HUD ASSET MANAGEMENT E-NEWSLETTER

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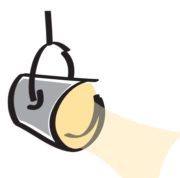
Nanticoke Terrace Family



Interview with Jean Ditzler, Executive Director, Nanticoke Housing Authority

The Nanticoke Housing Authority, situated in northeastern Pennsylvania between the Susquehanna River and the Pocono Mountains, has 417 public housing units and 64 vouchers. Failure to successfully convert to asset management would result in a substantial loss of income for this small HA. The first time the agency attempted to pass Stop Loss, the disappointing results were a huge reality check. Recently, the HA was reviewed for the second time. This month, the Spotlight editor interviews Jean Ditzler, Executive Director, to find out how things have changed.

Congratulations, we just learned that your agency passed Stop Loss with flying colors. The first time you were reviewed wasn't as positive.

Jean—Yes, that it true. The housing authority was supposed to be in the midst of transitioning to asset management when the executive director suddenly resigned. The HA stood to lose about $160,000, a huge amount for us if we did not successfully convert. I was on the Board of Commissioners at the time and agreed to step in and run things for a while. My first wakeup call came while attending a conference in early 2008. I realized that no one at the agency had any idea what asset management really meant. The first review took place in May 2008 and we failed miserably. Everything was still centrally organized and not one component related to project-based management and central services passed. At that point, we began a huge learning process.

Give us a bit of background on Nanticoke for the readers that are unfamiliar with your location and housing authority.

Jean—We are a small city about a 15 minute drive southwest from Wilkes-Barre, Pennsylvania. The area became a major coal producer after the first anthracite coal mine opened up in 1825. During the city's heyday in the 1930's, the population was over 27,000 but it has declined to about 10,000 as the mining industry shut down and job lay-offs continued into recent times. Applications have increased as the need for decent, affordable housing grows, particularly for seniors. Having a healthy housing authority is very important to this community.

What was the biggest challenge that prevented the HA from initially passing Stop Loss and how did you overcome it?

Jean—Change came very, very hard to some folks. Most employees did not want to stop doing things the way things had always been done. It was comfortable having your own set tasks to do rather than knowing how something worked from start to finish. I knew we needed to research what asset management was all about and I knew we needed to overcome the fear of doing things a different way. One of the most important factors in overcoming the resistance to change was the encouragement we received from other housing authorities. The executive directors at nearby agencies were terrific. Folks at Northumberland County and Lebanon County were particularly helpful and generous in sharing their knowledge and providing encouragement. This personal testimony was powerful in overcoming resistance to the new way.


Oplinger Towers Senior High Rise

So help from peers at other agencies played an important role in getting your people working towards asset management. What else did you do?

Jean—I was always open for ideas. Any conferences or training we could get was welcomed. The guidance provided by the Stop Loss reviewer as a result of our first go round was useful as we developed our implementation plan. One of our managers, Bruce Morgans, who had come from the private sector a few years ago rose to the occasion and promoted the common sense nature of project-based management. He clearly understood that the new way of doing things would allow a property manager to have the tools available to operate the properties in a more informed, effective manner.

What other organizational changes did you have to make to de-centralize?

Jean—We organized two AMPS—one for seniors and one designated for family. We had physical changes to make in order to create workable offices for our property managers. The central warehouse had been located at the family property so we had to reconfigure space at the elderly property for maintenance. All that took us quite a while to accomplish. The central maintenance employees are now all assigned at either the family or the elderly AMP and they do everything—grounds, cleaning, and maintenance—whatever it takes. Our housing authority has 17 employees and we only lost one through all this change.

What transformation occurred at your Central Office Cost Center?

Jean—We have project accounting that is now charged to the projects. The Central Office produces the monthly statements and accepts direct rent payments. The property managers, however, handle non-payment of rent directly with our residents. Resident services are done centrally and cost-allocated to the properties.

Was it hard for you to delegate and give up some of your power to the managers?

Jean—No, not at all. I believe in empowering our people as much as possible and I was happy to give responsibility to the property managers. They do procurement at the project level with budgeted authority of up to $2,000; over that requires executive director approval. To promote their skills, we are getting the managers and assistant managers involved in as much training as possible. For example, the National Association of Housing and Redevelopment Officials (NAHRO) is offering property-based budget training that our folks participated in this month.

What insights came to light now that you have individual budgets and property accounting?

Jean—Well, we knew the elderly AMP would perform better in some indicators than the family one—vacancy loss days, make-ready time and tenant accounts receivable. But we were surprised that the elderly property has a higher proportion of routine service calls. We have 65% elderly apartments, but they make 80% of the service calls. Another thing that was not so clear before the transition was how much improvement there would be in inventory management. The difference was like night and day.

What do you mean?

Jean—Well, the budget is a great motivator. Managers and their employees are paying attention to performance versus budget. We had inventory overkill of some items under the old system but now the inventories are fine-tuned to the optimal amount. Not only did inventory management improve, but the managers and their teams got excited about energy efficiency. We have done extensive research, prepared pay-back analyses for major equipment replacements and implemented numerous improvements that are showing immediate improvements to the bottom line. The Board has approved our initiatives and residents are satisfied.

What are some examples of energy improvements you have accomplished that have shown utility savings?

Jean—The obvious water saver devices such as power assisted 1.6 gallon per flush toilets and aerators have been installed. Light bulbs were replaced with CFLs. Weather stripping has improved the comfort level and operating costs of the apartments. In the past, the gas bill was just paid out of the general fund, but now the managers are really paying attention and have taken on ownership of utility consumption at their buildings. We worked with Honeywell on several items including converting the domestic hot water at the elderly AMP to a hi-efficiency system. We are presenting the Board with a proposal to install tankless water heaters at the family property that have 25-year warranties and are rated at 97% efficiency. This was compared to the standard 80% efficiency units with only 6-year warranties. Additionally, there are far less leakage issues with the tankless units, so maintenance time can be saved. I'm really proud of our staff for thinking through and researching so many ways to save time and money.

Another exciting innovation we are exploring since we got on board with asset management is sub-metering. At buildings where we pay the electricity, we hope to install sub-meters and motivate our residents to pay closer attention to their consumption. For example, we may determine that residents in a particular unit type should be able to live comfortably at under 500 kWh per month. Once the residents have been given a fair chance to understand how the sub-metering works, we start billing them for excess use over the allotted amount. We know we have to work on new lease clauses before we can do this, but we think it can be done and will have a significant impact on our results.

Nanticoke Towers

Sounds like your employees are totally into energy efficiency and saving money. Anything left to do?

Jean—We attended an energy efficiency exposition at Lafayette College and got interested in greater use of natural lighting and motion sensors. Our first seniors' high rise was built in 1967-1968. In our five year plan, we are working on ideas to bring solar power to the property, improve the air quality in the hallways and install all Energy Star appliances. We may need to form a consortium with several housing authorities to get a loan or go for a bond issue for rehab.

So in just a year and a half the Nanticoke Housing Authority managed to turn around from failing its first Stop Loss review to fully transitioning to asset management.

Jean—It is common sense and has led to unimagined creativity and tremendous results. But first we had to get over the fear-of-change hurdle and we are grateful to our HA colleagues for giving us the boost we needed. We have a great bunch of people working together at this agency and making a difference.

Contact Information

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2009 Operating Fund Annual Report Facts

What is the occupancy rate in public housing? According to 2009 PHA subsidy submissions, the unadjusted occupancy rate is 92.7% and the adjusted occupancy rate (adjusted for HUD-approved vacancies) is 95.7%. (Source: Operating Fund Annual Report, Calendar Year 2009. For a copy, click **here**.)

Occupancy of Public Housing: 2009

	Units*	Unit/Months
Total Available	1,084,155	13,009,856
Total Occupied	1,005,156	12,061,867
Unadjusted Vacancy Rate	92.7%	
HUD-Approved Vacancies		
Modernization	23,584	283,005
Special Use	3,337	40,046
Litigation	446	5,348
Disasters	2,479	29,743
Casualty Loss	767	9,203
Changing Market Conditions	2,834	34,006
Subtotal	33,446	401,351
Adjusted Vacancy Rate	95.7%	

** Units determined by dividing unit/months (the measure used in the Report) by 12. Actual unit counts may be more or less.*

Nominations for Spotlight

Have a great story to tell about your PHA's transition to asset management? Or perhaps you know about another PHA that overcame obstacles and used creative solutions to make the transition? The Asset Management E-Newsletter editor is accepting nominations for the spotlight feature article for upcoming issues. Please send your nominations to **Newsletter Editor** with a few brief sentences outlining the story. We will be happy to explore the story in detail and share it with the newsletter readers.

Changes to Unit Reporting in Public Housing Information Center (PIC) – HUD Notice PIH 2010-6

The May 2008, October 2008, and September 2009 PIC releases made several changes affecting unit status reporting. This notice explains the changes and includes an attachment that lists the three categories -- Exception, Occupied by an Assisted Tenant, & Vacant or Otherwise Occupied – plus defines all the associated sub-categories.

The Notice reminds PHAs of the requirement to receive prior approval through their HUD field offices for the following categories of approved vacancies: Vacant Undergoing Modernization, Special Use Units, Vacant as a result of Court Litigation, Vacant due to Natural Disaster, and Vacant due to Casualty Loss.

Reporting rates will be redefined in 2010 as the sum of unit months occupied, unit months for 3 percent allowable vacancies, and unit months for approved vacancies divided by required unit months available.

To read the full Notice, go **here**.

FASS Extension

The revised due date for financial submissions that are due on 2/28/2010 is now 3/31/2010. The extension is granted due to system performance issues have been identified with Secure Systems. Accordingly, public housing agencies (PHAs), including Section 8 only PHAs, with fiscal year ends of 6/30/2009, 9/30/2009 and 12/31/2009 that have experienced or are experiencing significant system delays during the unaudited and audited submission process will not be penalized or receive a Public Housing Assessment System (PHAS) penalty.

Upcoming Dates on the Asset Management Calendar

March 31, 2010, CY 2010 PHA submissions due for subsidy requests

May 14, 2010, Deadline for appeals for CY 2010.

July 16, 2010, Operating Subsidy Revisions deadline.

October 15, 2010, Deadline for Year 5 Stop-Loss Submissions (instructions pending).

What's New on the Web site?

- **Calendar Year 2010 Subsidy Processing**

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, and Stop-Loss.

Specific Links In This Issue

Links for specific materials referenced in this issue are shown in **blue bold 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.

Asset Management Help Desk—Questions and Answers

The Asset Management Help Desk can be reached at 1-800-955-2232 or by email at **assetmanagement@deval.us** Please use this phone number and email address to send inquiries regarding asset management.

MIS + COCC

Q With Asset Management, are we allowed to bill sites an hourly fee (up to market rate) for services rendered by our Management/Information Services (MIS) department, including an MIS Help Desk?

A The Central Office Cost Center (COCC) may charge a project a fee for services that a project would otherwise need to obtain from an outside vendor. For example, to the extent that a project had a hardware problem, and would otherwise call a third-party repair service, the PHA could instead provide that service through the COCC using a fee-for-service. When Help Desk services relate to computer equipment repairs and the installation of site specific software applications, these activities could be provided by the COCC using a fee-for-service. Help Desk activities that relate to general training and supervision are associated with the bookkeeping and management fees that a PHA is paid to oversee a project. Therefore, these types of Help Desk activities cannot be charged to a project through the COCC using a fee-for-service but must be paid for with COCC funds. See here for more information.

Lending to the COCC

Q Can the AMPs make a loan to the COCC to build a new office building for the COCC?

A A PHA may not use program funds-including operating subsidies, rental receipts, project reserves, etc. for non-program activities. A loan to the COCC, for whatever reason, would not be an eligible program activity.

Sharing Staff Among AMPS

Q I manage numerous AMPs with specific staff designated to those properties. During the year there may be short periods of time when specific situations at a given property require increased staffing. Is there a place in the asset management model, other than setting up a COCC-based staff scenario, to share staff among AMPs, as long as the additional staff is charged to the AMP where they are actually working?

A Yes. Staff from one project may be needed to work on another project. In those circumstances, the PHA should ensure that the project where the work was performed was charged accordingly. For example, a PHA may find that a particular project cannot support a full-time maintenance mechanic and, therefore, that mechanic is "shared" by two or more projects. Where it is not economical to have full-time personnel dedicated to a specific AMP, the PHA may establish a reasonable method to spread these personnel costs to the AMPs receiving the service. Shared resource costs are distinguished from front-line prorated costs in that the services being shared are limited to a few AMPs as opposed to being prorated across all AMPs. The method used to spread these costs to the AMPs receiving the service must follow the guidelines established for front-line prorated costs. Where salary rates for personnel providing the shared service to an AMP are not reasonable, the rate used must not exceed what would be considered a reasonable rate. As with front line prorated costs, in all instances shared resource costs must be reasonable, necessary and based on services provided to the AMP.

Define 'Asset Manager'

Q Please give me a job description for a typical Asset Manager's position. What are standard duties and responsibilities?

A The title "asset manager" is used within HUD's Asset Management initiative to describe the duties of the housing (site) manager. In this context, the site manager is the person largely in charge of the day-to-day operations of a project (or AMP), from collecting rent to ensuring that resident work orders are completed in a timely manner. In the terminology of the broader housing industry, an "asset manager" is responsible for representing the owner's or lender's interests in a property—from day-to-day operational oversight of the property manager to transactional undertakings, including refinancing. You may find job descriptions within the appendix of our **Housing Manager's Procedures Manual**.

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