HUD issued PIH Notice 2008-22 to reinstate the content of PIH Notice 2006-06 with updates and edits. It provides specific guidance on Energy Performance Contracts (EPCs).

It also provides specific guidance about how existing EPCs may have their terms extended, through a HUD-approved waiver, from the current 12 years up to 20 years. A PHA must request a waiver if they wish to enter into performance contracts dependent on freezing the rolling base or the use of a subsidy add-on for a period greater than 12 years but not to exceed 20 years. ◇

Asset Management Orientation for PHA Boards Now Available Online

The Department posted the Asset Management Orientation for PHA Boards on May 16, 2008. The purpose of this two-hour training is to assist PHA Boards in understanding the basic requirements and structures associated with the conversion to asset management. As owners of Public Housing, Boards of Commissioners have critical roles and responsibilities under asset management. The training reviews the major program changes associated with asset management, in the context of the PHA's mission, goals and objectives. The training includes the following modules:

- Overview of Asset Management
- Asset Management Building Blocks
- The Central Office Cost Center

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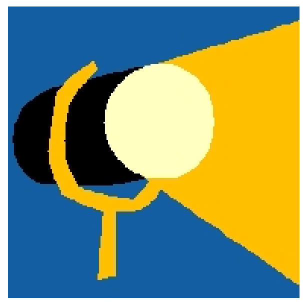
While designed for PHA Boards, the training may also be helpful for PHA staff, residents and other stakeholders. The training can be completed online or can be presented to a group, with accompanying workshops. Please click here to view the Asset Management Orientation for PHA Boards. ◇

PHA Spotlight: Boulder Housing Partners, Colorado



Section 225 of Title K of the 2008 Appropriations Act permits PHAs with 250-400 units to opt out of asset management. This month's PHA Spotlight looks at Boulder Housing Partners (BHP), a PHA with 337 Public Housing units that has chosen to continue the transition to asset management. The Spotlight spoke with BHP's Betsey Martens (Co-Executive Director of Operations), Della Temple (Chief Financial Officer), and Tim Beal (Director of Housing Services). BHP's Public Housing portfolio consists of two AMPs scattered over a five mile radius. AMP 1 has seven properties with 190

BHP Facts

- Low-Rent Public Housing Program: 337 units
- Section 8 Project Based Program: 124 units
- Tax Credit: 216 units
- Work Force Housing: 315 units
- Housing Choice Vouchers: 686 units
- 49 staff members

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units. AMP 2 has two properties with 147 units. BHP also has additional 23 non-Public Housing properties, accounting for an additional 1,341 units. BHP is a "gainer" under the new Operating Fund formula.

We noticed references to both Boulder Housing Partners and the Housing Authority of the City of Boulder. What is this about?

We do business as Boulder Housing Partners, but we are the Housing Authority of the City of Boulder. In 2001, we adopted the name Boulder Housing Partners. Primarily, we wanted to send a strong message to our community and to our residents that affordable housing today and in the future is a partnership and not something any single entity can do by itself. We also wanted to change our name to reflect a much broader mission than the traditional Public Housing program. In fact, we have a 123-unit mixed-income complex that we put into service in 1986 with 20% low income and 80% market; this type of venture was pretty new to PHAs back then.

You mentioned a mission that is much broader than the traditional Public Housing program. How does your portfolio support that broader mission?

We have close to 1000 units in total, but only 337 of those are traditional Public Housing units. Our non-Public Housing portfolio is comprised of 124 Section 8 project-based units, 216 tax credit units, and 315 workforce housing units. Workforce housing properties are funded with state and local monies and have affordability covenants. All of these properties are at 50% of area median income or below. Boulder is unique in that it has a city-funded housing trust fund that has allowed us to grow inventory in a non-traditional way. The City is a principal equity investor along with the State of Colorado.

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Prior to the transition to asset management, did you manage all of the units in the same manner?

No. We didn't. We treated Public Housing somewhat differently. We didn't manage it with quite the same private sector principles as we did the rest of our portfolio. For example, although we've long had a system of project-based budgeting, we didn't charge our projects a management fee and several centralized cost centers were simply allocated to projects.

Has that changed?

Emphatically. Although we were definitely on an asset management path, the new Operating Fund rule for public housing accelerated our implementation. While we had the "foundation", we didn't have all the parts. The new rule encouraged us to bring the best practices from our affordable portfolio to the way we operate our public housing. We realized that there were certain business practices that we hadn't adopted for public housing that were key components of our affordable portfolio. The changes we embrace as positive asset management initiatives are now having a balance sheet and income statement for each property (not even just for each AMP) and a staff with bottom line goals.

BHP falls in the range of PHAs that can opt out of asset management. Why did BHP proceed with the transition to asset management?

We are devoted to the principles of asset management and that is the way we have managed the rest of our portfolio for years. For us, it was an easy decision to move forward in converting to asset management. It is more effective and efficient to operate all units under one organizational model. Remember that we operate on a fee-for-service model (management fees) for the rest of our portfolio. It makes a lot of sense to have the whole operation operate that way.

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Operating under a fee-for-service model, you must pay close attention to fees and costs?

On a monthly basis, we sit down as a team and review the operating statements of each property (and the COCC!). We have specific goals relating to rent collection and expenses. We are typical of any business in that we are constantly striving to improve effectiveness and efficiency.

You mentioned the monthly review of operating statements for each property. What are they key things you look for?

Generally, we look at our net tenant rental income in terms of where we are in the budget for that month compared to year-to-date. We do the same with our expenses. Our business trends tend to fluctuate throughout the year. For instance, Public Housing is fairly steady in turnover throughout the year, but our Workforce housing tends to have more turnover in certain months of the year. So we really try to budget as much as possible specifically to a month rather than taking a gross number and dividing by 12. We are looking at monthly and year-to-date performance in our monthly meetings. We are literally going line by line to identify variances and the reasons for those variances. We look at whether we are doing a good job or if we need to take some corrective actions to get back on track.

To what extent is staff involved in this performance review? Are they aware of the metrics?

Our staff has come a long way in being trained to understand the operating statements. We have a regular GAAP operating statement and balance sheet for every property and the Public Housing properties roll up into AMP-level operating statements and balance sheets. We have been very impressed with the level of interest from leasing and maintenance staff in understanding the numbers. Net tenant rental income has

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become quite a hot topic around here, as are some of the cost-saving measures and trying to hit a performance targets. It is quite a delight to have the whole organization very involved in evaluating and understanding operating statements. We align employee bonuses to property performance.

How did you prepare your staff for this role?

Educating the staff on how to read and understand the data really did a lot to overcome the fear associated with all the changes. Once the education took place, an understanding of the goals followed.

What are your thoughts on your current AMP groupings?

AMP 1 has seven properties with 190 family units and AMP 2 has two properties with 147 senior units. We looked at a number of different arrangements including what makes sense geographically and in terms of staff ability and experience. But we also have the non-Public Housing portfolio to consider, too, in considering staffing and deployment. Because much of our portfolio consists of small projects, we probably have more centrally dispatched staff than other PHAs. Also, while we have a central maintenance shop due to the scattered nature of our portfolio, it has limited inventory. With the opening of Home Depot, we turned to a "just in time" model in terms of inventory for our maintenance staff.

When you roll up the financials to the AMP level, what have you found in terms of cash flow?

Right now, AMP 1 (family) is "cash-flowing" while AMP 2 (elderly) is not. Through "fungibility", we can handle that situation; however, we're still attempting to identify the reasons for this difference and whether it will continue long-term.

In the transition to asset management, what beneficial elements have you found that might be helpful to other PHAs?

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The upside to the transition, which would be true for everybody, is that it fosters the collection of property-specific performance data. As the staff begins to understand this data and use it in everyday management, the outcome is astounding.

Your website indicates that your Board of Commissioners meets monthly. What level of involvement has your Board had in the decisions surrounding asset management?

Our Board of Commissioners is quite aware of the transition to asset management. Boulder Housing Partners has a sophisticated Board whose members come from varying backgrounds, such as a former University of Colorado Vice Chancellor, a former deputy counsel for HUD , a real estate agent, a CPA, an architect, and a resident whose professional background is in mediation and consensus building. The essence of our organization is demonstrated by the diverse and extensive backgrounds of our Board members. Just this month, we nominated the entire Board for the Colorado NAHRO Service Award.

What are the key resident programs offered by BHP?

We are the only PHA in the region to receive a FY 2007-08 ROSS grant. We have the Boulder Housing Partners Foundation which is a sister corporation and is dedicated to just raising funds for service-enriched housing. We are doing a lot of service linking through service coordinators and what we call community builders. A lot of the services provided to our residents do not require funds from BHP. We work hard to connect residents to the community and various community services available. We have a partnership with "I Have a Dream," a national program for kids that starts in fourth grade. It offers college tuition for those who graduate high school.

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Are there any specific lessons learned that would be helpful to share with other PHAs?

PHAs are a reflection of the community in which they are located. BHP is a reflection of what our community needs us to be. Therefore, asset management should be a reflection of the PHA. While we are real champions of asset management principles, the challenge is that asset management will look slightly different for different PHAs, and each PHA will have to find their own way. We should be cautious, as an industry, about insisting that we should all manage our properties according to a single formula. Effective asset management tells us that our asset configuration will determine that. ◇

Asset Management Help Desk: A List of Questions

Question: My PHA is considering contracting with a private firm (or another PHA) to manage a remote project. We estimate that the total fees that the management agent would receive annually would be less than $100,000. Can we use small purchase procedures in procuring this work?

Answer: Yes. If the estimated value of the contract is less than $100,000, i.e., the management fees and not the total operating budget for the project, the PHA may use small purchase procedures in securing this contract. Please also note, however, that, once secured, the management agent must comply with Public Housing purchasing guidelines in procuring goods/services with operating funds assigned to the project.

Question: My PHA has a small project that is somewhat adjacent to a larger project. The smaller project does not currently have space for storing of maintenance materials. Is it appropriate for the smaller site to share space with the larger project?

Answer: Yes. The suggested arrangements would appear to be in the best interests of the project, given the circumstances.

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Question: If a site manager has an office within the COCC, can the COCC charge the AMP rent?

Answer: If the COCC is a program asset then no, the COCC would not be able to charge the AMP rent for using the space. However, the COCC would be able to charge the AMP a reasonable portion of the utilities and other fixed costs associated with the space. If, however, the COCC is not a program asset, the COCC would be allowed to charge the AMP rent for the space, but the PHA would have to demonstrate that this arrangement was in the best interest of the AMP.

Question: My PHA is about to bid out a $20,000 (estimated) roof replacement contract. Should it use the form HUD 5370 or can it use the form HUD 5370-EZ?

Answer: The PHA has the option to use either form. The 5370-EZ was designed for smaller construction jobs (between $2,000 and $100,000), but is optional. ◇

Upcoming Dates on the Asset Management Calendar

- **May 23, 2008**: Extended deadline for PHAs with 400 units or less to elect or seek exemption from asset management
- **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?

- Asset Management Orientation for PHA Boards
- Excel Tool SAGIS Data Validation PHA User's Guidance
- Deadline Extension of Asset Management Exemption
- Schedule of Management Fees

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- Guidance on Implementation of Election to be Exempt from Asset Management CY 2008 Operating Subsidy Submissions for PHAs with 250-400 Units
- Reposted Reporting Brief #2 on Capital Fund Program

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.

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."◇