

# ASSET MANAGEMENT E-NEWSLETTER

Issue 08 - October 2007



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## Administrative Reform Initiative Study Groups Provide Initial Recommendations



On September 27, 2007, the Department shared the preliminary recommendations of the 13 ARI study groups to streamline Public Housing administrative requirements. The Department intends to publish a compilation of recommendations in the near future. Some of the key study group suggestions included:

- ❖ Engineering a consolidated processing system ("one-stop shop") for financing proposals under the Capital Fund, Operating Fund, and Development programs.
- ❖ Creating a "master" homeownership regulation for Public Housing, covering homeownership activities under Section 8(Y), 9, 24, and 32 of the 1937 Housing Act, as well as new financial incentives to reward homeownership.

- ❖ Allowing PHAs to enter Capital Fund budgets without Field Office approval (similar to Operating Fund) and reducing the number of line items needed to requisition funds.
- ❖ Converting to a narrative description of each project's capital needs for the Annual Plan, in lieu of detailed action plans.
- ❖ Revising the Public Housing Assessment System (PHAS) to mirror multifamily housing programs, including the elimination of entity-wide scoring (score only Public Housing specific activities).
- ❖ Implementing a process to allow PHAs that score between 31 – 60 on physical inspections to correct their deficiencies.
- ❖ Increasing the dollar threshold to \$100,000, consistent with Federal small purchase procedures, for Section 3 and HUD-Determined Wage Rates.
- ❖ Streamlining the lease and grievance procedures, especially where not required by statute.
- ❖ Making system modifications such as correcting name mismatches with the Social Security Administration's database and correcting the reporting rate calculation for Public Housing.
- ❖ Establishing on-going HUD/industry committees on financial reporting, asset repositioning, systems, and other subject areas.

During this meeting, Assistant Secretary Cabrera confirmed the Department's commitment to ARI as an on-going effort. Because many of the recommendations will require changes to both regulations and systems, resource planning will be required. For additional details on the study groups' recommendations, final reports may be viewed on the [Public Housing Administrative Reform](#) webpage. ♦

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## A Message from the Assistant Secretary...



I would again like to thank everyone who participated in the Administrative Reform Initiative over the past several months. This exercise has proven to be extremely helpful and productive.

Our goal was to identify ways that we can streamline the administration of the Public Housing program, within the framework of asset management. I believe that the study groups have accomplished that. We are actively reviewing all recommendations. As indicated in my opening remarks at the meeting on September 27, 2007, the following principles should shape the administrative framework for Public Housing:

- ❖ First, we should allow for maximum local flexibility, within both statutory parameters and the framework of asset management. For example, I don't believe that we need to tell PHAs how they should be organized; however, we can't perform our necessary monitoring responsibilities without receipt of year-end financial statements.
- ❖ Second, and closely related to the first principle, we should concentrate our efforts on post-review monitoring. Generally, PHAs should be permitted to perform according to the established rules and guidelines. PHAs should not have to ask permission for each action. Instead, our reviews should be after-the-fact. For standard processes, we should require prior HUD approvals only when problems are detected.

- ❖ Third, to the maximum extent possible, we should utilize electronic reporting for processing subsidies and transmitting financial and other performance reports. Although we've made a lot of progress in recent years in this area, much more work lies ahead.
- ❖ Fourth, we should treat PHAs as responsible business enterprises, wherein we expect professionalism and high levels of performance and where PHAs are permitted to use their fee income as they best determine.
- ❖ Fifth, the Department should devolve as much authority as possible for the implementation of policy to HUD field staff, who are closest to the ground.
- ❖ Sixth, we are committed to, and require, appropriately trained HUD field staff, to whom oversight and monitoring functions will be delegated.
- ❖ Finally, we should develop and disseminate clear program guidance to enable both PHAs and HUD field staff to implement our programs effectively.

If we work within these principles we will have great success.

– Orlando Cabrera, Assistant Secretary ❖

## SAGIS is Now Open: New Resources Available for a Successful Submission

HUD is pleased to announce the opening of SAGIS for Operating Subsidy submissions. There are three new resources that will help you with your 2008 Operating Subsidy submissions, which include:

- ❖ [Instructions for Form HUD 52723 Project-level Calculation of Audit, PILOT, and Formula Income](#): guidance on how Audit, PILOT and Formula Income and expenses are calculated across AMPs.

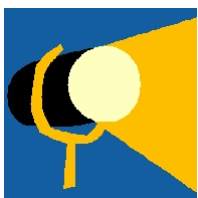
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- ❖ [Tips for Successful SAGIS Submissions:](#) tips on successful submission of data resulting from a recent pilot of SAGIS.
- ❖ [Submission Schedule:](#) Operating Subsidy submission deadlines for PHAs.

To learn more about using SAGIS for 2008 Operating Subsidy submissions, please click [here](#). ♦

## PHA Spotlight: Housing Authority of Bowling Green, Kentucky



This month, the Spotlight, through the experience of the Housing Authority of Bowling Green (HABG), explores the issue of resident programs under asset management. What changes does asset management bring to resident programs? How has this particular agency addressed resident programs as it converts to asset management?

### HABG Facts:

- ❖ HABG owns and operates 598 Public Housing units for families, seniors and people with disabilities
- ❖ 2 AMPs spanning 105 acres
- ❖ Serves Bowling Green, Kentucky
- ❖ 42 full-time and 28 part-time employees  
Receives approximately \$1.7 million in grants for resident programs
- ❖ AMP A has 340 units; staffed by a manager, assistant manager and 10 full-time maintenance staff
- ❖ AMP B has 258 units and is staffed by a manager, assistant manager and 7 full-time maintenance staff.

Four of HABG's key staff spoke with the Spotlight, including: Abraham Williams, Executive Director;

Nancy Becker, Deputy Director/Finance Director; Katie Miller, Grants Director; and Cathye Gumm, AMP One Project Manager.

### *What types of resident programs do you offer?*

*We offer quite a range of resident services programs, including an after school program, daycare, GED preparation, ESL programs, small business development, homeownership and more.*

### *How integral are these resident programs to Bowling Green's Mission?*

*These programs are very important to our mission for three key reasons. First, we want to create supports to increase the economic success of the residents, which includes offering affordable housing options on-site as incomes rise. We foster an environment that will help them advance toward independence and enrichment through skill and education programs, work and home-ownership programs, childcare assistance and even special programs for seniors. Second, having these programs is a smart business decision for us. They boost the earning potential of the residents, which results in greater rental revenue for HABG. Finally, these programs keep us competitive against private rental housing because we have the ability to offer access to childcare and other supportive programs for working parents. Rather than residents moving out as their incomes increase, so long as we can offer attractive units, residents see the appeal of staying with us since they can't get some of the resources we offer from private rental housing.*

### *How important have partnerships been in offering programs for residents?*

*Partnerships have played a key role in successfully providing and paying for services. Some of our partners include the Department of Employment Services, Western Kentucky University, City of Bowling Green (e.g. Parks and Recreation Department, Housing and Community Development, Police and Fire Departments, Mayor and City Manager), local banks, the United Way, Community Action of Southern Kentucky as well as many other businesses, faith and community-based organizations, and academic*

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institutions. College students also contribute their time to supporting our programs in a number of ways.

### **How much have you historically spent from your Operating Budget for these programs?**

Because of our success with applying for grants and working with partners, most of the funding for resident programs has come from outside sources. Historically, we spend about \$8-\$9 per unit monthly (PUM) on programs from our Operating Budget. This amount is probably about average for the size of our agency compared to other agencies, but we feel that we leverage this amount effectively and the investment is worth it. Some of our programs, in fact, create revenue for HABG. For example, we have two resident work programs – the Cabinet Shop and Home Construction – that netted about \$70,000 this past year. The Housing Authority receives an additional \$74,000 per year from indirect funds. We even expect revenue growth next year because of increased home construction work in the downtown development district.

### **How has the asset management transition affected your resident programs?**

The asset management transition has boosted our capacity to fulfill our mission. With the move to project-based management, each AMP now has an on-site manager and an assistant manager. These on-site managers now have more direct contact with residents along with a more service-oriented focus, which results in increased resident enrollment in these programs. Before making this change we only had one Housing Manager to manage all 598 units. It's a real win-win for us in terms of asset management providing a supportive framework for resident programs.

### **Have you changed the level of funding to resident programs with the conversion to asset management?**

No. We still spend about the same. Asset management hasn't changed our commitment to programs.

### **What advice do you have for other PHAs that would like to retain or build resident programs under asset management?**

First, building resident programs under asset management is worth pursuing because tenant self-sufficiency leads to full-employment. Therefore, resident programs support self-sufficiency and boost the residents' ability to pay rent, which can lead to increased rental revenue. It's important to see the nexus between resident programs and asset management. Don't be discouraged by some funding challenges.

Second, going after grant opportunities (federal and local) and building relationships with partners has also been instrumental in achieving our resident program goals, and frankly, this kind of mixed-finance approach is part of succeeding under asset management.

It took us two or three years to make a name for ourselves. However, once we started networking we attracted partners. In addition to working with partners to offer resident programs, we are inclusive and serve the residents of the wider Bowling Green community, such as providing a clothing bank, commodities each month provided by Second Harvest, an after

#### **Resident Program Offerings:**

- ❖ The Housing Authority Cabinet Shop (On-site job training program)
- ❖ REACH (on-the-job training)
- ❖ REACH HIGHER (Welfare-to-Work training and employment)
- ❖ Financial Literacy Program (linked with REACH HIGHER)
- ❖ Family Literacy
- ❖ Helping Hands Family Self-Sufficiency (skills competency and savings assistance)
- ❖ Right Track (skill competency building)
- ❖ Neighborhood Networks Success Center (education and medical services for all ages)
- ❖ Live the Dream Home Ownership Program
- ❖ Project C.O.N.C.E.R.N. (youth/adult/senior social services – to meet basic needs)
- ❖ Project CARES (supports and activities to increase quality of life for seniors/people with disabilities)
- ❖ Project SAFE (elderly protection/self-neglect prevention)
- ❖ Youth Education/Skills programs (See [website](#) for detailed program listing.)

school program that serves 200 youth throughout the year, and a REACH HIGHER program that has graduated over 350 participants; all of these activities further attracts partner funding. As a result, we actively seek outside organizations to get involved in our agency and, at the same time, we make an effort to remain active in the community. For example, HABG staff serves on several boards throughout the community which include the Primary Care Center, the Enterprise Community Service Provider Board, the Martin Luther King, Jr. Board, Western Kentucky University Student Life and Diversity boards, etc. We invite key partners to our Board meetings, such as the Mayor, whose involvement has a significant impact on our knowledge of grants and other important resources. Contributing to other organizations' Boards has always fostered positive outcomes.

*While partnership-building and going after grants on our own and with partners is hard work, the benefits are immense. Recent partnership benefits include an on-site library, the acquisition of 14 lots of land donated by the city on which homeownership will be offered. The city has also given HABG \$300,000 to renovate an additional 8 homes in 2007-2008.*

For more information about HABG's transition and experience, you can email Abraham Williams at [awilliams@habg.org](mailto:awilliams@habg.org) and you can view the Housing Authority's website at <http://www.habg.org>. The e-Newsletter would like to thank HABG for sharing their experiences. ♦

***"Asset management helps us accomplish more because it has put responsibility back where it should be."***

*-Abraham Williams*

## HUD Publishes Operating Fund Annual Report for CY 2007

The Department recently made available a new report containing various statistics related to the Operating Fund Program. To see a copy of the report, [click here](#).

As a sample of the data contained in this annual report, [Exhibit 1](#) captures revenue and expense data for PHAs by size category for fiscal years ending 9/30/06 through 6/30/07. All amounts are expressed in per unit months (PUMs).

## HUD Carries Over Prior Year's RASS Scores for 12/06, 3/07, 6/07 and 9/07 FYE PHAs

On September 19, 2007, each PHA with 12/06, 3/07, 6/07 and 9/07 FYEs were notified that their prior year's RASS score would be carried over so that HUD PIH-REAC may issue overall PHAS scores. This is the result of delays in contract negotiations impeding the execution of resident satisfaction surveys for those PHAs. Any PHA with a 12/06, 3/07, 6/07 or 9/07 FYE dissatisfied with this arrangement was advised to contact [phas@hud.gov](mailto:phas@hud.gov) by October 20, 2007, to request that their residents are surveyed once a new contract is issued. These PHAs will then be given a new RASS score, subject to the provisions of 24 CFR Part 902. ♦

## Explanation of Final CY 2007 Proration of Operating Fund

On September 24, 2007, HUD posted a one-page letter detailing the proration of the Public Housing

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Operating Fund over the course of the 2007 calendar year (CY). Final proration for CY 2007 is 83.4%, retroactive to the start of the year. (Amounts for the first nine months had previously been prorated at 82 %.) Click [here](#) to view the complete letter detailing the final CY 2007 proration of the Public Housing Operating Fund. ♦

## Asset Management Help Desk – A List of This Month’s Common Questions

*Thanks again to our readers for continuing to use the Helpdesk. The following are among the questions of general interest received this past month.*

**Question: I have a stand-alone central office building that is not on the premises of an AMP, but was built with Public Housing funds. Can this asset be assigned to the COCC and the space rented to programs, including AMPs?**

*Answer: All real property not attached to an AMP should be assigned to the COCC; however, any proceeds generated from this property remain, until otherwise authorized, program assets. Therefore, if a PHA rents space at a central administrative building purchased with Public Housing funds, the use of that revenue is covered under the Operating Fund Program. The Department is examining methods to allow the PHA to retain revenue from non-project assets paid for with program funds, if used for low-income housing purposes.*

**Question: For new mixed-finance developments, how should a PHA calculate the project’s frozen rental income? Since there is no historical data for the new AMP, should the PHA use entity-wide rental income information from 2004?**

*Answer: For mixed-finance projects entering service after FY 2004, the PHA should use, for purposes of calculating formula income, the most*

*representative rental information for the new project. If representative rental information is not available for the project, comparable data for another new development, if one exists, could be used as the basis to estimate FY 2004 frozen formula income. However, once a valid base of rental information is established for the mixed-finance project, HUD may adjust the frozen formula income to better reflect the actual rental income.*

**Question: Our Agency has made an assessment of our current AMP assignments, and their financial viability, and would like to make some adjustments to our portfolio. PIH Notice 2007-28(HA) speaks of PHAs making requests to modify groupings after the conversion to the new numbering system. However, what should our agency do if we have changes prior to the conversion?**

*Answer: The requirements for AMP changes that are part of PIH Notice 2007-28 will not be effective until the launch of the PIC AMP Change Module, expected around January 2008. Until that time, PHAs may make changes to their AMP groupings with approval from their local Field Office. However, any changes made to the AMP groupings will not be reflected in a PHA’s Operating Fund Submission until FY 2009. ♦*

## What’s New on the Website?

- ❖ [ARI Study Groups’ Recommendations](#)
- ❖ [Explanation of Final CY 2007 Proration of Public Housing Operating Fund Letter](#)
- ❖ [Instructions for Form HUD 52723 Project-level Calculation of Audit, PILOT, and Formula Income](#)
- ❖ [SAGIS Submission Schedule](#)
- ❖ [Tips for Successful SAGIS Submissions](#)
- ❖ [Operating Fund Annual Report for CY 2007](#)

## Important Dates

**April 15, 2008** – Year 2 Stop-Loss application due date

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## Resources and Useful Links

For more information, please visit the HUD-PIH Asset Management Website [here](#). Click on the following hyperlinks for detailed information about specific topics of interest:

- ❖ [AMP Groupings](#)
- ❖ [Financial Management](#)
- ❖ [Operating Fund Program](#)
- ❖ [Stop-Loss](#)
- ❖ [PIH Notices](#)
- ❖ [Subsidy and Grants Information System \(SAGIS\)](#)

## Give us your ideas

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](mailto:AssetManagementNewsletter@hud.gov).



### Exhibit 1: Summary of PHA Revenue and Expenses – Per Unit Month (PUM) Amounts

Description	All PHAs	All PHAs - Excluding NYCHA	NYCHA	More than 6,599 units	1,250 to 6,599 units	500 to 1,249 units	250 to 499 units	100 to 249 units	Less than 100 units
<b>REVENUE</b>									
Tenant Rental Revenue	\$190	\$145	\$327	\$119	\$172	\$185	\$181	\$179	\$184
Operating Subsidy	\$263	\$205	\$421	\$366	\$277	\$206	\$168	\$158	\$141
Other Revenue	\$34	\$27	\$49	\$27	\$31	\$43	\$27	\$30	\$27
<b>Total Revenue</b>	<b>\$487</b>	<b>\$377</b>	<b>\$797</b>	<b>\$512</b>	<b>\$480</b>	<b>\$434</b>	<b>\$376</b>	<b>\$367</b>	<b>\$351</b>
<b>EXPENSES</b>									
Administrative Expenses	\$145	\$110	\$254	\$164	\$135	\$113	\$102	\$113	\$120
Tenant Services Expenses	\$12	\$10	\$15	\$22	\$12	\$12	\$8	\$6	\$4
Utilities Expenses	\$116	\$88	\$207	\$123	\$118	\$103	\$90	\$74	\$61
Maintenance and Operations Expenses	\$170	\$135	\$255	\$191	\$180	\$147	\$129	\$128	\$117
General Expenses	\$154	\$37	\$858	\$54	\$40	\$43	\$40	\$36	\$37
<b>Total Operating Expenses</b>	<b>\$598</b>	<b>\$380</b>	<b>\$1,588</b>	<b>\$554</b>	<b>\$485</b>	<b>\$417</b>	<b>\$370</b>	<b>\$358</b>	<b>\$339</b>
<b>Excess Operating Revenue over Operating Expenses</b>	<b>\$(111)</b>	<b>\$(3)</b>	<b>\$(791)</b>	<b>\$(42)</b>	<b>\$(6)</b>	<b>\$17</b>	<b>\$6</b>	<b>\$9</b>	<b>\$12</b>

#### Notes:

1. Based on Cycle 8 Data 9/30/06 to 6/30/07
2. PUM amounts are calculated based on Unit Months Available (UMAs) reported on the Financial Data Schedule (FDS) for the Low Rent Public Housing Program.
3. General Expenses include approximately \$1.5 billion recognized by New York City Housing Authority (NYCHA) as an expense in their 12/31/2006 financial statements pursuant to GASB 45 (Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions).