

# HUD ASSET MANAGEMENT E-NEWSLETTER

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## An Interview with Sandra Henriquez, HUD's New Assistant Secretary for Public and Indian Housing



The Spotlight talks this month with Sandra B. Henriquez, the new Assistant Secretary for Public and Indian Housing. Ms. Henriquez began her career as a property manager in Federally-subsidized housing. Later, she ran

the public housing management division for the State of Massachusetts. Most recently, she was the Executive Director of the Boston Housing Authority (BHA), with approximately 14,000 state and Federal public housing units and 13,000 Housing Choice Vouchers.

**Is it true that, as a child, rather than playing with crossword puzzles, you analyzed income and expense statements of apartment complexes?**

Not really. But, yes, I do come to this position with a lot of experience in the world of affordable housing, both

publicly and privately managed. I started out with part-time work, first as a teacher, then as a URA (Uniform Relocation Act) coordinator. My first full-time job was as property manager for a 110-unit Rent Supplement project. Eventually, I managed Franklin Field family and elderly developments, a 684-unit Boston Housing Authority property, in 1980. There's no substitute for hands-on, on-site experience.

### Were you any good at collecting rent?

I got better at it when I did a better job of managing the property. Residents definitely paid their rent. But that's also because we established a sense of community, where people were proud to call their apartment "home." When you create that kind of atmosphere and sense of respect, you can do wonderful stuff. It's best when the residents themselves won't tolerate bad behavior. Sometimes we can help this happen by communicating standards and expectations, both for the residents and the site staff.



Sandra B. Henriquez, Assistant Secretary for Public and Indian Housing

## What drew you initially to property management?

One of the reasons I truly love subsidized housing, whether public housing or federally-assisted, is that you can really make a difference in the lives of families. I believe strongly that, while many times PHAs don't have the funds to replace old equipment or upgrade amenities, a place can be clean and well-kept. Dirty is different than outdated. Soap and water is not expensive.

I've always said that every property in the portfolio must be run and kept such that we all would feel comfortable having a family member reside in it. And at the property level, those standards have to be clear and communicated.

## You've been a property manager in both federally-assisted housing and public housing. What was different?

Well, both were a long time ago. But even then, it was clear that things had to change for public housing to work better. As a manager in public housing, you had much less control over the day-to-day operation of the property. And, while the Boston Housing Authority was ahead of the curve, the concepts of project-based budgeting and accounting were far less evolved than my work in federally-assisted housing.

## Should the two worlds—public housing and federally-assisted housing—be joined?

We should at least get the two closer together. We need to continue to examine our operating requirements and management practices to make sure that what we're doing is consistent with best practices.

## How about your days with the State public housing program in Massachusetts? Anything from that experience that helped shape your current outlook?

Running Massachusetts' public housing program was good training for my current role. The State had a comparatively smaller portfolio of course, but the scope and scale of the work was very similar. One initiative I implemented was a requirement that our management representatives visit each agency and project annually.

## That's also the case in federally assisted housing. Is that where you'd like public housing to go?

I really believe that we need to visit our properties on a regular basis. Particularly now that we're receiving project-

level financial statements, we have certain tools that allow us to conduct remote monitoring and assess risk. Still, you can't replace what happens when you actually walk a property. But not in a "gotcha" way. In Massachusetts, we let the PHAs know we were coming. We want people to succeed (and excel). We want to make clear what the standards are but leave the PHAs free to perform.

## As an executive director of one of the largest PHAs, you experienced one of the most dramatic changes in the history of public housing: the conversion to asset management. What was it like from the inside?

Fortunately, the BHA had a long tradition of on-site management. We probably had less a challenge in converting than other agencies because we already had relatively "strong" on-site managers, who were responsible for collecting rent, supervising maintenance, and managing according to budgets. It wasn't as fully developed as my peers in multifamily housing, but at least the foundation was there. Still, it was actually helpful that HUD was pushing us to strengthen our program and make our site managers even more responsible and accountable. While we were going in that direction anyway, it definitely forced us to ratchet up our financial reporting, particularly in the area of project-based budgeting and accounting. Now, the BHA has a much clearer sense of project operating costs than it did prior to asset management. And, there's no doubt that it required us to adopt more of a business mentality.

## How so?

Let's take the Central Office Cost Center (COCC). We started with a break-even budget. . . what we could collect in allowable fees. We had to re-examine everything we did in the central office. What tasks should be assigned to the sites? What tasks should remain centrally? What tasks are simply no longer necessary or can be streamlined? Eventually, we reached a point where we were looking to use net proceeds developed through the COCC as a kind of dividend that we would pay back to the properties.

## Some PHAs are still a bit unsettled over the notion of management fees as local, and not program, income. What was your reaction?

It's another long-overdue and welcome change. I embrace the idea that PHAs are businesses with a social mission. That's no different than any non-profit opera-

tor of subsidized housing. A surplus bottom line means that housing authorities can plow that money back into improving their properties.

### So you weren't kicking and screaming?

I'm not saying it was easy. It was a lot of hard work. But it's the only way to operate real estate. Asset management is definitely here to stay. The Operating Fund Rule requires the Department soon to reconvene meetings under the Federal Advisory Committee Act. I look forward to those discussions because everyone now has a much better frame of reference.

### What's on your wish list?

There's a lot of unfinished business, including the need to provide PHAs with greater ability to access financing in the private market to address capital needs. That would be big.

### Notice 2009-33 Capital Fund Program Awards for FY 2009

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This Notice describes the Capital Fund Program awards for FY 2009, including the Capital Fund formula grant and, where applicable, the Replacement Housing Factor (RHF) grant(s) for your public housing agency. Identification of the awards and processing guidance can be found [here](#). Read the full Notice [here](#).

### Guidance on using New AMP Development Numbers for PH 50058s

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HUD will no longer accept Public Housing form 50058s with eight character development numbers. The 50058s must now identify the building/entrance/unit combination using the 11 character asset management group numbers assigned during the reformulation of development numbers in the spring of 2008. This change is effective with the IMS-PIC system release of September 14, 2009.

### Explanation of Final Operating Subsidy Obligation for CY 2009

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The Department has obligated the final CY 2009 funding cycle under the Operating Fund, covering October 1 through December. Final eligibility proration for CY 2009 is 88.42%, in accordance with the \$4.455 billion appropriation and the final total program eligibility of \$5.031 billion. For additional information, including

how the Department has applied the eligibility proration to final obligation funding for each PHA project, please click [here](#).

In addition to the standard obligation letters and approved subsidy forms, the Department has prepared a "reconciliation" worksheet for each PHA that reconciles operating subsidy funding for all projects within a PHA. For more information on this reconciliation worksheet, please refer to "Final Calendar Year (CY) 2009 Operating Subsidy Obligation: Reconciliation Methodology", which can be accessed [here](#). A copy of the obligation letters, reconciliation worksheets, and approved subsidy forms for each PHA will be posted shortly [here](#).

### Notice 2009-34, Supplemental Asset Management Financial Reporting Information—Transition Year 1

This notice extends the period during which HUD will accept, without penalty, unaudited financial condition information and also audited financial information under the Uniform Financial Reporting Standards (UFRS). HUD cannot extend the 9-month statutory deadline for the submission of independent audits to the Federal Audit Clearinghouse; however, the notice does provide guidance for these submissions.

The following table lists the due dates for submission of financial information for PHAs with fiscal years ending from June 30, 2008 through March 31, 2009. To read the full Notice, click [here](#).

Transition Year 1: Submission Schedule for Unaudited and Audited Financial Statements		
Fiscal Year End	Unaudited Statements Due	Audited Statements Due
06/30/2008	04/13/2009	06/30/2009
09/30/2008	04/13/2009	09/30/2009
12/31/2008	04/13/2009	12/31/2009
03/31/2009	06/30/2009	03/31/2010

### New FDS Software

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On Monday, September 14, 2009, the Real Estate Assessment Center (REAC) deployed the new on-line version for submission of PHA annual financial statements under the Financial Assessment Subsystem-Public Housing (FASS-PH).

The release provides PHAs the ability to once again input their annual financial data directly into the FASS on-line system in lieu of using the Excel Financial Data Schedule (FDS) Tool. All subsequent submissions must be performed using direct FDS input into the FASS on-line system as REAC will no longer support the FDS Excel tool. To find information links that provide instructions and guidance in creating unaudited or audited financial submissions under the FASS, click [here](#).

A new PowerPoint presentation is available that provides a visual overview of the components of the system and general steps for completing a financial data submission. To find the PowerPoint presentation, click [here](#).

## **Asset Management Conferences Concluding in October**

The final two asset management conferences are scheduled for October 5-7 in San Francisco and October 19-21 in Las Vegas. If your PHA has not had the opportunity to send representatives to one of these hands-on, two and a half day conferences, do not miss the opportunity to act now. You can register for one of the remaining two conferences at this [Website](#).

## **Upcoming Dates on the Asset Management Calendar**

**September 30, 2009**, Audited Financial Statements due for FYE 9/30/2008

**October 15, 2009**, Year 4 Stop-Loss Applications are due (postmarked)

**December 31, 2009**, Audited Financial Statement due for FYE 12/31/2009

Upcoming 2009 HUD Asset Management Conferences:

- **October 5-7, 2009**, Asset Management Conference in San Francisco
- **October 19-21, 2009**, Asset Management Conference in Las Vegas

## **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 times roman 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](mailto:assetmanagement@deval.us). Please use this phone number and email address to send inquiries regarding asset management.

### **Capital Fund Expenditures**

**Q** My agency is expecting to use 20% of the Capital Fund this year for Operations. Must each project receive an equal (pro-rata) share of these funds, i.e., transfers to operations?

**A** No. While a PHA cannot spend more than 20% of the Capital Fund for Operations, there is no limitation per project. For example, assume that a PHA receives \$1,000,000 in Capital Funds, of which \$200,000 can be spent on Operations. If the PHA had four projects, it could use all \$200,000 at one project. (The exception to the above is small PHAs—fewer than 250 units—who have full fungibility between Operating Fund and Capital Fund.)

**Q** How should I record the transfer from the Capital Fund to the Operating Fund on the Financial Data Schedule (FDS)?

**A** Assume that Project 001 transfers \$200,000 from the Capital Fund to Operations. The PHA would first record \$200,000 as revenue under FDS Line 70600 (HUD PHA operating grants) under the Capital Fund column of the project. In the same column, the PHA would record, under FDS Line 10020 (Operating transfer out), \$200,000 as a “transfer out.” Then, under

the Operations column of the project, the PHA would record \$200,000 on FDS Line 10010 (Operating transfers in).

**Q** At what time can a PHA transfer amounts from the Capital Fund to Operations?

**A** The PHA can transfer funds at any time during the year. The transferred amount should be reflected in the annual FDS.

### **FDS Memo Accounts**

**Q** Does FDS line 11190 (Unit Months Available) represent total unit months or unit months adjusted for approved vacancies?

**A** FDS line 11190 represents unit months adjusted for approved vacancies under 24 CFR 990.145. As a consequence, one can determine a project's adjusted vacancy by dividing FDS line 11210 (Unit Months Leased) by FDS line 11190.

### **General Depository Agreement (GDA)**

**Q** Our PHA maintains a separate bank account for its Central Office Cost Center (COCC). Must it still use HUD's GDA for this account?

**A** No. The GDA is only for program funds. For example, if the PHA had chosen to use one bank account for both program funds and COCC funds, the PHA would need to use the GDA because the bank account included program funds.

### **Mixed Finance Projects**

**Q** Our agency is entering into one of its first mixed finance projects. How do we estimate its Project Expense Level (PEL)?

**A** PHAs can use the PEL Calculator, which is posted on the asset management [Web site](#) to estimate a project's PEL. (Note: this calculator will shortly be updated to show the underlying calculations/model coefficients.) Once the field office approves the units in PIC/IMS for the project, the PHA can then request that the field office obtain a final PEL from the Financial Management Division (FMD) of the REAC.

**Q** At our mixed finance projects, the management company does not charge a bookkeeping fee. Can the PHA's COCC retain the bookkeeping fee that the management company does not charge the project.

**A** Yes. In the instance where a mixed finance project does not charge a bookkeeping fee, the COCC may charge the project the full bookkeeping fee.

### **Allocated Overhead**

**Q** Our PHA has decided to use the "allocated overhead" method for the current year, in lieu of establishing a COCC. Can we charge a bookkeeping fee and asset management fee?

**A** No. The bookkeeping fee and the asset management fee (as well as the property management fee) are charged only when the PHA creates a COCC. In this instance, the PHA should use FDS line 91810 (Allocated overhead) to report all overhead costs. (PHAs with fewer than 250 units are not required to report overhead separately.)

### **Stop-Loss**

**Q** Our agency was approved for stop-loss in 2008. Are we required to complete any submission to continue to demonstrate our compliance with the conversion to asset management?

**A** No. PHAs that have been approved for stop-loss are not required to submit a certification of continued compliance (or other such documentation). However, HUD reserves the right to monitor continued compliance.

### **Contact the Editor**

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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](mailto:assetmanagementnewsletter@deval.us), with the subject line "Question/Comment for the Editor."