ASSET MANAGEMENT E-NEWSLETTER

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Inside This Issue

[A Message from the Assistant Secretary…](#)
[PHA Spotlight: Housing Commission of Anne…](#)
[Asset Management Help Desk – Frequently…](#)
[Important Dates](#)
[HUD Issues Notice on Public Housing…](#)
[Related Training](#)
[What's New on the Website?](#)
[NewsByte](#)
[Resources and Useful Links](#)
[Give Us Your Ideas](#)

HUD Launches Administrative Reform Initiative (ARI)

As part of its broader effort to simplify program administration, and to assist with the transition to asset management, the Office of Public and Indian Housing (PIH) announced the Administrative Reform Initiative (ARI) on June 13, 2007. The Department is seeking industry participation in focus groups for the following ten study areas:

- Occupancy
- Capital Fund and Agency Plans
- Resident Involvement and Self-Sufficiency
- General Monitoring
- Development and Asset Repositioning
- Homeownership
- General Management
- Financial Management
- Systems
- Structure

Through these focus groups, the Department is seeking input regarding non-statutory

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administrative requirements that might be streamlined to (1) better support and/or facilitate the transition to asset management, and (2) ensure consistency with norms in multifamily housing, where appropriate. The Department will encourage participants to examine regulations, notices, and other process requirements for topics affecting PHAs, particularly in the context of transitioning to asset management. The Department will review all comments and recommendations in determining how best to move forward. To learn more about the study areas or to register to participate in a focus group, please visit the ARI website by clicking [here](#). ◇

HUD Issues Year 1 and Year 2 Stop–Loss Notice

On June 18, 2007, the Department issued PIH Notice 2007-16, *Operating Fund Program: Guidance on Demonstration of Successful Conversion to Asset Management to Discontinue the Reduction of Operating Subsidy, Year 1 and Year 2 Applications.* PIH Notice 2007-16 contains: (1) The amended submission requirements for Year 1 submissions, and (2) The processing instructions and criteria for successful conversion for Year 2 submissions. PIH Notice 2007-16 is available [here](#).

Amended Submission Requirements for Year 1 – Earlier this year, the Department extended

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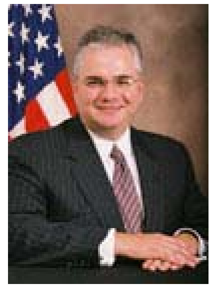
the application date for Year 1 submissions to **October 15, 2007**. The provisions of PIH Notice 2006-35, as well as those contained in the July 13, 2006 Stop-Loss Submission Kit, remain largely unchanged for Year 1 submissions, with two exceptions: (1) The *Board-approved* project and COCC budgets must reflect the periods in Attachment A of Notice 2007-16, and (2) The operating statements must also reflect the periods in Attachment A of Notice 2007-16.

Processing Instructions and Criteria for Successful Conversion for Year 2 Submissions – A PHA that successfully demonstrates conversion to asset management under the Year 2 criteria will have its losses stopped at just 24% of the difference between the old and new funding formulas. The Year 2 deadline is **April 15, 2008**. Three important items for consideration: (1) The *Board-approved* project and COCC budgets must be included with the submission, (2) The operating statements must be included with the submission (PHAs will not be provided with an additional three months after the deadline to submit operating statements), and (3) Attachment B of Notice 2007-16 outlines the criteria for successful conversion for Year 2 submissions. The criteria remain largely unchanged.

In the near future, the Department will post on its asset management website a revised Year 2 Stop-Loss Submission Kit. The reporting period dates for budgets and operating statements will be included in this kit. The Department encourages all Stop-Loss applicants to review the notice in detail. ◇

A Message from the Assistant Secretary…



In many regards, July 1 is the start of asset management for public housing. All PHAs with fiscal years beginning July 1, 2007 are required, for the first time since the introduction of Federal public housing operating subsidy, to prepare individual project budgets. These project budgets are the trigger for a series of actions over the next several years that will lead to public housing's conversion to asset management.

In private housing, the preparation of the annual budget is one of the most important planning exercises associated with the stewardship of any particular asset. It is a time to take stock of performance over the previous reporting period, to analyze revenue and spending patterns, and to establish upcoming performance standards and service levels.

Of course, budget planning in private housing is aided by information on historical operating cost data. For many PHAs, such information may be limited this first year, particularly where activities were grouped in centralized accounts. In time, however, PHAs will become knowledgeable of the costs to operate public housing in their specific market – to know, for example, what it typically costs to paint a one-bedroom apartment (with/without supplies) or the monthly cost for dumpster pick-up, depending on the frequency of pick-up, dumpster size, etc. So, come July 1, take a moment to

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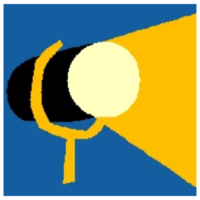
consider the importance of this program milestone.

– Orlando Cabrera, Assistant Secretary ◇

PHA Spotlight: Housing Commission of Anne Arundel County (Maryland)



Previously, the Spotlight focused on some of the functional changes occurring at PHAs resulting from the transition to asset management, discussing approaches PHAs have taken to reformulate services such as maintenance, procurement, and waiting lists. This month, the Spotlight turns to the people behind one PHA's transition: the staff of the Housing Commission of Anne Arundel County (HCAAC). In particular, we look at how their jobs changed as a result of the transition to asset management and how the HCAAC handled that process.

The HCAAC operates just over 1,000 units of public housing, spread across five asset management projects (AMPs). It also oversees about 1,800 Section 8 units. The HCAAC has been a High Performer under the Public Housing Assessment System (PHAS) since 2002.

The HCAAC began their transition with a series of employee focus groups on transitional issues relevant to asset management, including: on-site management, maintenance, warehousing, information technology, etc. These focus groups helped the agency determine the sequential order of implementation. Once changes were implemented, the HCAAC kept staff informed of both the changes being made and the reasons for

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those changes. This approach helped all staff realize that they had a significant hand in the transition process.

The Spotlight recently had the opportunity to speak with management representatives Larry Loyd (Executive Director), Clif Martin (Deputy Executive Director), Kathy Marcum (Director of Finance), and Diane Haislip (Director of Project Management) at the HCAAC about their transition and some of the challenges they faced. Additionally, on-site project staff Lanita Hopkins (Project Manager) and Bill Johnson (Maintenance Technician) shared with us how asset management has affected their daily work.

What were the initial perceptions of staff as you moved toward site-based management?
Mostly, they wanted to know how they would fit into the new organization. Their biggest concern, of course, was job security. Additionally, the maintenance technicians were concerned about reporting to project managers instead of a maintenance supervisor.

How did you deal with these staff concerns?
We dealt with these concerns early on. We communicated that, while there was need for restructuring, we did not need to downsize the organization. We committed, where necessary, to

Continued on Page 4...

assigning staff to new jobs within the organization and to providing additional training.

Perspectives from Project Staff

Q: When you first heard about the transition to asset management, what were your initial thoughts?
A: We thought this transition would mean a lot more work on site, especially for work orders, inventory, and budgeting. We thought it would be harder on maintenance technicians too.

How have staffing levels changed since the transition began? *In terms of numbers, staffing has not changed very much at all. We currently have about 65 employees, virtually the same as before the transition. The changes have been to the responsibilities of the various positions. Essentially, site management and maintenance staff now carry more responsibility.*

Your transition increased the duties and responsibilities of your existing site managers. How has that gone? *Prior to the transition, each of our major sites was assigned a site manager; however, they didn't have nearly the responsibility for the operation of their projects as they do now. In fact, they were frustrated by the lack of control over their sites. For instance, our site managers had virtually no control over maintenance because the maintenance technicians reported to a central*

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maintenance supervisor. They also had little input into budgetary and procurement decisions. Site managers have embraced their new responsibilities because they now have the freedom and ability to excel. Each site manager is responsible for their maintenance staff, and site managers have more control over budgetary and procurement decisions for their site. If anything, site managers want even more responsibility. When site managers realized what they were capable of and received training in efficiency and management techniques, their apprehensions vanished.

Perspectives from Project Staff

Q: Now that the transition is maturing, what are your thoughts about asset management?
A: We are happy with the new approach because we have more control. The tools we need are on site and relationships between the staff and residents are thriving because we are there and we are trusted. Now there are only a few items that involve upper management. From a maintenance perspective, we save money because we have a small inventory on site which results in less driving and more time to complete work orders. The quality of the community has improved too because we know what work really needs to be done. Residents see the same technician regularly and they feel more at ease reporting requests. On the other hand, we know if we need assistance from upper management that they are there to help.

You faced some staff turnover challenges associated with the transition, particularly in maintenance. How did you address those challenges, and how are your maintenance operations currently organized? *Very early in the transition process we made it clear that we wanted to get buy-in from every level of the staff, that we were going to train staff in their new responsibilities, and that we wanted the lines of communication between site management and maintenance staff to remain open. Nonetheless, we knew that some voluntary turnover might occur. As maintenance positions have opened, our new hires tend to come from private property management companies and are experts in their*

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particular areas. We continue to offer certification and other training opportunities to all maintenance staff. The new organizational structure, where maintenance technicians report to site managers, has been very effective in increasing the quality and performance of maintenance services.

Perspectives from Project Staff

Q: As a maintenance technician, what are your thoughts regarding site-based maintenance?
A: Managing my work is easier. When I come to work every morning, I know exactly what needs to be done and I don't have to wait for direction. Reporting to the project manager has become easier over time and I now really like reporting to one person.

What steps did you take to change the mindset and culture of staff? How did you train your staff? *The focus-group approach helped significantly. Prior to the transition, interaction between maintenance and management staff was limited. Working together in focus groups helped increase camaraderie. Additionally, when we hire new staff we look for people with private-sector property management experience. We provided management staff with formal training in management, supervision, and time management; and some are working toward the Certified Property Manager (CPM) designation. Time management training is especially valuable to on-site staff so they can successfully manage their new responsibilities. We also offer certification classes (e.g., HVAC, electrical) to interested maintenance staff.*

What communication did you have with residents regarding the transition? *We have an active Resident Advisory Board. We made a point of updating them on the activities associated with the transition at their quarterly meetings. We also made it clear that rent payments would not change, nor would the quality of resident services diminish under any circumstances.*

How have residents perceived the transition? *The reception has been positive. Residents appreciate that their maintenance*

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issues are resolved by on-site staff from start to finish without having to speak with multiple layers of staff at the central office. The site office has become a one-stop shop for all issues. We made it clear to central office staff, managers, and residents that the ultimate responsibility of site operations rests with the site manager.

What suggestions would you have for other PHAs that are in the early stages of the transition? *PHAs should not try to reinvent the wheel, and should instead take best practices from local private property management companies, other PHAs in their area and elsewhere. Most importantly, PHA staff should do their research. There is a wealth of information published by HUD and industry groups on how to make the transition an effective one. Familiarity with this information as early in the process as possible can prevent frustrations later. Additionally, communication must flow. If you advance information on changes and convey that you are listening, then staff knows what to expect. Be patient and give it time. Not everyone is going to buy-in, nor is everything going to work, so you may have to try various approaches.*

To learn more about the HCAAC, visit their website at http://hcaac.com/, or email Kathy Marcum at akmarcum@hcaac.org. ◇

Asset Management Help Desk – Frequently Asked Questions

Thank you to everyone who submitted questions to the Asset Management Help Desk. Below, please find frequently asked questions from the past month.

Question: When PHAs are completing their FY 2008 operating subsidy forms, which will be done at a project level, will they use FY 2004 agency-wide amounts for frozen rental income or will they use amounts specific to each asset management project (AMP)?

Answer: PIH Notice 2005-34, which can be found here, states that "for FFYs 2008 and 2009 funding, when the Department moves to a property-level funding system, project-level rental income figures from FFY 2004 will be required. Consequently, the Department is asking PHAs to keep in mind that when they submit their project-level subsidy forms in the fall of 2007 for FFY 2008 funding, they will be required to report the frozen rental income for each project, along with any corresponding changes in project-specific utility allowances. (Note: Pursuant to section 990.325 of the final rule, PHAs are required to maintain the supporting back-up data.) The project information should reconcile with information the PHA submitted through PHAS at an agency level." The Department will soon post to its asset management website a worksheet that will assist PHAs in reconciling project-level frozen rental income amounts with agency-wide amounts.

Question: Under asset management, for budgeting purposes, must each AMP show a positive net income utilizing its own formula income?

Answer: No. With the new AMP-level budgets, the PHA must show that each project has sufficient resources to cover all estimated expenses; however, it is not required to operate within its formula income. In addition to its formula income, an AMP can be supported with reserves, transfers from other AMPs, transfers from the Capital Fund, and other local grants. In other words, for budgeting purposes, an AMP's expenses can exceed its formula income but the PHA must identify the additional sources of revenue to meet needs.

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***Question: Under asset management, can a PHA lease space, borrow funds, or purchase land/buildings with its fee income? Would those activities require approved budgets*?**

Answer: Fee income of the COCC is not program income under 24 CFR Part 85. Therefore, HUD does not control the use of these funds. A PHA could, as determined locally, use these funds to lease space, borrow funds, or purchase land/buildings. No HUD approval is required. Moreover, while highly recommended, a PHA is not required to prepare a budget for the COCC.

Question: PIH Notice 2007-9 allows PHAs to charge certain front-line administrative functions to each project utilizing any reasonable method of pro-ration. We collect rent centrally. Can we charge to the projects both the salary and fringe of the employee who handles central rent collections?

Answer: Yes. The actual salary and benefits of the employee who handles the central rent collection function can be charged back to the projects. Page 42 of the Supplement to PIH Notice 2007-09, which can be found here, provides a list of the costs that are to be included when determining the labor costs for front-line expenses. ◇

Important Dates

July 15, 2007 – Operating statement submission deadline for Stop-Loss PHAs that applied by April 15, 2007

July 15, 2007 – Deadline for Operating Fund appeals

October 15, 2007 – Deadline for Year 1 submission of stop-loss applications

HUD Issues Notice on Public Housing Development Requirements for Affiliates/Instrumentalities

On June 20, 2007, the Department issued PIH Notice 2007-15, *Applicability of Public Housing Development Requirements to Transactions between Public Housing Agencies and their Related Affiliates and Instrumentalities*. The complete text of the Notice can be accessed here. The Notice intends to clarify public housing requirements concerning PHA use of affiliates and instrumentalities in public housing development. Specifically, the Notice provides guidance in the areas listed below and concludes with a checklist that PHAs can use as guidance for assessing compliance with the requirements outlined in the Notice.

- Formation of instrumentalities and affiliates;
- Allocation and source of funds for the cost of shared resources;
- Conflicts of interest;
- PHA selection of affiliates/ instrumentalities/owners entities and procurement by those entities;
- Section 30, Capital Fund Financing Program, and public housing and mixed-finance development;
- Disposition and encumbrance of public housing property;
- Reimbursement of public housing funds improperly used for development; and
- Monitoring and reporting on PHA use of affiliates and instrumentalities.

As PHAs continue to form and expand relationships with private partners, the Department encourages PHAs to review the guidance in this Notice. As more project-level information becomes available under asset

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management, the Notice may be particularly helpful as PHAs strategize to reposition their portfolios. ◇

Related Training

The following is information related to HUD-sponsored training in asset management. *Please note training content is subject to change.*

- **Subsidy and Grants Allocation System (SAGIS) –** A training presentation is available to teach PHAs how to electronically complete and submit Operating Fund forms HUD-52723, 52722, 53087, 50071 and SF-424. The training presentation and instructions are located here.
- **Changes in Financial Management and Reporting Under the New Operating Fund Rule –** A training tool is available to teach and reinforce the financial management and reporting guidelines outlined by the Department in Notice PIH 2007-9 and the associated supplement. The training tool can be accessed here and basic instructions can be accessed here. ◇

What's New on the Website?

- PIH Notice 2007-15
- PIH Notice 2007-16
- Public Housing Administrative Reform Initiative
- SAGIS Training
- SAGIS Video Introduction

NewsByte

On June 15, 2007, Texas Governor Rick Perry signed into law SB 1765, which increases the threshold at which municipalities must engage in competitive bidding from $25,000 to $50,000. The raising of the threshold will result in a quicker turnaround for smaller dollar purchases as well as cost savings because of fewer bid advertisements. The new law, which is effective September 1, 2007, should provide relief to Texas PHAs that are converting to site-based procurement under asset management.

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 inquires by email to AssetManagementNewsletter@hud.gov. ◇