

Public Housing Executive Management

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CHAPTER 1 Organizational Overview

- This seminar is designed to be an in-depth overview of the public housing business for public housing executives and directors.
- The goal of this seminar is to put public housing in the larger context as we examine the many facets and responsibilities of directing public housing. Looking strategically at your operation allows you to see the areas that need attention and possibly intervention.
- Your job is multidisciplinary; in other words, you must collaborate with and integrate numerous systems, from government and community stakeholders to families struggling to get out of poverty. This seminar attempts to look at these systems in a holistic way, while covering the regulations and requirements mandated in the many areas of public housing management.
- The values of this seminar are integrity, respect, and commitment. The vehicles for manifesting these values are continuous learning, strategic thinking, management based on facts and sound judgment, intelligent change, and teamwork.

ONLINE RESOURCES

- Resources and references relevant to this course are available for download at PHExecMgmtResources.nanmckay.com. The materials may be accessed and downloaded as often as needed.
- Links to HUD references can be found at <http://NMAreferences.com>. Click the Public Housing Program link for regulations relevant to public housing.

Notes

LEARNING OUTCOMES

- Identify and develop the skills needed to manage an evolving public housing portfolio and make strategic long-term decisions.
- Upon completion of Public Housing Executive Management, you should be able to:
 - Identify the organizational strengths and weaknesses within your agency, and assess current operations
 - Identify evolving directions for PHA-owned and managed property
 - Evaluate your agency's compliance with fair housing
 - Evaluate and apply private-sector marketing techniques in order to achieve maximum lease-up
 - Recognize HUD's requirements for a real estate model of project-based subsidy, budgeting, and accounting
 - Discuss how to determine project income and expenses and develop an overall budgeting process
 - Analyze the entrepreneurial strategies best suited to your PHA, such as establishing a nonprofit
 - Identify the steps in developing affordable housing and list the possible scenarios in a mixed-finance development
 - Explain the basics of the Rental Assistance Demonstration (RAD) program
 - Identify necessary elements of short-term and long-term assessment of each project, including the physical needs assessment, pro forma, market data, and asset value
 - Examine and apply essential reports to assess program performance and maintain integrity
 - Ensure the fundamentals of procuring goods and services are met at the properties, including Section 3 requirements

Notes

- Apply strategies to improve PHAS performance at each project and in the portfolio
- Assess internal controls and quality assurance systems to track and ensure effective program oversight and performance
- Discuss the steps and processes of strategic planning
- Upon completion of this chapter, you should be able to:
 - Define the roles and relationships within your PHA, your community, and the governmental environment
 - Identify the basic elements of the Moving to Work (MTW) demonstration program
 - Summarize HUD's asset management model for public housing
 - Identify the organizational culture within your agency, and assess current strengths and weaknesses

INTRODUCTION

- Public housing was the first national low-income housing program, established by the Housing Act of 1937. The public housing program's responsibility has always been to care for its assets—land and buildings—in order to provide quality housing for low-income families.
- As real estate has become a primary way to accrue wealth, land and buildings owned by a housing authority are also being seen as long-range assets that should increase in value.
- HUD's asset management model, predicated on project-based calculation and allocation of operating subsidy, changed the business model for public housing. The focus is on the performance of each asset. Asset management is the process of maximizing the value of the real estate portfolio based on the investment objectives and mission of a housing authority.

Notes

- Asset management oversight includes long-term capital and financial planning, monitoring the physical and financial condition of the developments, and overseeing property managers. PHAs, as owners, need to make strategic decisions about how their collection of assets (including the developments, contracts, and capital funding resources) will meet the affordable housing needs of the community as set forth in their mission statement.

Section 1 Overview of Subsidized Housing Programs

PUBLIC HOUSING

- The public housing program was created under the Housing Act of 1937. The buildings are owned by PHAs and may be any type of permanent structure.
- Public housing is called project-based assistance because families live in the building to be assisted.
- HUD executes an Annual Contributions Contract (ACC) with the PHA. HUD commits to funding the PHA's programs and the PHA agrees to comply with HUD requirements..
- HUD provides an operating subsidy to public housing developments to assist in covering operational expenses when rent collection from families is inadequate.
- Major repairs to public housing developments are made through the Capital Fund.

SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM

- The Housing and Community Development Act (HCDA) of 1974 created the Section 8 Housing programs. Some of the Section 8 programs are operated by the private sector and some by PHAs.

Section 8 Housing Choice Voucher Program

- QHWRRA ("the Reform Act of 1998") merged the Section 8 Certificate and Voucher Programs.
- Amount of rent that the tenant may pay to the owner is less limited than under the Certificate program.
- Eligible families are issued a voucher and may seek suitable housing anywhere within a PHA's jurisdiction.
- The subsidy is tenant-based, not project-based.
- Participants select where they want to live.

Section 1: Overview of Subsidized Housing Programs

Notes

- All dwelling units are required to pass inspection standards.
- The PHA pays the participant's portion of rent directly to the owner.

Section 8 Moderate Rehabilitation

- Project-based assistance; family must live in the unit or project to be assisted.
- Owner has HAP Contract with PHA for subsidy if eligible families live in units.
- Rent formula for families is the same as Vouchers.

Private Sector Section 8 Programs and Characteristics

- Contracts are entered into between HUD and private owners for the Section 8 New Construction and Substantial Rehabilitation Programs.
- Project-based assistance for newly constructed or substantially rehabilitated developments.
- These programs are generally administered by owners in the private sector and occasionally by PHAs.
- A PHA could act as the Contract Administrator, the manager, or could be the owner through a nonprofit corporation.
- The owner bills HUD or the Contract Administrator for the subsidy.

THE HOUSING ACT OF 1998 (THE “REFORM ACT”)

- A new method to determine operating subsidy was mandated by the Quality Housing and Work Responsibility Act of 1998 (QHWRA). The Act required HUD to come up with a new method to allocate operating subsidy and to do so through negotiated rule-making.
- The process began in March, 1999. The negotiated rule-making committee felt they did not have adequate cost data to come up with a proposal, so the Harvard Design School was contracted in 2000 to come up with alternate cost data and develop a method to determine the costs of well-managed PHAs.
- In 2003, Harvard issued a cost study report for a new formula.
 - Consistent with practices in the private property management industry, Harvard recommended that public housing should be managed using an asset management model and that HUD should require property-based accounting, budgeting and management.
- The Public Housing Operating Fund Program final rule was issued on September 19, 2005. These regulatory changes take into consideration the recommendations of the study by the Harvard University Graduate School of Design on the cost of well-run public housing.

THE HOUSING OPPORTUNITY THROUGH MODERNIZATION ACT (“HOTMA”)

- On July 29, 2016, the Housing Opportunity Through Modernization Act of 2016 (HOTMA) was signed into law. HOTMA made numerous changes to statutes governing the public housing and Section 8 programs.
- The Final Rule, implementing broad changes to income and assets, and for over-income provisions in public housing, was officially published in the Federal Register on February 14, 2023. On September 29, 2023, HUD issued notice PIH 2023-27 (revised February 2, 2024), which provided guidance to PHAs on the implementation of the program changes described in the Final Rule. On December 18, 2024, HUD issued notice PIH 2024-38, which identified HOTMA provisions that required compliance no later than July 1, 2025.

MOVING TO WORK (MTW)

Overview

- Moving to Work (MTW) is a demonstration program that provides PHAs the opportunity to design and test innovative, locally designed strategies that use federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families.
- MTW gives PHAs exemptions from many existing public housing and voucher program rules, and more flexibility with how they use their federal funds. MTW PHAs are expected to use the opportunities presented by MTW to inform HUD about ways to better address local community needs.

Section 1: Overview of Subsidized Housing Programs

Notes

- While MTW agencies have considerable flexibility, they must still abide by all other federal rules and regulations, including the Fair Housing Act, the Civil Rights Act, labor standards, environmental rules, procurement guidelines, demolition and disposition procedures, and relocation regulations.
 - For all activities that affect their residents' rent payments, PHAs must also conduct an impact analysis that recognizes the unforeseen circumstances and develop an appropriate hardship policy.
 - These safeguards help minimize any potentially negative impact of MTW on residents and communities.
- Only Congress has the power to authorize the addition of new slots in the MTW demonstration.
 - In some cases, Congress has authorized specific PHAs to become part of MTW, and in others, Congress has authorized HUD to select the agencies through its own processes.
 - When HUD is responsible for the selection of new MTW PHAs, HUD issues a notice with criteria for admission and evaluates applications in a competitive process.
- The Office of Public Housing Investments (OPHI), within the Office of Public and Indian Housing (PIH) at HUD Headquarters, oversees the MTW Demonstration.

The MTW “Block Grant” Approach

- MTW PHAs are permitted to combine their public housing operating and capital funds and housing choice voucher funds and use these funds interchangeably.
 - For example, an MTW agency could use public housing capital funds to issue additional vouchers or use voucher funds to develop more public housing to better fit the needs of its community.
- MTW agencies also have the authority to use their funds to implement innovative policies that go beyond these two traditional forms of housing assistance to serve more low-income families.
 - For instance, an MTW agency can use funds from its block grant to replace decaying public housing with mixed-income communities, increase the percentage of project-based vouchers to bring more affordable housing to compact markets, and reach special needs populations through the use of provider-based vouchers paired with supportive services.
- The caveat to this flexibility is that MTW PHAs must “assist substantially the same total number of eligible low-income families as would have been served had the funding amounts not been combined.”
 - This provision helps ensure accountability of MTW agencies to HUD and their communities. In most cases, more families are served when an MTW agency shifts funds between programs through the use of the MTW block grant.

Section 1: Overview of Subsidized Housing Programs

*Notes***MTW Range of Activities**

- MTW agencies can only use MTW flexibility in pursuit of the three MTW statutory objectives. Below is a list of the kinds of activities that MTW PHAs have implemented, organized by statutory objective.

Cost Savings	Self-Sufficiency	Housing Choices
• Using the MTW block grant to leverage funds • Streamlining HUD processes • Redesigning HUD forms • Risk-based inspections • Rent simplification	• Linking rental assistance with supportive services • Escrow accounts • Earned income exclusions • Increased case management services • Self-sufficiency requirements	• Developing mixed-income and tax credit properties • Foreclosure prevention, mortgage assistance and homeownership programs • Increasing the percentage of project-based vouchers

How Do MTW Agencies Measure and Report on Their Activities?

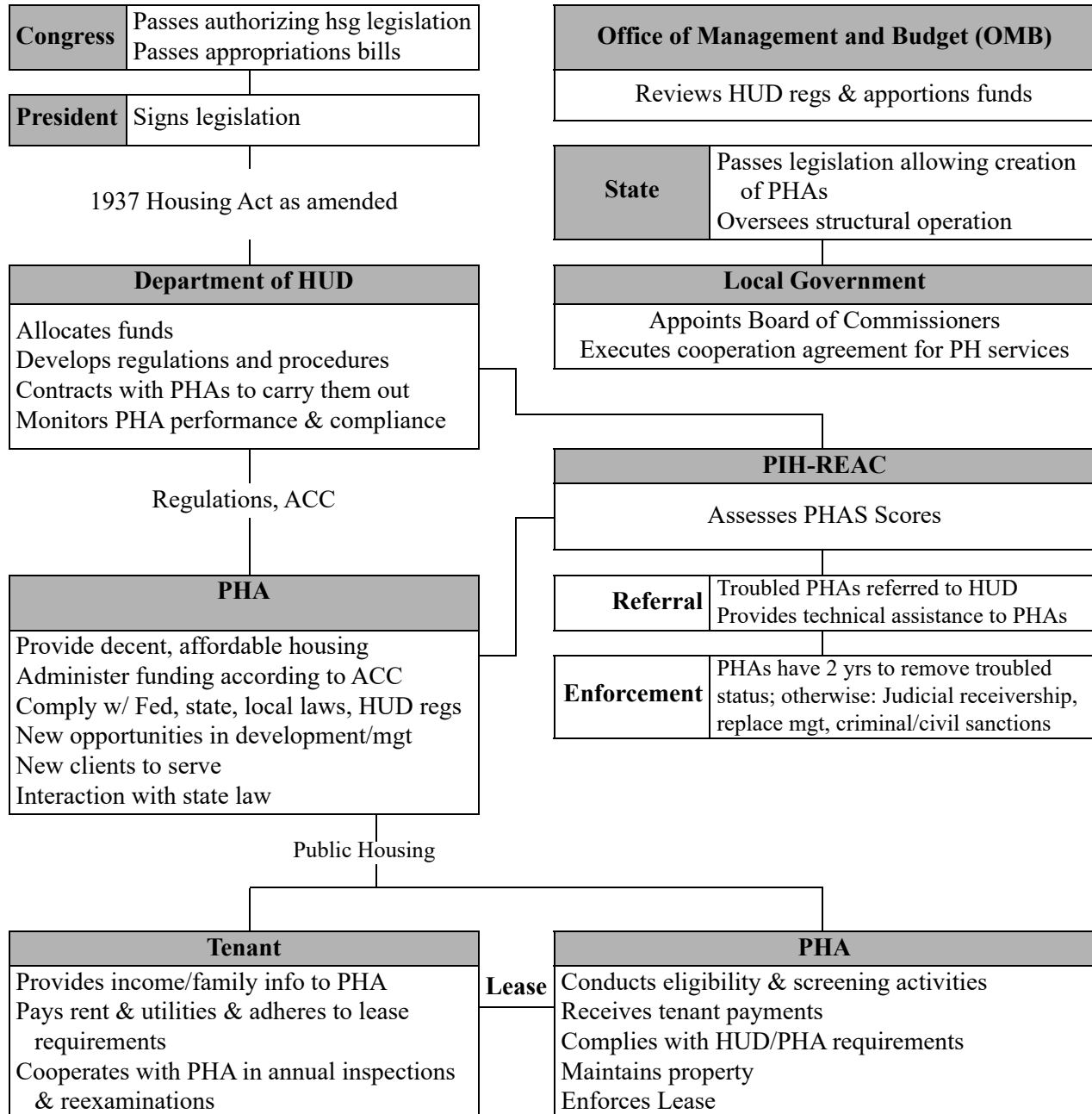
- Recognizing that MTW agencies operate differently from other PHAs, MTW agencies have different reporting requirements that allow HUD to learn from their activities. Unlike other PHAs, MTW PHAs are required to submit a comprehensive framework for their MTW program in their **Annual MTW Plans and Reports** to HUD, which includes outcome measures for all proposed activities and reports on the progress of all MTW activities. The purpose of the Annual MTW Plans and Reports is to provide local stakeholders and HUD with a clear understanding of the agency's activities. In addition to MTW Plans and Reports, MTW agencies are also required to report into most of the same HUD reporting systems as other PHAs.
- Though HUD approves MTW Plans and Reports, HUD approval does not supersede any of the terms of an agency's Moving to Work Agreement, and the approval does not necessarily constitute an endorsement of any particular policies described in an agency's plan.
- The **Standard MTW Agreement** (also known as the Amended and Restated MTW Agreement), executed in 2008, standardized reporting requirements for all MTW agencies and allowed for better cross-site comparisons. For all activities, MTW PHAs now outline baselines, benchmarks, and data collection methods to measure the progress of each activity in meeting the three MTW statutory objectives.

THE RENTAL ASSISTANCE DEMONSTRATION (RAD) PROGRAM

- HUD's rental assistance demonstration program, better known as RAD, is intended to facilitate converting public housing to project-based vouchers (PBV) or project-based rental assistance (PBRA).
- RAD will be covered in Chapter 7.

Section 2 Functions of Congress, HUD and the PHA

KEY RELATIONSHIPS



LEGAL FRAMEWORK OF PUBLIC HOUSING

Laws, Statutes and Regulations

- Congress created and continues to shape subsidized housing through laws and statutes. HUD implements the legislation and cannot waive laws or statutes. To further explain and implement legislation, HUD creates and publishes regulations.
- PHAs use the laws, statutes and regulations to define local policies and procedures. Lawsuits can challenge any of the legislation, regulations, policies and procedures, which in turn further shape subsidized housing.

Congress

- Passes laws or statutes which establish housing programs.
- Establishes basic rules to be followed by HUD and PHAs.
- Establishes HUD's budget with a programmatic breakdown of funding.

U.S. Department of Housing and Urban Development (HUD)

- The organizational levels of HUD are:
 - Headquarters (or Central) in Washington DC
 - State or Field Offices
 - HUD Program Centers
- Each level of HUD has a different role and functions.
 - Central office of HUD writes and publishes regulations to further explain the laws passed by Congress and Notices of Funding Availability in the *Federal Register*.
 - HUD publishes notices to provide additional guidance to PHAs.
 - Field offices monitor program compliance.

PHAs

- Have a contractual relationship with HUD.
- Implement programs established by Congress and regulated by HUD.
- Operate in accordance with HUD regulations and with funding provided by HUD.
- Act as owner and manager of public housing.
- Execute lease agreements with tenants.
- The PHA establishes policies in all areas of program operations and administration. These local policies incorporate definitions and procedures and administrative practices which govern the operation of the PHA.

CREATION OF A HOUSING AUTHORITY

- PHAs are created under state enabling legislation. Housing authorities are similar but not identical. Each individual state has laws which define and stipulate the:
 - Number of commissioners and procedures for appointment of commissioners.
 - Legal powers and restrictions of a PHA.
 - Operational jurisdiction of a PHA.
 - Status of a legal entity.
 - Activities which may be undertaken by a PHA.

By-Laws

- By-laws should be reviewed annually and changed as needs dictate. They generally stipulate:
 - Place and time of regular meetings of the Board of Commissioners.
 - Authority delegated to the Executive Director.
 - How the PHA will conduct business.

Cooperation Agreement

- The cooperation agreement is a contract between a City and a PHA which addresses the provision of local services such as trash collection and street maintenance within public housing developments. This contract contains a provision for a Payment In Lieu Of Taxes (PILOT) for specified services.
- A cooperation agreement must be executed before a PHA may apply for and develop public housing in a city.

Annual Contributions Contract (ACC)

- The ACC is the primary contract between the local housing authority and HUD stipulating conditions under which the PHA must operate. The ACC states:
 - Funding to the PHA will be provided by HUD as long as the PHA operates in accordance with HUD rules and regulations.
 - HUD can monitor the PHA's performance under the ACC.
- The ACC sets forth obligations and responsibilities of PHA to:
 - Operate projects for benefit of lower income families by providing safe, habitable dwellings that are within the financial means of the families.
 - Ensure that income limits are adhered to.
 - Maintain the books and records in accordance with HUD requirements.
 - Operate developments with maximum efficiency and economy.

Local Laws

- Housing authorities must comply with all local codes which pertain to other property owners in the community.
- Most states and localities have adopted landlord-tenant laws. As a landlord, the PHA is subject to comply with such laws. PHAs are advised to seek legal clarification in cases where HUD requirements and local law conflict.

Court Decisions

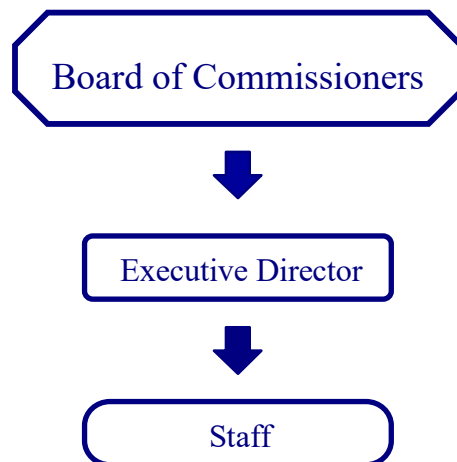
- Legal challenges often result in court cases, which set legal precedent on changing housing issues.
 - For example, as a result of various Supreme Court decisions, PHAs were required to provide hearings, the Fair Housing Act was expanded, and "Money Follows the Person" ("Olmstead") mandates were required to prevent needless institutionalization of persons with disabilities.
- Responding to legal challenges can be costly; losing such challenges may be financially devastating to a PHA. A PHA management staff can minimize such challenges by:
 - Assuring that PHA policies and practices are current with HUD requirements.
 - Assuring the policies and procedures are applied uniformly by all staff.
 - Emphasizing and requiring accuracy and attention to detail by:
 - Requiring thorough documentation of all PHA transactions.
 - Not tolerating discrimination or discriminating practices or behavior.
 - Making reasonable accommodations whenever possible.

Notes

Section 3 General Structure of a PHA

THE ORGANIZATIONAL STRUCTURE

- PHAs design their own organizational structure. Structures vary between small, medium and large PHAs.
- Organizational structure may change with management and political changes or to accomplish new organizational objectives. Project-based and asset management are driving changes to the PHA's organizational structure.
- The organizational chart defines the PHA structure, indicating lines of authority and functional relationships.
- The PHA is created, pursuant to state enabling legislation, as a public non-profit corporation.
- In most states, the PHA is a separate public corporation. However, the PHA may be a department of local government or a separate agency within the community.



THE BOARD, THE EXECUTIVE DIRECTOR, AND STAFF

Board of Commissioners

- The local governing body, most often called the Board of Commissioners or Board of Directors, is at the top of the organizational structure of a PHA. The board operates on behalf of the local government to serve the housing needs and interests of the community's low-income households.
- State law establishes the number of board members and the procedures for their appointment. The board's role is determined by the legal jurisdiction of the PHA, the legal structure of the PHA, and the political environment.
 - Depending on the PHA's legal jurisdiction, the board may be the city council, county commissioners, state legislature, or a combination of governing bodies. Board members may be developers, realtors, bankers, community activists or a resident directly assisted by the PHA.
- PHAs' incorporation under state law includes the by-laws for the board, which describes how the board operates, and defines:
 - The number of commissioners required, by appointment or election, and by whom. This document must also stipulate that a resident serve on the board.
 - What constitutes a quorum.
 - The length of terms.
 - When and where regular board meetings are conducted, under what circumstances special meetings may be called, and by whom.
 - Removal for neglect of duty or misconduct in office.

Nature of the Board

- The board of commissioners governs the PHA. The board approves policies (including budgets), and hires the executive director, who implements policy and hires staff.
- The main function of the board is to approve PHA policies, such as the PHA Plan, the ACOP, PHA budgets, SEMAP certifications, and many other policy documents.
- The board builds and maintains the PHA's public image. The board must:
 - Provide direction in achieving a common purpose that meets the needs of the community;
 - Govern the organization's resources;
 - Maintain, preserve, develop and expand programs and services for those it serves; and
 - Ensure the viability of the agency.

Board Responsibilities

Board Sets Direction by Approving Policy

- The direction or course of action the agency will take within the mission is established by the PHA's policies.
- Board members do not have time to manage – this is not their role. They should be monitoring bottom-line results.
- The board's fiduciary responsibility is:
 - To act in good faith and to uphold integrity;
 - To see that the organization is well-managed and its assets properly cared for;
 - Not to make decisions based on personal or special interests; and
 - To make hard choices about which program or service to fund.

Notes

- The board gives final approval to staff contracts, approves the hiring of an auditor, but the executive director seeks bids and makes recommendations for final selection.
- The board approves budgeted amounts for salaries, but the executive director determines activities to be carried out, level of staffing, and what staff will actually do.

Board Hires Executive Director

- Board members should support and be advocates for the executive director.
- The board must fairly and objectively evaluate the executive director's performance. The board should establish measurable performance indicators.

Program Participant on the Board

- The board must include one resident directly assisted by the PHA.
- Exceptions include:
 - Board members are full-time and salaried as required by state law; or
 - The PHA is not governed by a governing body.
- The Housing Opportunity through Modernization Act of 2016 (HOTMA) also provides an exception to this requirement for certain jurisdictions:
 - These include HACLA or any PHA in the states of Alaska, Iowa, and Mississippi.

Notes

- Further, the rule does not apply to a PHA that:
 - Has less than 300 public housing units (or no public housing);
 - Has provided reasonable notice to the resident advisory board of the opportunity of residents to serve on the board;
 - No resident has notified the PHA of intention to serve on the board; and
 - The PHA gives residents notice at least once a year to express interest in serving on the board.

Resident Advisory Board (RAB)

- The Reform Act established the requirement for PHAs, under 24 CFR 903.13, to establish a Resident Advisory Board (RAB). The RAB is a board, or boards, who adequately reflect and represent the residents of the PHA.
 - The role of the RAB is to make recommendations regarding the PHA plan and any significant amendment or modification to the PHA plan.
- Each PHA must establish one or more Resident Advisory Boards.
 - If a jurisdiction-wide resident council exists, the PHA must appoint the jurisdiction-wide resident council or the council's representatives as the Resident Advisory Board.
 - If a jurisdiction-wide resident council doesn't exist but resident councils exist, the PHA must appoint these resident councils or their representatives to serve on one or more Resident Advisory Boards.
 - The PHA may require that the resident councils choose a limited number of representatives.

Notes

- Where the PHA has a tenant-based assistance program of significant size (20 percent or more of assisted households), the PHA must assure that the Resident Advisory Board (or Boards) has reasonable representation of families receiving tenant-based assistance and that a reasonable process is undertaken to choose this representation.
- If resident councils do not exist, the PHA must appoint Resident Advisory Boards or board members as needed.

The Executive Director and the Board

- The formula for success of any PHA is a strong board and a strong executive director.
- The executive director is more than just an employee of the board; he or she is a valuable resource on all issues.
 - The executive director should sit at the board table at meetings and should be expected to make well-supported recommendations.
 - It is rare for a board to meet without the executive director.
 - The executive director's role is *not* to "rubber stamp" board decisions but to report accurately and completely, supply recommendations and alternatives, and provide an ongoing flow of information about the PHA and what the executive director is doing.
- The board delegates to the executive director the day-to-day management responsibility to:
 - Implement policies approved by the board;
 - Represent the PHA in negotiations, public relations and events;
 - Work effectively with the community, HUD, and local and state government; and
 - Hire, direct, supervise, educate, and discipline staff.

The Board's Relation to Staff

- The board has only one employee: the executive director.
- Employees need to clearly understand that the executive director gives orders, that they are accountable to the executive director, and who has responsibility for what.

Working Well with the Board

- The relationship between board members and the executive director defines the organizational “culture” of the PHA and defines the relationship with the entire staff of the PHA and the organization as a whole.
- The most important decision a board makes is the selection of the executive director. The second is the selection of the board chair. Boards and executive directors work with each other to accomplish the mission of the PHA.
- The success of a PHA is based largely on the relationship between the executive director and the board. There must be “oneness” in purpose and mission in order for the agency to move forward in a cohesive manner that adds value to the purpose of serving low-income families in the community.
- The board must speak with one voice when delegating, giving direction, or asking for accountability.
 - This may be accomplished by developing a new board members’ handbook that gives a history of the agency, programs operated and their description.
 - It is also very important to assure that all new board members receive and understand the by-laws that dictate how the PHA will conduct business.
 - The board also needs to understand that the executive director must be free to manage the day-to-day activities of the PHA. Again, they must understand that their role is governance. Simply stated, they set the direction of the agency.

Notes

- The federal government's role in the subsidized low-income rental housing industry is changing in an unprecedented way. These changes will require PHAs to move the public housing program to an asset management and possibly more entrepreneurial model. This transition will require open communication between the board and the executive director in order for both to understand why certain decisions are being made and why the direction of the PHA will need to change.
 - Given the current federal funding priorities that affect serving low-income families, open dialogue is essential.
- In order for you and the board to understand your role, you should receive a performance evaluation with agreed-upon written goals and objectives that allow for an objective review of your performance. The performance review should be done at least annually.
 - If issues arise between annual performance reviews, a fair and honest discussion should be conducted in a closed session, as indicated in the board agenda.

BASIC EXPECTATIONS A BOARD HAS OF THE EXECUTIVE DIRECTOR

- The expectations of an executive director include providing strategic leadership, overseeing operations, managing finances, ensuring legal and regulatory compliance, fostering strong board relationships and community engagement.

Notes

- What must be communicated to the board in word and deed is your willingness to do the following:
 - Perform your duties efficiently and at the highest degree of competence
 - Take initiative and risks without being risky
 - Adapt to a changing environment in the affordable housing industry
 - Make informed decisions
 - Work as a team with staff and the board
 - Be open with information, knowledge and information about perceived or actual problems confronting the PHA
 - Be trustworthy
 - Have respect for the board, staff, internal and external customers
 - Accept responsibility for your actions or inaction
 - Be open to praise or criticism based on your performance
- The success or failure of the PHA rests clearly with the executive director's ability to work effectively with the board. A poor relationship could undermine the executive director's ability to manage staff, negatively affect staff morale and can result in staff not respecting the chain of command, for example, taking their grievances directly to the board chair or individual board members.
- If you are an executive director new to the PHA and its community, it is important that you research the history of the agency and community dynamics. You should focus on the mission of the agency, enforce or establish agency goals and objectives, and develop working relationships with the board, internal and external customers.

Basic Expectations an Executive Director Has of the Board

- Executive directors are occasionally replaced because they failed to meet their board's expectations. Unfortunately, there are probably some executive directors who are let down by their boards.
- The following expectations are core performance criteria for any board attempting to improve the relationship and working partnership it has with its executive director. Underlying each of these expectations are important basic assumptions about the culture of the board and the honesty, integrity, and diligence of its directors.

1. A willingness and commitment to get to know the PHA and the environment in which it operates

A sound knowledge of the housing authority's business is an essential element in the board's preparation for the difficult decisions it has to make from time to time. The board and its individual directors must, therefore, be committed to continually improving their understanding of the characteristics of the PHA and of the industry of which it is part. This means reading the background material the executive sends out and seeking out additional information.

2. Regular attendance at meetings

When even diligent board members miss a meeting they cannot help but fall behind in their understanding of the executive director's circumstances and thinking. Meeting minutes are no substitute for actually being there and experiencing the dynamic and shared learning of the meeting.

3. Adequate preparation for meetings

It is frustrating for executive directors to have worked long hours with their teams to prepare quality papers and reports for board meetings and then have board members, by their comments and questions, demonstrate that they have not read them.

Notes

4. Full participation in the governance process

A smart executive director seeks to benefit from the collective intellect, wisdom, and counsel of his or her board. The executive director occupies an isolated position. Because he or she is often too close to the action, the comparative detachment, objectivity, and constructive criticism of the board is needed. Board members' active engagement and sharing of responsibility and information will build trust between the board and the executive director as well as within the board itself.

5. A commitment to teamwork

An effective relationship between the executive director and board can mean tremendous good for the PHA and all those who depend on it. Effective teamwork between the board and executive director cannot, however, occur unless there is effective teamwork within the board itself. This means, among other things, the board developing techniques to facilitate effective communication and allocating sufficient time to refine and come to grips with important issues. It means individual board members behaving with courtesy and respect toward each other keeping a reasonable rein on their egos. To demand and encourage tough and unpopular views to be tabled and argued vigorously, a board must develop a culture of teamwork and collegiality.

6. A commitment to speak with one voice

Many executive directors face the challenge of a board that lacks the ability or discipline to make timely decisions and give clear direction. For some this represents an opportunity. When the board is divided or has no clarity of thinking, the executive director can act as he or she sees fit. For other executive directors, this type of situation is loaded with risk. Because they can never be quite sure who is calling the shots—the board as a whole, the chairman, or individual board members—they continually have to make risk assessments about whose instructions or directions it is safest to follow. The collective commitment of a board to an agreed course of action considerably reduces the risk that any of its individual members (including the chairperson) will attempt to separately instruct or direct the executive director according to their own agenda or preference. It is also less likely that the board will unwittingly undermine its delegation to the executive director.

7. A collective commitment to improvement

It is not unreasonable that boards expect outstanding (and continuously improving) performance from their executive director. Every executive director also hopes that his or her board will take responsibility for, and commit real effort to, becoming a better board.

8. Sincere support for the executive director

As the board's principal agent, the executive director deserves the respect and loyalty of both the office and the individual who occupies it. The board should demonstrate respect for the executive director's expertise and grant him or her the freedom to exercise their experience and professional judgment within reasonable board-set boundaries drawn as clearly as possible. At the very least an executive director should expect to be given timely, honest, and open feedback about his or her performance. Remember that few board members have as much at stake in the organization personally as does the executive director. If, given a clear understanding of the board's expectations and a reasonable opportunity to meet those, the executive director does not have the board's confidence, he or she deserves to be told so and be assisted to exit the organization in a dignified and constructive manner.

The Executive Team

- The composition of the executive management team is typically the executive director, deputy/assistant executive director, finance, maintenance/modernization, housing management and human resources directors.
 - Other directors may be an important part of the executive team.
- This team is charged with assuring that the goals and objectives of the PHA are met in accordance with the direction set by the board.
- The executive team should lead in unison. Disagreements must be resolved among team members privately. It is important that the PHA staff recognize the team as a united front.

Notes

- Team qualities include, but are not limited, to the following: effective communication; belief in your ability to lead and manage; foresight; staying accessible to staff and the community; commitment to the mission of the PHA; integrity, being goal- and results-oriented; courageous; attentive, resisting mediocrity; and valuing the team approach.
- These qualities are essential if an executive team is going to effectively manage the PHA and the many challenges faced in day-to-day operations.
- The executive director, as team leader, must assure that the goals of the PHA are achieved. He or she must identify the roles of the team members to ensure that goals, objectives and targets are met by the team working together collectively.

Section 4 The Asset Management Model

- We will briefly walk through the asset management model. More detail will be added in other chapters.

SUMMARY OF HUD'S ASSET MANAGEMENT MODEL FOR PUBLIC HOUSING

Background

- The Public Housing Operating Fund Rule (24 CFR Part 990), besides changing the way operating subsidy is determined, requires PHAs to manage their properties according to a rental real estate/asset management model, consistent with the management norms in the broader multi-family management industry.
 - This model focuses on the financial, physical, and management performance of each PHA project. The desired end result is the improvement of the day-to-day management of public housing projects, preservation of the housing stock, improved living conditions for tenants, and the dedication of financial resources to each project.
- Traditionally PHAs managed their public housing stock under a very centralized model characterized by top-down decision-making, and centrally controlled administration and maintenance. This system allowed for excessive overhead and maintenance charges to properties, since PHAs were allowed to simply prorate these costs to their properties regardless of the level of services actually performed at the properties.
- The model applies to public housing programs of 400 or more units. Smaller PHAs can choose to operate under the traditional model of budgeting and accounting.

Notes

- The asset management model is characterized by highly decentralized day-to-day administration and maintenance services at the property level with oversight provided by the central office, referred to as the Central Office Cost Center (COCC). The COCC covers its expenses through a series of fees which HUD requires to be reasonable. How reasonableness is determined is set by HUD either through the establishment of some fees rates (i.e., management, bookkeeping and asset management fees) or through setting guidelines on how reasonableness will be determined (i.e., some centralized services such as skilled maintenance).

KEY COMPONENTS

- There are five key components of HUD's asset management model. Again, this model is required for PHAs with portfolios of 400 or more public housing units. The components are:
 - 1. Project-Based Funding**
 - 2. Project-Based Budgeting**
 - 3. Project-Based Accounting**
 - 4. Project-Based Management**
 - 5. Project-Based Oversight and Performance Assessment**
- The model is not fully complete without the implementation of each component. A brief summary of each component follows.

Project-Based Funding

- Under the old operating fund formula, a PHA received an aggregate amount of operating subsidy and PHA management determined how the operating subsidy would be allocated to its properties.
- Now, each property receives its own unique amount of operating subsidy based on the characteristics of the property. A specific amount of operating subsidy is earmarked for a particular property.
- The ability of the PHA to move operating subsidy from one property to another is limited to the extent the property has excess cash equal to one month's worth of operating expenses.

Project-Based Budgeting

- Each property has its own operating budget as opposed to the old requirement for only a program level budget (a consolidated public housing budget). Project level operating budgets allow central management and the project manager to determine the actual revenues of each property and more appropriately plan for the expenses each property can afford.
 - If a PHA has ten projects, then ten budgets will be prepared. Budgets must be approved by the board before the start of the fiscal year. Only one board resolution, however, is required. The approved board resolution is submitted annually to HUD.
- The property manager should play a significant role in preparing and monitoring his or her project's budget.

Project-Based Accounting

- PHAs are required to develop and maintain a system of accounting for each project in a manner that allows for analysis of the actual revenues and expenses associated with each property. As with other federally-assisted housing programs, PHAs are required to have project level financial statements in order to adequately monitor the financial performance of each project.
- PHAs are also required to submit to HUD year-end financial statements for each project. Project level financial statements consist of an operating statement and a balance sheet.

Project-Based Management

- Property-based management services should be tailored to the unique needs of each property, given the resources available to each property (i.e. per the operating budget). Property management services are arranged, coordinated or overseen by site-based personnel who have been assigned responsibility for the day-to-day operation of the property and who are charged with direct oversight of operation of that property.
 - Put in another way, the provision of management services to the properties are much more decentralized under the asset management model. Although some services may be more effectively provided centrally, more services are provided to the properties by site-based personnel. This applies to both administrative and maintenance personnel.
 - Under a decentralized structure, maintenance services are provided to the properties by site-based maintenance staff, who are typically generalists and not skilled maintenance personnel.

Section 4: The Asset Management Model

Notes

- The staffing plan for each property should be based on the routine needs for each property. To meet seasonal, unplanned work, or skilled maintenance needs, the property manager will typically hire temporary staff, contract labor, or use overtime hours and regular staff, given the circumstances and in keeping with the property's operating budget.
 - Typically, given the resources available to a property, it does not make sense to have highly skilled maintenance personnel dedicated to a property unless there is adequate demand for skilled maintenance at the property.
- Under the asset management model, site-based maintenance personnel are usually supervised by the property manager and not by the central office. In some cases a property's size may make it not cost effective to have dedicated personnel 100 percent of their time at a particular property. In this case, it may be more cost effective to share some personnel (i.e., property managers or maintenance staff) between a few properties.
- When a PHA chooses to centralize a maintenance service (provide it from the COCC), including centralized inspections, HUD requires a PHA to use a fee-for-service, which will be covered in detail in Chapter 5.
- From the COCC's perspective, the decision to provide centralized services such as maintenance must not only be based on what is in the best interest of the project but also from the perspective of what makes good business sense for the COCC. It is important to understand that to the extent that the expenses to provide centralized services cannot be recovered through the fees that can be charged and the demand for the service, the COCC will have to absorb the balance of the cost.

Project-Based Performance Assessment

- HUD has revised the Public Housing Assessment System (PHAS) to emphasize project performance monitoring and evaluation. Each project is evaluated not only on its physical condition but its financial and management performance as well.

COMPLIANCE WITH ASSET MANAGEMENT

- Notice PIH 2010-37 defined compliance with asset management, which consists of the following seven criteria:

1. Project-based accounting

- PHA produces monthly operating statements for each project – revenues and expenses vs. budget levels, including all fees from the central office cost center (COCC).
 - Includes proceeds from capital fund, energy performance contracts, and other sources.
- Operating statements must reasonably reflect the financial performance of each project.
- PHA has records to support financials

2. Project-based management

- Property management services are arranged or provided in the best interest of the project considering needs, cost, and responsiveness, relative to local market standards

3. Central office cost center (COCC)

- All central office fees (property management, asset management, bookkeeping, etc.) must be reasonable.
- COCC must operate on the allowable fees and other permitted reimbursements from its PH and S8 programs as well as non-federally subsidized housing programs.

4. Centralized services

- Centralized functions that directly support projects are funded using a fee-for-service approach or through other allowable charge-backs.
- Each project is charged for actual services received.
- Centralized services are consistent with the needs of, and are in the best interests of, the project.
- Centralized service charges must be reasonable based on demonstrated data from the local market.

5. Review of project performance

- PHA systematically reviews information regarding the financial, physical, and management performance of each project, including utility consumption, and identifies non-performing properties.
- *A non-performing property* was defined as:
 - PHAS physical score of less than 70
 - Significant crime and drug problems in accordance with Uniform Crime Reporting
 - Is below 95 percent occupancy
 - TARs that exceed 7 percent of monthly rent roll
 - Would receive a PHAS "D" or lower for unit turnaround and work orders
 - Has utility consumption more than 120 percent of agency average
 - Has other major management problems.
- For any project defined as non-performing, the PHA should have a management plan that includes a set of recommendations and measurable goals that effectively address the area(s) of non-performance.

6. Capital planning

- The PHA must have a five-year capital plan that's realistic (expected revenue sources, market, tenancy, and project needs). Large PHAs (250 or more public housing units) are required to have a physical needs assessment (PNA).
- PHA should demonstrate a commitment to long-term reduction in energy and utility consumption through a plan, the use of HUD's incentives, or the use of Energy Star equipment for retrofits.

7. Risk management responsibilities related to regulatory compliance

- The PHA is considered to be not carrying out its responsibilities if it:
 - Is designated troubled under PHAS
 - Has any outstanding FHEO compliance findings or a voluntary compliance agreement not implemented
 - Has no current energy audit
 - Has any outstanding IG audit findings more than 6 months old without demonstrated progress
 - Is not in compliance with ACOP
 - Has a PIC reporting rate of less than 95 percent
 - Is not meeting statutory capital fund obligation and expenditure deadlines, or
 - Has any other major compliance deficiency

OPERATING SUBSIDY

The Operating Subsidy Formula

- Operating subsidy and rents are the two largest sources of income for the public housing project.
- Subsidy is calculated and allocated by project. Funding goes directly to the projects, and all other activities (cost centers) are supported by fees paid by the projects. The calculation of the operating subsidy will be covered in Chapter 5.

HUD-Approved Vacancies

- For purposes of operating subsidy, which provides 100 percent of subsidy if the project is at 97 percent or above lease-up, and for calculation under the Public Housing Assessment System (PHAS), you will need to take into account the HUD-approved vacancies. The PHA enters types of vacancies in PIC.
- The following vacant units receive operating subsidy:
 - Units undergoing modernization (if on HUD-approved schedule)
 - Units approved for resident services (like FSS)
 - Units in court litigation
 - Units undergoing casualty loss settlement
 - Units vacant due to the declaration of disasters (federal or state)
- Again, to receive full operating subsidy, the number of vacant units eligible for operating subsidy must not be more than three percent of the total units, on a project-by-project basis.

Notes

COST CENTERS

- All budgeted expenses fall into one of three general categories:
 - Direct cost (at the project)
 - Central office cost center (COCC)
 - Indirect services
 - Other cost centers (optional)
 - For direct services and allocated services
- Any service provided to the project that does not originate at the project will be paid by the project through one of the following HUD-prescribed methods:
 - Frontline allocated
 - Fee-for-service
 - Property management fees paid to the central office

Section 5 Organizational Management

- Successful public housing programs have always required effective organization. Now, with the requirement to transition to the new asset management model, the PHA more than ever needs to understand the principles of organizational effectiveness and management, and how to apply these principles.

ASSESSING CURRENT OPERATIONS

- Organizational change is usually driven by a need to improve program performance, change in leadership, new requirements from HUD, and/or new directions for the PHA.
- Even PHAs that have seen themselves as effective and efficient are sometimes forced to significantly reorganize to accommodate new requirements and new directions the PHA strategically sets.
- Accurate program statistics, performance data, on-time and accurate electronic reports, assessment of current staffing and staff competency, and financial pro formas (testing financial scenarios) enable the executive team to make crucial decisions.
- Assessing the organization will be explored again when strategic planning is discussed.

ORGANIZATIONAL CULTURE OR CLIMATE

- Organizational culture is the personality of the organization. Assumptions, values, norms, and tangible signs of staff and their behaviors make up a PHA's culture.
- There are dimensions of culture, or climate in every organization.

Notes

1. **Orientation.** The dominant orientation of an organization is an important determinant of the organization's culture or climate. If the dominant orientation is to adhere to rules, the climate will be characterized by control. If the main orientation is to excel, the climate will be characterized by achievement.
2. **Interpersonal relationships.** An organization's interpersonal relations processes are reflected in the way informal groups are formed, and these processes affect climate. For example, if cliques develop, a climate of control may result.
3. **Supervision.** Supervisory practices contribute significantly to climate. If supervisors focus on helping their staff improve professional and personal skills, and chances of advancement, a motivational climate is enhanced.
 - For example, in order to ensure that properties are viable physically and financially, property managers must be highly competent business managers and supervisors. PHA supervisors must be trained in the principles and steps of effective supervision. Clear expectations of supervisors and staff, and monitoring performance measures must be communicated and evaluated.
4. **Problem management.** Problems can be seen as challenges or irritants. They can be solved unilaterally by the supervisor, or jointly by staff and supervisor, or they can be referred to a higher level. These different perspectives and ways of handling problems contribute to the organization's culture.
5. **Management of mistakes.** Supervisors' attitudes toward staff mistakes develop the agency's orientation, which is generally one of annoyance or learning. An agency's approach to mistakes influences the climate.
 - New supervisors, and those with increased supervisory responsibilities, must be mentored. Debriefing on important mistakes should be used to learn, not to blame.

Notes

6. **Conflict management.** Conflicts may be seen as embarrassing annoyances to be covered up, or an opportunity for learning and resolution. The process of dealing with conflicts is as significant as management of mistakes in establishing a corporate culture.
 - Ignoring or covering up conflict does not make it go away. Patience and professionalism, modeled from the top down, demonstrates a willingness to “roll up the corporate sleeves” and honestly face conflict. Knowing when to occasionally let things pass by is also a measure of patience and professionalism.
7. **Communication** is concerned with the flow of information: its direction (top-down, bottom-up, horizontal), its disbursement (selectively or to everyone concerned), its mode (formal or informal), and its type (directives vs. feedback).
 - Directors, managers, supervisors, property managers, staff, the finance department, and the executive director must establish communication channels that are timely, efficient, and result in on-time, good decisions for properties, the portfolio, and the PHA.
8. **Decision-making.** An agency's approach to decision-making can be focused on maintaining good relations or achieving results. The issue of who makes decisions is also important: the executive director and executive team only, experts, or those involved in the matters about which decisions are made.
 - Managers and staff should have enough competence and authority to make decisions in the best interests of the program, the property, and the portfolio.
9. **Trust.** The degree of trust or its absence among individuals and groups in the agency affects climate. The issue of who is trusted by management and to what degree is also relevant.
 - For example, onsite staff needs a high degree of trust in central office management, who must look beyond the interests of one property to the portfolio and agency as a whole. Likewise, upper management must trust the property manager to manage the property in the best interests of the property.

Notes

10. **Management of rewards.** Rewards reinforce specific behaviors, thereby sustaining specific motives. Consequently, what is rewarded in an agency influences the motivational climate.
- As PHAs embark on more innovative, multidisciplinary and entrepreneurial directions, PHAs will need to look for what and how they reward performance.
11. **Risk taking.** How people respond to risks and whose help is sought in situations involving risk are important determinants of climate.
- Risk management is an essential function of the PHA's public housing and rental real estate portfolio. Assessing property risks and other liability, ensuring adequate insurance coverage, protecting against fraud, forgery, theft, and terrorism are essential elements in public housing. The PHA should develop an emergency management plan that articulates to everyone who does what in an emergency, and how and when.
 - In everyday operations, the ability to go to others for help, maintain confidentiality, understand how mistakes are handled, and how discipline is handled, will set the tone for risk taking in the agency.
12. **Innovation and change.** How change and innovation are perceived, who initiates and champions change, and how change is implemented are all critical factors in the culture of an agency.
- Innovation and change will be addressed in several chapters in this book. New requirements will compel and propel PHAs to be more entrepreneurial and forward-thinking.

EVALUATION OF ORGANIZATIONAL EFFECTIVENESS

- There are many schools of thought and methods of how to best evaluate organizational effectiveness. When we discuss strategic planning in a later chapter, we will walk through how the PHA does a SWOT analysis.
- There are online corporate surveys through platforms such as Survey Monkey. An online survey could enable the PHA to gather input from all employees.
- There are numerous organizational evaluations on the online Free Management Library at <http://managementhelp.org/organizationalperformance/index.htm>.
- Often, the PHA evaluates its organizational culture and effectiveness when there is new leadership, major new initiatives (such as RAD or MTW), or when a serious programmatic weakness is revealed.
- It may be that the PHA needs a professional evaluation and technical assistance in a specific area, such as:
 - Compliance with fair housing
 - Financial reporting
 - PHAS or SEMAP scores
 - Organizational competencies
 - Programmatic effectiveness or efficiency
 - Converting to RAD
 - Outsourcing certain functions
 - Accuracy of income and rent determinations
- Following is an example of an organizational effectiveness assessment tool.

Learning Activity 1-1: Corporate Culture Survey

Take the survey and then discuss in group. There is a more in-depth “Self-Assessment Tool” on NMA’s website resources page for this seminar.

Corporate Culture	
Put a number in the Answer box, based on the following options: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree	
Answer (number)	Question
	People are flexible and adaptable when changes are necessary.
	People have a clear idea of why and how to proceed through the processes of change.
	People believe they can influence and affect their work place through their ideas and involvement.
	People believe that their concerns and anxieties during periods of change are heard and taken into consideration.
	People feel that most change is the result of pressures imposed from higher up in the organization.
	People believe that change happens too quickly and causes too much disruption.
	Individuals and teams have clearly defined goals that relate to the goals and mission of the business.
	Individuals and teams are measured and rewarded according to how well goals are achieved.
	Individuals and teams participate in defining specific goals.
	We constantly stretch our goals in order to continuously improve.
	Individuals, teams and functional areas often have incompatible goals.
	People believe in teamwork—the “what’s in it for us” approach rather than the “what’s in it for me.”
	People know what’s expected of them and understand their impact on other people, teams and functions.
	People believe in working together collaboratively, preferring cooperation over competition.
	Managers at all levels work together as a team to achieve results for the organization.
	Teams often lack the authority needed to get the job done effectively.
	People lack the interpersonal and technical skills they need in order to work effectively in teams.
	People value and make use of one another’s unique strengths and different abilities.
	Everyone knows and understands our business objectives and priorities.
	Business decisions are most of the time made on the basis of facts, not just perceptions or assumptions.

Section 5: Organizational Management

Corporate Culture Put a number in the Answer box, based on the following options: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree	
Answer (number)	Question
	People have access to timely and accurate information about what's really happening in the organization and why.
	Everyone strongly believes in a shared set of values about how people should work together to solve common problems and reach mutual objectives.
	People sometimes compromise policies or principles to reach operational goals.
	We give the highest priority and support to meeting the needs of customers (applicants and families) and to resolving their questions.
	Our policies and procedures help us to provide the service our customers want and need.
	People are always looking for new ways to better serve customers.
	Employees who do the best job of serving customers are likely to be recognized or rewarded.
	When customers have problems with the products or services they receive, those problems are always considered by the agency and almost always resolved.
	People often see customer and client problems as someone else's responsibility.
	TOTAL

Score of 130-145	Your PHA's culture appears to be very good to excellent. Your PHA appears to be committed to its employees and customers.
Score of 100-125	Identify the areas in which you scored your PHA with a "3" or under. Address your analysis in the questions below.
Score of less than 100	Address the questions below. Some in-depth analysis of strengths and weaknesses may be necessary. You may decide to take the more in-depth "Self-Assessment Tool" on NMA's reference page for this seminar.

1. What do you feel your PHA is doing very well?

2. What changes to the culture would you make if given the authority, and how would you do it?

CHAPTER 1 INDIVIDUAL COMPETENCY DEVELOPMENT PLAN

As with your agency, you are more likely to achieve something if it's written down and you plan for it. At the end of some of the chapters in this book, you will find this planning tool. You should identify at least one knowledge area or skill you plan to develop.

- **Personal mission statement:** What gives you meaning at work? How do you want to see your best self?

- **Knowledge:** Regarding the material covered in this chapter, what do you want to study or learn more about in order to gain knowledge?

- List some specific references you will study:

Section 5: Organizational Management

- **Skills:** What skills (what I know how to *do*) relevant to this chapter do I need to work on or develop? These could be technical or soft (behavior, attitude) skills.

- **Abilities:** What abilities relevant to this chapter do not come “naturally” or easily to me? How can I develop them? Be creative and don’t be afraid to think out of the box.

CHAPTER 1 REVIEW QUESTIONS

1. State legislation is required to create local public housing authorities in the following states:
 - a. New York, Massachusetts, Connecticut
 - b. Florida, California, Nebraska, and Michigan
 - c. All states in the New England corridor
 - d. All states
2. Housing authorities do not pay tax to the jurisdiction in which it is located. Instead, PHAs pay a Payment in Lieu of Taxes (PILOT). The document that establishes this provision is called:
 - a. Housing Act of 1934
 - b. Cooperation Agreement
 - c. Annual contributions contract
 - d. Lease
3. Asset management oversight includes:
 - a. Monitoring the physical and financial condition of the portfolio
 - b. Monitoring the SEMAP scores for the portfolio
 - c. Day-to-day management of the property
 - d. Ensuring that all services to the property are in the best interest of the central office cost center (COCC) regardless of the property's best interest
4. Congress contracts with PHAs to administer housing programs.
 - a. True
 - b. False
5. A PHA can help to prevent lawsuits by assuring that PHA policies are up-to-date and approved by the board:
 - a. True
 - b. False
6. The contract between HUD and the PHA is:
 - a. The Cooperation Agreement
 - b. Code of Federal Regulations
 - c. The Annual Code Contract
 - d. The Annual Contributions Contract
 - e. The ACOP
7. The board's fiduciary responsibility is:
 - a. To see that the organization is well-managed and its assets properly cared for
 - b. Implement policy
 - c. Seek bids and make recommendations for final selection
 - d. Determine activities to be carried out, level of staffing, and what staff will actually do
8. The property management function involves all the following except:
 - a. Competent property managers
 - b. Overseeing the day-to-day management of the property
 - c. Ensuring that units are filled and rents are collected
 - d. Competent supervision of site staff by the property manager
 - e. Mortgaging and demo/dispo decisions by the property manager

9. The operating subsidy calculation results in:
 - a. Aggregate and centralized accounting
 - b. Aggregate and centralized budgeting
 - c. More accountability at the property/project level
 - d. More funding for the central office
10. Each public housing project (formerly known as Asset Management Projects, or AMPs) has its own financial reports, budget, and management team
 - a. True
 - b. False
11. All the following vacant units receive operating subsidy except:
 - a. Units undergoing casualty loss settlement
 - b. Units vacant due to state or federally declared disasters
 - c. Vacant units if the project has a five percent or less vacancy rate
 - d. Units vacant due to HUD-approved capital improvement schedule
 - e. All of the above vacant units receive operating subsidy
12. The asset management function includes all of the following tasks except:
 - a. Long-term capital planning
 - b. Monitoring the physical and financial condition of each project and the portfolio
 - c. Managing the project
 - d. Overseeing property managers
 - e. Making strategic decisions for the portfolio
13. The job description for a public housing director is an important tool for identifying qualified people for the role and documenting written expectations.
 - a. True
 - b. False
14. Moving to Work (MTW) PHAs are given the ability to administer programs and funds more flexibly in order to realize cost savings, implement economic self-sufficiency strategies for residents, and provide more housing choices.
 - a. True
 - b. False

Notes

CHAPTER 2 The Director

LEARNING OUTCOMES

- Upon completion of this chapter, you should be able to:
 - Describe the role, competencies, and functions of the executive director and/or public housing director
 - Explain how clearly defined roles, competencies and functions bring leadership and vision to the agency
 - Identify the criteria for fair and effective supervision and management of staff

Section 1 The Director's Role

- The director is a leader, a visionary/information bearer, a decision maker, a manager, and a board developer.
- Leaders are those with a vision and the ability to articulate that vision. Leadership is the ability to get the work done with and through others while simultaneously winning their respect, confidence, loyalty, and willing cooperation.
- Residents, staff, boards, the community, and local government expect to find leadership in the PHA's executive director. Leadership must produce results, especially for those PHAs that intend and need to go beyond maintaining the agency to leading the agency into a forward-looking direction. Ethics is the road map of the leader. In this chapter, we will explore the roles, competencies (knowledge, skills and abilities) and functions of the director. Ethics will be covered in a later chapter.
- The executive director has primary responsibility to carry out the strategic plans and policies as approved by the board of directors.

Section 1: The Director's Role

Notes

- Core functions of executive directors and all high-level managers include planning, organizing, staffing, directing, and controlling. Integrating these functions requires directors to synthesize competencies and develop strategies to manage responsibilities, resources, and talent within the PHA.
- Planning is a primary role and function of the executive director; in this chapter, planning will be introduced as a prelude to a more in-depth exploration of strategic planning in a later chapter.

Section 2 Competencies

- Simply put, competencies are knowledge, skills, and abilities.
- *Knowledge* is what you *know*.
- *Skills* are what you can *do*.
- *Abilities* are knowing *when* and *how* to apply your *knowledge* and *skills*.
- Job *competence* is the capacity to do a job by producing quality results – fulfilling the core functions – within a timeline, regardless of circumstances. Competencies of the director include decision-making and problem-solving, delegation, communication, meeting management, and managing oneself.

PERSONAL SKILLS THAT TRANSLATE INTO LEADERSHIP, AND HOW TO DEVELOP THEM

Social Intelligence

- Social intelligence is quite broad, but can best be seen in terms of understanding of social situations and dynamics, and the ability to operate effectively in a variety of social situations. Research suggests that social intelligence, defined as a constellation of social performance, sensitivity to social situations, and role-playing skill, are critically important for effective leadership.
- ***How to develop social intelligence?*** Expose yourself to different people, different social situations, and work to develop your social perceptiveness and ability to engage others in conversation.

Interpersonal Competencies

- Interpersonal skills could be seen as a subset of social intelligence, but these are the more relationship-oriented aspects of social effectiveness. We often talk about the “soft skills” of the leader, and these are best represented by interpersonal skills.
- ***How to develop interpersonal skills?*** Become an active listener, work on conversational and speaking skills, (join toastmasters; networking groups), and work on your personal relationships with friends, relatives, and your significant other. These skills will generalize to workplace relationships.

Intrapersonal Intelligence

- The ability and willingness to honestly look within at one’s feelings and thoughts contribute to managing oneself. Being at ease with oneself—and being honest when one is not at ease—allows the director to navigate with a sense of being and strength of character.
- “Emotional intelligence”—understanding emotions and emotional situations—begins with one's self.
- ***How to develop intrapersonal skills?*** Practice just noticing your thoughts and feelings without doing anything about them or judging them. Watch yourself want to get irate or impatient, and you will increasingly reduce your own emotional outbursts. As you practice noticing your thoughts and feelings, you will get better at “reading” others’ nonverbal cues.

Resilience

- Resilience can serve as the guiding North Star for navigating times of sudden or fundamental change. Resilience at work is now recognized as a defining characteristic of leaders (and employees) who deal well with the stresses and strains of the modern workplace.
- Risk is not to be avoided. A leader (or agency) that doesn't take risks becomes fragile. Perhaps paradoxically, enduring a small crisis from time to time can be preferable to avoiding them at any cost. A crisis is an opportunity to make needed adjustments.
- Resilience is not a characteristic gifted to some individuals and not others. *The good news is that although some people seem to be born with more resilience than others, those whose resilience is lower can learn how to boost their ability to cope, thrive, and flourish when the going gets tough.*

How to develop resilience?

1. Cherish social support and interaction. Good relationships with family and friends and others are vital. Being active in the wider community also helps.
2. Treat problems as a learning process. Develop the habit of using challenges as opportunities to acquire or master skills and build achievement.
3. Avoid making a drama out of a crisis. Stress and change are part of life. How we interpret and respond to events has a big impact of how stressful we find them.
4. Celebrate your successes. Take time at the end of each day to review what went well and congratulate yourself. This trains the mind to look for success rather than dwelling on negativity and 'failure.'
5. Develop realistic life goals for guidance and a sense of purpose. Do something each day to move towards them. Again, small is beautiful; one small step amid the chaos of a busy day will help.

Section 2: Competencies

Notes

6. Take even small positive actions. Doing something in the face of adversity brings a sense of control, even if it doesn't remove the difficulty.
7. Be as honest with yourself as you can, while being kind to yourself. Developing confidence in your ability to solve problems and trusting your instincts helps to build resiliency.
8. Keep a realistic perspective. Place challenging or painful events in the broader context of lifelong personal development. Looking back at your past mistakes, could they have spurred you on to greater growth and learning?
9. You decide on your attitude, regardless of external circumstances. If we allow every thought or feeling to dictate to us, it will take over. Be as mindful as you can. As one Zen master said, "All kinds of thoughts and emotions happen. You just don't have to invite them all in to tea."

Prudence

- Prudence is the same as wisdom. It comes from being able to see others' perspectives and through being open to and considering others' point of view.
- ***How to develop prudence?*** Listen to others. Work to be more open and more broad-minded. Learn to ask for others' opinions and consider them as you choose a course of action.

Courage

- Another word for courage is *fortitude*. This is the willingness to take calculated risks and the courage to stand up for what you believe, and do the right thing.
- ***How to develop courage?*** This takes some effort, but it is rooted in developing and holding onto strong personal values, such as fairness. If you truly value something or someone, you will have the courage to stand by your principles (and your people). Forgive your own mistakes. Listen to others. Work to be more open and more broad-minded. Learn to ask for others' opinions and consider them as you choose a course of action.

Conflict Management

- This skill involves helping colleagues to avoid or resolve interpersonal conflicts. Leaders are often called upon to adjudicate when members are in conflict, but it also involves having the ability to either avoid or resolve your own conflict situations.
- ***How to develop conflict management skills?*** There are courses and workshops dedicated to teaching conflict management. Managing your inner conflict, of course, comes first. Raising a difficult issue without being defensive or hostile requires your interpersonal and intrapersonal skills. Understanding when to make a decision about a conflict, when to consult others (experts, subordinates, or peers) and bring them in, or when to let people work through things themselves require your interpersonal and intrapersonal competencies. Helping conflicting parties collaborate (win-win outcome) or to compromise (each party is flexible and gives us something) also takes discernment. You do your best, and above all, demonstrate a non-defensive and adult attitude yourself.

Section 2: Competencies

Notes

Section 3 Roles of Levels of Management

- The chart below lists functions at different levels of leadership. This model assumes that all leaders have basic supervisory and technical skills.
- It is important that directors oversee managers, that managers oversee supervisors, and that supervisors oversee frontline staff in a fact-based performance system.

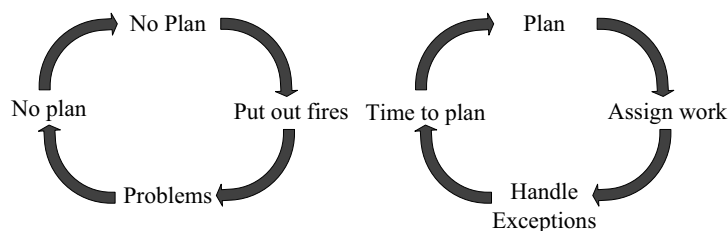
Supervisors & Managers	Directors, Deputies & Executives	Executives
Foster collaboration & teamwork Think analytically Exhibit technical proficiency Value diversity Act as a coach/mentor Demonstrate flexibility * decisiveness Develop people Empower others	Drive organizational excellence Exhibit technical proficiency Take initiative Build effective external relationships Manage resources effectively	Lead with vision Make effective decisions Foster effective working relationships with elected officials and other community stakeholders Effectively run the organization
All Leaders		
Maintain a balanced life Act with integrity Lead with maturity & passion Manage conflict Communicate effectively	Respect others Solve problems Develop & execute strategic plans Champion & manage change Respect mission of affordable housing	

Notes

Section 4 Director Functions, Competencies, and Activities

THE PLANNING FUNCTION

- The planning function is a primary responsibility of any director. Planning requires both leadership and management. Without leadership and planning, a PHA tends to become bureaucratic. With leadership, those PHAs which have developed a comprehensive, realistic and workable plan will be best equipped for the future.
- The planning function is shared with the board and should also be shared with and to some degree delegated to staff, but the responsibility remains at the top of the PHA. The leader must have the competencies and enthusiasm for both short- and long-term planning.
- “Crisis manager” type directors often find the planning process to be cumbersome and not worth the effort. Progressive directors find the skills of planning to be indispensable. If you’re failing to plan, you’re planning to fail! Due to increasing amounts of change in the low-income housing industry, skills and abilities in planning will be required of executive directors, boards, and executive managers.
- The figure below contrasts the “crisis management” mode that often consumes managers and directors to the orderly cycle of properly managed work.



Major Competencies for Planning

- To be able to generate *ideas*.
- To be able to think *conceptually*.
- To be able to analyze *problems*.

Activities in the Planning Function

- The activities that must be addressed sequentially are:
 - **Forecast:** Establish where the present course will lead.
 - **Set Objectives:** Determine desired outcomes, or end results.
 - **Develop Strategies:** Decide how and when to achieve goals to meet objectives.
 - **Program:** Establish priority sequence and timing of steps, and responsibilities.
 - **Budget:** Allocate resources.
 - **Set Procedures:** Standardize methods.
 - **Develop Policies:** This is the point at which major plans are brought to the board. When approved by the board, whether the plan is a strategic plan, a program plan, or a budget, the plans are defined in policies, which become the responsibility of the executive director and staff to implement.

THE ORGANIZING FUNCTION

- Unless organized into cohesive administrative components, the most detailed plans in the world become a waste of time. Directors need to have an internal vision of how their PHAs and programs will function on a daily basis, while carrying out short-term and long-term plans.
 - If normal operations consume all the staff, time, and talent, the PHA is merely **efficient**. If normal operations can function well and time, staff, and talent are also available to address short- and long-term planning, the PHA is **effective**.

Section 4: Director Functions, Competencies, and Activities

Notes

- The organizing function can be extensively delegated. The extent to which delegation can take place depends on the director's willingness to delegate and the ability of the staff to absorb the delegated tasks.
 - Directors of large PHAs must learn to delegate, while directors of smaller PHAs must learn to be well organized. Both positions demand executive type behaviors but separate skills.
 - Highly effective directors know they must build efficient **and** effective operating teams, capable of independent problem-solving. When directors encourage such behavior, their staffs usually become involved in discretionary decision-making and empowered judgment.
- Besides the internal vision and delegation, another major activity in carrying out the organizing function is the ability to perform organizational analysis, organizational intervention and/or organizational development.
 - When directors review their agencies or programs on an annual basis and seek to find ways for them to become more efficient and effective, they are performing organizational analysis.
 - Organizational intervention is rearranging the work of the organization through deliberate action. When directors reorganize departments, change job descriptions, rearrange organizational charts, they are executing organizational intervention.
 - Organizational development consists of maintaining a process of analysis and intervention to produce continuous analysis and improvement. When directors complete the organizational analysis and intervention, and significant change has happened in the agency, organizational development has taken place.
- Simply put, the director needs to know how to organize and institute ongoing modification for productivity.

Major Competencies for Organizing

- To be able to organize *ideas* and *things*.
- To be able to be an *administrator*.
- To be able to make *decisions*.
- The ability to be *goal-oriented* and not just problem-oriented.
- The tendency toward *positive (can-do) thinking*.

Major Activities in the Organizing Function

- Interprets, implements and administers the policies of the board, and all federal and state housing regulations.
- Provides for the administration, leadership and management of the agency.
- Directs and coordinates activities of managerial personnel engaged in carrying out agency objectives, who are in turn responsible for the activities of remaining members of the staff.

THE STAFFING FUNCTION

- A key to the success of any organization is its ability to attract and retain excellent employees. As well as the right steps, the right compensation, the right processes, the motivational climate of the PHA is an essential ingredient.
 - Occasionally, a director can be technically competent and knowledgeable, but can experience difficulty in motivating and “getting along” with their staff, perceiving these issues as a “people problem.”

Section 4: Director Functions, Competencies, and Activities

Notes

- When an executive director and fellow directors share a vision of excellence, the PHA maintains high performance outcomes through appropriate hiring, maximum skills development, quality supervision/feedback, a positive working environment, and a direction for the future through career ladders and succession planning.
- Adding more and more positions does not make the PHA more efficient and effective, and the PHA cannot remain financially viable if it is overstaffed.
- While there are no rigid industry standards, a general rule of thumb with regard to staffing levels at rental real estate developments is approximately one administrative staff person per 100 units and one maintenance generalist per 50 units. The number of staff could vary from these guidelines depending on the unique characteristics of a property.
 - HUD has stated that a property manager typically manages 100–350 units, depending on how much staff is assisting.

Major Competencies for Staffing

- Staffing the organization or program
- Empowering staff to accomplish desired goals
- Ability to create a motivational climate within the organization
- Ability to analyze an employee's motivational attitude
- Maintaining effective communications

Major Activities in the Staffing Function

- **Select:** Recruit qualified staff for each position
- **Orient:** Familiarize new people with work.
- **Train:** Make staff proficient by instruction, practice, and monitoring
- **Develop:** Help improve knowledge, attitudes and skills by training, coaching, monitoring, and mentoring

THE DIRECTING FUNCTION

- Executive leadership must go beyond the use of authority, to demonstrate characteristics such as integrity, vision, and influence. In addition, the executive director and public housing director must extend beyond the PHA to the political, regulatory, nonprofit, and open market communities.
- Directors should be capable of both assigning and inspiring staff to desired action. Directors must be able to manage change and differences. Change must be seen as a process which can be understood and recognized at various stages.
- Directors need to view various situations for what they are, and choose the most adaptive style of leadership to bring about purposeful action. The ability of the director to be adaptive will promote flexibility and reasonable risk-taking behavior on the part of others. Honest mistakes will serve as lessons, and success at overcoming them will bring recognition.
- Leaders control while at the same time allowing others to participate and experience a sense of achievement, involvement, recognition, and personal growth.

Section 4: Director Functions, Competencies, and Activities

Notes

- The asset manager oversees the performance of the portfolio, directing and mentoring property managers as they become business managers of the project. This function may be fulfilled by the executive director at a small agency, but will be a dedicated position at a larger PHA.

Major Competencies for Directing

- Ability to be adaptive in applying appropriate leadership styles
- Ability to focus on important causes rather than urgent symptoms

Major Activities in Directing

- Set up a long-term strategic plan as well as a performance model (policies, procedures, performance measures) for day-to-day operations
- Develop and nurture a network of relationships, both inside and outside the organization
- Motivate and effectively use that network of people to implement both agendas.

THE CONTROLLING FUNCTION

- Evaluating the agency's personnel is a major element of the controlling function. Answering a basic question of staff, "How am I doing on the job?" in a human, just and legal manner is good supervision. Engaging staff in a consistent, informative and participative performance appraisal system and dialogue is an inherent element in effectively evaluating performance.
- By accurately appraising staff and referring to their job descriptions during the performance appraisal process, directors exercise control over the ongoing operations of the PHA.

Section 4: Director Functions, Competencies, and Activities

Notes

- In private rental real estate, the performance of the property is absolutely tied to the evaluation of the property manager.

Major Competencies for Controlling

- Demonstrating a common vision to motivate and influence others to work together towards shared goals
- Ability to be fair, impartial, and inclusive
- Ability to think holistically and systemically, while ensuring compliance with numerous requirements

Major Activities in Controlling

- Ensure a fair, legal, and clear system of recruitment, selection, hiring, training, evaluating, and disciplining employees.
- Use that system to efficiently and effectively mentor and monitor supervisory protocol at all levels.
- Ensure a climate of dialogue for ongoing professional growth.
- Conduct succession planning to ensure future viability of the organization.

Section 4: Director Functions, Competencies, and Activities

Notes

SUMMARY

- The particular competencies (knowledge, skills and abilities) that a director needs in order to lead at a particular time in an organization depend on a variety of factors, including:
 - Whether that person is leading one other individual, a group or a large organization;
 - The extent of leadership skills that person already has;
 - That person's basic nature and values (competencies should be chosen that are in accordance with that nature and those values)
 - Whether the group or organization is large or small, new or long-established, or high-performing or troubled;
 - The particular culture (or values and associated behaviors) of whomever is being led.
 - The culture and mission of the organization.

Learning Activity 2-1: Managing Yourself and Others–DiSC®

- The person who is truly productive in working with other people knows her/himself and understands how they affect other people, why they affect people the way they do, and why other people affect them the way they do. They know their own strengths and weaknesses. They not only know these things, they do something about it! This person maximizes their strengths and minimizes their weaknesses. They develop a positive attitude about themselves which causes others to trust and have confidence in them. The truly successful person develops the ability to study situations and people and adapts appropriate behavioral strategies.
- The perception of differences is often the root of conflict between people. When people solely focus on their differences, they are less productive. When people acknowledge and work to understand differences, and build on common ground towards common goals, they are more productive.
- DiSC® is a self-assessment instrument used to improve work productivity, teamwork, and communication. DiSC is non-judgmental and helps people discuss their behavioral differences. When you completed your online DISC profile, you were asked to complete a series of questions that produced a detailed report about your preferred behavior. You can utilize this knowledge to better manage yourself and your team in your work environment.

Section 4: Director Functions, Competencies, and Activities

Notes

- DiSC is not a personality test. It does not measure intelligence, aptitude, mental health or values. DiSC profiles describe human behavior in various situations, for example how you respond to challenges, how you influence others, your preferred pace, and how you respond to rules and procedures. It indicates behavioral styles. This is important because behaviors are adaptable and can be modified in the short term. Personalities are intrinsic and cannot be modified in the short term.
- DiSC benefits are basically two-fold:
 - Build from strengths and help adapt our behavior when we need to improve productivity
 - Develop awareness of others' styles
- These benefits result in the following pay-offs:
 - We know why different styles want to be communicated with.
 - We understand the preferred work environment.
 - We know how each style will react to certain situations.
 - We know what to avoid when dealing with different styles.
- DiSC profiles will help you and your team:
 - Increase your personal knowledge about yourself such as your response to conflict, your motivational needs, your stress triggers, and how you approach problem solving.
 - Learn how to adapt your own style to better meet the needs of others.
 - Facilitate constructive and creative group interactions.
 - Foster better teamwork and minimize team conflict.
 - Develop stronger customer service skills by identifying and responding to customer styles.
 - Manage more effectively by understanding the behavioral styles and priorities of employees and team members.

Section 4: Director Functions, Competencies, and Activities

Notes

- The DiSC model discusses four “behavioral styles” or reference points: D for Dominance, I for Influence, S for Steadiness and C for Conscientiousness. These behavioral styles influence interactions, decisions, and much of what happens during the day. Understanding the four quadrants of behavioral styles will help managers realize that allowing their own style drive all of their interactions with others will not result in the most productive work environment.
- There are four behavioral styles. Each style has recognizable behaviors. Each style has strengths and vulnerabilities. Most people have a dominant style. Behavior styles are not “good” or “bad.” All four styles are needed for the success of an organization. We can effectively work together with all styles – provided that certain conditions exist:
 - Mutual respect
 - Mutual trust
 - Willingness to adapt behavior as needed

SUMMARY

- As you work with each style, think:
 - What if I were supervising a person with this style?
 - What if I were being supervised by a person with this style?
 - Will the knowledge I now have shape the way I relate to people?

Section 4: Director Functions, Competencies, and Activities

Learning Activity 2-2: Behavioral Tendencies for Your Staff

Write the initials of your colleagues (your boss, other managers/directors, the people you supervise, etc.) at the top of the column. Make a check mark under the initials for each person beside each itemized tendency for each style that you think fits the person.

Then look at the number of check marks you made under each tendency heading (High D, High I, etc.). Can you clearly see which tendency each fits into?

	Initials				
Enter Initials of Colleagues					
<i>High D Behavioral Tendencies</i>					
High “sense of personal worth”					
Task oriented—needs results					
Motivated by directness					
Getting immediate results					
Accepting challenges					
Making quick decisions					
Questioning the status quo					
Solving problems					
TOTAL					
<i>High I Behavioral Tendencies</i>					
Optimistic					
People-oriented					
Motivated by social recognition					
Being articulate					
Creating a motivating environment					
Generating enthusiasm					
Entertaining people					
Bringing people together					
TOTAL					

	Initials				
High S Behavioral Tendencies					
Team player, family oriented					
Steady					
Consistent, predictable performance					
Patient					
Helps others					
Motivated by established practices					
Showing loyalty					
Creating a calm, stable work environment					
TOTAL					
High C Behavioral Tendencies					
Accurate—precision quality control person					
Task oriented					
Motivated by adherence to standards					
Thinking analytically					
Using subtle or indirect approach to conflict					
Using a systematic approach to situations					
Checking for accuracy					
Analyzing performance critically					
TOTAL					

How could you adapt your behavioral and communication style to be more effective with these colleagues? Pick at least two work relationships that will most benefit from this analysis.

Colleague #1: _____

Colleague #2: _____

Section 4: Director Functions, Competencies, and Activities

Learning Activity 2-3: Job Description of the Portfolio Director/Public Housing Director

- Review the job description on the following pages.

1. Are there any key functions, tasks or responsibilities that support the executive director and the agency that are not listed in your job description? List them:

2. Job descriptions should be individualized (more than one correct answer):

3. When you have access to your current job description, compare your job description to the tasks in the following pages, and take notes on any important differences:

- a. For the candidate the PHA wants to hire
- b. To incorporate the competencies needed for the role in that particular PHA
- c. To incorporate state or local law
- d. To comply with HUD Procurement Handbook 7460.8 rev-2
- e. All of the above

4. Are there any key functions, tasks or responsibilities that support the executive director and the agency that are not listed in your job description? List them:

Job Description for the Position of Portfolio Director	
Reports to	The Executive Director
Average % of Time	
25%	Asset Management –Review weekly project data including recaps, lease-up, rent collections, follow-ups and other delinquencies. Complete monthly review of financial and narratives. Prepare annual budgets and narratives. Administer the finalization of monthly budget variance reports. Review invoices for coding and accuracy, and sign off. Review and submit personal property inventories for each site. Compile and input statistical reports, and summarize findings if appropriate. Obtain information for contract summaries. Maintain community relationships for all properties. Develop improvement plans for properties trending downward in performance.
15%	Multi-Site Property Management –Conduct site visits on a regular basis (bi-weekly) to include but not limited to review of:; curb appeal, model inspections, expense approvals, and personnel issues. Review property managers’ inspection checklists on a monthly basis. Ensure high scores under FASS and MASS. Directly supervise property managers. Carry out supervisory responsibilities in accordance with the PHA’s policies and applicable laws. Responsibilities include interviewing, hiring and training employees; planning, assigning, and directing work; appraising performance; rewarding and disciplining employees; addressing complaints; and resolving problems while using sound judgment.
15%	Physical Management –Responsible for the successful operation of all maintenance programs, including the purchase order system, budgets, safety, storage, inventories, and vendor use. Provide management with valid and reliable information for phases of planning including: budgets, staffing, capital improvements, and other programs. Oversee PASS scores under PHAS and ensure high physical scores of each property and the portfolio. Prepare, track, and monitor the process of work order contracts.

Job Description for the Position of Portfolio Director	
15%	Personnel Management —Recruit, retain and train site level personnel to execute PHA requirements and achieve and maintain PHAS high-performer standards. Effectively communicate agency vision, policy, and procedures to staff, reinforce training and motivate subordinates to achieve company objectives. Read and interpret the program policies (ACOP, TSP, etc.) and HR policies and procedures for site personnel.
10%	Contract Management —Review and analyze bid summaries, work contracts, vendor summaries, site inventories, market comp/analysis, advertisements, and onsite reports. Study trends such as occupancy rates, intents to vacate, rent collection, average rents, etc. Assist in preparation of management proposals
5%	Fair Housing —Ensures, with the 504 Coordinator, that the PHA's policies, procedures, forms, and practices fulfill the PHA's obligation to provide reasonable accommodation and physical modifications for persons with disabilities, LEP requirements, and VAWA protections. Ensure that affirmative fair housing marketing is conducted for all sites. Assists the executive team with the Civil Rights Certification to ensure that the PHA's rental real estate division does not discriminate on the basis of race, color, religion, sex, national origin, familial status, gender identity, sexual orientation, marital status, or disability.
5%	Development of Policies and Plans —Oversees the development, updating and revision of PHA Plan as it relates to PHA-owned property; Civil Rights Certification as it relates to PHA-owned property; Admissions and Continued Occupancy Policy (ACOP), public housing lease, and other PHA-owned property leases; and related forms and procedures.
5%	Upholding Standards —Achieve high level of compliance with standards; Comply fully with all HUD and PHA rules and regulations for the safety and effective operation of the PHA's facilities. Requires some evening/weekend meetings with residents, the board, and/or the community. Occasional travel will be required based upon the PHA's and/or property's needs.
3%	Marketing —Oversees the implementation of marketing methodologies: fair housing outreach, advertisements, signage, banners, curb appeal and rental models.
2%	Other Duties as Assigned —Perform additional duties and handle projects as assigned by the Executive Director or designee.

Job Description for the Position of Portfolio Director

General Duties	Ensures compliance with applicable laws, rules and regulations. Ensures buildings are maintained in safe, secure, clean, and good condition. Conducts annual inspections. Maintains appropriate paperwork, files and records. Completes and submits reports, forms, and other paperwork as required. Supports and cooperates with resident services programs and activities. Coordinates with facilities management to insure that timelines for move-outs are understood and turnover performance requirements are met. Conducts joint inspections with facilities to ensure that all properties meet REACH standards. Serves as liaison to housing development department on newly constructed or acquired housing projects. Interacts with various social service agencies, the PHA, and other community partners, particularly regarding issues related to organizations, residents, and applicants. Keeps Director of Property Management informed of pertinent issues and concerns.
Specific Skills	Knowledge of property management, including applicable state and local landlord/tenant and fair housing rules and regulations. Knowledge of and experience meeting HUD and LIHTC requirements for affordable housing. Working knowledge of Microsoft Office programs including Word, Excel, and Outlook. A good working knowledge of property management software programs. Ability to lead and work as a team member as needed. Good verbal, written and interpersonal communication skills. Ability to work effectively with all types of people. Basic math, attention to detail and organizational skills.

Section 5 Ensuring Fair and Effective Management of Staff

- The director needs to ensure that supervisors know how to supervise.
- Frontline supervisors have a particularly difficult role; they walk a fine line between being a supervisor, representing the PHA, and being employees' confidant.
- Sometimes, property managers are new supervisors. And as often, new supervisors receive little or no training, yet are charged with a whole new range of responsibilities. The technical expertise that led to their promotion has little to do with these new responsibilities.
 - Property managers are supervising more people under project-based management. For example, most property managers supervise the maintenance function at the project.
 - The fact is, front-line supervisors have two jobs. For example, the property manager has supervisory responsibilities, but also must ensure that units are filled, rents are collected, and the property is maintained. The role of supervisor sometimes takes second place to the actually-doing-it job.
 - As supervisors oversee more staff, problem-solving and interpersonal skills will be crucial to the success of the supervisor and the team.
 - Performance of the properties and portfolio need to be more closely tied to the performance evaluation of staff, supervisors, managers, and directors. The need for fact-based, multidisciplinary performance evaluations will increase.
- Support, direction, and development are critical for new supervisors and managers. Courses and self-study are valuable, but mentors are precious.

TOP TEN SUPERVISOR TASKS

1. Take corrective action when problems arise.
2. Create a work environment where individuals are treated fairly.
3. Encourage open communication and input from employees.
4. Provide recognition and rewards for effective performance.
5. Maintain a high level of professional expertise.
6. Obtain relevant information before making a decision.
7. Involve relevant people in decision making.
8. Help employees to improve their job performance.
9. Advise employees of their performance standards and keep them informed individually of their performance.
10. Schedule work assignments, set priorities, and direct work of the staff.

WHAT EMPLOYEES NEED TO KNOW

- There is more than one answer to this question. The kinds of information your employees need and might look to you to provide include facts about:
 - Exactly what is expected of them—that is, what activities they will be accountable for performing
 - Where their jobs fit into the total picture and why they are important
 - How their jobs affect other jobs within the agency, and vice versa
 - How their mistakes affect others inside and outside the team, department or program, and vice versa

Section 5: Ensuring Fair and Effective Management of Staff

Notes

- The specific factors and criteria on which their performance will be judged—the standards that define below-standard, meeting expectations, and exceeding expectations
- Where they stand (i.e., how well they are actually doing on the job)
- How to improve their performance and increase their contribution to the team/program and the agency as a whole

MANAGEMENT COMPETENCIES

- Core skills of any manager are problem-solving and decision-making, planning, delegation, communication, meeting management, and managing self.
- Here's how the director applies these competences:
 - Identifies and adapts leadership style to situations and people.
 - Establishes policies, plans, and priorities required to meet the team's objectives.
 - Effectively communicates—verbally one-to-one, in meetings, to diverse groups, and in writing.
 - As someone moves up in the organization, written communication skills become more and more important.
 - Manages effective and well-run meetings.
 - Develops an agenda with input from key participants, starts on time, establishes ground rules for meetings, manages time for each agenda item, facilitates discussion to include everyone, minimizes domination by one person or group, maximizes information sharing, summarizes the decisions, actions and assignments, and closes on time.
 - Effectively manages the ongoing performance of all staff assigned to the department or work unit.
 - Prepares, justifies, and defends the budget required to achieve objectives; monitors profits and expenses to ensure sound fiscal responsibility.

Section 5: Ensuring Fair and Effective Management of Staff

Notes

- Monitors programs, evaluates outcomes, and improves efficiency and effectiveness.
- Delegates appropriately to get work done through the team.
- Assesses risks and takes the appropriate actions needed to achieve desired outcomes.
- Engages in personal growth, self-awareness, and self-management in order to improve own performance.

CLEAR ROLES AND EXPECTATIONS

- Directors', managers' and supervisors' roles and responsibilities should be clearly articulated. Knowledge, skills, and abilities of supervisors and staff should be assessed by the PHA in order to achieve its strategic goals. This process may include:
 - **Conduct job analysis:** Identify and determine in detail the particular job duties, requirements, and the relative importance of these duties for each job.
 - **Develop job descriptions:** Job descriptions are primarily and simply a list of responsibilities and activities required in a particular position.
 - **Develop performance standards:** Standards of performance are written statements describing *how well* a job should be performed. These standards include a description of both the quality and quantity of the work product inspected. For the property manager, this should include performance standards for the property as well as other functions such as annual and interim reexaminations, maintenance, supervision of staff, etc.
 - **Hire employees:** The hiring process involves specific, detailed steps, with legal requirements in each. The process is often the responsibility of the human resources department. Managers and supervisors have defined responsibility for recruiting, screening, interviewing, selecting, and/or making job offers.

Section 5: Ensuring Fair and Effective Management of Staff

Notes

- **Training:** Managers and supervisors are constantly involved in the training of their new and long-term staff.
 - Training can make the difference between terminating a non-performing employee and keeping him as a vital and productive resource to the team.
 - Effective PHAs understand the full range of training methods and use the appropriate type – self-directed, formal training and testing, on-the-job, coaching, and directed study – to achieve the property, portfolio, and PHA goals.

Ongoing training plans are effective in ensuring that staff, supervisors and managers achieve goals. The plan describes training efforts—which can include all types of training and resources—and describes how these will work over time to prepare employees, supervisors, and managers to perform in their current position.

- **Quality Control:** The PHA must conduct scheduled, fact-based trend analysis. Periodic quality control is a higher-level management review of PHA policies, procedures, and forms. Continuous quality control begins at the frontline supervisory level and should be established at every supervisory level. The most critical areas of performance should be identified for monthly review, and roll up for analysis at each successive supervisory level. Quality control will be explored in more depth in Chapter 13.
- **Performance Reviews:** The purpose of a well-thought-out performance review process is to communicate and document. Supervisors and managers should be trained in how to conduct an effective performance review:
 - Prepare in advance.
 - Review the job description, competencies, and performance standards for that position.
 - Review performance reports (include property reports) and outcomes of this employee.

Section 5: Ensuring Fair and Effective Management of Staff

Notes

- Record major accomplishments and demonstrated strengths and weaknesses. Describe only behaviors and facts.
- Let the employee communicate fully during the performance review.
- Agree on actions wherever possible.
- Describe exactly the needed improvement. When necessary, institute a detailed performance improvement plan.
- **Discipline:** The disciplinary process should be a clear, most often progressive, detailed, consistent and fair formula. The first approach in discipline is to prevent the need for it through good PHA policy, supervisory procedure and training, resolving communication issues, and approaching problems when they first begin.

When disciplinary action does become necessary, documentation is critical, as is working together – the supervisor, the supervisor’s supervisor, and human resources.
- **Productivity.** Public housing, more than ever, requires multi-skilled and efficient staff. In order to be productive, people need to know what is expected of them. These expectations must be communicated, monitored, and managed consistently and fairly.
 - Recognition of jobs well done and improvements made, fostering an environment of personal growth, offering challenging and rewarding work, interaction and affiliation, and giving employees a sense that they know what is going on all result in higher levels of productivity.
 - When people know they can expect a safe, fair place to work, they get to work.

ADDRESSING STAFF CAPACITY ISSUES

Assessing Staff Skills and Performance

- Even with the best policies, procedures, tools, and supervision, problems/errors will not occur unless there is staff capacity.
- A comprehensive quality control/error reduction program will include:
 - A comparison of required knowledge, skills, and abilities (skill sets) of staff with actual skill sets
 - A strategy for addressing gaps in knowledge, skills, or abilities (skill sets)
 - A method for establishing and monitoring specific performance improvement goals for employees

Setting Expectations

- A key to a productive workplace is when everyone knows what is expected of them. Staff need to know what good performance looks like.
- Establish both organization and individual expectations, or benchmarks, for:
 - Quality
 - Quantity
 - Timeliness
 - Customer service
- Explain how success in each area will be measured. It may be that performance measures vary among projects.
 - For example, at one project, an occupancy rate of 99 percent is the performance measure expected, while at another project, the performance expected is 97 percent.

Identifying Poor Performance

- There are some sources of poor program performance and/or high error rates that are commonly found at PHAs (and many other organizations). Here are some factors to consider when analyzing problems and digging for root causes:
 - **Communication.** Is staff kept up-to-date on program rules, and given “why” as well as “what” explanations? Is there adequate vertical (top-down and bottom-up) and horizontal (among functions and departments) communication?
 - **Reports.** Are reports on time, clear, accurate and systematically shared with everyone with a need to know? For example, property managers should see how all the properties are performing. Reports should roll up and become possibly more condensed at the executive and board level.
 - **Policies and procedures.** Are policies and procedures up to date, clear and complete? Does everyone have access to them?
 - **Written tools.** Are forms, checklists, interview scripts, form letters, record-keeping formats, etc., simple to use and readily available to staff?
 - **Technology.** Are computers and software adequate, and does vendor software following HUD rules and accommodate PHA policies?
 - **Facilities.** Are there adequate meeting rooms, fax machines, etc.?
 - **Staff capacity.** Does staff have the required competencies (knowledge, skills, and abilities) and attitude?
 - **Supervision.** Do supervisors set clear expectations, track performance, correct ongoing problems, and guide staff?
 - **Organizational culture.** Are there unintended incentives or attitudes within the organization that encourage incorrect behavior

Section 6 Managing Performance Problems

- It's important to differentiate between poor job performance and misconduct, as many agencies use their disciplinary procedures to deal with poor work performers. For an employee who is unwilling to perform or exhibits misconduct, the disciplinary process may be suitable. However, for an employee who wants to perform but doesn't have the knowledge, skills or ability, being subject to the disciplinary process can be entirely demotivating.
- The objective of managing poor work performers is not to dismiss the employee but to ensure that they improve and accomplish the required work standards. Guidance, coaching, monitoring and training can help poor performers achieve this.

POOR JOB PERFORMANCE

- Before identifying the employee as the problem, first look to see if there's a systemic problem-whether the agency's policies, procedures, and/or practices contributed to the employee's performance problems.
 - For example, do your performance standards and policies make it very clear what's expected of the employee, and how they will be evaluated?
- If there are design, policy, and/or procedure problems, ensure that policies are reevaluated, resources are adequate, staff is trained, communicate channels between departments are open, and the PHA's strategic goals are clear. When these are established, communicate them clearly to employees.

Section 6: Managing Performance Problems

Notes

IDENTIFYING JOB PERFORMANCE PROBLEMS

- Again, it's important to differentiate between poor job performance and misconduct.
- An employee exhibits job performance problems when:
 1. The employee has consistently exhibited poor performance (made mistakes, not completed tasks adequately) compared to performance standards
 2. The agency's performance management policies have been followed, which should include an improvement plan.
 3. The employee's progress in the improvement plan has been documented, as well as the supervisor's or manager's actions at each step.
 4. Performance has not improved within the required and defined time period.
- As the director, it is your responsibility to ensure that the immediate supervisor is working with HR, to be certain there is full documentation that the employee has been advised of performance requirements and performance problems, has agreed upon an improvement plan, and given a reasonable amount of time to meet performance standards

MISCONDUCT AND BEHAVIOR PERFORMANCE ISSUES

- Behavior issues occur either as the result of one serious behavior or repeated inappropriate behaviors (called “misconduct”).
- Again, the approach to take for any performance issues, including behavior problems and misconduct, is governed by your agency’s HR policies.

Examples of Misconduct

- Examples of misconduct that could result in corrective action are excessive tardiness, failure to notify of an absence, insubordination, rude or abusive behavior, harassment, sexual harassment, dishonesty, or theft.
- Misconduct also includes failure to follow agency rules or policies such as not wearing safety equipment.
- Of course, discipline may be required for other misconduct. The question that needs to be asked is if there is “just cause” to impose a form of discipline.

Disciplinary Action

- Disciplinary action may be necessary as a result of one serious behavior that is inconsistent with the goals or policies of the PHA, or as a result of continuously poor job performance.
- Supervisors should document the employee's file whenever something happens that may be relevant. There should be a file for each employee supervised. The supervisor should keep relevant emails in this file.
 - Remember, email is a written communication and thus carries more weight generally than verbal communication. Also remember that emails are never truly deleted, and can be retrieved and subpoenaed.

Identifying the Problem

- Whether the issue is poor job performance or misconduct, an obligation of the agency is to make sure expectations have been made clear.
- You can't solve a problem if you're not solving the root causes. Employees who feel challenged, either for job performance or misconduct, often point to why “it's not my fault.” The following chart illustrates the concept of stated reasons for errors vs. root causes:

Section 6: Managing Performance Problems

Notes

Stated Reason for Error	Possible Root Causes
"I didn't know what was required."	• Unclear policies and procedures • Lack of knowledge • Inadequate supervision • Inadequate training
"I didn't know how."	• Lack of knowledge and training • Lack of skill or ability • Lack of clear procedures • Inadequate supervision
"I couldn't do it better given our situation."	• Inadequate infrastructure • Excessive workload
"We didn't have a way to do it correctly."	• Lack of forms or other tools • Lack of computer capacity
"This is the way we've always done it."	• Organizational culture • Inadequate supervision • Lack of clear procedures
I didn't know why we needed to do this," or "I didn't believe it was important."	• Organizational culture • Inadequate supervision

Performance Improvement Planning

- Improvement plans are necessary to overcome job performance problems. In developing the improvement plan, goals must be established to add, correct, or improve a missing competency or skill.
- Goals to improve performance may need to include increased effort on the part of the employee, additional support from the supervisor, and/or training and resources from the agency.
- The improvement plan must set specific timelines for the improvement period, and set specific and measurable performance goals.
- The PHA must gather accurate data about the employee's performance during the improvement period and monitor the effectiveness of the training and/or resources provided. This is where your QC reports are important tools.
- Finally, the supervisor and/or their manager must work with HR to set specific, additional performance review dates and conduct them as in annual performance reviews.
- Effective performance improvement plans can allow a willing employee to succeed.

Section 6: Managing Performance Problems

Notes

Section 7 Developing Leadership Skills

- If we accept the theory that leadership skills are skills we can acquire, learn, and better develop, we can look toward ourselves and answer the questions we first asked.
- It will be easier to develop our skills if we have learned to be flexible and open-minded; we will find it easier to better develop the other leadership styles, other than our primary style, and utilize the other styles in various situations. In order to develop almost any skill, we must be ready to work on it, take the risk that may be involved if change is to occur, and remain flexible and open-minded.
- We can be a director and still not be a leader. If we attend to the administrative details, the work may still get done. The staff may be motivated by something other than anything we have done or any climate we have created.
- There is no one simple definition of leadership. There is no exact set of skills necessary to achieve the status of being a “good leader” which is applicable to all leadership positions.
- A leader must be able to create that motivational environment in which people get “turned on” to work. We will respond to different styles of leadership depending on many factors, both personal and work oriented.
- As a director, the productivity and cooperation we are able to get from our subordinates is extremely important. Therefore, understanding, appreciating, and motivating employees is an essential part to our being successful leaders.

Section 7: Developing Leadership Skills

Notes

- There are several qualities that will be helpful in developing leadership. One thing that is necessary is not easy to acquire, nor does it happen fast, and that is self-confidence. We need to be comfortable with our skills. Not so comfortable that we decide we are perfect and rest on our laurels—because we can always learn and improve—but comfortable enough that we are not threatened.
- Rule number one is that we cannot demand respect, much as we feel it is our right and privilege. However, the more comfortable we are with ourselves and our abilities, the more the respect seems to come to us. Confidence in deciding what to do and not to do and then being able to project that confidence with other people will achieve respect. Of course, we have to be right. If we are confident and then proven wrong time and time again, it does eat away at the respect we have earned to date.
- The second area that is important in developing leadership is **enthusiasm**. If the leader is enthusiastic about a prospect, it is contagious and the employees become enthusiastic. It shows that the director cares about the project and feels it can be accomplished, especially given the fantastic staff that he or she has. If those feelings are conveyed to the staff, the employees will think, “Wow! I can do it!”
- A leader must be **willing to accept risks** and shoulder the risks of his or her employees. Accepting risk means that it may succeed, and obviously we feel the chances for success are better than the chances for failure, or it may fail. As a risk taker, we must realize that we are exercising good judgment before we take the risk and that we are ready to accept the consequences if it does not turn out.

Section 7: Developing Leadership Skills

Notes

- A supervisor should be **receptive to ideas** that employees bring in. Too many times we are too quick to say, “I don’t think that will work” without really listening to the whole proposal. Critical comment should be withheld until the idea is thoroughly explored, and sometimes even beyond that point.
- Two qualities that are necessary in our search for leadership are an **enjoyment in working with people** and a **strong drive to become a better leader**.
- If we do not like to be with people, and we would rather work on our own, without other people, we may have problems fitting into a leadership role. Remember that the definition of supervision is “getting things done through people.” Sometimes we have to examine our motives for wanting something—like wanting to be a supervisor or wanting to be a leader.
- If we do not like working with people and we want to do everything ourselves, we have to examine whether this is what we want to do for a living. If we still answer, “Yes, it is,” then we may have to do something to create change within ourselves.

ACTIVITIES THAT HELP A PERSON BECOME A LEADER

- It is important to be **willing to work hard**. We need to make a commitment to do whatever it takes to get the job done. We have to make sacrifices to achieve that many times.
- We need to **know our job**—and the jobs of the people we supervise. We need to have enough technical knowledge to be able to give them answers, to make policy, to train new employees, and to sell the ideas of the department to our bosses. We need to know whether they are doing their jobs correctly and well.

Section 7: Developing Leadership Skills

Notes

- Since our job involves supervision, we have to **know the management principles and techniques**. We have to know all about planning, organizing, directing and controlling, in addition to being knowledgeable in the technical area.
- We need to be able to **make things happen**. The ability to take risks feeds into this area, as well as understanding how to create that motivational environment. As a leader, we must take a front row seat. We cannot wait for someone else to sit up front first. We have many people depending on us now, and we are the ones that have to make things happen.
 - The things that happen should be positive things, not confusion and chaos. Some people can make things happen and everyone wishes they hadn't.
- To be a leader we need to **set realistic and measurable goals**. This is so difficult for many of us to do because we like to operate by the seat of our pants. Things always turn out pretty good in the end, so why bother taking all that time to PLAN? That attitude may get us by—perhaps without spectacular performance, but may get us by, as a subordinate.
 - As a leader, we need to share our expectations with our employees. How can we share our expectations if we, ourselves, have no idea what they are? In order to know where we are going, we need to set goals.

Section 7: Developing Leadership Skills

Notes

- We need to be able to be secure with **letting others fulfill themselves**. Some of us can be threatened by the people we supervise. We can be so threatened that we do not let them know what we are doing or thinking, and we certainly do not want to give them a chance to do anything that might threaten our security. After all, they might even want our job!
 - Recognizing the needs of other people is one of the primary ways of creating that motivational environment. If we recognize that they have needs and fulfill themselves, we can become a better leader.
- In order to let people fulfill their own needs, we need to **encourage creative thinking**. We need to encourage people to come up with new ideas for doing something, new ways to achieve a goal, and reward them for thinking up new things, whether we accept the new idea in its final form or not.
- Reprinted here is a list of traits one person listed as most admired in a leader. See whether you agree with these or could add to the list:
 - Leaders understand their people as individuals in spite of their previous schooling, experience, age, religion, race, sex, or national origin.
 - Leaders are not afraid of their positions, bosses, instructors, tough jobs, or honest mistakes.
 - Leaders are easy to approach and get away from.
 - Leaders are people you can't fool, though they may have the facility of looking away at the right time.
 - Leaders know almost all the answers and will admit it when they do not know an answer. Leaders know where to find the answers they do not know.
 - Leaders can show a person who to do a job without showing off or showing up an employee.
 - Leaders are predictable.
 - Leaders are honest enough that they can see through subterfuge.

Section 7: Developing Leadership Skills

Notes

- Leaders identify themselves with their people to the point that they will fight for them, even in their absence, provided they are in the right (and will stand up for them when they are in the wrong).
- Leaders get a “kick” out of their work and are able to project enthusiasm.
- Leaders believe their work is important. If they are not sold on it, they get out.
- Leaders will listen to something important, but “remember” an appointment when they hear trivia or gossip.
- Leaders give the impression of trying to work themselves out of the job and of trying to work someone else into it.
- Leaders “get around” but don’t gossip.
- Leaders respect other people’s pride and integrity as much as their own.
- Leaders know the limits of their authority.
- Leaders want their people to succeed.

Section 7: Developing Leadership Skills

Learning Activity 2-4: For Your Further Learning: Leadership Style Survey**Directions**

This questionnaire contains statements about leadership style beliefs. Next to each statement, circle the number that represents how strongly you feel about the statement by using the following scoring system:

Almost Always True – 5

Frequently True – 4

Occasionally True – 3

Seldom True – 2

Almost Never True – 1

Be honest about your choice. There are no right or wrong answers—it is only for your own self-assessment.

Leadership Style Survey						
		Almost Always True	Frequently True	Occasionally True	Seldom True	Almost Never True
1.	I always retain the final decision making authority within my department or team.	5	4	3	2	1
2.	I always try to include one or more employees in determining what to do and how to do it. However, I maintain the final decision making authority.	5	4	3	2	1
3.	My employees and I always vote whenever a major decision has to be made.	5	4	3	2	1
4.	I do not consider suggestions made by my employees because I do not have the time for them.	5	4	3	2	1
5.	I ask for employee ideas and input on upcoming plans and projects.	5	4	3	2	1
6.	For a major decision to pass in my department, it must have the approval of each individual or the majority.	5	4	3	2	1

Section 7: Developing Leadership Skills

Leadership Style Survey						
		Almost Always True	Frequently True	Occasionally True	Seldom True	Almost Never True
7.	I tell my employees what has to be done and how to do it.	5	4	3	2	1
8.	When things go wrong and I need to create a strategy to keep a project or process running on schedule, I call a meeting to get my employee's advice.	5	4	3	2	1
9.	To get information out, I send it by e-mail, memos, or voicemail; very rarely do I call a meeting. My employees are then expected to act on the information.	5	4	3	2	1
10.	When someone makes a mistake, I tell them not to ever do that again and make a note of it.	5	4	3	2	1
11.	I want to create an environment where the employees take ownership of the project. I allow them to participate in the decision making process.	5	4	3	2	1
12.	I allow my employees to determine what needs to be done and how to do it.	5	4	3	2	1
13.	New hires are not allowed to make any decisions unless I approve the decisions first.	5	4	3	2	1
14.	I ask employees for their vision of where they see their jobs going and then use their vision where appropriate.	5	4	3	2	1
15.	My workers know more about their jobs than me, so I allow them to carry out the decisions to do their job.	5	4	3	2	1

Section 7: Developing Leadership Skills

Leadership Style Survey						
		Almost Always True	Frequently True	Occasionally True	Seldom True	Almost Never True
16.	When something goes wrong, I tell my employees that a procedure is not working correctly and I establish a new one.	5	4	3	2	1
17.	I allow my employees to set priorities with my guidance.	5	4	3	2	1
18.	I delegate tasks in order to implement a new procedure or process.	5	4	3	2	1
19.	I closely monitor my employees to ensure they are performing correctly.	5	4	3	2	1
20.	When there are differences in role expectations, I work with my employees to resolve the differences.	5	4	3	2	1
21.	Each individual is responsible for defining his or her job.	5	4	3	2	1
22.	I like the power that my leadership position holds over subordinates.	5	4	3	2	1
23.	I like to use my leadership power to help subordinates grow.	5	4	3	2	1
24.	I like to share my leadership power with my subordinates.	5	4	3	2	1
25.	Employees must be directed or threatened with punishment in order to get them to achieve the organizational objectives.	5	4	3	2	1
26.	Employees will exercise self-direction if they are committed to the objectives.	5	4	3	2	1
27.	Employees have the right to determine their own organizational objectives.	5	4	3	2	1

Section 7: Developing Leadership Skills

Leadership Style Survey						
		Almost Always True	Frequently True	Occasionally True	Seldom True	Almost Never True
28.	Employees seek mainly security.	5	4	3	2	1
29.	Employees know how to use creativity and ingenuity to solve organizational problems.	5	4	3	2	1
30.	My employees can lead themselves just as well as I can.	5	4	3	2	1

Section 7: Developing Leadership Skills

Notes

In the fill-in lines below, mark the score of each item on the questionnaire. For example, if you scored item one with a 3 (Occasionally), then enter a 3 next to Item One. When you have entered all the scores for each question, total each of the three columns.

Item	Score	Item	Score	Item	Score
1		2		3	
4		5		6	
7		8		9	
10		11		12	
13		14		15	
16		17		18	
19		20		21	
22		23		24	
25		26		27	
28		29		30	
TOTAL		TOTAL		TOTAL	
	Authoritarian Style		Participative Style		Delegative Style
	(Autocratic)		(Democratic)		(Free rein)

This questionnaire is to help you assess what leadership style you normally operate in. The lowest score possible for a stage is 10 (Almost never) while the highest score possible for a stage is 50 (Almost always).

The highest of the three scores indicates what style of leadership you normally use. If your highest score is 40 or more, it is a strong indicator of your normal style.

The lowest of the three scores is an indicator of the style you least use. If your lowest score is 20 or less, it is a strong indicator that you normally do not operate out of this mode.

Section 7: Developing Leadership Skills

If two of the scores are close to the same, you might be going through a transition phase, either personally or at work, except:

- If you score high in both the participative and the delegative then you are probably a delegative leader.
 - If there is only a small difference between the three scores, then this indicates that you have no clear perception of the mode you operate in, or you are a new leader and are trying to feel out the correct style for you.

Section 7: Developing Leadership Skills

CHAPTER 2 INDIVIDUAL COMPETENCY DEVELOPMENT PLAN

Identify at least one knowledge area and skill you plan to develop relevant to this chapter.

- **Knowledge:** Regarding the material covered in this chapter, what do you want to study or learn more about in order to gain knowledge?

- List some specific references you will study:

- **Skills:** What skills (what I know how to *do*) relevant to this chapter do I need to work on or develop? These could be technical or soft (behavior, attitude) skills.

- **Abilities:** What abilities relevant to this chapter do not come “naturally” or easily to me? How can I develop them? Be creative and don’t be afraid to think out of the box.

CHAPTER 2 REVIEW QUESTIONS

1. The executive director should never be the asset manager.
 - a. True
 - b. False
2. The term “competencies” includes knowledge, skills, and:
 - a. Vision
 - b. Leadership
 - c. Abilities
 - d. Social interaction
 - e. Education
3. Planning may not be an essential competency for the director, as long as they can effectively navigate what happens day by day.
 - a. True
 - b. False
4. Which statement is not true?
 - a. The asset manager must direct property managers to meet expectations for the performance of their properties
 - b. Performance measures must be the exact same for all properties
 - c. Performance of the properties should not be lower than acceptable PHAS standards
 - d. The asset manager must assess and track the performance of each property and each property manager, to overview the performance of the portfolio as a whole
5. In private sector rental real estate, the performance of the property is not tied to the evaluation of the property manager.
 - a. True
 - b. False
6. Elements in effectively evaluating performance of staff includes:
 - a. Engaging staff in dialogue and communication
 - b. Setting clear expectations for all staff
 - c. Referring to job descriptions during the performance appraisal process
 - d. Establishing a clear and participative performance appraisal system
 - e. All of the above
7. The director should not delegate any part of the organizing function
 - a. True
 - b. False
8. Major elements in efficiently and organizing within the PHA include all of the following except:
 - a. Tracking PHA performance and developing an improvement plan where needed
 - b. Organizational analysis
 - c. Understanding how the PHA should operating day by day
 - d. Being problem-oriented and not goal-oriented
 - e. Interpreting and implementing board decisions

CHAPTER 3 Policies & Policy Development

LEARNING OUTCOMES

- Upon completion of this chapter, you should be able to
 - Identify key required PHA and public housing policies
 - Evaluate and select best practices for discretionary policies
 - Identify principles and steps for policy and procedure development

Section 1 Required PHA Policies

1. THE CONSOLIDATED PLAN

- The consolidated plan (ConPlan) requires the jurisdiction receiving federal funds for community planning and development programs to state in one document its plan to pursue providing decent affordable housing, a suitable living environment, and expanding economic opportunities principally for low and moderate income persons.
- The ConPlan was implemented to serve the following functions:
 - Act as a policy planning document for jurisdictions, requiring significant citizen participation
 - Be an inclusive application for federal funds under HUD's formula grant programs
 - Provide a strategy to be followed in carrying out HUD programs
 - Provide an action plan that provides a basis for assessing performance of a jurisdiction in the utilization of federal dollars

Notes

- The formula grant programs included in the ConPlan submission are:
 - The Community Development Block Grant (CDBG) programs
 - The Emergency Shelter Grant (ESG) programs
 - HOME Investment Partnerships (HOME)
 - Housing Opportunities for Persons with AIDS (HOPWA)
- In addition many programs require that the jurisdiction receiving funds from HUD provide certification that the application for funds is consistent with the HUD approved ConPlan for the jurisdiction.
- The Consolidated Plan was the model for the Public Housing Agency Plan.
- *24 CFR 903.15*
The PHA must ensure that the annual plan is consistent with any applicable consolidated plan for the jurisdiction in which the PHA is located. It must submit a certification by the appropriate state or local officials that the annual plan is consistent with the consolidated plan and include a description of the manner in which the applicable plan contents are consistent with the consolidated plans.

Submission of a Plan with Goals and Objectives

- The final regulations allow frequency of submission of a complete plan to be determined by the jurisdiction; however, a jurisdiction cannot elect to submit the Plan less frequently than every five years; consequently, all jurisdictions opted to submit complete plans on a five year cycle.
- Submission of an annual Action Plan with certifications, specifically detailing what the jurisdiction will do with the federal funds during the upcoming fiscal year.

Notes

- Because the complete ConPlan is so detailed and requires significant citizen participation, it often serves as a policy statement; further refined by housing authorities into strategic and business plans and, of course, the Public Housing Agency Plan.
- Further, the goals, objectives and actions included in the PHA Agency Plan are incorporated into the Admissions and Continued Occupancy Plan, the Section 8 Administrative Plan and other PHA operational policies or procedures.
- The ConPlan is usually prepared by the jurisdiction, city or county or state.
- The agencies that administer a part of the ConPlan, that is, a redevelopment agency, would administer CDBG while a housing authority may administer HOME, would then use excerpts or data from the ConPlan in their individual planning efforts.
- A complete submission of the ConPlan includes the following components:

Components of Plan

Analysis of housing and homeless needs in the community

- This analysis includes:
 - Information on the estimated housing needs for the five year period, based on most current census data available
 - Information on the persons affected; the number and type of families in need of housing for extremely low, low, moderate and middle income families; further shown as owners or renters; and further shown as elderly, single, and large families
 - Discussion on cost burden, overcrowding, substandard housing conditions, disproportionate need among any racial or ethnic group

- The section of the analysis that speaks to homeless needs must include the nature and extent of homelessness in the community, the need for facilities and services for individuals and families with children.
- Information as noted above is also required for the homeless population.

Housing market analysis

- This part of the plan must describe the significant characteristics of the jurisdiction's housing market including supply, demand, condition and cost of housing and the housing available to serve persons with disabilities and their families.
- This section also includes information on the jurisdiction's public and assisted housing including the information on the physical condition of the units, rehabilitation needed, and the PHA's strategy for improving the management and operations of the public and assisted housing programs.

Civil Rights Certification

- As part of the Consolidated Plan, all grantees must certify that they will affirmatively further fair housing.
- 24 CFR 5.150
Fair housing means housing that, among other attributes, is affordable, safe, decent, free of unlawful discrimination, and accessible as required under civil rights laws.
- 24 CFR 903.7(o)
The PHA must certify that it will carry out its plan in conformity with title VI of the Civil Rights Act of 1964, the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973, Title II of the Americans with Disabilities Act of 1990. The certification is applicable to both the 5-year plan and the annual plan.
-

Action plan

- This is one of the most critical sections of the ConPlan and includes information on the priorities of the jurisdiction and how the funds received under the formula programs will be distributed among those priorities.
 - HUD requires that the plan include a description of the basis for assigning priorities
- Any obstacles to meeting the needs of the underserved population in the jurisdiction are included in the strategic plan, e.g., NIMBYism, lack of funding, lack of political support, federal or state eminent domain actions.
- For each specific priority and objective, the Plan must include proposed accomplishments over a specific term, such as five years or one year.
- A jurisdiction must also include a housing assistance plan (HAP), a carryover table from early housing program applications, as well as a full description of housing priorities, housing objectives, proposed use of funds for housing and proposed accomplishments – almost a strategic plan for housing within the greater “strategic plan.”
- The ConPlan is used then as the basis for individual planning documents.
 - For example, a PHA would use the housing needs analysis and obstacles identified in the ConPlan to develop its goals and objectives that would be a part of a PHA Strategic Plan and/or Business Plan. A PHA should not have a goal that does not in some way address the needs of the community as identified in the ConPlan.
- The ConPlan is a supporting document to the PHA Agency Plan. The Agency Plan requires a certificate of consistency with the ConPlan and the housing needs assessment information included in the PHA Agency Plan usually comes directly from the Consolidated Plan.

- Thus, the link between a policy document, prepared in extensive communication with the community (citizen participation) and local government (establishing the policy to address the needs of the community).

Certifications

- Certifications are required for both the comprehensive, five-year submission and the annual action plan submission.
 - Anti displacement and relocation for activities carried out with CDBG or HOME programs
 - Drug Free Workplace
 - Anti lobbying
 - Consistency
 - Relocation Assistance and Property Acquisition Policy Act of 1970
 - Section 3
 - In addition, there are specific additional certifications required when a jurisdiction is requesting CDBG, ESG, HOME or HOPWA funds!
- **Note:** Action plans are required to be submitted each year and target specific resources and activities to be undertaken in the upcoming year using any of the four sources of funds available under a ConPlan submission.

2. THE PHA PLAN

- The PHA Plan, required by the Reform Act of 1998, is Congress' mandate that PHAs submit a business plan.
- The PHA Plan consists of either one or two elements:
 1. A Five-Year Plan that describes the mission of the agency and its goals and objectives.
 2. An Annual Plan that covers policies and procedures of the agency.

Notes

- Qualified PHAs are exempt from submitting a PHA Annual Plan.
 - A qualified PHA, established under the Housing Economic Recovery Act (HERA), is defined as a PHA meeting the following requirements:
 - The sum of public housing dwelling units administered by the PHA and the number of vouchers is 550 or fewer; and
 - The PHA is not designated as a troubled PHA under section 6(j)(2) (extent to which the public housing agency is providing acceptable basic housing conditions) and does not have a failing score under SEMAP during the previous 12 months.
 - While qualified PHAs are exempt from submitting a PHA Annual Plan, they are not exempt from the requirement to hold an annual public hearing.
- The PHA Plan's mission and goals must take into account the needs of the community, and thus must be consistent with the jurisdiction's Consolidated Plan.
- The PHA Five-Year and Annual Plans are submitted to HUD electronically via a HUD-provided template. While this could be the starting point for a PHA's strategic plan, the PHA needs to go beyond the template for a cohesive strategic plan. Strategic planning will be discussed in a later chapter.
- The template serves as:
 - A planning tool for PHAs;
 - A community guide to the PHA's policies, programs, and activities; and
 - A tool to facilitate the conversion to asset management by eliminating unnecessary submission requirements.

Notes

- PHAs are required to establish one or more Resident Advisory Boards (RAB) to enable residents to advise the PHA in plan development. The membership consists of individuals who reflect and represent the residents assisted by the PHA. The RAB makes recommendations regarding the development of the PHA Plan, and any significant amendments or modifications to the plan.
 - PHAs are required to submit as an attachment to the Five-Year and Annual Plan copies of the RAD recommendations and a description of the PHA's analysis of the recommendations and any decisions made based on these recommendations.
- The PHA is also required to conduct a public hearing on the proposed PHA Plan, and invite comments from residents and the public.
- Significant amendments or modifications to the plan undergo the same review and approval process as the Annual PHA Plan.
- The PHA must define "significant amendment or modification." Examples of PHA criteria for significant amendment or modification include:
 - Any collective change to the Five-Year Plan that impacts and prevents implementation of the planned or actual use of federal funds for identified activities and would prohibit or redirect the housing authority's strategic goals.
 - Any single or collective change in the planned or actual use of federal funds as identified in the Five-Year Plan that exceeds 20 percent of the city's annual program budget for public housing or Housing Choice Voucher program activities.
 - Changes of a sufficient nature to the rent or admissions policies, or the organization of the waiting list not required by federal regulatory requirements that would result in a change to the Annual Plan, unless the change is a result of a circumstance identified by HUD for special intervention.

*Notes***The PHA Plan Timeline**

Action	Jan. 1 FY Start	April 1 FY Start	July 1 FY Start	Oct. 1 FY Start
Begin preparations for developing PHA Plan, including compiling information and obtaining a copy of the jurisdiction's Consolidated Plan	May	Aug.	Nov.	Feb.
Draft Plan developed for discussion with partners	Mid-July	Mid-Oct.	Mid-Jan.	Mid.-April
Notice of hearing and Plan on file for review	Mid-Aug.	Mid-Nov.	Mid-Feb.	Mid-May
Public Hearing	First week of Oct.	First week of Jan	First week of April	First week of July
PHA Plan due **Note: exact due date depends on calendar days in PHA's fiscal year	Mid-Oct.	Mid-Jan.	Mid-April	Mid-July

Certification of Compliance (form HUD-50077)

- PHAs must certify that they are in compliance with the Fair Housing Act, Title VI of the Civil Rights Act, Section 504 of the Rehabilitation Act of 1973, and other federal nondiscrimination and equal opportunity laws, as well as certifying they are affirmatively furthering fair housing choice.
- A PHA Plan that is submitted without form HUD-50077 will be considered incomplete and the PHA's funding will be at risk.

5-Year Plan Template for all PHAs

- **Mission**
- **Goals and Objectives**
- **Progress Report**
- **Violence Against Women Act (VAWA) Goals**
- **Significant Amendment or Modifications.** Provide a statement on the criteria used for determining a significant amendment or modification to the PHA 5-Year Plan.
- **Resident Advisory Board (RAB) Comments**
- **Certification by State or Local Officials.** Form HUD-50077-SL

Annual Plan Requirements for Standard and Troubled PHAs

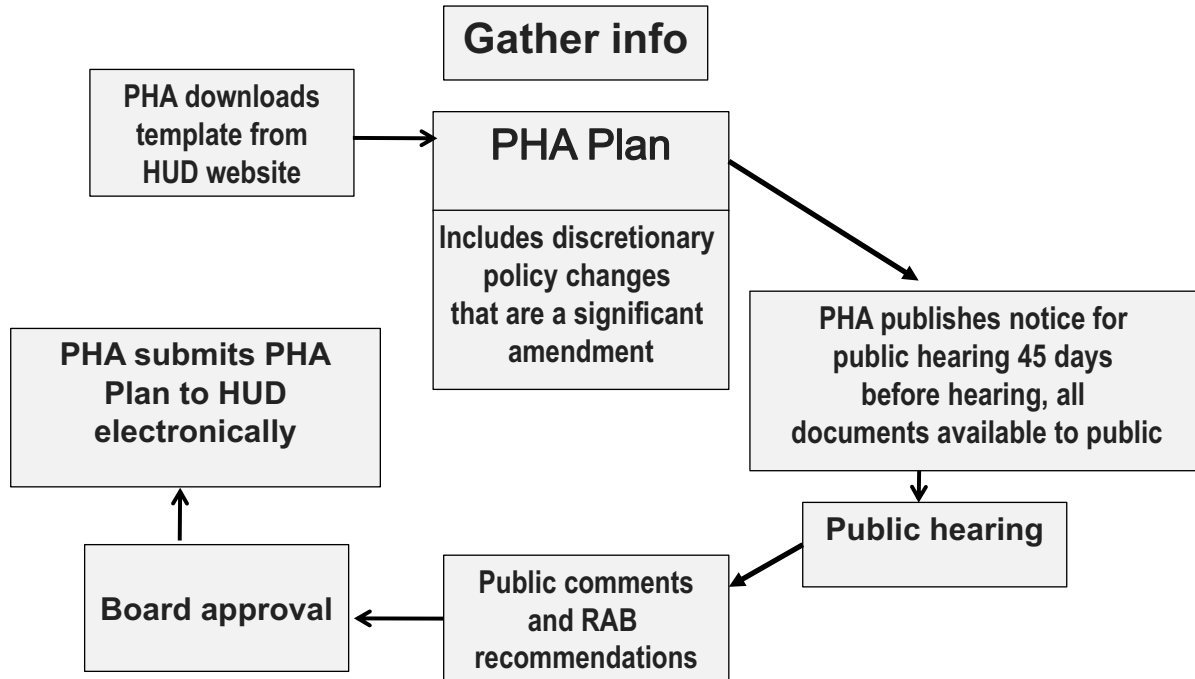
- **Revision of PHA Plan Elements** (describe revisions)
 - Statement of housing needs and strategy for addressing housing needs
 - Deconcentration and other policies that govern eligibility, selection, and admissions
 - Financial resources
 - Rent determination
 - Operation and management
 - Grievance procedures
 - Homeownership programs
 - Community service and self-sufficiency programs
 - Safety and crime prevention
 - Pet policy
 - Asset management
 - Substantial deviation
 - Significant amendment or modification

Notes

- **New Activities.** Does the PHA intend to undertake any new activities related to the following in the PHA's current Fiscal Year? Describe.
 - HOPE VI or Choice Neighborhoods
 - Mixed Finance Modernization or Development
 - Demolition and/or Disposition
 - Designated Housing for Elderly and/or Disabled Families
 - Conversion of Public Housing to Tenant-Based Assistance
 - Conversion of Public Housing to Project-Based Assistance under RAD
 - Occupancy by Police officers
 - Non-Smoking Policies
 - Project-Based Vouchers
 - Units with Approved Vacancies for Modernization
 - Other Capital Grant Programs (i.e., Capital Fund Community Facilities Grants or Emergency Safety and Security Grants)
- **Civil Rights Certification**
- **Most Recent Fiscal Year Audit.** Describe any findings.
- **Progress Report.** Provide a description of the PHA's programs in meeting its Mission and Goals described in the PHA's 5-Year and Annual Plan.
- **Resident Advisory Board (RAB) Comments**
- **Certification by State or Local Officials.** Form HUD-50077-SL
- **Troubled PHA.** Does the PHA have any current Memorandum of Agreement, Performance Improvement Plan, or Recovery Plan in place? Describe.
- **Capital Improvements**

Notes

The PHA Plan Process



Consequences for Failure to Submit an Approvable PHA Plan

- PHAs that fail to submit their PHA Plan will not receive funding until their plan has been submitted and approved by HUD.
- HUD may impose sanctions including, but not limited to, the withholding or future reductions in Capital Fund program, Operating Fund, or Section 8 administrative fees.

3. CAPITAL FUND PLAN

- The Public Housing Capital Fund Program Final Rule was published in the Federal Register on October 24, 2013, and was effective on November 25, 2013.
 - The rule decouples (separates) Capital Fund submission requirements from the larger PHA plan requirements. PHAs now submit their Capital Fund requirements with the CF ACC amendment.
 - While qualified PHAs are exempt from submitting a PHA Annual Plan, they are not exempt from the requirement to hold an annual public hearing or to submit a CF Five-Year Plan.
 - The rule reduces management improvements from 20 percent to 10 percent for asset management PHAs.
 - The rule phases down the management improvement cost limits over a five-year period.
 - The rule also clarifies eligible and ineligible costs for management improvements.
- The final rule implements Demolition/Disposition Transitional Funding (DDTF), which after a transition period replaces Replacement Housing Factor (RHF) grants.
- In order to receive a Capital Fund grant, the PHA must:
 - Validate project-level information in HUD's data; systems
 - Have an approved CFP 5-Year Action Plan;
 - Enter into a Capital Fund Annual Contributions Contract (CF ACC) Amendment; and
 - Provide a written certification and counsel's opinion that all property receiving Capital Fund assistance is under a currently effective Declaration of Trust (DOT) and is in compliance with the CF ACC.

- At the time that the PHA submits the CF ACC Amendments for its Capital Fund Grants to HUD, the PHA must also submit the following items:
 - CFP Five-Year Action Plan
 - Describes the capital improvements necessary to ensure long-term physical and social viability of the PHA's public housing developments, including the capital improvements to be undertaken within the five-year period, their estimated costs, status of environmental review, and any other information required for participation in the CFP
 - Budget
 - A budget for each of the five years, using the HUD-prescribed forms.
 - PHA criteria for significant amendment or modification
 - The Capital Fund will be discussed further in chapters 5, 6 and 11.

4. PROCUREMENT POLICY

- The PHA's procurement policy is required for any PHA operating public housing. The PHA's procurement policies must adhere to Federal and any state laws, 2 CFR Part 200 ("The Common Rule"), and HUD's Procurement Handbook 7460.8 REV 2.
- HUD's procurement handbook, revised March 2007, incorporates changes in federal laws, regulations, and other instructions, especially the increase in the federal small purchase threshold, and aligns the Department's guidance in support of asset management and project-based management.
 - The handbook includes a sample procurement policy, which PHAs may use in its entirety, or modify to support the PHA procurement policy.

Notes

- The handbook also includes an important chapter on the ethical standards for PHAs and contracting officers, and to others with a vested interest in PHA contracts, such as board members, other officials and agents of the PHA, and contractors with whom the PHA does business.
- The handbook does not apply to the Housing Choice Voucher program or to fees earned by the COCC; fee income is not considered federal program income under the procurement regulations at 2 CFR Part 200.
- Most states have laws concerning procurement. If federal and state laws differ, then the more restrictive (usually state law) prevails. For example, the federal statutory dollar limit for small purchases is \$150,000. However, the limit under many state laws is a lower dollar limit. The PHA may not have a limit higher than that allowed under state law.
- The PHA's procurement policy includes (but is not limited to) the following important provisions:
 - Establishes the level of expenditure for the executive director and/or designees—the amount he or she may expend before board approval is needed. The board may elect to establish a lower dollar limit than allowed under federal or state law.
 - Types of procurement methods the PHA will utilize to obtain goods and services:
 - Small purchase methods including petty cash, micropurchases, blank purchase agreements (office supplies), or purchase orders.
 - Sealed bidding including Invitation for Bids (IFB), solicitation, pre-bid conference, bid opening, and award of contract to the lowest responsive and responsible bidder.
 - Competitive proposals including Request for Proposals (RFP), Request for Qualifications (RFQ), evaluation factors, pre-proposal conferences, competitive range, negotiations, best and final offers, and contract award.

- Noncompetitive proposals, which is procurement through either a “sole source,” when the PHA solicits an offer from one source, or a “single source,” when the PHA solicits offers from multiple sources but receives only one, or the competition is determined inadequate. Certain contracting with resident-owned businesses and resident management corporations (defined in the handbook) are exempted from restrictions on noncompetitive proposals.
- Procurement policy will be covered in more detail in Chapter 10.

5. PERSONNEL POLICY

- HUD no longer provides directives nor guidelines for PHA personnel policy, but it should include the basis for selection, development and discipline of staff employed by the PHA.
- Should define benefits for employees, paid holidays, grievance procedures, process that will be followed for promotional, transfer opportunities at the PHA.
- Administration of personnel policy is the job of the executive director, not the board.
- After the board approves the policy, the executive director is expected to follow it.
- The policy is usually reviewed annually, or at same time labor negotiations are conducted.
- PHAs that are part of a city or county government do not require a separate personnel policy.

Need for Personnel Policies

- There are numerous rules and regulations which regulate the nature of the relationship between an employee and the organization, for example, about:
 - Benefits and compensation
 - Affirmative action
 - Managing personnel files
 - Employee retirement
 - Rights of privacy
 - Sexual and other discrimination and harassment
 - Wrongful termination, etc.
- Consequently, it is better to have thought out these potentially controversial situations before they occur and establish guidelines by which they might or will be addressed.

Developing Personnel Policies

- Each PHA should carefully consider what policies it requires and how they should be worded.
- When developing policies, always consult a lawyer who's well versed in federal, state and local laws regarding employment practices. For example:
 - Civil Rights Act of 1964
 - Americans with Disabilities Act of 1992
 - Occupational Safety and Health Acts
- Personnel policies might also be governed by union rules or other contractual agreements.

Sample Personnel Policies

- Many organizations begin developing their personnel policies by reviewing policies from other organizations. This is fine as long as the organization:
 - Carefully reviews each policy
 - Modifies them according to the nature and needs of the organization
 - Has all policies reviewed by an expert in employee law
- Note that there are few differences, if any, between personnel policies of for-profit organizations and those of nonprofit organizations.
 - The Minnesota Council of Nonprofits has posted their policies at www.mncn.org/sampers.htm.

Training on Policies

- Studies show that new information is understood, integrated and applied more effectively if there are actual discussions that accompany significant policy changes.
- It is critical that employees, especially managers and supervisors, have clear understanding of each personnel policy, and that supervisors and managers are held accountable to manage to the policy.
- Employee training about policies can be carried out by ensuring that:
 - All personnel policies are included in an employee manual which is reviewed and retained by each of the employees.
 - All employees receive an employee orientation that includes overview of major policies and the employee manual.
 - When policies undergo significant revisions, discussions and explanations are provided.
 - Managers regularly issue reminders to employees about key policies.

Employee Manual

- Document all personnel policies and procedures and collect them in an employee manual.
- All employees should have read the manual to understand and accept its contents.
 - They should sign a form indicating so, and provide the signed form to the organization's administrator.
- Each policy should include wording to the effect that:
 - The policies are for general guidance in the relationships between employees and the organization
 - The Board has authorized the policy
 - Policies can be changed at any time
 - The policies do not constitute a contract between the organization and the employee.
- Consider the following wording on the cover of your policies manual:

"Nothing contained in or implied by this manual creates or shall be deemed to create or constitute a contractual obligation to employees on the part of (the PHA). The policies, procedures and guidelines contained in this manual are subject to change at any time, do not confer any obligation on the part of (the PHA) and do not create any right to employment on the part of (the PHA)."
- All supervisors should be trained about the policies and procedures.
- A large number of lawsuits brought against organizations are because, although the organizations had clear policies, supervisors did not enact the policies because they did not understand them.

Notes

- Note that courts may consider policies and procedures as superseded by the actual behaviors allowed in the workplace by supervisors.
 - For additional and advanced information, see Employee Manuals/Handbooks at www.managementhelp.org/policies/handbook/handbook.htm

Sample List of Personnel Policies

- The table on the following page lists types of policies that might be included in an employee manual. The contents of your manual will depend on the needs of your PHA.
- An expert in employee law should review the personnel policies regularly.

Section 1: Required PHA Policies

Sample List of Personnel Policies	
<i>Work Schedule</i> Work day hours Lunch periods and break times Holidays Vacation Sick time Personal leave Leave of absence Severe weather Jury duty <i>Hiring Procedures</i> Americans with Disabilities Act Interviewing job candidates Checking references Offering employment <i>New Employee and Internal Orientation</i> New employee orientation – general information Internal orientation New employee and internal orientation checklist <i>Compensation</i> Paydays Overtime and compensation time Classifying employees as exempt or non-exempt Salary ranges Positioning pay within a salary range Maintaining competitive salary information Reclassifying positions Salary review policy Promotional increases Withholding salary increase due to performance Withholding salary increase due to leave of absence <i>Payroll Information & Timekeeping Procedures</i> Payroll information – General Payroll information – Direct deposit procedures Payroll information – Required and voluntary payroll deductions Timekeeping – General discussion of non-exempt and exempt employee classifications Supervisor's signature <i>Benefits</i> Eligibility and general information Types of available benefits Medical insurance Dental insurance	(Benefits, cont.) Disability insurance Supervisory communication of benefits Life insurance Confidentiality note Retirement plan Social security Employee advisory resource <i>Workers' Compensation Information and Procedures</i> When there is an injury or accident on the job What is covered under workers' compensation Type of injury covered by workers' compensation insurance Medical expenses resulting from a work-related injury Resources available <i>Performance Assessment Procedures</i> Performance assessment cycle Performance assessment process Dealing with performance issues Discipline: when the positive approach does not work Separation from employment checklist Communications by the supervisor regarding personnel issues COBRA Leave-taking procedures <i>Financial Management</i> Budget management Capital expenditures Supervisor's responsibilities in maintaining the budget Operating management Financial reporting <i>Data Practices</i> Policy Procedures Definitions Security of records External releases Internal releases Use of data Legal procedures Destruction of records Employee access

6. BUDGET POLICY

- The budget policy is one of the most important policies the board approves. It gives the method that funds will be expended by the agency, and may include the budget plan for the current fiscal year. It could also be a multi-year budget.
- The budget policy includes requirements for monthly or quarterly financial status reporting.

7. DRUG FREE WORKPLACE POLICY

- All PHAs and indeed all federally funded agencies are required to establish a “Drug Free Workplace” policy.
- It should specify substances covered by the policy, timing of and requirement for testing of employees, and disciplinary action, including termination for violation of the policy.
- Must include requirement that all employees adhere to the policy. It is a good idea to have employees sign receipt stating that they have received and read a copy of the policy.

8. RECORDS MANAGEMENT POLICY

- Includes processes used to protect confidentiality, including method of and timing of destruction of records from substance abuse centers if the PHA's screening policy requires this information.
- Can be included in ACOP or Administrative Plan.
- Should be developed for records the PHA maintains in the course of doing business.
- Should also be developed to be in compliance with the Privacy Act.
 - The regulation governing Privacy Act compliance can be found at 24 CFR 5.212. Further, Notice PIH 2010-15 specifies steps that PHAs should take to help ensure compliance with Privacy Act requirements.

9. CRIMINAL RECORDS POLICY

- Non-public criminal, drug treatment and sex offense records must be kept confidential.
- These records can be used to screen applicants, pursue evictions or present at administrative or court proceedings.
- The policy must include the process used to destroy records after their purpose is accomplished and all statutes have run.

10. SELECTION OF RESIDENT COMMISSIONERS

- Defines the manner in which the board appoints resident commissioners or the process to be followed if resident commissioners are selected through an elective process.

11. TRAVEL POLICY

- Includes conditions for employee travel.
- Type of travel allowed (workshops, conferences, training session, meetings).
- Method of transportation to be used (usually dependent on distance) air versus personal car.
- Per Diem (may or may not include lodging expense).
- Miscellaneous expenses reimbursable (taxis, phone calls, parking, tips).
- May be made a part of the procurement policy.

Section 2 Policies Required in Public Housing Management

- The following policies are required for those PHAs operating Public Housing Programs.

1. ADMISSIONS AND CONTINUED OCCUPANCY (ACOP)

- The PHA's ACOP must be approved by the board and is a supporting document to the PHA plan. The PHA's ACOP must include the following information:
 - Statement of policy objectives (mission, goals of the public housing program)
 - Fair housing policies, including requests for reasonable accommodations, right to invoke protections under the Violence Against Women Act (VAWA) and Limited English Proficiency (LEP) policies.
 - Eligibility criteria, including HUD-mandated denial of admission and PHA criteria for denial
 - HOTMA adds a new component to the definition of family.
 - Preferences used and management of the waiting list, including when is it opened; how will people know to apply (affirmative outreach), when and how is it closed, and how people apply (e.g., online at community-based agencies, etc.)
 - The occupancy standards to be used by PHA (HUD only provides guidelines, PHA has flexibility to establish local standards – number of persons per bedroom, use of living space for sleeping when, if ever, will the PHA waive)
 - How the household rent is calculated
 - HOTMA establishes new definition of income exclusions and new definitions for various types of income, i.e., nonrecurring income.

Section 2: Policies Required in Public Housing Management

Notes

- The procedures to be followed to verify all required information (third party, criminal records, time limit, if any, before information is recertified)
 - HOTMA establishes optional adoption of streamlined verification for families with at least 90 percent of household income from fixed sources, and verifying total annual income (including assets and income from assets) from other specific means-tested federal housing programs.
- Procedures for resident selection and unit assignment (one, two or three offers)
- Leasing procedures including inspection schedule, all terms and conditions of the lease, maintenance procedures
 - The National Standards for the Physical Inspection of Real Estate (NSPIRE) are the standard under which public housing units are inspected.
- Annual reexamination procedures (including what information will be verified; timing for recertification, consequences if not recertified on time)
- The PHA's requirements for interim changes (remember HUD only requires that a family report a change in family composition on an interim basis, other information is PHA local policy)
- PHA's transfer policy (requested/required moves, terms, costs of move, timing)
- Why and how a household's lease is terminated
- The PHA must publish over-income limits in their ACOP and update them no later than 60 days after HUD publishes new income limits each year.
- Grievance procedure and due process, including family right to review documents before a hearing, preponderance of the evidence as the standard of proof, right to representation, right to pursue legal action
- How debts to the PHA can be handled (agreements, payments and timing)
- How the PHA will deal with fraud and program abuse

2. THE LEASE

- The dwelling lease is the contract between the PHA and the public housing family. There are HUD requirements in the lease per 24 CFR 966.4. Some important lease provisions include responsibilities of the family and PHA, consequences of noncompliance with the lease, termination of the lease, grievance and hearing process, and annual and interim reexaminations.
- HUD requires that PHAs develop dwelling lease requirements which permit the prompt eviction of tenants who are unable or unwilling to live up to the terms of the lease.
- A 12-month term for noncompliance with community service must be included in the public housing lease.

3. NPHOI LEASE

- PHAs are required to make a policy decision regarding when a public housing family has been determined to be over-income for 24 consecutive months. The PHA may make a policy decision to either terminate such families, or to execute a new non-public housing over income (NPHOI) lease, and charge the family a monthly rent that is the higher of the applicable fair market rent (FMR) or the amount of monthly subsidy for the unit, including amounts from the operating and capital funds.
- HUD issued PIH 2023-03 (HA) Supplemental Guidance for Implementation of 103: Limitation on Public Housing Tenancy for Over-Income Families under HOTMA on March 13, 2023.
- HUD has published sample a HOTMA Non-Public Housing Over Income lease at:
<https://www.hudexchange.info/resource/6851/hotma-sample-nonpublic-housing-over-income-lease/>

- NPHOI units are not removed from the ACC baseline. The units themselves remain public housing units, but such units do not receive operating or capital funds, and the tenants are not public housing tenants.
- PHAs can continue to use federal funds to cover the costs of any repairs to a unit occupied by a NPHOI family. Rents paid by NPHOI families are not defederalized and are still considered rental income and are subject to those rules.

4. NON-SMOKING POLICY

- On December 5, 2016, HUD issued the Instituting Smoke-Free Public Housing Final Rule that requires PHAs that operate public housing to amend their PHA plans and tenant leases to implement smoke-free policies no later than July 30, 2018.
- Smoke-free policies must ban the use of prohibited tobacco products in all public housing living areas and interior areas and administrative offices as well as all outdoor areas up to 25 feet from public housing and administrative office buildings.
- Restricted areas include hallways, rental and administrative offices, community centers, day care centers, laundry centers, and similar structures.
- Prohibited tobacco products are defined as items that involve the ignition of tobacco leaves such as (but not limited to) cigarettes, cigars, pipes, and water pipes (hookahs).
- Electronic Nicotine Delivery Systems (ENDS), also called e-cigarettes, are not prohibited under the rule but PHAs have the discretion to prohibit them as part of their smoke-free policies.

Section 2: Policies Required in Public Housing Management

Notes

- PHAs may limit smoking to designated smoking areas outside of *restricted areas*, may create additional smoke-free areas, or may make their entire grounds smoke-free.
- The rule does not prohibit individual residents from smoking.
- The rule does not apply to mixed-finance developments.

5. CAPITALIZATION POLICY

- Under generally-accepted accounting principles (GAAP), the capitalization policy should include buildings—public housing units.
- Establishes the criteria used for valuing real assets. For example, what kind of equipment will be considered “capital” – may be based on cost of purchase
- May consider establishing \$5000 as baseline (would not include refrigerators and stoves)
- Capital assets must be inventoried annually and reported during annual audit; certain equipment should be inventoried, as a matter of good business practice, e.g., appliances
- Depreciation of capital assets is done according to GAAP.

6. DISPOSITION POLICY

- Defines how the PHA will dispose of certain equipment including machinery, appliances, computers, office furniture when no longer usable.
- May take sealed bids; donate to recognized nonprofit.
- Can be a part of the procurement policy.
- Does not relate to the capital policy (if you don’t capitalize appliances, disposition policy still applies).

7. PET POLICY

- May be two separate policies – one for elderly and disabled projects and one for general occupancy projects.
- Each policy can have different terms and conditions.
- Should include information on fees, deposits, types of pets, limitations on units or areas, licensing, health requirements, access to units with pets.
- Pet rules for mixed population (“elderly/disabled”) projects differ from pet rules for general occupancy (“family”) projects.
 - A nominal refundable pet fee may be charged for families in general occupancy developments, and the pet deposit formula is more defined for mixed population projects.
- Must be approved by the board.

8. PEST CONTROL POLICY

- The Quality Housing and Work Responsibility Act specifically requires a PHA with public housing to develop a pest control policy that deals with the eradication of pests, especially roaches.
- This policy can be a “stand alone” policy or made a part of the maintenance plan.

9. MAINTENANCE POLICY

- Required a long time ago, but not many PHAs complied.
- Includes long term asset management plan, how work items will be prioritized, time for emergency response, maintenance standards, inspection schedules, overall assessment of maintenance needs, both short and long term.
- Generally, Board “approves” maintenance plan through approval of budget that includes personnel, equipment, contracting needs to maintain properties in accordance with the plan.
- The complete maintenance plan includes:
 - Staff and work schedules
 - Safety program
 - Identification and prioritization of needs
 - Description of work order system
 - Difference between emergency and non-emergency work orders
 - Preventive maintenance schedule
 - Plan for unit turnaround (inspections/repair)
 - Type of and schedule for inspections (initial, preventive, annual, housekeeping, move out)
 - Quality control done for work orders and inspections
 - Pest control (either contracted or in-house)
 - Plan for crime/vandalism control on public housing sites, may refer to resident service policy or procedures
 - Inventory maintenance
 - Procedures for maintenance of tools and equipment
 - Record keeping for use in developing capital needs assessments

10.PREVENTIVE MAINTENANCE SCHEDULE

- As indicated above under the maintenance policy, the preventive maintenance schedule is a crucial element of a comprehensive maintenance plan. The purpose of the preventive maintenance schedule is to anticipate maintenance requirements so they can be addressed in a timely and cost-effective manner.
- The preventive maintenance schedule is a strategic tool for the property manager and the maintenance team. The schedule will assist in:
 - Facilitating communication between the manager and maintenance staff;
 - Agreeing on priorities and schedules;
 - Identifying what needs to be done, and when; and
 - Ensuring that nothing “falls between the cracks”, which could present liability risks to the property.
- A sample preventive maintenance schedule template is provided in Exhibit 3-1 at the end of this chapter.

Section 3 Policy and Procedure Development

INTRODUCTION

- In developing comprehensive and compliant policies and ensuring implementation, the PHA must:
 - Understand what is mandatory and what is discretionary
 - Develop **compliant** policies for mandatory items
 - Develop **reasonable** policies in discretionary areas
 - Develop procedures that translate mandatory and discretionary policies into action
 - Communicate (and train) policies and procedures to ensure consistency
 - Monitor policies and procedures to ensure compliance by staff
- To help your PHA meet these challenges, this section will:
 - Focus on the distinction between mandatory and discretionary policies
 - Show you how a lack of PHA policies and procedures may be contributing to errors
 - Help you think through the manner in which your agency handles discretionary items
 - Suggest ways for improving your policies and procedures

WHY POLICIES AND PROCEDURES ARE NEEDED

- HUD requires written policies.
 - Under the public housing program, the policies are set forth in a PHA's admissions and continued occupancy policy (ACOP).
 - For the regulations governing these policies, see primarily:
 - 24 CFR 903: Public Housing Agency Plans
 - 24 CFR 960.202: Tenant Selection Policies
 - 24 CFR 960.257: Family Income and Composition: Regular and Interim Reexaminations
 - 24 CFR 966: Public Housing Lease and Grievance Procedure, especially 966.5: Posting of Policies, Rules, and Regulations
- In addition, written policies:
 - Provide daily guidance to PHA staff in the performance of routine activities
 - Make decisions more transparent to staff and the public
 - Are more defensible than unwritten policies when challenges arise
 - Ensure that all PHA staff members do things the same way, thus promoting consistency and fairness while also minimizing the potential for lawsuits
 - Provide a foundation for sound management and supervision
 - Approved policies and procedures allow supervisors to establish objective performance standards for their staffs.
 - Provide a basis for auditor justification—e.g., in a Rental Integrity Monitoring (RIM) review or an independent public audit (IPA)

MANDATORY POLICIES

- A **mandatory** policy or procedure is one that is required by a current law, regulation, notice or handbook.
 - For example, 24 CFR 960.253 states, “Once a year, the PHA **must** give each family the opportunity to choose between” income-based and flat rent.
 - 24 CFR 5.615(c)(5) states, “The PHA **may not** include imputed welfare income in annual income if the family was not an assisted resident at the time of sanction.”
- The following references are mandatory and binding – i.e., they must be followed:
 - Statutes
 - HUD regulations
 - Governing regulations for the public housing program are located principally in 24 CFR Parts 5, 902, 903, 960, and 966.
 - Current PIH notices
 - Most PIH notices have an expiration date. PIH notices may be extended or reinstated.
 - HUD handbooks
 - Forms required by HUD regulations (such as form HUD-50058)
 - Opinions or rulings by HUD’s Office of General Counsel

DISCRETIONARY POLICIES

- Discretionary policies or procedures are decisions made by PHAs within legal and regulatory limits for the purpose of clarifying regulations, as needed, without changing their intent, or providing guidance and direction in which HUD is silent.
 - 24 CFR 960.206(b)(2) states, “A PHA **may** adopt a preference for the admission of working families.”
 - HUD regulations do not address all occupancy and property management issues; therefore, the ACOP should be comprehensive enough to ensure consistent property management and program administration.
- The following HUD references are nonbinding—i.e., PHAs are advised, but not required, to follow them, unless the guidance provided is based on mandatory references:
 - Guidebooks
 - Notices that have expired
 - Handbooks that have expired
 - Recommendations from individual HUD staff

HUD Guidance as a “Safe Harbor” for PHAs

- For issues not covered by mandatory references, HUD recommends that PHAs develop policies and procedures based on HUD guidance.
- Using HUD guidance creates a “safe harbor” for PHAs because HUD has determined that the guidance is consistent with applicable requirements.
- Since HUD guidance is optional, PHAs may use alternative approaches to developing policies and procedures in discretionary areas. However, they must then make their own determination of consistency with applicable requirements. They are not protected by the “safe harbor” concept.

GUIDELINES FOR IMPLEMENTING POLICIES AND PROCEDURES

- Review HUD requirements (mandates):
 - Regulations
 - Current notices
 - HUD handbooks
 - OGC guidance
- Establish local policies and procedures.
- Make sure new policies “sync” with other PHA policies.
- Train staff. Be specific about what is changing.
- Before implementing programmatically, ensure that procedures and forms are updated to correspond with the new policies. If staff is using outdated forms, it is likely that the business of the program will not reflect the new policies.
- Monitor staff for consistency. Staff may be used to “doing things the old way.” Managers need to ensure that supervisors are training, mentoring, and monitoring application of updated policies, procedures and forms. This is a continuous process.
- When questions arise, make decisions and add them to already established policies and procedures.

Notes

Notes



Section 4 Other Policies to Consider

- As mentioned, there are numerous policies required by a PHA. There are also certain policies that a PHA may find helpful to develop including:
 - Comprehensive Property Management Plan: Addresses how AMPs or the overall portfolio will be managed to achieve physical and financial viability based on the agency's goals and desired outcomes.
 - Emergency Response Plan: How the PHA will deal with natural disasters or other emergencies, such as violence in the workplace.
 - Executive Limitations Policy: Addresses ethics, asset protection, indebtedness, financial condition, compensation and benefits for executive staff.
 - Investment Policy: Types of investments that may be made by PHA and PHA position responsible to manage investments.
 - Public Records Policy: may be proscribed in state law; may include information not available under public record law, time to respond to requests for public records, amount charged for reproduction of documents.

CHAPTER 3 INDIVIDUAL COMPETENCY DEVELOPMENT PLAN

Identify at least one knowledge area or skill you plan to develop relevant to this chapter.

- **Knowledge:** Regarding the material covered in this chapter, what do you want to study or learn more about in order to gain knowledge?

- List some specific references you will study:

- **Skills:** What skills (what I know how to *do*) relevant to this chapter do I need to work on or develop? These could be technical or soft (behavior, attitude) skills.

- **Abilities:** What abilities relevant to this chapter do not come “naturally” or easily to me? How can I develop them? Be creative and don’t be afraid to think out of the box.

CHAPTER 3 REVIEW QUESTIONS

1. The goal of the Consolidated Plan is to:
 - a. Plan for jurisdictional growth in neighborhood revitalization, transportation, and infrastructure
 - b. Bring together a variety of resources to analyze housing needs and develop economic opportunities
 - c. Develop PHA policies in the administration of public housing
2. Mandatory HUD references include all of the following except:
 - a. Statutes
 - b. Code of Federal Regulations
 - c. Current Notices
 - d. HUD Guidebooks
 - e. HUD Handbooks
3. The differences between “policies” and “procedures” include:
 - a. Policies require board approval; procedures usually do not
 - b. Policies can establish precedent; procedures apply them
 - c. Policies usually last longer than procedures
 - d. All of the above
4. A procurement policy:
 - a. Establishes the level of expenditure for the executive director and designees
 - b. Includes methods that will be used for purchase and/or contracting
 - c. Must comply with federal law only
 - d. a and b
 - e. None of the above
5. The rules and regulations which determine the contents of a PHA’s personnel policy could include all of the following except:
 - a. HUD’s human resources regulations
 - b. Privacy rights
 - c. Union rules
 - d. All of the above could be included
6. The admissions and continued occupancy policy (ACOP):
 - a. Must be included in its entirety in the PHA Plan
 - b. Must be revised monthly
 - c. Must be approved by the board
 - d. Should be a day-to-day guide for staff
 - e. c and d

7. The ACOP includes all of the following except:
 - a. Waiting list preferences
 - b. PHA's requirements for tenant interim reporting and reexamination
 - c. HUD's occupancy standards
 - d. Why and how a household is terminated
 - e. Eligibility and tenant screening criteria
 - f. Income counted and excluded for purposes of rent calculation
8. If the PHA has adequate human resources policies, but behaviors are accepted by supervisors and managers in the workplace that do not conform to the human resources policy:
 - a. The written policies will always protect the PHA if legally challenged
 - b. The policies will be considered inadequate
 - c. If the PHA is challenged, the courts may consider the accepted behaviors of the workplace the "de facto" or "in fact" policies
 - d. Employees have waived their right to challenge accepted practices in the workplace and will have to prove criminal intent of the PHA
9. Not all policies needed by and necessary for a PHA are determined by HUD regulation.
 - a. True
 - b. False
10. Qualified PHAs under the Housing Economic and Recovery Act (HERA) are exempt from the PHA annual plan and the requirement to conduct a public hearing.
 - a. True
 - b. False
11. Criteria for good policies include:
 - a. In writing
 - b. Current
 - c. Made available to staff as a resource and reference
 - d. Made available to the public
 - e. All of the above
12. Discretionary PHA policies may supersede current local or state law, HUD regulations, or current HUD notices.
 - a. True
 - b. False
13. What is not a component of the maintenance plan?
 - a. Schedule for annual dwelling unit inspections
 - b. Preventive maintenance plan and schedules
 - c. Tenant obligations under the lease
 - d. Pest control

14. Using HUD guidance as “safe harbor” for developing PHA policy means:
 - a. PHAs may not use alternative approaches to HUD guidance
 - b. PHAs may use alternative approaches only if approved by HUD
 - c. Such policy will generally be considered in compliance by HUD
15. The PHA’s agency plan includes:
 - a. All mandatory HUD regulations
 - b. Discretionary portions of the ACOP that are significant revisions
 - c. The PHA’s human relations (HR) policy
 - d. All of the above
16. The public housing lease:
 - a. Is the major policy document for the public housing program
 - b. Is the contract between the family and the PHA
 - c. May not contain a provision for termination for noncompliance with community service
 - d. Does not allow for any PHA discretionary decisions
 - e. Is not affected by state law
17. When a HUD regulation states, “The PHA may not... adopt a policy,” it means that the PHA:
 - a. Is prohibited from adopting that policy
 - b. May or may not adopt that policy, depending on State law
 - c. May or may not adopt that policy, and must make a policy decision
 - d. May allow each staff person to decide whether or not to adopt that policy
 - e. None of the above

Exhibit 3-1: Sample Preventive Maintenance Schedule

- Following is a template for a preventive maintenance schedule. The PHA and the property manager should customize the template to ensure that items and
- systems particular to the property are scheduled. This template is on your CD.

PREVENTIVE MAINTENANCE SCHEDULE												
Monthly	Indicate date of inspection in white space											
	Initials of inspector	and whether in-house (IH) or contractor (C) in shaded space										
	Jan.	Feb.	Mar.	Apr.	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fire Extinguishers <i>Test all common fire extinguishers</i>												
Automatic Gates/Doors												
Lighting: Exterior & Interior <i>Test</i>												
Security Systems <i>Test</i>												
Trash Receptacles <i>Clean and disinfect</i>												
Inventory Supplies												
Special Requirements												

Quarterly	Indicate date of inspection in white space Initials of inspector and whether in-house (IH) or contractor (C) in shaded space											
	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maintenance Vehicles <i>Per vehicle maintenance schedule</i>												
Fire Extinguishers <i>Do fire alarm tests with tenants Check fire doors</i>												
Alarm Systems												
Doors & Windows												
Gas Connections												
Building Entryways												
Restrooms												
Business Office												
Common Kitchen												
Fitness/Recreation Areas												

	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Laundry Facilities												
Play Areas												
Landscape												
Pest Control												
Paved Areas												
Signage												
Ext. Stairs, Decks, Patios & Balconies												
Elevator Cleanliness <i>Shampoo carpet in elevators</i>												
Maintenance Carts												
Non-Power Gates												
Special Requirements												

Semi-Annually	Indicate date of inspection in white space Initials of inspector and whether in-house (IH) or contractor (C) in shaded space											
	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fences												
HVAC Systems												
Fire Alarm Water Flow Testing												
Emergency Generators												
Smoke & Carbon Monoxide Detectors												
Snow Blowers												
Leaf Blowers, Weed Cutters, Lawn Mowers, Hedge Trimmers												
Sprinkler Systems												
Special Requirements												

Annually	Indicate date of inspection in white space Initials of inspector and whether in-house (IH) or contractor (C) in shaded space											
	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Emergency Generators												
Backflow Devices												
Electrical Systems												
Fire Extinguisher Certifications												
Hot Water Heaters												
Roofing												
Gutters/Roof Drains												
Sewer Laterals												

	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Irrigation Controllers												
Storm Drains												
Elevator Certification												
Fire System Certification												
Special Requirements												

Notes

Section 4: Other Policies to Consider

Notes

CHAPTER 4 Private Sector Principles in Public Housing Management

LEARNING OUTCOMES

- Upon completion of this chapter, you should be able to:
 - Analyze distinctions between the historic management of public housing and the asset management model in the private sector
 - Define asset management and project-based management according to HUD's model
 - Identify key roles and characteristics of property managers in HUD's new project-based focus
 - Explain the concept of fee-for-service as it relates to maintenance delivery
 - Identify the elements of risk assessment and liability in public housing
 - Evaluate and apply private-sector marketing techniques in order to achieve maximum lease-up
 - Recognize the crucial financial role of filling units quickly and collecting rent

Section 1 PHAs versus Private Property Management

- While public housing is, fundamentally, a real estate operation, housing authorities historically managed public housing in ways that differed from private industry practices.
- The two primary differences between public housing management and private property management are:
 - Project-based budgeting and accounting
 - Decentralized management

Notes

- A private property management company treats each site or individual property as a stand-alone operation. While financial reporting may be handled centrally, all day-to-day operating matters are the responsibility of the property manager.
- Conversely, most housing authorities operated in a more centralized operating environment, without project-based budgets and with many services provided to each site or project from different departments, such as maintenance, purchasing, accounting and admissions.
- The size of public housing agencies varies according to the number of units owned and managed and the variety of programs the agency administers.
- The size of a private management company will vary based on the number of units managed or the variety of the types of property managed (residential rental, commercial, condominium).

ROLES OF THE ASSET MANAGER AND PROPERTY MANAGER

- In a relatively small PHA (500-1000) units, the executive director will often be the asset manager, overseeing the performance of the portfolio as a whole, making long-range real estate recommendations to the board, and monitoring and mentoring property managers to be business managers.

CENTRALIZED VS. DECENTRALIZED MANAGEMENT

- A conventional apartment complex managed in a project-based or decentralized operation would typically be organized as follows:
 - One individual, frequently called the *property or site manager*, would be responsible for the day-to-day operation of the property, to whom all site staff report, including maintenance.
 - The site manager would be supervised by a *regional property manager*, who may be responsible for five to ten other properties, depending on size.
 - The property would have a *site-based operating budget*, derived from the rental and other revenue generated at the site.
 - After appropriate coding based upon an established chart of accounts, invoices would be batched and forwarded to a *central office* for payment. This central accounting office would also be responsible for producing monthly income and expense reports, balance sheets, and all other financial reporting.
 - Rents would be collected at the site by site staff.
 - The property or site manager would be responsible for procuring all property services, from lawn maintenance to hardware supplies, although often in consultation with the regional property manager (sometimes the PHA may use the same vendor within a certain region, e.g., for lawn maintenance).
- In all, the individual property is treated as an individual cost center. Although all financial reporting is often handled centrally, all day-to-day operating matters are the responsibility of the property manager.
- Exhibit 4-1 on page 4-4 provides information on the advantages and disadvantages of centralized versus decentralized organizational structures.

Exhibit 4-1: Centralized Versus Decentralized Organization Structure

Centralized

Central administrative authority making decisions with budget control retained at the top of the organization

Advantages	Disadvantages
• Clear focal point • Efficient pooling of resources • Standardization of processes • Faster execution of strategy • Easier to see “big picture” - opportunities among divisions • Creates a knowledge archive- a record of what has been done • Central budget control • Emphasized quality -- consistency, durability and standards	• Less customer familiarity • Disempowers business units - less autonomous decision making • Stifles creativity • Competing priorities of business units • Less communication with internal customers • Slows response time to client • Unable to determine each individual property’s true income and expenses • Operations are regulation driven – federal dependency

Decentralized

Shift of control from top-level managers to frontline units in the organization

Advantages	Disadvantages
• Captures diversity • Empowerment of units and employees (decisions) • Cooperation among equals • Enhances project prioritization • Less formal communication • Increased agility and flexibility in response to change • Reduced time to market • Decreased bureaucracy • Promotes self-management • Customer-focused service • Closer alignment to individual business unit’s needs	• Loss of overall organizational perspective • Loss of ability to address cross-departmental issues • Less opportunity for system-wide training or learning • Harder to monitor compliance to approved principles and practices • Increased opportunities for abuse (fraud, ignoring P&Ps) • Less sense of camaraderie and corporate identity

THE ROLE OF PROPERTY MANAGERS

- What is the difference between *property management* and *asset management*?
 - *Property management* is the process of maintaining and creating value in real property that is consistent with the PHA's objectives. This is done through efficient management, tenant relations, leasing, collecting rents, financial budgeting, expense control, risk management, etc. This includes activities involved in the day-to-day business of the property.
 - Property management – “**day to day**” objectives.
 - *Asset management* is the process of maximizing value to a property or portfolio of properties from acquisition through disposition within the objectives as defined by the PHA. This is done through strategic and financial planning, tracking, investment analysis, and the repositioning of the property(s) in the marketplace in accordance with market trends. Asset management refers to financial management at the ownership level of investment properties.
 - Asset management - “**long term**” objectives.

PROPERTY MANAGEMENT ROLES

- There are six distinct areas that property managers must address successfully to achieve effective property management:
 1. *Planning* – determining objectives, outlining goals and deciding how to reach the goals
 2. *Organization* – define the work it will take to reach the objectives and goals, break down into management functions
 3. *Communication* – the goals are constantly shared and the status reported to the employees whose performance is needed
 4. *Control* – set standards of measurement for the performance of those employees whose responsibility is to accomplish tasks needed to achieve goals
 5. *Personnel development* – grow a profitable organization through programs meant to select, train and provide motivational opportunities for staff
 6. *Managing* – provides effective property management to include, but not limited to:
 - Managing the tenants
 - Managing the expenses
 - Managing – right management team
 - Managing the liabilities – risk management
 - Managing the appearance – the allure of “curb appeal.”

THE PROPERTY MANAGER

- A *property manager* is generally a knowledgeable professional who has the experience and skills to operate real estate, and who also has a basic understanding of the fundamentals of business management.
- Exhibit 4-2 on page 4-9 shows a sample job description for a property manager.

Notes

Exhibit 4-2: Job Description (Property Manager)

PROPERTY MANAGER Job Description	
Scope and Purpose	
Under the direction of the asset manager, the property manager is responsible for the overall management of project operations and supervision of maintenance. Compliance with HUD regulations, PHA policies, local landlord/tenant laws and safety codes are required at all times. The spirit of teamwork and cooperation is exemplified by the property manager.	
Duties and Responsibilities	
General Administration	
• Maintain property office in a neat, orderly and businesslike manner at all times • Address resident and community concerns in a professional manner • Hire, train, supervise, discipline and, if applicable, terminate site staff • Maintain up to date, accurate business files and recording keeping systems • Prepare reports, memos, letters, and electronic communication to accurately communicate progress and needs of property • Complete and submit incident reports for all events that may involve injury or damage • Write advertisements, obtain prices and place advertisements in publications	
Tenancy	
• Collect rents and maintain computer records • Follow up delinquent accounts and pursue collections • Process rent adjustments in accordance with HUD regulations and PHA policies, including obtaining verifications and entering information into computer • Maintain tenant files and related documentation regarding continuing eligibility • Show vacant apartments utilizing professional marketing procedures, and maintain a high level of continued occupancy by leasing in a timely manner • Send/post all notices regarding compliance to residents when a violation occurs • Assess, recommend, and/or initiate lease termination actions. Preside over lease termination conferences and informal hearings, and prepare written decision. Present PHA's case in fair housing hearings and in court settings. • Prepare and submit occupancy reports. Make and be prepared to implement recommendations for improvement.	

PROPERTY MANAGER

Job Description

Financial Management

- Prepare and monitor site budget
- Monitor expenses to ensure spending is within budget
- Maintain and reconcile property's declining budget
- Prepare and submit financial reports. Make and be prepared to implement recommendations to maintain and achieve financial viability.
- Issue purchase orders and track purchases from orders through invoices
- Process invoices for correctness, accuracy, and proper coding
- Purchase office supplies and other administrative supplies for property
- Procure goods and services for project and monitor contracts
- Maintain and reconcile property's petty cash fund
- Make daily bank deposits

General Repair and Maintenance

- Oversee all work associated with maintenance of the site, common areas, building exteriors, building systems, and units
- Maintain records of status of units and monitor preparation of all vacant apartments for rental, to insure that all vacant units are ready for occupancy within five days of move-out
- Log all resident complaints and dispatch maintenance personnel promptly. Immediately report items covered under warranty to the appropriate maintenance companies, and follow up for prompt repair.
- Oversee, coordinate, and follow up work order system to achieve that 100% of all emergency work orders are completed/abated within 24 hours and that nonemergency work orders are completed within 10 calendar days
- Post charges associated with work orders, late charges, etc. by entering them in computer and generating notices for residents
- Oversee annual UPCS inspections and conduct move-in, housekeeping, and grounds inspections
- Ensure security by communicating with maintenance, security personnel, and local law enforcement
- Ensure that responsible staff is available at all times for emergency calls
- Maintain and secure tools and supplies

PROPERTY MANAGER

Job Description

Tenant Relations

- Counsel residents who are not complying with the terms of the lease, including delinquent payments
- Maintain liaison with service coordinators to assist with resident activities, address specific problems, plan meetings, and/or support activities
- Resolve conflict and complaints with residents concerning PHA actions or failure to act, if possible, to avoid grievances
- Attend resident meetings, preparing agenda and speaking when appropriate
- Prepare tenant newsletter

Supervising Personnel

- Participate in pre-employment interviews and make hiring decisions and recommendations
- Interpret and apply personnel policies, departmental policies, and other relevant policies and procedures
- Review time and leave requests and reports for assigned staff
- Train, oversee training, or assist in training site personnel
- Prepare and conduct performance evaluations
- Counsel employees regarding job performance and document in accordance with PHA policy
- Recommend, institute, and/or conduct disciplinary action in consultation with human resources
- Delegate and oversee delegated tasks

Skill Requirements

- Knowledge of HUD regulations and PHA policies and procedures
- Knowledge of laws and standards that apply to property management, such as fair housing laws, landlord/tenant law, OSHA standards, local and state building and safety codes
- Basic knowledge of building maintenance, fire prevention and liability reduction principles
- Knowledge of basic office practices, procedures, and equipment
- Knowledge of the principles of management and supervision
- Knowledge of the operation of the PHA's computer system and hardware
- Knowledge of the agencies that provide assistance and service to residents
- Knowledge of basic English and the ability to communicate effectively, both verbally and in writing
- Knowledge of mathematics sufficient to perform calculations and analyze financial outcomes
- Ability to maintain required records
- Ability to procure goods and services in accordance with PHA policies and in keeping with the property operating budget

PROPERTY MANAGER

Job Description

- Ability to read, interpret, and analyze HUD regulations, PHA policies, and guidelines to make sound decisions
- Ability to prepare clear, concise reports and make astute recommendations regarding all relevant aspects of the property
- Ability to use basic office equipment such as telephone, fax, copier, E-mail, Windows, and other computer functions and software
- Ability to communicate clearly to diverse audiences on all topics relating to the project
- Ability to generate records, receipts and reports efficiently
- Ability to establish and maintain effective working relationships and collaboration with peers, supervisors, residents, community agencies, and the public
- Ability to manage multiple priorities and multiple demands to accomplish tasks
- Skilled in analyzing situations in order to identify problems, offer possible solutions, and make decisions

Qualifications

- Bachelors degree desired but may be met by high-level property management experience
- Must obtain a certification as a Public Housing Manager (PHM) within twelve (12) months of employment
- Valid driver's license
- Use of personal automobile for local job-related duties
- Neat, clean and appropriate appearance

Learning Activity 4-1: Evaluating the Job Description of the Property Manager

- Please review the job description in Exhibit 4-2 on page 4-9 and answer the questions below:

1. Does this job description closely mirror the property manager role at your PHA?

2. Are there any tasks in the job description that aren't being done correctly by that position?

3. Are there any tasks in the **current** job of property manager that you think they should be doing?

4. Are there any tasks in the **current** job of property manager that you think they should **NOT** be doing?

Notes

Section 2 ASSET MANAGEMENT

- Historically, the public housing program maintained consolidated (program wide):
 - Budgeting
 - Accounting
 - Maintenance
 - Management
 - Financial reporting
 - Receipt of subsidy
- PHAs must now manage their properties according to the asset management model, consistent with the management norms of the broader multi-family industry. PHAs with more than 400 public housing units were required to implement project-based management, project-based budgeting, and project-based accounting.
- PHAs that own and operate fewer than 250 (400 currently) dwelling rental units may treat their entire portfolio as a single project. If this option is chosen, it will not receive the add-on for the asset management fee.
- Asset management encompasses two primary groupings of activities, project-based management activities and asset management activities.

REQUESTING CHANGES IN PROJECT IDENTIFICATION

- HUD recognizes that PHAs may need to occasionally change the assignment of buildings to projects. Requests for changes in project groupings will be initiated by PHAs and approved by the HUD field office with appropriate jurisdiction to authorize the change.
- Requests to change project building groupings will only be accepted when there is a sound asset management or property management reason grounded in PIH Notice 2006-10.

Section 2: Asset Management

Notes

- HUD field offices will provide the PHAs an electronic communication approving or denying requests to change building assignments.
- Guidance for HUD and PHAs in making changes to project building groupings can be found in PIH Notice 2007-28. This guidance is for changes to project groupings after conversion to the new numbering system.

DEVELOPING AND MAINTAINING PORTFOLIO INFORMATION

- A primary responsibility of a property manager is to know everything possible about the property(s) that he/she manages.
- This information can be used to:
 - Justify staffing needs
 - Plan and assign workload
 - Schedule contracts and large purchases
 - Develop performance standards for staff and contractors
 - Manage the property efficiently and cost effectively

Portfolio Summary

- A portfolio summary includes information on all properties owned/managed by the Housing Authority
- It provides a quick reference for the housing authority properties and includes timely information at the “big picture” level.

Section 2: Asset Management

Notes

- Portfolio summaries usually include a minimum of the following information:
 - The project number or identification (PHAs may want to use the HUD assigned project number for public housing); additional codes may be added for housing authority information
 - Site/complex name & street address
 - Type of units at site (garden, walk up, high rise, single family, townhouse, scattered sites)
 - Population designation of site, if applicable (elderly/disabled/family)
 - Estimated market value of the site
 - Number of units, breakdown of bedroom mix
 - Number of units leased
 - Percent of units leased
 - Percent of overall public housing budget
- An example of a portfolio summary is included as Exhibit 4-3 on page 4-19. Depending on the housing authority's needs, other information may be included.

Evolving Your Portfolio

- Housing properties are the fundamental assets of a PHA. The PHA must look at each property in its existing portfolio and decide what action is necessary for a viable portfolio.
- Once the PHA knows where it is, it can begin to determine where it wants to go. When the PHA has an accurate picture of its public housing portfolio, it can decide how the portfolio needs to change in order to achieve its redefined mission.

Section 2: Asset Management

Notes

- Once the PHA has begun the strategic planning process, has re-visited its mission, understands the marketplace, and has an accurate portfolio profile, the assessment of re-tooling is next.
- Re-tooling the portfolio will be explored in a later chapter.
- Sample portfolio and property forms follow:

Exhibit 4-3: Sample Portfolio Summary

Project #	Site Name	Type	Address	Est. market value	# of units	# of Units Under Lease	% Leased	% of Budget
CA002-201-11	Belden Village	Garden (F)	239 Vista Road (90830)	\$4,985,000	80	74	97%	31%
CA002-201-12	East Lake	High Rise (E)	1200 Canyon Road (91345)	\$10,950,000	100	100	100%	38%
CA002-201-15	Juniper Greens	Garden (F)	35 Juniper Street (92313)	\$3,938,450	30	30	100%	12%
CA002-201-16	Scattered Sites	Single Family	Various	\$3,800,000	35	33	94%	13%
CA002-201-19	Maryvale Court	Townhouse (F)	2500 Maryvale (93111)	\$1,568,000	16	16	99%	6%

Exhibit 4-4: Sample Property Profile

Project/Property	CA002-201-19	Manager	Jane Adams
Site Name	Maryvale Court	# of Units	16
Address	2500 Maryvale Avenue	Average Rent/Household	\$256
Property Type	Townhouse / 2 & 3 Bedroom / Family	HUD Subsidy (Est.)	\$24,576
Region	East	Annual Operating Budget	\$73,728
Funding	Public Housing	Average Occupancy Rate	99%

Site Description		Capital Improvements	
# Buildings	Four	Item	Date Scheduled
Lot Size		Replace exterior doors	\$3,200 Fall 1999
Common Area (Sq. Ft.)			
# Parking Spaces		Optional Information	
Building Description:	List of residents and leases		
Wood frame, stucco finish, tile roofs, 2-story, bedroom and bath upstairs; living room/ kitchen, 1/2 bath downstairs.	Rent Roll		
Small grassy area behind each townhouse, privacy fences between units.	Maintenance Schedules		

RISK MANAGEMENT AND INSURANCE

- “Risk” is uncertainty. Risk management deals with the various uncertainties that exist at every property.
- Managing risk is an important part of asset management.
- Managing the risks is managing the liabilities. This requires that you provide protection such as “insurance” to reduce the loss caused by unforeseen misfortunes.

Protecting the Value of the Property

- All property managers are “risk managers” representing the agency.
- It is within the responsibilities of the property manager, as well as the other staff members, to consciously search for conditions on the property that could cause a loss, or create risk.
- Prevention is the key to loss control and the property manager is the key to prevention.
- Look for potential risk hazards throughout the property on a daily basis.
 - Inoperable fire extinguishers
 - Inoperable smoke alarms
 - Use of chemicals by staff
 - Trip hazards
 - Loose handrails
 - Broken windows
 - Unlocked maintenance storage
 - Secured electrical boxes on exterior of buildings

Insurance

- Property managers and site managers should familiarize themselves with the basic terms of each policy. Be aware of the deductible per incident, the covered occurrences, the amount of coverage, and any exclusions.
- Types of insurance that may be purchased include:
 - Fire Insurance
 - Liability insurance
 - Consequential loss, use and occupancy insurance
 - Vehicle insurance
 - Machinery and equipment insurance

Fire Insurance

- Fire insurance primarily protects the agency against loss or damage due to fire. Many policies are appended to add coverage for hail, wind, explosion, riot, smoke, etc.
- The annual premium for the policy is calculated by multiplying the value of the property by a factor that signifies the risk of loss.
- Most building insurance policies are written with a “co-insurance” provision, usually for 80 percent of the above the ground property value, in order to get a lower annual premium. This means that the agency has agreed to keep the property insured at its full value and to absorb 20 percent of a total loss.
 - For example, if a property were valued, above ground, at \$100,000, it would, technically, be insured against a total loss for \$80,000 with the agency being responsible for \$20,000.
 - However, if there were a partial loss of \$50,000, the insurance would pay the entire amount of the loss.
 - This is why the co-insurance clause is used so frequently.

Section 2: Asset Management

Notes

- Most losses in property damage do not exceed the 80% calculation of property value thereby actually keeping the building fully covered for the more common partial losses.
- It is very important to review the insurance coverage on an annual basis to be sure the value to coverage ratio is at the proper level. Failure to do so could be very costly to any agency in the event of either a full or partial loss.

Liability Insurance

- Protects the agency against losses due to a legal responsibility for injuries to persons or their property.
- Note that general liability insurance will not cover lawsuits based on discrimination.
- An agency is responsible for maintaining the property in a condition that will not cause injury to others while on the premises. Liability insurance usually protects the agency against claims for bodily injuries, damage to real and personal property and for the more intangible personal injury lawsuits such as libel, slander, invasion of privacy, etc.

Consequential Loss, Use and Occupancy Insurance

- This type of insurance is usually an add-on to the building insurance policy that protects the agency against the loss of income that can occur as a consequence of a real loss through fire or wind damage, for example.

Earthquake Insurance/Flood Insurance

- Both insurance types are particularly applicable, and may be necessary in different parts of the country, but are specific to particular disasters of nature.

Section 2: Asset Management

Notes

Vehicle Insurance

- Should a property have a vehicle for use by the staff, there will be a vehicle insurance policy. In addition, an agency will usually carry coverage for “non-owned vehicle liability” to protect against damages that could occur should a staff member have an accident while on company business.
- This type of insurance is usually an add-on to the agency's General Liability insurance policy in the event that there are no property assigned vehicles.
- Due diligence in this area of potential liability will help to prevent major loss to the agency in the event a staff member has an accident while on company business.

Machinery and Equipment Insurance

- This type of insurance protects the agency against losses to expensive equipment, its surrounding area and damage to the property of others caused by the equipment. In addition, proof of a valid drivers license and vehicle insurance should be required of all staff that may use their own vehicles for company or project business.
- Equipment is usually subjected to periodic inspections by the insurance company to minimize losses due to improper maintenance.

Vendor Insurance

- Insurance files should also contain a folder for the storage of insurance certificates submitted by the vendors used on a regular basis. This could include the landscaper, plumber, painting company, cleaning service, carpet installer, etc.
- Contractors hired for specific bid work would also provide an insurance certificate but it would be kept with the bid specific file. The insurance certificate should show the designated amount of coverage for general liability, vehicle coverage, damage to personal property and workers compensation.

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- A vendor should not be allowed to perform service at the property without a valid insurance certificate on file. In each case, the insurance certificate should list the property, the agency, management company and/or the lender as “additional insured”. This ensures that the “also insureds” will be notified if the vendors insurance is being canceled for any reason.

Liability Issues

- What is liability? Liability is the legal obligation to do, or refrain from doing, something. For example, a PHA must refrain from discriminating.
- The potential for liability of landlords has grown in recent years. Many liability lawsuits are based on a tenant’s claim that the landlord failed to provide sufficient precautions to protect the security of tenants and their guests.
- A form of protection for agencies and managers is to show that they have made a “reasonable” effort to provide a safe and secure environment for tenants.
- Liability is not borne solely by the landlord, and the tenant has a certain amount of responsibility. For example, the landlord’s liability may be reduced if a tenant who fell down a flight of stairs was intoxicated at the time of the accident, even if a step was defective when the accident occurred.
- In evaluating risks and liability, you should consider what is provided by other, similar buildings in your neighborhood. If most apartment properties in your area provide 24-hour security guards, then security personnel would probably be considered part of the reasonable care provided to tenants in your complex.

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- Taking the necessary precautions to protect life and property has become a major issue in asset and property management. An updated approach to dealing with emergencies such as fire or natural disasters focuses on prevention and safety. Hence the term *life safety* now is in common usage.
- A good life safety program is a three-pronged approach that incorporates the skilled use of equipment, personnel, and procedure, based on four premises:
 - Preventing emergencies or security breaches
 - Detecting a breach as early as possible
 - Containing/confining damage as much as possible
 - Counteracting the damage by prompt proper action

Types of Risks

- In property management, there are several types of risk to consider:
 - *Safety risk*: wet floors or icy sidewalks are slippery surfaces.
 - *Emergency risk*: fires and weather hazards cause property damage.
 - *Liability risk*: discriminatory leasing or hiring policies.
 - *Security risk*: a window that does not lock or a door that cannot be closed completely is a security risk.

Safety Risks

- The staff should conduct regular inspections of the property. All fire extinguishers (e.g. sprinkler system, fire extinguishers, fire hoses) should be inspected to ensure they are properly installed and in good working order. Emergency lighting and generating equipment should be in good working order. The site should comply fully with federal, state, and local safety requirements.

Security Risks

- Security is a very sensitive subject in property management because it often raises liability issues. Everyone wants good security, and effective security is a joint effort between management, tenants, local police and others.
- Establish specific management policies and procedures and enforce them as part of the security program.
- Though the word “security” should generally not be stated in advertisements, brochures or in comments made to current or prospective residents, the degree of responsibility is inherent in the proper management of an apartment complex.
- It is not possible for any management company or PHA to guarantee the security or safety of the residents, their guests, or their personal property.
- Since the ability to provide a safe and secure environment is limited by a variety of outside forces, the real responsibility for residents’ security must lie with themselves.

Security Measures

- In complexes having self-locking entry doors, it is the property manager’s responsibility to ensure that residents know and observe the proper procedure regarding these security devices.
- On those sites equipped with buzzers to admit guests, it must be continually emphasized that residents should never press their entry buzzers without first learning the identity of the visitor.

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- Encourage residents to report any unknown persons observed within the complex, and/or any suspicious behavior.
- It is good management practice to set up a Neighborhood Watch program within the property, perhaps including nearby home owners or other properties.
- It is essential that the property manager maintain good lines of communication with the local police.

Keys

- Master keys are particularly sensitive because of the ability to enter every door with a single key. Issue only those keys necessary for the maintenance staff to perform their assigned duties for the day. Require the return of ALL KEYS when a resident vacates.
- Change locks as part of re-renting every unit. This can be done inexpensively by rotating or re-keying locks as needed.
- Be sure shrubs and bushes around the complex are trimmed back so as to allow the police to see behind them.
- Be certain that every unit is provided with a peephole in the main door and that there is a deadbolt as well as a passage lock.
- It is also advisable to change main gate locks annually to thwart individuals who kept or passed on their gate keys when they moved out of the property.

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Lighting

- Lighting should be installed wherever people typically walk at night inside and outside buildings (walkways, parking lots, building entrances).
- Lights should be placed so they make it difficult for intruders to hide in shadows. Install mirrors, windows, and additional lighting to eliminate blind spots and increase visibility. Change bulbs and clean fixtures regularly.
- A mechanical timing device can be set to turn lights on and off at fixed intervals.
- Be sure to perform regular inspections to ensure that all lights are working properly and as expected.

Fire Hazards

- Fire hazards pose the biggest threat to the safety of tenants and PHA property. The National Fire Protection Association reports that 85% of fires occur in homes.
- The number one cause of fires in homes is cooking. The second leading cause of fires in units results from heating equipment, especially during the winter months. The third leading cause of fires in residential units is from faulty electrical equipment, i.e., old house wiring, switches, power outlets, circuit breakers, extension cords and other electrical devices that malfunction or overheat and start fires.
- Smoking is the number one cause of home fire deaths.
- The PHA should adopt fire safety programs that educate residents on identifying and preventing fire hazards. This can be accomplished during the new resident orientation, tenant meetings, newsletters and at annual recertification.

Incident Reporting

- As mentioned, insurance coverage helps the PHA bear the burden of liability, but besides paying its premiums, incidents must be reporting promptly and accurately.
- In addition, any condition presenting a risk or potential risk must be repaired or abated in a timely manner. Following is an incident report template. This or a similar form should be used in conjunction with clear reporting policies and guidelines.

INCIDENT DOCUMENTATION FORM

Your Name:

Address:

Phone #:

Date & time of incident:

Were the police called?

If so, Police Department & Officer:

Description of Incident (Please describe what happened, who was involved, where they live, where it occurred, vehicle plate numbers, or other important information).

Facts only:

Who was involved?

Where do they live?

Where did it happen?

What happened? (facts only, no opinions)

Did you actually witness the incident? ___ Yes ___ No. If not, who did?

Signature _____ Date _____

Section 2: Asset Management

Learning Activity 4-2: Risk Evaluation Checklist

Property Address _____

Inspected by _____ Date _____

The following questions should be answerable YES, NO, or not applicable (NA)

1. Are parking areas free of potholes and tripping hazards?
2. Are handicapped parking spaces clearly marked?
3. Are all speed bumps secured and painted a bright contrasting color?
4. Are steps, sidewalks, and other exterior walkways in good condition?
5. Are sprinklers positioned so as not to create tripping hazards?
6. Are all fire hydrants free of obstructions?
7. Are fire lanes clearly marked?
8. Are electrical fuse panels cool to the touch and secured in a closed cabinet or box?
9. Is all outdoor furniture clean and free of defects?
10. Is the playground area free of debris? Is the surface maintained properly?
11. Is the playground equipment free of worn parts and other defects, e.g., sharp edges?
12. Is all interior and exterior lighting adequate?
13. Does the emergency lighting system function properly?
14. Are all interior hallways, stairs, and walkways free of tripping hazards?
15. Are all fire exits shut and fully operational?
16. Are all fire extinguishers fully charged and tagged?
17. Are exit signs clearly visible?
18. Have all fire or smoke alarms been tested recently?
19. Is the number of electrical outlets sufficient, eliminating the need for extension cords both inside and outside units?
20. Is there sufficient clear space around furnaces, water heaters, radiators, and electrical panels?
21. Are all electrical appliances properly grounded?

Action(s) Required:

Item No.	Referred to:	Date of Referral
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Signature: _____

Section 3 Marketing Techniques for Public Housing

- Marketing is a necessary function in property management.
- It has become increasingly important to attract working families with higher incomes as well as very low-income households. Many large housing authorities have begun to market to households in a higher income range (at or below 80 percent of area median income) not only to develop a mixed income profile but also to increase the amount of rent that is payable by residents living in public housing units. With decreasing subsidies and additional demands on operating funds, this strategy becomes more attractive.
- It is also essential to conduct affirmative fair housing marketing, to ensure that marketing and advertising reaches underserved populations and is not perceived as excluding anyone based on race, color, national origin, sex, familial status, disability, gender identity, sexual orientation, or marital status.
- Marketing is very important to the project and to the entire housing authority. It has financial, vacancy rate, turnover rate, and other management implications.

AFFIRMATIVE FAIR HOUSING MARKETING

- The asset manager and property manager need to understand the purpose of affirmatively marketing units to fill vacancies, considering the racial, ethnic, social and economic demographics of the jurisdiction. The PHA must promote equal housing choice for all prospective residents regardless of race, color, religion, sex, national origin, disability, familial status, marital status, sexual orientation, or gender identity.

Notes

- Applicants are selected based on the tenant selection plan; however, the waiting list needs to be accessible by all populations in the PHA's jurisdictions.
 - For example, at one PHA, 38 percent of the city's population was African-American; however, only 16 percent of the PHA's public housing waiting list (recently opened) was African-American.
 - The PHA had advertised only in newspapers and "word of mouth."
 - Another PHA's waiting list was significantly underrepresented for African-American and Hispanic families.
 - FHEO required the PHA to advertise opening its public housing waiting list on billboards placed by the side of the city's major roads and highways.
- Media advertising must be developed to attract a mix of populations-race, color, familial status, disabilities-using community or ethnicity-based and multilingual media.
- The PHA must monitor the marketing efforts and the applicants who have responded. If waiting list or housing patterns become unbalanced or segregated, it will be necessary to adjust marketing strategies or revise marketing strategies.
- Marketing outreach can be targeted to the groups that are underrepresented, using resources that are available in the community. Familiarity with the community resources will assist in ensuring success in affirmative marketing.

DEVELOPING A PROPERTY MARKETING PLAN

- Marketing is a continuous public relations campaign to enhance the property's image and appeal. Prior to deciding on marketing techniques, the asset manager and property manager must assess the property and the market.
- In preparing a marketing plan, remember that it must be consistent with the affirmatively furthering fair housing plan.
- The marketing plan will take into account each project's turnaround. In the private sector, family project turnover is on average about 50 percent. This means that private sector property managers are continually marketing, and market in changing ways.
 - In public housing, family projects have an average turnover rate of about 15 - 17 percent. Senior projects in public housing have a lower turnover.
 - The low turnover rate, however, doesn't mean that marketing isn't important in public housing, where the task is to attract a healthy mix of incomes.
 - Because there is so much more turnover in the private sector than in public housing, the private sector needs to be very skilled at marketing. We will explore some private sector marketing strategies in this section.
- There are three major parts to a comprehensive marketing plan:
 1. Marketing potential and location
 2. Marketing strategies or techniques
 3. Attracting and selling to prospective residents

Marketing Potential and Location

- As with any development, a location with amenities such as nearby grocery and pharmacies, schools within walking distance, access to public transportation (or in car-heavy areas, convenience to highways), close proximity to employment, and low crime rates, are important.
- You want the property to blend in well with the neighborhood. Your property should have curb appeal. This is where the budget comes in.

Marketing Strategies and Techniques

- ***Know the market.*** Each property manager needs to know the neighborhood and the housing market in that neighborhood. What is the competition? What amenities and services are offered in comparable developments?
- Historically, low-income families go about 6-7 square blocks for most of their resources—groceries, gas, etc.—so the property manager needs to canvas a 7-8 square block radius periodically to see what resources are still there and which have left. Property managers need to know of any employers, advocacy groups, training programs, youth and recreation programs, Head Start centers, and educational resources that have entered the neighborhood since the last time canvassed.
- The AFFH data mapping tool can be used to identify (and then market) public housing projects based on job proximity, labor market, transportation, etc. The AFFH data mapping tool is at <https://egis.hud.gov/affht/>

Notes

- Asset managers and/or property managers should conduct formal or informal surveys of comparable properties every few months to stay on top of what competitors are offering. The rental market is fluid and market-rate renters have a higher turnover rate, so it's an ongoing process in the open market to continue to be attractive to current and prospective renters.
 - For example, does a new senior property near a public housing property have bigger closets? Maybe, but your development has a community kitchen with breakfast served three days a week.
- ***Aim for curb appeal above market niche.*** This strategy is part of the modernization decisions and ongoing maintenance priorities. Curb appeal is very important to ensuring a highly leased development.
 - You want the developments to look as much like the private market developments, or even better. Are you removing graffiti immediately? Are your projects the first ones shoveled out after a snowstorm? Is trash picked up daily?
 - Attractive landscaping, clear property signage, and a clean and neat management office contribute to curb appeal.
- ***Site-based waiting lists.*** A system of site-based waiting lists could have several benefits to the property. Site-based waiting lists will be discussed in the next section.
- ***Ensure a healthy budget.*** Budgeting will be discussed in a later chapter. You need to know that a realistic budget, not overly optimistic on rent increases or cost containment, will enable each property manager to stay on track as you implement your marketing plan. Knowing where to spend money, where to save money, and how to collect money will ensure the viability of each project.

- ***Attentive and proactive asset managers.*** Asset managers must meet at least monthly with property managers—rental real estate is a month-by-month business. Asset managers should periodically inspect the property and closely monitor occupancy rates, turnaround time, flat rents, and marketing success in drawing applicants.
 - Each property should have goals for cash flow, rent collection, occupancy, and physical condition. The property manager and on-site staff provide the expertise and skill to achieve these goals.
 - Monthly meetings must be routine, where key indicators of occupancy, rent collection, and marketing efforts are discussed, and whether any strategies need to change.
 - Asset managers compare how the property is doing in budget-to-actual numbers. The asset manager also compares performance of properties. The asset manager and property manager make adjustments if the numbers aren't adding up at a property.
- ***Responsiveness to resident needs.*** For example, even if there are no crime issues on site at a mixed population or elderly site, you might consider hosting a police substation. Elderly and disabled folks, like everyone else, want to feel safe.
- Another example: if turnover seems to be increasing, consider improving the response time to maintenance calls and put a priority on work orders that improve the appearance of the property, or consider offering incentives to keep existing tenants.
- Informing all applicants and tenants that the PHA provides competent oral interpretation and following the PHA's LEP plan is an effective marketing strategy.

Attracting and Selling to Prospective Renters

- To draw high quality applicants, the leasing process needs to be as sharp, or sharper, than in the open market. This means, for example, that the leasing office must be attractive and well-decorated, and staff must be dressed professionally. The office needs to be easy to find, and again, applications must be processed quickly to give timely responses to potential applicants.
- ***Sharpen leasing practices.*** The leasing function needs to be staffed with people who can sell. Marketing and leasing strategies need to be an important part of doing business at the property. Site tours, neighborhood information, and brochures about self-sufficiency opportunities can help interest families. Making sure that everyone is part of the selling team means that all site employees are trained in customer service. For example, maintenance staff are uniformed while on duty and are expected to greet people visiting the property in a friendly manner.
- ***Advertise like a pro.*** Fewer people read newspapers these days. Most people go online to shop for an apartment. Develop a website, with pictures of the property and inside of a unit.
- ***Market like a pro.*** The leasing office needs to have some evening and weekend hours to meet the schedules of working households. You may want to consider offering incentives to boost lease-up, such as cable or satellite television hook-up. One of the most important marketing techniques is for the unit to be spic-and-span clean when site staff shows it; the number one complaint from prospective renters is a dirty unit. The seemingly small details make the sale.
 - Set up a model apartment—or a mini-model—partially furnish and decorate your hardest-to-fill units in properties with high vacancy rates. That unit will lease quickly; move the furnishings and decorations to the next unit to be leased next.

- ***Adjust marketing strategies continually.*** Private property management professionals know that marketing strategies need to be adjusted as lease-up fluctuates. The same techniques, applied month by month, don't work. The key is continuously identifying what works and what doesn't work for your property.
 - For example, your property may have several good tenants from a nearby military base or airline plant. The property manager may want to outreach to other workers from those employers.
- ***Match amenities and services to your target market.*** If you have a mixed population (elderly/disabled) project, the manager may want to consider better carpet, nutrition and meals programs, and social events. For general occupancy (family) projects, youth and sports activities, learning and training opportunities, and after school programs can be effective selling tools. Some or all of these activities can be staffed by university interns, professionals who are given office space on site, and volunteers.
- Parking spaces are always a marketing tool, as well as washer and dryer hook-ups, private patios, and extra sound-proofing between apartments. Community rooms that are well-utilized, with classes, social activities, and residents able to book rooms for family events, make the property more attractive and actually deter crime.
- Collaborating with local services can enhance the marketability of your project. For example, at one property, swimming passes are provided to residents by the city's community center.
- Even without additional amenities, spacious units and top-notch maintenance responsiveness are selling points to new families.

Section 4 Filling Units and Collecting Rent

INTRODUCTION

- The biggest impact that asset and property managers can have on properties, financially and long-range viability-wise, is to fill the units and collect the rents. Operating subsidy and rental income are the two largest sources of income for a public housing project. As we will see later as we go through the budget, rents are the “life blood” of the properties. And clearly, you can't collect rent on a vacant unit.
- In the private sector, the property manager's job is evaluated based on how quickly he or she fills the units- and collects rent.

Waiting Lists and Unit Offers

- As we will see when we explore the project's finances and the project's PHAS financial and management indicators, filling units quickly is without doubt one of the most important tasks to ensure the financial viability of properties. A vacant unit is not collecting operating subsidy and not collecting rent. We will delve into occupancy rate and turnaround time in later chapters.
- It is essential to track unit offers to ensure that unit offers are being made in the right order, that enough offers are being made to fill the unit quickly, and that applicants are getting the number of offers stated in the ACOP (i.e., that practice matches policy). Tracking unit offers will be explored further in Chapter 12.

Background

- Many PHAs have centralized waiting lists. If units are being filled quickly and the eligibility function costs are reasonable, there may be little reason to make the change to a system of site-based waiting lists.
 - However, if the waiting list is not robust (i.e., does not have enough applicants to fill units for at least six months), if applicants are “dropping out” because of the central office maze, if property managers have identified a need to establish policies to more thoroughly screen applicants, and/or if the unit offers are not made efficiently enough to fill units within an acceptable average number of days, the PHA may want to consider establishing site-based waiting lists.

Waiting List Models

- There are a number of different site-based waiting list models, reflecting a continuum from fully centralized waiting lists to fully decentralized waiting lists.
- In the centralized model, advertising, intake, eligibility, and rent determinations are done in one place. Unit offers to approved families are community-wide. Typically, the applicant is offered a suitable unit in the location with the highest number of vacancies.
- The totally site-based model assigns complete responsibility and accountability to the property manager, who administers and monitors the waiting list entirely for the project. Applicants apply directly to the project in which they are interested (or leave an application with another project that is forwarded to that project), and the property manager administers the waiting list, from processing the application through to leasing the unit.

- There are also hybrid models, with a range of responsibility of the centralized team and the property manager.
 - An example of a hybrid model could be where the centralized team manages the waiting list and centralized screening for drug and other criminal activity, but the property manager has the final approval in determining eligibility, which includes suitability. The property manager might call the present and former landlords for references. Offers are made by the property manager and documented in the PHA's software system.

Specific Requirements for Site-Based Waiting Lists

- Each PHA's Annual Plan must address its procedures for maintaining waiting lists, and address any site-based waiting lists:
 - The PHA must submit PIC data in an accurate, complete, and timely manner. This means a 95 percent reporting rate.
 - You must provide full disclosure to each applicant of any option available in the selection of the developments: where all the projects are, the amenities, how many bedrooms, and an estimate of the period of time the applicant would likely have to wait to be admitted to units of different sizes and types (i.e., regular or accessible) at each site.
 - Also, a site-based waiting list system cannot violate any court order or settlement agreement, or be inconsistent with a pending complaint brought by HUD.
 - Site-based waiting lists must be consistent with affirmatively furthering fair housing (AFFH). This includes reasonable marketing activities to attract applicants regardless of race or ethnicity.
 - The PHA must assess changes in racial, ethnic, or disability related tenant composition at each PHA site, based upon PIC data, and remedy any problems.

- The PHA must use independent testers or others means (as an alternative to independent testing) satisfactory to HUD at least every three (3) years to assure the site-based waiting list is not implemented in a discriminatory manner.

Rents and Other Charges

- One of the keys to successful project management is consistent enforcement of policies regarding the payment of rent and other charges. Key success factors are:
 - Timely collection of rent
 - Tenants know the rules
 - Project managers are consistent in enforcing the rules
- In the private sector, rent collection activities are maintained at the project. Because the property manager is held accountable for the viability of the project, it makes sense to have this authority and responsibility at the project level.
- PHAs can choose to keep rent collection functions centralized, and charge the cost of these activities to the projects on a prorated basis.
- Regardless of how your PHA structures the function, everyone should understand the collection process thoroughly because it is so critical to the success of the projects.
- The monthly cycle of rent collection needs to happen consistently and on time every month. This cycle consists of charging rent and other amounts to tenants, issuing tenant statements, lobbying tenants for payments, and dealing with delinquencies.
- If rent and other tenant charges are not collected in a timely manner, a project will experience cash flow problems, increase in bad debt, and a poor accounts receivable collection ratio.

- Typical reports used by property managers to monitor rent collection include daily activity reporting, the rent roll, delinquency reports, and vacancy reports. The rent collection rate report will be discussed further in Chapter 12.

Rent Roll

- The term “rent roll” is commonly used for tracking rent owed and rent paid at the beginning of each month.
- The rent roll is a monitoring tool that enables you to look at the flow of billing and payments of all residents together. The rent roll contains vital information for property-wide monitoring of your rents and other billings.
- Generally included is the unit address/number, resident’s name, past due balance, current rent, other amounts due, amounts and dates paid, and the total balance for the period covered.
- The rent roll is a complete listing and accounting for all units and is usually organized by apartment address/number or by resident name. As with the ledger and lease, you will want to make sure month-end totals and other information in the rent roll agree with other records.
- Most software record-keeping systems only require you to enter data once, and then it will populate any reports or forms you tell it to with this data. You will need to spot check your computer input against the manual data source it came from to assure accuracy.
- The largest sources of income for the project are rents and operating subsidy. Because of this, any delays or decreases in rental income will affect all other aspects of the management process.

Learning Activity 4-3: Marketing a Public Housing Site

- The purpose of this activity is to identify the points that your property managers should use to market your public housing projects. Select one of the public housing sites in your portfolio and answer the following questions about that site:

1. Name/identification of site: _____
2. What are the strong points about the site?

3. What makes this site different from others managed/owned by the housing authority?

Exhibit 4-5: Market Survey

- Identifying resources in the 6-7 square block radius of each development is an excellent marketing strategy. Providing this information educates residents on the self-sufficiency resources nearby. Reaching out to these resources and identifying a contact helps build bridges to these resources

Neighborhood Resources (6-7 Square Blocks)					
<i>List all resources with addresses, phone numbers, and contacts</i>					
	Yes	No		Yes	No
Employment Opportunities			Head Start		
Job Training Resources			After School Programs		
Community College			YMCA		
Adult Career Center			Other Recreational Activities		
Parks			Supermarkets		
Public Transportation			Family Counseling		
Health Resources			Financial & Budget Counseling		
Literacy Programs			Community Organizations		
ESL Programs			Community Gardens		
Advocacy Groups			Area Agency on Aging		
Disability Resources			Other		

CHAPTER 4 REVIEW QUESTIONS

1. A public housing development:
 - a. Is owned by HUD
 - b. Is a real estate asset
 - c. Has no market value
 - d. All of the above
2. A primary responsibility of a property manager is to know everything possible about the property or properties they manage.
 - a. True
 - b. False
3. HUD's asset management model can be described as:
 - a. A management model that emphasizes project-based management, as well as long term and strategic planning
 - b. Refinancing, acquisition and disposition of assets to maximize the value of a portfolio.
 - c. Real estate principles in multi-family rental housing.
 - d. A term relating to the financing of public housing
4. Property managers are not "risk managers" representing the PHA.
 - a. True
 - b. False
5. When developing a marketing plan, the PHA should consider:
 - a. The lease, ACC, and the maintenance plan
 - b. The lease, cooperative agreement, and the maintenance plan
 - c. Curb appeal, perception and image of the property
 - d. Marketing to all low-income populations
 - e. c and d
6. Prior to developing a marketing plan, it is necessary to understand the local market.
 - a. True
 - b. False
7. Liability is the legal obligation to do, or to refrain from doing, certain things.
 - a. True
 - b. False
8. In order to develop a marketing plan, the property manager and asset manager should consider:
 - a. The amenities of the project compared to projects in the open market
 - b. The resources in the immediate neighborhood
 - c. Neighborhood demographics
 - d. Underserved populations to whom to market
 - e. All the above

9. Developing a portfolio summary can be used to:
 - a. Justify staffing needs
 - b. Manage the property efficiently and cost effectively
 - c. Track performance of properties and the portfolio
 - d. All the above
10. If a property manager knows the public housing regulations, it is not necessary to understand the area market prior to developing a marketing program for a site.
 - a. True
 - b. False
11. General liability insurance covers the PHA for discrimination lawsuits.
 - a. True
 - b. False
12. Developing a good marketing program can contribute to lower vacancy rates.
 - a. True
 - b. False

Section 4: Filling Units and Collecting Rent

Notes

Notes

CHAPTER 5 Public Housing Finance for the Director and Asset Manager

LEARNING OUTCOMES

- Upon completion of this chapter, you should be able to:
 - Describe the purpose of the portfolio and project operating budgets
 - Recognize HUD's requirements for project-based budgeting
 - Discuss how to develop an overall budgeting process
 - Discuss how to determine project income and expenses
 - Identify the fees and costs associated with project expenses
 - Explain how to use financial benchmarks to determine reasonableness of income and expense projections
 - Recognize the importance of monitoring, and monitor actual-to-budget performance

Notes

Notes

Section 1 The Asset Management Approach to Managing Public Housing

- HUD now requires project-based budgeting, accounting and management, consistent with practices in private industry.
- A key component of asset management is financial management, consisting of three key elements:
 - Establishing programmatic and financial goals or desired outcomes for each property and for the portfolio as a whole.
 - Implementing a comprehensive property management plan, which includes a budget, for managing the properties to achieve these goals.
 - Measuring and monitoring the progress made toward the achievement of these goals and reporting the results to the board of directors on a timely basis.
- The goals of asset management are:
 - To improve the operational efficiency and effectiveness of managing public housing assets by focusing attention on the project level.
 - To better preserve and protect each asset.
 - To provide appropriate mechanisms for monitoring performance at the property level.
 - For example, project-based accounting information can be used to determine why similar developments have different levels of effectiveness. It can help expose:
 - Projects where spending is too high.
 - Projects where rent collection is too low.
 - Projects that are experiencing occupancy problems.
 - Projects that are achieving at a higher level than other projects with similar characteristics.
 - To facilitate future investment and reinvestment in public housing by public and private sector entities.

Section 1: The Asset Management Approach to Managing Public Housing

Notes

Notes

Section 2 Overview of the New Operating Subsidy Formula

OVERVIEW OF THE FORMULA

- The old operating subsidy was calculated for all public housing units.
- Funding was at an aggregate level.
- HUD now provides operating subsidies for public housing at the project level on a calendar year basis. Separate operating subsidy calculation forms must be submitted for each project per 24 CFR 990.265.
- Operating subsidies are processed through the use of a portal used for operating subsidy submissions.
https://www.hud.gov/program_offices/public_indian_housing/programs/ph/am/opfnd2025
- The operating fund (subsidy) is calculated as follows:

	Project expense level (PEL)
+	Utility expense level
+	Add-ons:
	Self-sufficiency
	Energy loan amortization
	PILOT
	Cost of independent audit
	Funding for resident participation units
	Asset management fee
	Information technology fee
	Asset repositioning fee
–	Income (rent)
+/-	Change in utility allowance
+	Other formula provisions
	MTW with alternative subsidy calculation
	Transition funding (decliners)
	Other
=	Total eligibility
- The components will be explained, followed by an example of the calculation.

APPLYING THE MODEL

Eligible Unit Months (EUM)

- EUM is funding units times 12 months, whereas UMA (Unit Months Available) is all units available times 12 months.
 - EUM and UMA should be the same. If EUM is lower than UMA, the AMP is missing out on valuable funding.
- Operating Subsidy (OpSub) is provided based on units occupied. HUD captured this data through the use of the PIC system
 - OpSub is calculated from the period of July to June prior to the start of the calendar year funding cycle.
 - Units leased are taken from the first of the month or the end of the month
 - All 12 months must be either the first day of the month or the last day of the month (PHA cannot fluctuate). However, the PHA could select the first day of the month for some AMPs and the last day of the month for other AMPs
- The following vacant units, as approved in PIC, can receive operating subsidy:
 - Units undergoing modernization (if on HUD-approved schedule)
 - Special use units - HUD-approved units used for resident services, resident organization offices, and related activities such as self-sufficiency and anti-crime initiatives
 - Units vacant due to litigation
 - Units vacant due to federally- or state-declared disasters
 - Units vacant undergoing casualty loss settlement
 - Units due to changing market conditions (see “Appeals” under this section)
 - Up to 3% of units vacant and not categorized above will be eligible for operating subsidy.

FORMULA COMPONENTS

Project Expense Level (PEL)

- The starting point for the formula is the project expense level (PEL). The PEL is a model generated estimate of the cost to operate the project, excluding utilities and taxes. The PEL was based on costs of operating other federally assisted housing projects with similar characteristics. These characteristics were used as cost drivers by Harvard to generate each project's PEL.
- A PHA's starting (base) PEL was established in the first year of implementing the new operating fund formula. After the initial year of establishing the base PEL for a project, in subsequent years it is increased by an inflation factor.
- A recalculation of the base PEL only occurs if a project's units decline or increase.
- The ten cost drivers are:

Component 1: Geographic Variable

- Costs vary substantially from metropolitan area to metropolitan area.
- The reference category is Cleveland, Ohio.
- Coefficients range from a high of +42% to a low of -30%. (Cost for a specific PHA being 42% higher or 30% lower than Cleveland.)

Component 2: Location Variable

- Costs vary whether a property is located in the central city location compared to other properties in the same metro area.
- Harvard found that costs tend to be 3% higher for properties in the Central City.
- The reference category is Central City.

Component 3: Clientele (Occupancy) Variable

- Costs vary depending on the clientele being served.
- Harvard found that family properties tend to have costs 6% higher than senior properties.
- There are only two choices under this component, family or senior property.

Component 4: Property Size Variable

- Costs vary depending on the number of units managed in a property.
- Harvard found that properties with 150 or more units tend to be 1% less expensive to operate than properties of smaller size.
- The reference category is properties with less than 150 units.
- Under this component a PHA is either over 150 units or under.

Component 5: Building Type Variable

- Costs vary depending on the building type (high-rise, garden, walk-up).
- The model shows that building type had only a minor impact on costs.
- Harvard found that detached type properties tend to have costs that are 2% lower than other types of properties.
- The reference category is walk-up type properties.

Component 6: Bedroom Mix (Unit Size) Variable

- The number of bedrooms per unit greatly impacts operating costs.
- Study found that the number of bedrooms per unit has a major impact on costs.
 - Two-bedroom units tend to cost 18% more than one-bedroom units.
 - Three-bedroom units tend to cost 38% more than one bedroom units.

Notes

- Four-bedroom units tend to cost 49% more than one-bedroom units.
- The reference category is a property with all one-bedroom units.

Component 7: Percent Assisted Variable

- Costs vary in accordance with the number of subsidized units in a property.
- 100% assisted, costs are 6% higher.
- The reference category is properties that are zero percent assisted.

Component 8: Property Age Variable

- Costs vary with the age of the property.
- This component will have a major impact in determining the amount of subsidy a project will receive.
- Properties greater than 26 years old tend to have costs that are 10% higher than younger properties.
- The reference category for the property age variable is a property 16 years old.

Component 9: Neighborhood Poverty Variable

- Costs vary with the incidence of neighborhood poverty.
- Costs for properties in over-40% poverty tracts tend to be 7% higher than those in tracts where it is under 20%.
- The reference category for the neighborhood poverty variable is a poverty rate less than 20 percent.

Component 10: Ownership Type Variable

- Costs vary with the ownership type.
- For-profit properties tend to have costs that are 12% less than non-profit properties.
- The reference category is for-profit ownership.
- The non-profit coefficient is 10 percent.

Notes

- Each of the ten model variables has its own assigned coefficient.
 - The coefficient will act as the multiplier for the cost variable. Example: Ownership type:
 - Non-Profit 10% higher cost
 - For Profit 0% no difference
 - Limited Dividend 8% higher cost

NATIONAL FLOOR AND CEILING

- There is a national floor of \$200 PUM for senior properties and \$215 PUM for family properties.
- There is a national ceiling of \$420 PUM.
- There is a reduction of 4% for PUMs that exceed \$325, with the reduction limited to \$325.

Utility Expense Level (UEL)

- The Utility Expense Level (UEL) represents a component of the Operating Fund calculation to fund the anticipated utility cost per project.
- The UEL is basically calculated by taking the 3-year consumption level averages, known as the rolling base, and multiplying it by the utility rate and adjusted by an inflation factor.
- As a utility incentive, projects are permitted to retain 75% of the savings earned from reducing consumption levels as compared to the 3-year rolling base.
- Excess utilities charged to tenants are deducted from the UEL amount.
- There are additional calculations required if a PHA has been approved for an Energy Performance Contracting (EPC).

Notes

- If the COCC is located within a project, actual consumption, rolling base consumption and utility costs for the COCC are not included in the UEL calculation for the projects. The PHA needs to explain the methodology used to calculate the excluded COCC data (such as square footage).

Add-ons:

- ***Self-Sufficiency.*** Reasonable cost of self-sufficiency program coordinator(s) and associated costs. Elderly/Disabled Service Coordinator (EDSC) salary, fringe benefits and administrative costs are also eligible. Only PHAs that received previous funding through the EDSC program are eligible to receive operating subsidy to fund this activity.
- ***Energy loan amortization.*** Principal and interest payments for energy conservation measures.
- ***Payment in Lieu of Taxes (PILOT) [Notice PIH 2018-23].*** Project PILOT amounts are calculated and prepopulated in form HUD-52723 based upon approved CY 2017 FASS-PH FDS data. The PILOT is prepopulated in form HUD-52723 by calculating 10 percent of rents.
 - If a project's most recent PILOT amount is greater than the amount prepopulated, the PHA enters the higher amount and attaches proof of payment to the CY 2019 submissions.
 - If a lesser amount of PILOT is received as prescribed by state law or is agreed to by the local governing body, the PHA overrides the prepopulated amount with the lesser amount.

Notes

- For mixed-finance projects the PILOT may not be prepopulated, in which case the PHA submits the owner entity's audited financial statement to the field office when submitting the CY 2019 Form HUD-52723. For mixed-finance projects with both ACC and non-ACC units, the PILOT may need to be prorated to determine the amount allocable to public housing units. This happens only when both non-ACC and ACC units are subject to the PILOT. Public housing units paying real estate taxes and not subject to a PILOT may not include a PILOT in the subsidy calculation.
- **Cost of independent audit.** Project audit cost will be pre-populated in the Excel Tool. The pre-populated amount will reflect the amount in the most recently approved FASS-PH FDS submission. If a project's most recent actual audit cost is higher or lower than the pre-populated amount the PHA should overwrite the pre-populated amount and attach proof of the amount of payment to the submission. If the most recent FASS-PH FDS submission did not have audit expense, there will be no amount in the Excel Tool. The add-on for independent audit cost is restricted to the portion of the audit cost related only to each public housing project and not audit costs related to non-public housing units in mixed-finance projects or for other programs.
- **Funding for resident participation units¹.** \$25 for total unit months occupied by a public housing resident, PHA employee, or police officer. Of this amount:
 - \$15 per unit per year would be provided to fund tenant participation activities under subpart B of 24 CFR Part 964 for duly elected resident councils and/or jurisdiction-wide councils.
 - \$10 per unit per year would be used by the PHA to pay for costs incurred in carrying out tenant participation activities, including the expenses for conducting elections, recalls or arbitration required under 24 CFR 964.130.

1. 24 CFR 964.150(a)

Notes

- If residents have not yet established a resident council, the PHA should fund allowable activities for residents and may use resident participation funds to improve resident capacity in establishing and operating a resident council.
- See Notice PIH 2013-21 for a list of allowable and unallowable activities.
- **Asset management fee.** PHAs with at least 250 units are eligible for a \$4 PUM asset management fee (\$4 times total ACC units). PHAs with fewer than 250 units and who elected to transition to asset management are eligible for a \$2 PUM asset management fee (\$2 times total ACC units).
- **Information technology fee.** All PHA projects are eligible for an information technology fee of \$2 PUM (\$2 times total ACC units).
- **Asset repositioning fee (ARF).** The asset repositioning fee is for units transitioning out of inventory through demolition or disposition. It is meant to offset administration and management expenses, tenant relocation expenses, and expenses to provide the minimum protection and services for projects undergoing demolition or disposition.
 - For units classified as demolition units, operating subsidy would be received at:
 - 75% of the PEL for the first 12 months
 - 50% of the PEL for the second 12 months
 - 25% of the PEL for the third 12 months
 - For units classified as disposition units, operating subsidy would be received at:
 - 75% of the PEL for the first 12 months
 - 50% of the PEL for the second 12 months
- PHAs must submit supporting documentation detailing the ARF calculation for the requested amount. See the annual operating subsidy notice for the supporting documentation that must be included.

Income (Rent)

- Formula income, consisting of the dwelling rent divided by unit months leased, is pre-populated based on the PHA's most recently approved FASS-PH Financial Data Schedule (FDS) submission.
- For purposes of reporting the total monthly rent roll amount in the calculation of operating subsidy, the PHA excludes the amount of the rent charge that is credited to the FSS escrow account.
 - FSS escrow forfeitures are no longer reported as "other income." The PHA must use forfeited FSS escrow funds for the benefit of FSS participants, as specified in 24 CFR 984.305(f)(2).

Change in Utility Allowance

- The field in the Excel Tool for changes in utility allowances is locked for data entry. This field has been obsolete since the unfreezing of formula income at the end of CY 2009. Changes to utility allowances have been reflected in formula income since the unfreezing.

SUBMISSION

- The operating subsidy calculation is prepared in conjunction with the project's annual operating subsidy worksheet in Form HUD- Form 52723, Operating Fund Calculation of Operating Subsidy (OMB No. 2577-0029) and HUD Form 52722, Operating Fund Calculation of Utilities Expense Level (OMB No. 2577-0029).
- Both forms are submitted before the beginning of the calendar year (CY) in accordance with the schedule established by HUD.

Section 2: Overview of the New Operating Subsidy Formula

OPERATING SUBSIDY EXAMPLE

- Following is an example of the operating subsidy calculation for a PHA with two projects. Please note some lines from the Excel Tool have been omitted in the example for simplicity.

#	DESCRIPTION	ELM TERRACE	OAK PARK
	Unit Count	195	200
	Eligible Unit Months (EUM)	2,340	2,400
01	Project Expense Level (PEL)	\$ 475.16	475.16
02	Inflation Factor	1.015	1.015
03	PUM Inflated PEL	\$ 482.29	\$ 482.29
04	PEL	\$ 1,111,196	\$ 1,157,496
05	PUM Utility Expense Level	230.52	\$ 282.25
06	UEL	\$ 531,118	\$ 677,400
	Add-ons:		
07	Self-Sufficiency	\$ 0	\$
08	Energy Loan Amortization	\$ 0	\$
09	PILOT	\$ 17,501	\$ 20,306
10	Cost of Independent Audit	\$ 4,367	\$ 4,704
11	Funding Resident Participation	\$ 4,650	\$ 5,000
12	Asset Management Fee	\$ 9,360	\$ 9,600
13	Information Technology Fee	\$ 4,680	\$ 4,800
14	Asset Repositioning Fee	\$ 0	\$ 0
15	Costs attributable to changes in federal law	\$ 0	\$ 0
16	Total Add-Ons (6 through 13)	\$ 40,558	\$ 44,410
17	Total Formula Expense (3+4+14)	\$ 1,682,872	\$ 1,879,306
B04	Part B: Formula Income	\$ 491,005	\$ 538,104
	Part C: Other Formula Provisions:		
01	MTW with Alternative Subsidy Calculation	\$ 0	\$ 0
02	Transition Funding (Decliner)	\$ 0	\$ 0
03	Other	\$ 0	\$ 0
04	Total Other Formula	\$ 0	\$ 0
	Part D Formula Amount	\$ 1,191,867	\$ 1,341,202

APPEALS

- PHAs are allowed to appeal their derived PEL under certain conditions. Appeals are voluntary and must cover an entire portfolio, not single properties. See PIH 2024-25 for the most recent reference.
- Five types of appeals have been established:
 - ***Streamlined appeal***—This appeal was permitted based on the PHA being able to demonstrate a flaw in the application of one or more of the specific Operating Fund formula components.
 - ***Appeal of formula income for economic hardship***—This appeal expired due to the inapplicability of the frozen formula income provisions.
 - ***Appeal for specific local conditions***—This appeal requires the PHA to demonstrate that the cost model failed to reflect specific local conditions.
 - ***Changing market conditions***—This appeal is to request operating subsidy for vacant units due to changing market conditions. These appeals must be sent to the PHA's field office concurrently with original submissions of operating subsidy eligibility. HUD approval is limited to a one-year period.¹
 - ***Substitute actual project cost data for Harvard PEL***—A PHA can appeal to use actual project cost data in place of the formula PEL for a project. Cost data must be available that was derived using an asset management model for a period of at least two years.

1. PIH 2009-24 (HA)

Notes

- The appeal for specific local conditions and the use of actual cost data are subject to the following requirements:
 - The PHA is required to acquire an independent cost assessment of its projects.
 - The cost of the assessment must be paid by the PHA.
 - The assessment must be reviewed by a professional selected by HUD.
 - If the appeal is granted, the PHA agrees to be bound to the independent cost assessment, regardless of new funding levels.

PRORATIONS

- Congressional appropriations in the past few years have not fully funded the total eligibility levels of the Operating Fund. For example, if the Congress only appropriates 90% of what is needed by HUD to fund all PHAs at 100% of their operating fund formula amount, a project will receive 10% less than its formula amount. These proration levels must be taken into consideration when preparing a project's operating budget.

Section 2: Overview of the New Operating Subsidy Formula

Notes

Section 3 PHA Case Study

- We will use a fictitious PHA as an ongoing case study. For the sake of simplicity and ease of learning, we've developed a very small PHA, Hilldale Housing Authority, with only two projects. We'll add information to this case study in the upcoming chapters.

PHA PROFILE

BACKGROUND

PHA Name: Hilldale Housing Authority

Location: Hilldale, Georgia

**Metropolitan
Statistical Area:** Atlanta, Georgia

Fiscal Year: Jan - Dec

Reporting Model: Asset Management with a Central Office Cost Center (COCC)

PROGRAMS AND ACTIVITIES:

Public Housing Program

The Hilldale Housing Authority has two public housing projects totaling 250 units. The following table and narrative provide information on the unit count and tenant characteristics of each project.

Project Name	Tenant Characteristics	ACC Units
Willow Run	Family	150
Juniper Gardens	Senior	100
	Total	250

Section 3: PHA Case Study

- **Willow Run.** This project consists of 150 family units constructed in 1965. The project was extensively renovated in 1988 and is currently in good physical condition. All 150 units are walkup type and are located on a single site with 30 buildings. Parking spaces (1 per unit) are adequate given that many families do not have vehicles. The property is adequately landscaped with lawn, trees and shrubs. The project's Physical Needs Assessment (PNA) shows that the physical improvement needs of the project over the next five years total less than \$10,000 per unit. The project is desirable—it has maintained a 99% occupancy rate over the years and has a low turnover rate.
- **Juniper Gardens.** This project is a high-rise tower consisting of 100 senior units constructed in 1984. It has not been rehabilitated. Occupancy is currently 96%. A current PNA indicates a need for various system replacements, including roofs, windows, and elevators.

Current Maintenance Staffing. Hilldale's maintenance function has been completely decentralized except for an HVAC Specialist. This person is charged by the COCC to the projects at a market fee of \$68 per hour for actual hours worked at each project. The HVAC Specialist also performs HQS inspections for the HCV program and acts as the Modernization Coordinator. The job classification of the maintenance staff assigned to the public housing projects are listed below.

Position	Willow Run # of Positions	Juniper Gardens # of Positions
Maintenance Lead Mechanic	1	1
Mechanic 1	1	0
Laborer	1	1 (part-time)

Intake. Applications are taken at the central office for each project by the Administrative Assistant. Fifty percent of this person's time is treated as a front-line allocated position and charged directly to each of the projects based on the turnover rate.

Work Order Processing. Work orders are taken at each project.

Rent Collection. Rents are collected at each project.

Fringe Rate. Currently the PHA's employee benefit fringe rate is 38%.

Capital Fund Grant. The PHA has one active capital grant of \$500,000.

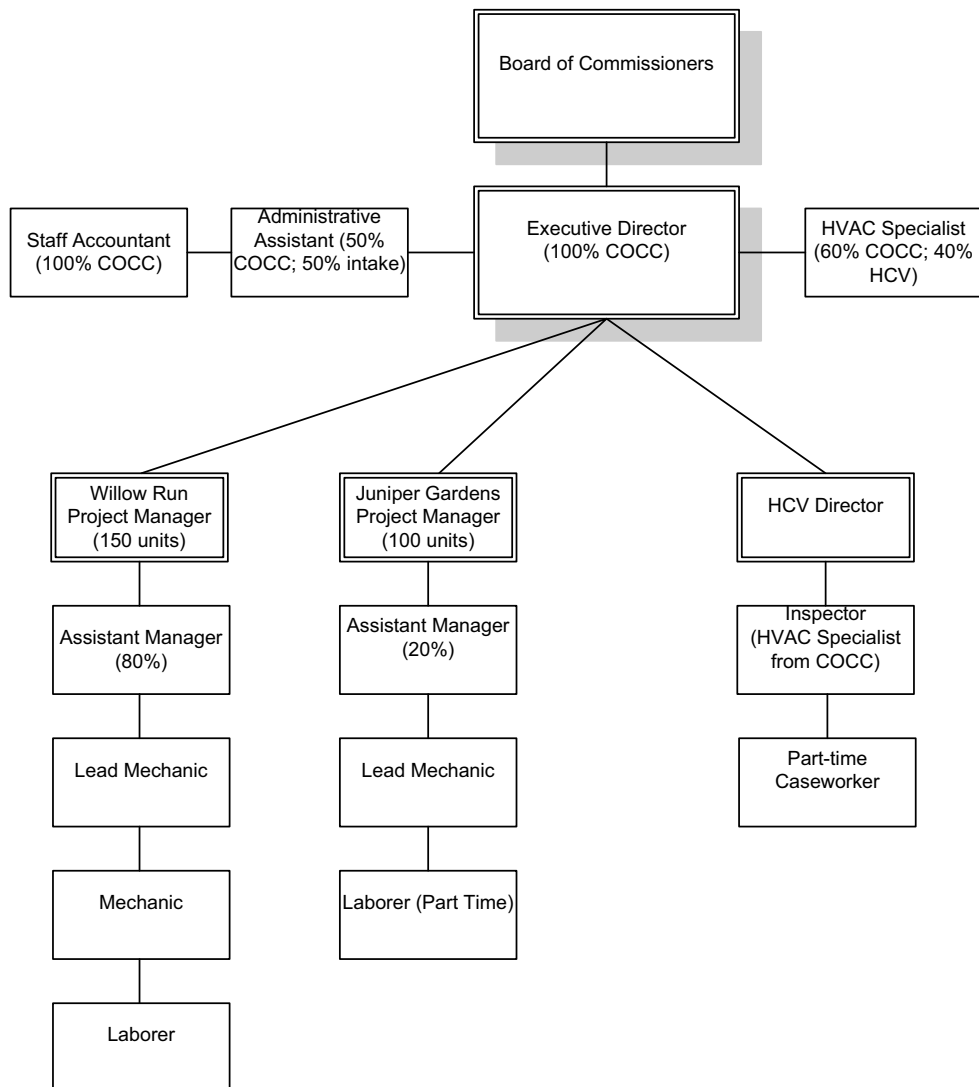
Housing Choice Voucher Program

The PHA administers an allocation of 300 housing choice vouchers. The direct staff of the program includes one Program Manager and one Assistant Case Worker. Additionally, the HVAC specialist acts as the inspector and charges time accordingly (about 2 days/week).

Section 3: PHA Case Study

Hilldale Housing Authority

Organizational Chart



Public Housing Executive Management

Public Housing Finance for the Director and Asset Manager

Section 3: PHA Case Study

Summary of Individual Project Budgets

Hilldale Georgia PHA
For the year ended 12/31/2021

PUM Basis

Total/Budget Basis

Occupancy Type (family, senior, mixed)
Built Date
Date of Last Renovation
ACC Units
Estimated Occupancy Rate
Average Bedroom Size
Anticipated Number Turnovers

Willow Run	Juniper Gardens
Family	Senior
1/1/1965	1/1/1981
1/1/1988	N/A
150	100
99%	96%
2.20	1.00
18	22

WillowRun	Juniper Gardens
Family	Senior
1/1/1965	1/1/1981
1/1/1988	N/A
150	100
99%	96%
2.20	1.00
18	22

Operating Income:

Gross Potential Rent
Less: Vacancy Loss
Net Tenant Rental Revenue
Gross Potential Subsidy
Less: Vacancy Loss
Less: Proration Amount
Net Operating Subsidy
HUD PHA Operating Grant-CFP
Other Tenant Charges
Excess Utilities
Investment Income
Fraud Recovery
Non-Dwelling Rent
Other Income
Total Operating Income

207.07	214.00
(2.07)	(8.56)
205.00	205.44
299.13	195.45
2.88	2.66
33.02	21.58
263.23	171.21
0.00	0.00
3.00	3.00
0.00	0.00
4.00	4.00
0.00	0.00
3.00	9.00
8.00	12.00
489.11	407.31

\$ 372,727	\$ 256,800
\$ (3,727)	\$ (10,272)
\$ 369,000	\$ 246,528
\$ 538,434	\$ 234,540
\$ 5,178	\$ 3,195
\$ 59,443	\$ 25,893
\$ 473,813	\$ 205,452
\$ -	\$ -
\$ 5,400	\$ 3,600
\$ -	\$ -
\$ 7,200	\$ 4,800
\$ -	\$ -
\$ 5,400	\$ 10,800
\$ 14,400	\$ 14,400
\$ 880,391	\$ 488,775

Operating Expenditures:

Administrative

Administrative Salaries
Employee Benefits - Administrative
Auditing Expense
Management Fees
Bookkeeping Fees
Advertising and Marketing
Office Expense
Legal Expense
Travel
Other Administrative Costs
Total Administrative

39.23	42.14
14.91	16.01
2.00	2.00
51.54	49.98
7.43	7.20
0.00	0.00
4.99	3.13
6.00	3.00
0.00	0.00
11.46	8.97
137.55	132.43

\$ 70,616	\$ 50,564
\$ 26,834	\$ 19,214
\$ 3,600	\$ 2,400
\$ 92,771	\$ 59,973
\$ 13,365	\$ 8,640
\$ -	\$ -
\$ 8,980	\$ 3,755
\$ 10,800	\$ 3,600
\$ -	\$ -
\$ 20,628	\$ 10,764
\$ 247,594	\$ 158,910

Asset Management Fee

10.00	10.00

\$ 18,000	\$ 12,000

Tenant Services

Tenant Services - Salaries
Employee Benefits- Tenant Services
Relocation Costs
Tenant Services-Other
Total Tenant Services

0.00	0.00
0.00	0.00
0.00	0.00
11.00	6.00
11.00	6.00

\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ 19,800	\$ 7,128
\$ 19,800	\$ 7,128

Public Housing Executive Management

Public Housing Finance for the Director and Asset Manager

Section 3: PHA Case Study

Summary of Individual Project Budgets

Hilldale Georgia PHA
For the year ended 12/31/2021

	PUM Basis		Total/Budget Basis	
	<i>Willow Run</i>	<i>Juniper Gardens</i>	<i>WillowRun</i>	<i>Juniper Gardens</i>
Utilities				
Water	27.01	16.80	\$ 48,132	\$ 20,160
Electricity	48.97	34.75	\$ 87,265	\$ 41,700
Gas	41.23	0.00	\$ 73,472	\$ -
Fuel	0.00	36.88	\$ -	\$ 44,256
Sewer	18.00	11.20	\$ 32,076	\$ 13,440
Other	0.00	0.00	\$ -	\$ -
Total Utilities	135.21	99.63	\$ 240,944	\$ 119,556
Maintenance				
Labor	55.00	43.67	\$ 99,000	\$ 52,400
Employee Benefits - Maintenance	22.00	17.47	\$ 39,600	\$ 20,960
Maintenance Materials	22.00	15.00	\$ 39,600	\$ 18,000
Maint. Contract:			\$ -	\$ -
Garbage and Trash Removal Contracts	8.00	3.00	\$ 14,400	\$ 3,600
Heating & Cooling Contracts	8.62	8.49	\$ 15,516	\$ 10,188
Snow Removal Contracts	0.00	0.00	\$ -	\$ -
Elevator Maintenance	0.00	6.00	\$ -	\$ 7,200
Landscape & Grounds Contracts	7.00	2.00	\$ 12,600	\$ 2,400
Unit Turnaround Contract	0.00	0.00	\$ -	\$ -
Electrical Contracts	2.00	2.00	\$ 3,600	\$ 2,400
Plumbing Contracts	2.00	2.00	\$ 3,600	\$ 2,400
Extermination Contracts	3.00	3.00	\$ 5,400	\$ 3,600
Janitorial Contracts	0.00	0.00	\$ -	\$ -
Routine Maintenance Contracts	0.00	0.00	\$ -	\$ -
Other Misc. Contract Costs	14.08	11.92	\$ 25,344	\$ 14,300
Total Maintenance	143.70	114.54	\$ 258,660	\$ 137,448
Protective Services				
Protective Services - Labor	0.00	0.00	\$ -	\$ -
Employee Benefits - Protective Services	0.00	0.00	\$ -	\$ -
Protective Services Contract Costs	6.00	0.00	\$ 10,800	\$ -
Protective Service Other	0.00	0.00	\$ -	\$ -
Total Protective Services	6.00	0.00	\$ 10,800	\$ -
Insurance				
Property	12.73	15.16	\$ 22,920	\$ 18,190
General Liability	9.04	10.42	\$ 16,280	\$ 12,500
Worker's Comp.	2.22	1.43	\$ 4,000	\$ 1,710
Other Insurance	0.00	0.00	\$ -	\$ -
Total Insurance	24.00	27.00	\$ 43,200	\$ 32,400
General Expenses				
Other General Expense	1.00	1.00	\$ 1,800	\$ 1,200
Compensated Absences	0.00	0.00	\$ -	\$ -
Payments in Lieu of Taxes	6.70	5.69	\$ 12,060	\$ 6,823
Bad Debt-Tenants	3.76	1.52	\$ 6,772	\$ 1,824
Severance Expense	0.00	0.00	\$ -	\$ -
Total General Expenses	11.46	8.21	\$ 20,632	\$ 9,847
Total Operating Expenditures	478.92	397.80	\$ 862,064	\$ 477,362
Excess Revenue Over (Under) Operating Expenses	10.18	9.51	\$ 18,327	\$ 11,413

Public Housing Executive Management

Public Housing Finance for the Director and Asset Manager

Section 3: PHA Case Study

Summary of Individual Project Budgets

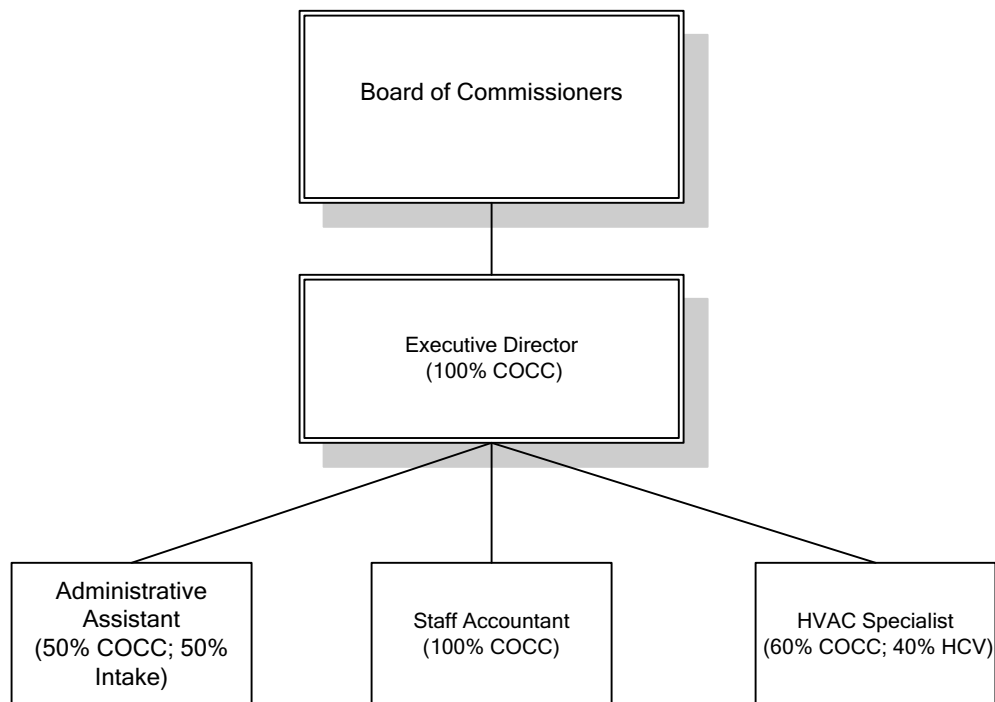
Hilldale Georgia PHA
For the year ended 12/31/2021

	PUM Basis		Total/Budget Basis	
	Willow Run	Juniper Gardens	WillowRun	Juniper Gardens
Non-Operating Expenses				
Extraordinary Maintenance	0.00	0.00	\$ -	\$ -
Casualty Losses - Non-capitalized	0.00	0.00	\$ -	\$ -
Depreciation Expense	0.00	0.00	\$ -	\$ -
Fraud Losses	0.00	0.00	\$ -	\$ -
Interest Expense	0.00	0.00	\$ -	\$ -
Total Non-Operating Expenses	0.00	0.00	\$ -	\$ -
Excess Revenue Over (Under) Expenses	10.18	9.51	\$ 18,327	\$ 11,413
Conversion to Cash Flow (before Other Financing Sources (Uses))				
Add back: Depreciation Expense			\$ -	\$ -
Deduct: Debt Service Payments (if any)	0.00	0.00		
Cash Flow Before Other Financing Sources (Uses)	10.18	9.51	\$ 18,327	\$ 11,413
Other Financing Sources (Uses)				
Operating Transfers In	0.00	0.00	\$ -	\$ -
Operating Transfers Out	0.00	0.00	\$ -	\$ -
Inter Project Excess Cash Transfer - In	0.00	0.00	\$ -	\$ -
Inter project Excess Cash Transfer - Out	0.00	0.00	\$ -	\$ -
Transfers Between Programs & Projects-In	0.00	0.00	\$ -	\$ -
Transfers Between Programs & Projects-Out	0.00	0.00	\$ -	\$ -
Total Other Financing Sources (Uses)	0.00	0.00	\$ -	\$ -
Net Cash Flow	10.18	9.51	\$ 18,327	\$ 11,413

Staffing	Willow Run	Juniper Street
Site Manager	\$45,000	\$39,000
Assistant Manager	\$20,000	\$5,000
Centralized Intake Clerk	\$5,616	\$6,864
Maintenance Lead Mechanic	\$40,000	\$38,000
Mechanic I	\$35,000	\$0
Janitor (full-time)	\$24,000	\$0
Janitor (part-time)	\$0	\$14,400

Hilldale Housing Authority

Central Office Cost Center Organizational Chart



Section 3: PHA Case Study

COCC Operating Budget – for year ending 12/31/21**Revenue**

Public Housing Property Management Fees	\$152,744
Public Housing Bookkeeping Fees	22,005
HCV Program Management Fees	42,336
HCV Program Bookkeeping Fees	26,460
Public Housing Asset Management Fees	30,000
Capital Fund Management Fee	50,000
Sec. 202 Project Property Management Fee	31,752
Fee-for-Service Income	25,704
Interest Income	3,375
Total Revenues:	\$384,376

Administrative Expenses

Salaries	\$147,480
Benefits	66,366
Legal	11,000
Staff Training	4,500
Travel and Meetings	3,500
Audit Cost	5,000
Computer Expense	11,000
Vehicle Expense	7,000
Office Supplies	4,000
Total Administrative Expenses:	\$259,846

Office Utility Expense

Gas	\$11,600
Electricity	7,100
Total Utilities Expense:	\$18,700

Maintenance Expense

Salaries	\$26,040
Benefits	11,718
Materials	7,900
Vehicle costs	8,000
Contracts	3,000
Total Maintenance Expenses:	\$56,658

Other General Expense

Insurance	\$7,320
Misc.	4,000
Total Other General Expenses:	\$11,320

Total Expenses:	\$346,524

Profit (loss) on COCC Operations:	\$37,852

Section 3: PHA Case Study

COCC Staffing Allocation

Position	Salary	COCC	Section 8	Public Housing	Other
Executive Director	\$90,000	100%			
Administrative Assistant	\$24,960	50%		50%	
Staff Accountant	\$45,000	100%			
HVAC Specialist/Mod Coordinator	\$43,400	60%	40%		

Section 3: PHA Case Study

Project	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Willow Run	Landscaping (\$35,000)	Fencing (\$75,000)	Sewers (\$125,000)		Appliances (\$67,500) Paving (\$57,500)
Juniper Gardens	Roofs (\$100,000) Intercom (\$20,000) Landscaping (\$20,000)	Roofs (\$100,000)	Windows (\$50,000)	Windows (\$50,000) Elevators (\$125,000)	Windows (\$50,000)
Inspections	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Management Fee	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Totals	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000

Section 4 The Project's Budget

INTRODUCTION

- The preparation of an annual operating budget for each project is an important aspect of sound asset management.
- Why is the budget so important to the management of the project? Because the goal for any business, including a public housing project, is that the business must at a minimum generate sufficient revenue to meet its operating expenses.
- An operating budget is a guideline for the property manager regarding the project's anticipated performance over a specific period of time. It is also a monitoring tool for the asset manager and executive director. The operating budget also provides an income and expense version of goals set by the board as they pertain to the operation of their housing stock.
- Simply put, the budget is the plan for the portfolio and the project, expressed in financial terms. It's the road map for the property manager and the asset manager. Following are reasons why a project operating budget is important:
 - It provides an itemized projection of income and expenses over a specific period of time
 - It guides staff in operating a project on a day-to-day basis
 - It provides a plan to ensure a project's financial health;
 - It provides a means to measure a project's performance to use as a benchmark for similar kinds of properties
 - It provides an expression of how financial resources will be allocated during the fiscal year

Section 4: The Project's Budget

Notes

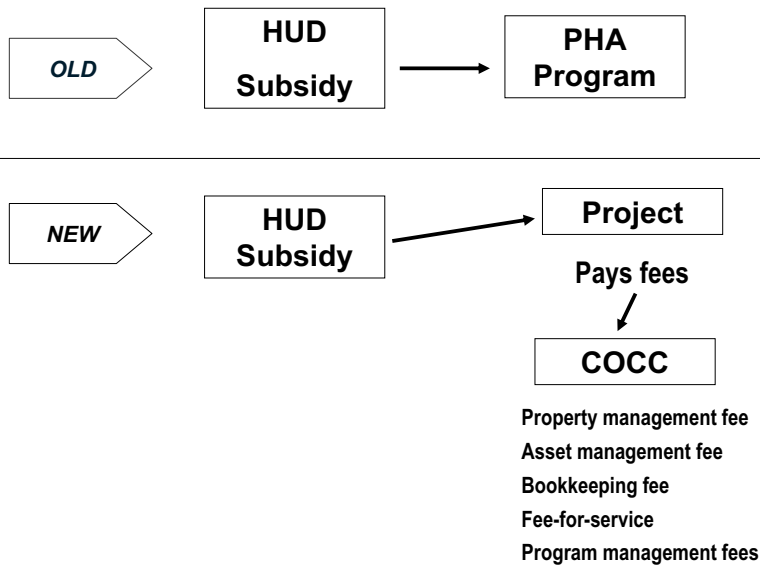
BACKGROUND

- One of the fundamental reforms under asset management is the requirement for project-based budgeting. The Operating Fund Rule (24 CFR 990) requires PHAs to manage according to an asset management model, including project-based budgeting.
- Prior to the implementation of asset management, PHAs typically compiled a consolidated public housing budget, not by individual projects. In addition, under the old model, HUD funded each PHA's public housing program and not individual projects. The PHA was free to determine how much of the housing resources should be used for frontline costs (direct costs) or for central overhead costs.
 - Traditionally the entire budgeting process has typically been a top-down approach. In many cases, site staff were not aware of budgeted resources for a property nor were they involved in the actual preparation of a property budget. Staff were not held accountable for the financial performance of a property.
- Under the asset management model adopted in the Operating Fund Rule, HUD must provide operating subsidy specifically to each project. Another key feature of the asset management model adopted in the Operating Fund Rule is the ability of a PHA to establish a central office cost center (COCC).
 - The COCC is responsible for overall project and program oversight.
 - To cover these indirect costs and other services the COCC may offer, the COCC is allowed to charge projects and programs fees as established by HUD. The COCC will have to live within the fees it earns for providing its services to the projects and programs. All other housing resources must remain within the project or program.

Section 4: The Project's Budget

Notes

- The fees paid to the COCC can include the following, which will be discussed in detail later:
 - Property management fees
 - Asset management fees
 - Bookkeeping fees
 - Fee-for-service—These are specialized services the PHA may elect to have the COCC provide to the projects and/ or programs that are not covered by the other allowed HUD fees. Examples might be specialized maintenance services such as electricians and HVAC technicians, or legal services for evictions.
 - Program management fees (e.g. housing choice voucher program, Capital Fund program, etc.).
- Following is a graphic illustrating the historic flow of funds, and the flow of funds under the asset management model:



Section 4: The Project's Budget

Notes

- Funding at the project level:
 - Improves the operational efficiency and effectiveness of managing public housing properties;
 - Provides appropriate methods and tools and mechanisms for monitoring performance at the property level
 - Better preserves and protects each asset
 - Is consistent with the management norms in the broader multifamily industry
- Prior to asset management, it was difficult to evaluate the property to determine whether it was self-sustaining or depended on, for instance, a disproportionate share of the PHA's operating fund.
- Project-level funding and budgeting provides a full picture of the project's income and expenses, as is done in the broader rental real estate industry. This information can be used to improve the efficiency and effectiveness of each project, preserve and protect each asset, and provide information for monitoring performance at the property level.
- In cases where a PHA has elected to use Capital Fund Program (CFP) management improvement funds for the COCC in addition to the allowed CFP program management fee, HUD has provided an alternative option of accounting for indirect costs related to the PHA's programs and projects. The approach replaces the "fee concept and the COCC" with an allocated indirect cost method. Each project and program is charged with its share of indirect costs on a separate line item titled "Allocated Overhead". However, it should be noted that the amount of allocated overhead cost charged to projects and programs cannot exceed the amount of fees that would have been charged under the fee concept approach.

HUD'S PROJECT-BASED REQUIREMENTS

- HUD allows PHAs a great deal of latitude with regard to the budget process. However, HUD has established some guidelines, covered in this section.
- PHAs are required to prepare a budget for each project that was established in PIC. These budgets must be prepared and approved by the PHA's board prior to the beginning of the fiscal year. Although HUD regulations do not require that a PHA (other than under special circumstances) submit project budgets to HUD for approval, they must be approved by board resolution. Only the board resolution approving the projects' budgets must be submitted annually to HUD. Only one board resolution approving all project-based budgets is required.
 - However, project budgets must be made available to HUD and other interested parties as needed. The following circumstances are examples of when budgets may need to be made available to HUD:
 - When HUD is conducting an onsite review
 - The PHA has breached the ACC
 - The PHA or project is financially troubled
 - In addition, PHAs will be required to make project budgets available to interested members of the public and state and local public officials.
- Again, HUD does not prescribe the budget format, but line items must readily reconcile to the Financial Data Schedule (FDS).

The Financial Data Schedule (FDS)

- The FDS is the HUD-prescribed financial template that is submitted electronically to the Real Estate Assessment Center (REAC) reporting the financial results for each program or activity of the PHA, and for each public housing project.
- The FDS has two financial reports—the income statement and the balance sheet, which will be discussed later in more detail.
- All information on the FDS is derived from the PHA's financial system (general ledger). The purpose of the FDS is to provide HUD with necessary data to assess the financial health of PHAs and their assets (including the public housing projects) in a single database, and to provide PHA managers with operations data necessary to manage the projects and the portfolio strategically.
- The FDS is used as the primary source of data for the calculation of the management and financial indicators of PHAS.

Section 5 Understanding Budget Terms

PER UNIT MONTH (PUM)

- Budgets typically are presented both in annual dollar amounts and per unit monthly (PUM) dollar amounts.
- PUM amounts are an important factor in assisting a property manager in comparing properties of different sizes (numbers of units and types of units).
- We would expect the dollar amount of some types of expenses to be greater for some properties than others by virtue of the number of units. If we just consider aggregate expenses and compare the expense of one property (say, maintenance) with another on an aggregate basis, we may come to the conclusion that if one property's expenses are lower, the property is doing a better job of controlling its maintenance expenses. But the reality might be that on a PUM basis we are actually spending more per unit.
 - For example, last year Willow Run spent \$15,000 in heating and cooling costs, and Juniper Gardens spent \$9,996. Based on these annual amounts, you might conclude that Willow Run spent too much. But, because Willow Run has 150 units and Juniper Gardens has 100, the PUM for heating and cooling for both Willow Run and for Juniper Gardens was \$8.33. As this example demonstrates, PUM is a way to equalize property size differences when evaluating the reasonableness of expenses between properties.
- PUM applies to any category of expense or revenue -past, present, and future. For example, the property manager might want to look at the average rent for the last three years compared to this year.

Section 5: Understanding Budget Terms

Notes

- PUM also allows the asset manager to track expenses and revenues over time as the portfolio changes. For example, last year a PHA had 1200 units in its portfolio. As a result of demolition or disposition, this year the PHA has 1100 units. Just looking at annual amounts doesn't give the asset manager a way of comparing costs and revenues. PUM figures do give a picture of average amounts per unit.
- Again, this type of budget format assists property managers in spotting trends and allows for comparison of performance between properties of differing sizes.

PUM Calculation

- PUM is calculated by taking the number of units in the budget times the number of months those units are available during the year and dividing an income or expense number by this amount.
- Any income or expense line item divided by UMA (Unit Months Available) = PUM
 - For example, if the PHA has a project with 150 units and gross dwelling rental income on those units is expected to be \$372,727 for the year, the PUM amount would be: $\$372,727 \div (150 \times 12) = \$207.07$.
- Example of PUM: Maintenance

- The Sycamores spent \$185,800 last year on maintenance materials.
 - $\$185,800 \div 2138 = \$86.90$ PUM

- Example of PUM: Utilities

- You estimate that The Sycamores will spend \$252,787 in utilities next year.
 - $\$252,787 \div 2138 = \$118.24$ PUM

HUD-Approved Vacancies

- There are categories of vacancies that are HUD-approved. Vacancies in these categories still receive operating subsidy. For monitoring purposes, you will need to take into account the HUD-approved vacancies. These will be indicated in PIC.
- HUD-approved vacancies include months that units are not occupied due to:
 - Modernization (Capital Fund) (within the HUD-approved schedule)
 - HUD-approved special use units (resident initiatives and self-sufficiency, anti-crime activities, etc.)
 - Disasters (formally declared)
 - Litigation (court order or settlement agreement, for example)
 - Casualty loss (pending insurance settlement)
 - Changing market conditions

Example:

- Maple Manor has 180 units. Last year, the project had five units offline for 2 months for modernization, and one unit offline 9 months for casualty loss (insurance settlement being disputed).
- The project spent \$248,700 last year on maintenance costs. What was the PUM for maintenance?
- $180 \text{ units} \times 12 \text{ months} = 2160$. Subtract the 9 months for the unit offline because of casualty loss and 10 months for the units undergoing 2 months of modernization = 2141 unit months available.
- $\$248,700 \div 2141 = \$116.16$.
- For monitoring purposes, you will also take into account the vacancies that are not HUD-approved, to analyze past trends, and to forecast and budget.

Section 5: Understanding Budget Terms

Learning Activity 5-1: PUM

- PUM formula: Any income or expense divided by the number of months units are available (UMA) = PUM.
- Based on the PUM formula, calculate PUM for the following:
 1. The Grove has 100 units, all will be available. Utility costs budgeted are \$67,000.
 - PUM for utilities is:

 2. Vineland has 225 units. Of those 225 units, 8 units (two buildings) have been approved for capital improvements which will last 4 months in the HUD-approved schedule. Utilities for the upcoming year are estimated at \$252,788.
 - What is the PUM in the upcoming year for utilities?

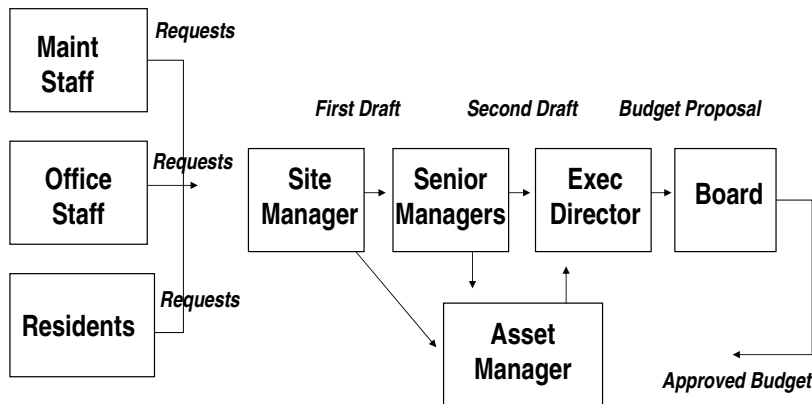
 3. Last year, Green Gulch received \$198,200 in rent. Green Gulch has 168 units. If all units had been available all year, Green Gulch would have had 2,016 unit months. However, Green Gulch had 1,989 unit months available due to vacancies.
 - What was the PUM for last year's rent?

 4. Daybreak received \$106,770 in maintenance last year. Daybreak had 1,180 unit months available.
 - What was Daybreak's PUM for maintenance last year?

Section 6 The Budget Process

DEVELOPING THE BUDGET

- Developing a financial plan (a budget) at the project level and holding site-based staff accountable for the financial performance of a project is a major component of asset management.
 - Under this model, site-based staff should play a major role in the development of the budget and be familiar with the types of and level of income and expenses for their properties.
 - Developing the budget should be a collaborative effort, starting with the property manager. There is consensus among the best property management companies that the property manager should have frontline responsibility in the preparation of budgets. Below is a graphic of how the collaborative process typically works:



- In addition, under this model, property managers should be held accountable for managing the financial resources of their properties and be knowledgeable about variances in income and expenses.

Section 6: The Budget Process

Notes

- The characteristics of a good budget process include:
 - Bottom-up budgeting in which project-based staff are actively engaged in the process
 - Timely and consistent monitoring by project-based staff of actual-to-budget
 - Holding property managers accountable for the financial performance of their projects
 - Property managers providing management with corrective action plans when financial performance varies by an established benchmark (e.g., when amounts vary by more than 5 percent from budget).

Section 7 Steps in Budget Preparation

- Although each PHA will have developed its own budgeting process, the following steps are common regardless of the process adopted by the PHA:
 1. Define the property goals for the year
 2. Identify income sources
 3. Determine expenses
 4. Determine if the plan is feasible
 5. If feasible, present the budget to executive management for approval
 6. Once approved internally, present to the board for final approval
- Let's discuss each of these steps.

1. Define the goals for the project for the year

- This step involves interaction with management and others in the PHA who are responsible for helping to establish the overall direction of the agency.
- What are the strategic objectives set by management? What are the specific objectives (goals) for the property for the year? Define these in financial terms (i.e., prepare a budget that is consistent with helping to achieve these objectives).
 - For example, look at Juniper Gardens narrative. Is the occupancy where you want it to be? What might the property manager add to the budget to increase occupancy?

2. *Determining project income*

- The next step in developing a project budget is to identify the revenue the project is expected to generate. Examples of project income include:
 - **Dwelling rent.** Tenant rents represent one of the major sources of income for a property.
 - Estimating dwelling rental income will require a rent roll. The rent roll provides information about the tenant portion of rent for occupied units.
 - It is essential that the property manager closely monitor the rent roll when rent is due to identify delinquencies.
 - The amount of rental income budgeted will be directly related to the number of units occupied and/or expected to be occupied in the fiscal year.
 - Once the average rent from the rent roll has been determined, it should be adjusted by expected vacancy. The property manager will have to have an idea about the vacancy rate for its project. The vacancy rate should reflect both recent history and expected levels in the coming period.
 - A key concept to understand is: the higher the vacancy percent the less dwelling rental income will be earned. Operating subsidy does not just make up the difference of lost dwelling rental income. In many cases, vacant units mean a loss in both dwelling rental income and operating subsidy.

Notes

- **Operating subsidy.** Operating subsidy is a major revenue source for the project. Again, operating subsidy is now calculated individually for each project.
 - Now that operating subsidy is determined at the project level, the property manager will have information about the amount of operating subsidy for its project.
 - Since operating subsidy is calculated on a calendar year basis, PHAs that have fiscal years that overlap a calendar year will have operating subsidy from two different calendar years (different appropriations).
 - The operating subsidy calculations (forms) PHAs are required to submit to HUD will be the source document for this revenue item.
 - When subsequent calendar year amounts are not fully known due to delays in congressional appropriations, the PHA will have to estimate the amount—the conservative approach will be to use the previous year's amount.
 - Proration levels from congressional appropriations will need to be taken into account to properly estimate the operating subsidy amount.
- **Other revenue.** A third component of project revenue is a collection of revenue items referred to as “Other Revenue.” These include:
 - Other tenant charges—consists of various fees charged to tenants for such things as maintenance charges beyond normal wear and tear, late fees, and insufficient check charges.
 - Excess utilities—represents charges to tenants for using more than an established reasonable amount of utilities for a unit.

Notes

- Investment income—each project will have its own balance sheet. This means a project's cash balances will be uniquely identified and any interest earned on those cash balances will be available income to the project. The amount of interest a project earns will be based on its available cash balances during the year and the level of interest rates.
- Fraud recovery—represents amounts due from tenants typically for underreporting income. Amounts that the property manager is able to collect become resources to the project to pay its expenses; they do not offset operating subsidy as in years past.
- Non-dwelling rent—typically earned on non-dwelling units or deprogrammed dwelling units rented to social services providers to provide services to tenants, or perhaps in the case of non-dwelling units, rent received for renting space to a small business that provides services to the project's tenants such as a small store or beauty salon.
- Other income—this is a catchall category to identify any other source of project income not specifically identified in any of the other categories. Includes fees earned on vending, laundry facilities and cell phone towers, for example.

- **Capital Fund Program (CFP) contributions.** These funds are typically available for two types of expenditures—those that improve or extend the useful life of a property, called “capital improvement”, and those that are considered part of the project's operating expenses (for example, CFP funds used for operations and or management improvements).
 - CFP funds used for operations—known as budget line item (BLI) 1406—act as additional “operating subsidy” for a project and are used to enhance the revenue available to fund normal operations.
 - Fungibility of capital funds and operating funds:
 - PHAs with 250 or more units are limited to not more than 25 percent of their CFP funds for this purpose.
 - PHAs with less than 250 units, and not designated as overall troubled or Capital Fund troubled under PHAS may transfer up to 100 percent of their annual Capital Fund grant to the operating budget.
 - Eligible small PHAs may use this 100 percent fungibility if the PHA does not have debt service payments, significant capital needs, or emergency needs.
 - Management improvements—known as BLI 1408—are typically to improve management systems such as the purchase of a new computer or software system, or specific training for project level staff.
 - PHAs with 250 or more units are limited to not more than 10 percent of their CFP funds for management improvements.
- CFP funds used for capital improvements for a project are not part of the operating budget but are part of a separate capital budget for the project. Preparation of a capital budget is not part of this course.

Section 7: Steps in Budget Preparation

Notes

- **Benchmarks.** Preparing a budget comparing income and expenses with industry benchmarks can aid in determining the reasonableness of planned amounts.
- Comparing data against standards is known as benchmarking. Benchmarking is a valuable tool in budgeting as it helps identify whether planned income and expenses are in line with properties of similar characteristics. This can be valuable information to a property manager in determining areas for possible performance improvement as well as help identify areas that may need further investigation to determine why they are not within a benchmark range.
- PHAs may contact other PHAs in their region or state to see if they have historically tracked revenues and expenses at a project level, and use this information for their project's budgets.
 - Several large PHAs have tracked revenues and expenses at a project level for several years and may be willing to share this data.
 - Additionally, a PHA may average its PHA-level revenues and expenses reported in prior year Financial Data Schedules on a PUM basis to form their project-level budgets.
 - In addition, the PHA may also want to compare PUM revenue numbers with non-public housing projects within the PHA's portfolio. Comparing PUM data with other projects gives the PHA the ability to spot PUM amounts that are outside the normal range. Those that are outside normal ranges may need further investigation as to why they are outside the norms.

3. *Determining project expenses*

- Once a project's expected revenue has been estimated, the next step is to estimate its operating expenses. Are we using historical data or zero based? Do we compare with benchmark or do we feel comfortable with our estimate?
 - The property manager may be using historical data about the project and/or benchmark data to make estimates about expenses, or zero-based budgeting. In some cases, the property manager may be using a hybrid method.
 - An example of using historical data may be for insurance; another might be utilities.
 - An example for using zero-based budgeting might be maintenance expense, where you find out the going rate in your local market for the services provided.
 - In either case, also comparing estimates against appropriate benchmark data will aid the property manager in determining how realistic the estimates are for the project.
- Project expenses are typically categorized into the following expenses:
 - **Administrative expenses** would include management fees, bookkeeping fees, administrative salaries and benefits, office supplies, telephone and internet, legal, audit, marketing and travel.
 - An example of legal fees would be the eviction representation of legal counsel, whether in-house or contract, in court. This would be a fee-for-service rate, to be discussed later.

Section 7: Steps in Budget Preparation

Notes

- **Tenant services** might include the wages for social services provided at the project.
- **Utilities** will include all utilities provided to the site but not necessarily the residents.
- **Maintenance expenses** include salaries and benefits, elevator, snow removal, trash removal, fire safety, security, supplies, other contracts and fee-for-service expenses.
- **Protective services** will include project-level security personnel or contract costs for security services.
- **Insurance** includes liability, property and other insurance as necessary such as fidelity insurance for the project.
- **General expenses** will include PILOT, compensated absences and bad debt expense.
- **Asset management fees**, although a project expense, are generally “below the line” and taken by the COCC only if there is adequate cash (excess cash) from the previous year. Fees paid by the project will be discussed later in this chapter.

Estimating expenses

- Keep in mind the following when estimating project expenses:
 - Strategic goals for the project. Do the expenses in the amounts budgeted match up with the strategic goals for the project?
 - Plans that would impact spending such that planned expenses will fall outside historical averages. Do we expect any events this year that if using historical data to make our expense estimates, would result in historical data not being valid?
 - Expected price increases for wages, goods and services. What is the level of inflation expected to be this year and have we accounted for it in our estimates? Have vendors been contacted to obtain an estimate of any anticipated price increases based on other variables such as supply and demand?

Yearly vs. monthly expenses

- Although not required by HUD, many PHAs also prepare monthly budgets, which show estimated income and expenses in the months in which they will occur. Monthly budget amounts are not always straight-lined from the annual amounts.
 - For example: lawn care expenses will typically take place to the greatest extent during the growing season, or utilities will be highest when the demand is highest for the type of utility.
 - The monthly budget is important as it helps the property manager have an understanding of the cash needs of the project as well as when these expenses are expected to be incurred.

4. Determine if the plan is feasible

- Once the income and expenses for the project have been estimated, it's time to find out the bottom line. This is known as the net operating income. You might also see this referred to on the operating budget as "cash flow from operations."
 - How is this determined? It's simply the difference between project income and project expenses. For example:

Total project income:	\$ 500,000
Total project expenses	– \$ 480,000
Cash flow from operations:	\$ 20,000
 - The bottom line is the difference between income and expenses.
 - It can be positive—the project spent less than it made
 - It can be negative—the project spent more than it made
 - If the project budget is showing positive cash flow from operations, it's time for the property manager to move to the next step, meeting with management to secure their approval. If it does not cash flow, more work may be needed.

Notes

- In cases where a project is projected to incur a loss, the property manager and asset manager will be faced with a decision as to how to cover the loss. There are several options available; the solution may end up being a combination of one or more of these options.
- **Increase income**—The sources of income the property manager will have some control over are dwelling rental income and other revenue. The level of operating subsidy for the most part will be out of the control of the property manager. How can dwelling rental income be increased? Some options might be: increase occupancy of the project if possible, establish minimum rents, analyze if flat rents should be increased, collaborate to offer more economic self-sufficiency strategies, and reduce turnover time for re-renting vacant units.
- **Reduce expenditures**—When considering how to reduce expenditures, first look for those expenditures that are the largest such as salary and benefit expense as they will normally result in the greatest cost savings when reduced.
- **Reduce discretionary expenses**—Another area to consider is discretionary expenses. Discretionary expenses are expenses that normally do not impact the level of services provided when reduced. Travel expense is an example of a discretionary expense.

Notes

- **Use reserves**—Reserves are the accumulation of excess revenue over expense. In the public housing program reserves that are available for use in covering an operating loss are called Unrestricted Net Assets. There are times when it is appropriate to use reserves to cover an operating loss, such as when an unexpected event causes expenses to exceed revenue. However, the use of reserves should never be considered a permanent resource to cover deficits. Doing so would eventually exhaust a project's reserves. The reasons for losses should always be investigated by the property manager to determine whether they are one-time events or reoccurring. Corrective action should be taken to eliminate losses.
- **Use of CFP funds**—The Capital Fund may also be a source of funds to assist in temporarily covering operating losses. As explained earlier, CFP funds can also be budgeted for us as additional operating subsidy for a project. However, the use of CFP funds for this purpose would need to be reflected on the CFP Plan.
- **Transfers from another project**—Excess cash from other projects may also be available as a temporary resource to help a project that is running a deficit until corrective action can be taken. This is a COCC decision. The budget should not reflect “expected” excess cash from projects earned in the budget year
- **Defer/reduce/forgive fees charged**—Although HUD specifies the maximum amount that a project may pay the COCC by type of fee, an amount less than the maximum accounts can be paid.
- The four strategies listed above are a COCC decision. These strategies will typically be adopted by senior management of the COCC and the PHA's board.

- Bottom line, it's important to make realistic goals and base the budget estimates on the most accurate information regarding projected revenues and expenses.

5. Present the plan to management for approval

- The property manager by now should have spent time and thought preparing the budget by gathering data, meeting with various staff and ensuring, with discussion with his or her manager, that the plan is feasible. Now it's time to present the budget to management for approval.
- Depending on the size of the PHA this may mean a meeting with the executive director or a regional manager. During this process, management may accept the property budget without change or you may direct the property manager to make changes. This process may take several meetings.

6. Board approval

- The budget must now be presented to the board for formal approval. Depending on the size of the PHA, the presentation may be made to the board by the executive director, regional manager(s), or the property managers. During this process, just like the former approval process, the board may adopt the project budgets without change or they may direct management to make changes.
- It's important in the budget planning cycle that management plan for the possibility that the board may direct them to make changes and re-present the budgets at a later date for approval after the requested changes have been made.
- Remember, the PHA's board must approve all project budgets prior to the beginning of the budget year.
- Also remember that some state statutes will require that the PHA hold a public meeting to review budgets before they can be formally adopted.

Section 7: Steps in Budget Preparation

Notes

Section 8 **Budget Monitoring**

- Once the budget is completed, the process doesn't end there. The property manager must now monitor how the project is performing against the budget, and regional and asset managers must ensure that property managers understand their budget reports and how to monitor financial performance of their properties. Asset managers will monitor all properties and the portfolio as a whole. This is done by reviewing what are called budget-to-actual operating statements.
 - These statements are typically provided to the asset manager and property manager by the accounting department by a set time each month for the previous month's activity.
 - By reviewing budget information to actual financial data, it will be possible for the property manager to quickly identify areas where improvements are needed or when the property is not performing well, so adjustments in operations can be made.
 - We'll explore budget-to-actual monitoring later in this chapter.

Section 9 **Paying for Services**

INTRODUCTION

- PHAs have traditionally delivered property management services from a centralized location rather than at the project level or by contract. For example, many PHAs operated a central maintenance department or a central tenant reexamination office.
- HUD allows PHAs to provide many property management services centrally, as long as they are provided in the best interests of the property, considering such factors as cost and responsiveness.
- Property services can be arranged such that they are:
 - Provided at the project level
 - Shared between projects
 - Provided centrally to the project (i.e., allocated or prorated)
 - Provided by contract to the projects (either by a third-party or the COCC)
- Regardless of the method used, services must be arranged in the best interest of the properties.

FRONTLINE SERVICES—PROVIDED AT THE PROJECT

- In multifamily housing, the tendency is for most day-to-day property management functions to be handled by project staff (i.e., a decentralized model). Under this model, the maintenance staff are “generalists” who are capable of handling a wide range of routine maintenance work.
- Typically, a project is staffed at a level sufficient for normal needs. At times of peak demand—say, a sudden increase in move-outs—contract support is obtained. Contracts are also used for specialized or non-routine work (e.g., elevator maintenance or trash removal).

Section 9: Paying for Services

Notes

- The overall volume of work generated by a project will be dictated by its characteristics—property type (family vs. elderly), design (scattered, high-rise, low-rise, etc.), bedroom density, property size, condition, location, etc.
- But once the overall needs are determined, the PHA will best determine how those needs will be met: With onsite staff? With shared staff? With centralized staff? Or by contract? The factors will include:
 - Costs (which model is most cost-effective?)
 - How accessible the project is to another project (i.e., the opportunity to share staff)
 - The skills and competencies of the staff
 - The anticipated responsiveness under the alternative arrangements and/or the quality of work
- Because the operating subsidy, tenant rents, and capital funds are in the project's budget, it makes sense to focus the tasks related to the functioning of the project at the project, if the tasks are done in a cost-efficient, high-caliber, and timely way. This is why a highly skilled staff at the site is crucial to the success of the project and the program.

SERVICES SHARED BETWEEN PROJECTS

- HUD allows projects to share administrative or maintenance staff where reasonable. It may not make economic sense to have full-time personnel dedicated to a specific project. Shared resources costs are distinguished from frontline prorated costs (to be discussed next) in that the services being shared are limited to a few projects as opposed to being prorated across all projects.

Section 9: Paying for Services

Notes

- Generally, staff are shared between 2-3 projects, often in response to the fact that, separately, projects cannot afford full-time staff.
 - For example, a PHA may decide to share a manager and a maintenance technician staff between two small properties located near each other, neither of which could reasonably support the cost of full time employees due to the size of the properties.
- Shared resources must be reasonable, necessary, and based on services provided to the project.

Section 9: Paying for Services

Learning Activity 5-2: Shared Resources

- Refer back to Hilldale Housing Authority's organizational chart.

1. Do the projects share any staff?

2. If the projects were in adjoining neighborhoods, can you conceive of a situation where they might utilize greater use of shared staff?

Section 9: Paying for Services

Notes

FRONTLINE ALLOCATED SERVICES

- Another alternative to full-time onsite staffing or shared resource staffing is centralizing an administrative task and prorating it across projects. Centralized, prorated front-line property administrative functions must not cost more than what the property would incur if the functions were performed on site.
- A PHA cannot prorate centralized maintenance. All centralized maintenance services must be performed as a fee-for-service (discussed next). And, except where indicated, PHAs cannot charge projects for the cost of a centralized supervisor. In addition, PHAs cannot charge projects for the cost of any centralized procurement staff.
- HUD allows PHAs to provide prorated staff for certain functions such as:
 - Waiting list management (including supervisor)
 - Intake/resident screening (including supervisor)
 - Rent collection
 - 504 coordinator
 - Work order intake
 - Social services/resident services (including supervisor)
 - Security services (including supervisor)
- Prorated staff costs are determined by taking the total of direct labor (salary, benefits, payroll tax expense), supplies and equipment, determining an acceptable allocation basis, and prorating the cost to the projects based on the allocation basis.
 - Examples of reasonable methodologies for prorating central office staff that are performing allowable front-line activities include the:
 - percentage of units, bedroom distribution, amount of unit turnover, or other reasonable methods based on how the activity is delivered.

Section 9: Paying for Services

Notes

Example

- If a central work order system is used at the PHA, the PHA would be likely to have a central call-in number for residents to call in work orders.
- Work orders might be assigned a number of ways, including assigned by property to specific individuals in a centralized fee-for-service maintenance department. In the case of a site-based maintenance delivery system, the work orders might be simply faxed to the site to be performed by the site-based maintenance staff.
- A reasonable method of billing back the cost of the centralized work order intake process would be to bill the expense based on the property that each work order came from. So, for example, if there are 100 work orders and 25 of them come from Juniper Gardens in one month, Juniper Gardens would be billed 25 percent of the total monthly employee cost, including benefits, for receiving, delivering and, perhaps, monitoring the work orders.
- Note that the cost of the maintenance staff performing the work orders is not included in this example. Any centralized maintenance staff would charge on a fee-for-service basis (discussed next). The payroll expense of the site-based staff would be charged directly to the site on a shared or full-time basis, depending on the property.
- Whether shared or prorated, the PHA will need to document how it arrived at the cost.
 - For example, if a PHA is prorating 50 percent of a central office employee's time for handling application intake functions, the job description of the employee should include application intake. The PHA will also need to show records to support that there is a basis for charging 50 percent of that employee's time to the projects for handling applications.

Section 9: Paying for Services

Notes

FEE-FOR-SERVICE

- The frontline fees-for-service are fees the project pays the COCC for additional specialized services the COCC offers to projects. (i.e., specialized or centralized maintenance).
- In order to recover the costs of these services, the project is charged for the actual time incurred at a reasonable rate. These fees are like paying for a service provided to the projects by a vendor. If a project needs to contract with a plumber, the property expects to be charged the cost of the plumber at his hourly rate. There is no difference whether the plumber is contracted as a vendor or contracting with the COCC to perform this service.
 - For maintenance staff, the COCC can charge a fee-for-service at a higher rate than the actual salary/benefits of the maintenance staff, but the rates can't exceed rates paid in the local market for that service.
 - Another example of fee-for-service is when the project pays for eviction representation of legal counsel, whether in-house or contract, in court. The project would pay the legal counsel the going rate for this kind of service in the open market.

Reasonableness of fees

- Fee-for-service rates must be comparable to market rates and must be in the best interests of the project. The fee-for-service must not exceed what the project would incur for the service if obtained through the market. The PHA needs to document the methods used to determine market rates for any activities charging a fee-for-service.
- Market rates should be obtained to provide HUD documentation to support the established rate. HUD recommends at least three quotes. The PHA will need to verify that rates obtained are for identical or at least similar services performed,

Section 9: Paying for Services

Notes

- These rates will need to be reviewed annually and adjusted as needed.
- Keep in mind that market rates are fully loaded.

Example Market Rate Study:

Bob's Plumbing Service	\$ 75.00
ABC Plumbing Service	\$ 90.00
Jackson's Plumbing	\$ 80.00
Total	<u>\$245.00</u>
Average Rate	<u>\$ 81.67</u>

- The average is only one method; there are other methods to arrive at a market rate.
- The market survey establishes the upper bounds of the rate, however the COCC can charge a lower rate and/or have different rates for different projects.
- The COCC could charge “after-hours” rates, where a different (higher) fee is charged for work completed after normal business hours, if supported by market data.
- The PHA is not allowed to “blend” rates, that is, average the rates together to arrive at a single rate. For example, you would not “blend” the rates of a centralized HVAC specialist, a centralized carpenter, and a maintenance technician.
 - Remember, one of the goals expressed by HUD is to track the actual cost incurred for each project. By averaging the rates, it would be difficult to arrive at the actual cost of maintaining the project.

Section 9: Paying for Services

Learning Activity 5-3: Paying for Services

- Refer back to Hilldale Housing Authority's budget.
 1. What service has the Hilldale Housing Authority decided to provide as a centralized fee-for-service to the projects?

 2. Where would the property manager of Willow Run find the budgeted cost for this service on its operating budget?

 3. Where would the property manager find the frontline allocated costs for the half-time waiting list administrative assistant?

Section 9: Paying for Services

Notes

Section 10 Fees Paid by the Project to the COCC

INTRODUCTION

- The central office, known as the Central Office Cost Center (COCC) performs indirect services. Indirect services aren't related to the day-to-day management of the property; rather, they're the strategic oversight activities of the program and portfolio. Indirect services cannot be directly charged to the projects.
- The new asset management model requires indirect costs to be recovered through a series of fees.
 - HUD is referring to these fees as conventional fees, since these are the typical types of fees a property management company would earn for managing properties (i.e., property management and bookkeeping fees).
- Typical indirect costs are the executive director, asset manager, legal, human resources, and IT.
- The conventional management fees paid to the COCC are:
 - Property management fees
 - Bookkeeping fees
 - Asset management fees
 - Capital Fund program management fees
 - Development fees

Notes

PROPERTY MANAGEMENT FEES

- Property management fees are paid monthly to the COCC and are earned on each occupied unit and allowable vacancy.
- HUD requires that the fees be reasonable and has published fee rates. The PHA can choose to base property management fees on one of the following:
 - 80th percentile fee of FHA
 - Local fee published by HUD's Office of Multifamily Housing
 - Local market data
- Following is the most recent table of FHA data:
https://www.hud.gov/sites/dfiles/PIH/documents/2025_Schedule_Management_Fees.pdf

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Section 10: Fees Paid by the Project to the COCC

Financial Management Division
Office of Public and Indian Housing

TABLE 1: 2025 Schedule of 80th Percentile of Property Management Fees in FHA Housing by Field Office, for Unlimited Dividend, Limited Dividend, and Non-Profit Ownership Types (Effective 1/1/2025)¹

Field Office	Mgmt. Fee (PUM)	Field Office	Mgmt. Fee (PUM)
Albuquerque ²	\$58.69	Little Rock	\$71.66
Anchorage	\$82.76	Los Angeles	\$108.41
Atlanta	\$67.88	Louisville	\$72.40
Baltimore ²	\$72.63	Manchester	\$84.11
Birmingham	\$64.14	Miami	\$85.86
Boston	\$107.95	Milwaukee	\$66.69
Buffalo	\$74.59	Minneapolis	\$83.01
Caribbean ²	\$73.26	Nashville	\$70.24
Charleston	\$62.89	New Orleans	\$68.34
Chicago	\$80.47	New York ²	\$94.70
Cincinnati ²	\$58.19	Newark	\$82.68
Cleveland ²	\$58.89	Oklahoma City ²	\$61.13
Columbia	\$69.68	Omaha	\$59.51
Columbus	\$64.05	Philadelphia	\$65.35
Denver	\$69.53	Phoenix ²	\$56.81
Des Moines	\$57.41	Pittsburgh	\$73.36
Detroit	\$63.62	Portland	\$74.73
Fort Worth ²	\$59.27	Providence	\$93.87
Grand Rapids ²	\$55.81	Richmond ²	\$79.74
Greensboro	\$68.73	Sacramento	\$72.11
Hartford	\$97.28	San Antonio	\$68.02
Honolulu ²	\$79.84	San Diego	\$95.85
Houston	\$56.57	San Francisco ²	\$87.14
Indianapolis	\$73.63	Seattle	\$73.10
Jackson	\$71.90	Shreveport	\$62.33
Jacksonville	\$70.19	St. Louis	\$59.04
Kansas City	\$60.58	Tampa	\$83.12
Knoxville	\$59.99	Tulsa ²	\$50.42
Las Vegas	\$71.42	Washington, DC	\$78.04

Notes:

1. The above fees have been adjusted to reflect the average vacancy loss for each market, i.e., the rates shown reflect the fees paid for occupied units.
2. In the field offices where the fee decreased in the 2025 actual non-substitute schedules, the PHA may use the amount from the 2024 schedule. The chart above shows the higher of the 2024 schedule and the 2025 generated fee. Using the 2025 non-substitute schedule, the management fee for these field offices would have been as follows: Albuquerque (\$55.52), Baltimore (\$68.70), Caribbean (\$67.77), Cincinnati (\$54.59), Cleveland (\$55.10), Fort Worth (\$54.39), Grand Rapids (\$53.00), Honolulu (\$73.20), New York (\$91.57), Oklahoma City (\$57.21), Phoenix (\$51.86), Richmond (\$73.19), San Francisco (\$83.35) and Tulsa (\$45.58).

Allowable vacancies

- A PHA is eligible to receive operating subsidy for vacant public housing units for each unit month the units are under an ACC and meet one of the following HUD-approved vacancies:
 - *Units undergoing modernization.* Vacancies resulting from project modernization or unit modernization (such as work necessary to reoccupy vacant units) provided that one of the following conditions is met:
 - The unit is undergoing modernization (i.e., the modernization contract has been awarded or force account work has started) and must be vacant to perform the work, and the construction is on schedule according to a HUD-approved PHA Annual Plan; or
 - The unit must be vacant to perform the work and the treatment of the vacant unit is included in a HUD approved PHA Annual Plan, but the time period for placing the vacant unit under construction has not yet expired. The PHA shall place the vacant unit under construction within two federal fiscal years (FFYs) after the FFY in which the capital funds are approved.
 - *Special use units.* Units approved and used for resident services, resident organization offices, and related activities, such as self-sufficiency and anti-crime initiatives.

Section 10: Fees Paid by the Project to the COCC

Notes

- On a project-by-project basis, units affected by the following events that are outside the control of the PHA:
 - *Litigation.* Units that are vacant due to litigation, such as a court order or settlement agreement that is legally enforceable; units that are vacant in order to meet regulatory and statutory requirements to avoid potential litigation (as covered in a HUD approved PHA Annual Plan); and units under voluntary compliance agreements with HUD or other voluntary compliance agreements acceptable to HUD (e.g., units that are being held vacant as part of a court-order, HUD approved desegregation plan, or voluntary compliance agreement requiring modifications to the units to make them accessible pursuant to 24 CFR part 8).
 - *Disasters.* Units that are vacant due to a federally declared, state-declared, or other declared disaster.
 - *Casualty losses.* Damaged units that remain vacant due to delays in settling insurance claims.
 - Units that are vacant due to changing market conditions (must appeal to HUD).

BOOKKEEPING FEES

- A bookkeeping fee can be charged to the property by the COCC for providing accounting/bookkeeping services. This would be like a property contracting with an outside vendor that provides accounting services. In this case, the vendor is the COCC.
- HUD has established this fee at \$7.50 PUM. Like the property management fees, these fees are earned on each occupied unit and allowable vacancy.

ASSET MANAGEMENT FEES

- Asset management fees represent costs paid by a project to the COCC for providing strategic activities. These activities include:
 - Establishing strategic goals for the organization;
 - Development activities
 - Risk management activities
 - Capital planning activities
 - Financing activities
- These activities could be summarized as services typically provided by the owner of a property.
- This fee is not to exceed \$10 per unit per month, based on the total number of ACC units. The fee can only be charged to the individual property being able to afford such a fee. The regulations have defined the ability to pay the fee to a property generating “excess cash.”
 - Excess cash will be determined from the audit of the previous year's balance sheet. The calculation is basically certain assets minus current liabilities, minus one month's operating expenses.

CAPITAL FUND MANAGEMENT FEE

- The Capital Fund Program (CFP) is calculated for the entire portfolio. Each PHA will then determine the amount of funds to be used for each project's needs. A management fee of 10 percent of the CFP is paid as a management fee to the COCC.
 - The management fee of 10 percent of the total grant is to cover the cost of the modernization coordinator, financial reporting, oversight, etc.
 - PHA may charge the costs related to documented time of project construction supervisory services, and the cost of Physical Needs Assessment (PNA), as direct program cost of the project.

Notes

DEVELOPMENT FEE

- Development fee includes activities that can involve the use of Capital Fund Program funds, HOPE VI funds, or other public housing capital assistance eligible to be used for development.
- Eligible costs include administrative costs incurred for development. A PHA may use these public housing funds to pay for its administrative costs in connection with the development.
- A reasonable amount for administration would be 3 percent of the total project budget (up to 6 percent with HUD approval).

Learning Activity 5-4: Preparing a Project Operating Budget

Part 1: Operating Income

- You oversee the success of your properties, whether you are the executive director, public housing asset manager, or regional director.
- Note for ease of the learning activity, we are preparing the total budget. Typically, property budgets are prepared showing a month-by-month estimated budget and a column total for the entire year.

Section 10: Fees Paid by the Project to the COCC

Notes

- You oversee the property managers. Sue Miller is a new property manager for AMP 01, The Elms. She must prepare the property's proposed operating budget on the following pages, based on information from last year and the following additional information:
 - The number of units will not change.
 - Sue expects to achieve an average 90% lease-up rate for the property next year, which includes HUD-allowable vacancies.
 - Eligible operating subsidy for The Elms for the upcoming fiscal year will be \$768,200.
 - Due to increased self-sufficiency strategies, the AMP dwelling rental income is projected to increase to \$130.00 PUM next year. The rent collection rate at The Elms is expected to stay at 94%.

The Elms

	Current FY	Proposed Next FY
Number of Available Units	250	250
Unit Months Available	3000	3000
Unit Months Leased	2600	
Occupancy Percent	86.67%	%

	Current	Budget
Operating Income		
HUD Operating Subsidy	690,000	
Dwelling Rental Income	289,252	
Other Income	26,000	26,000
Total Operating Income	\$1,005,252	

Part 2: Operating Expenditures

- Now help Sue complete the estimate for her project's operating budget on the following page, based on the information from last year and the following additional information:
 - Utility costs are expected to go up 10%.
 - The PHA is improving its website and is going to put pictures and 360° webcam visuals of unit interiors in order to market and improve lease-up. Sue's project will pay an additional \$1,000 next year for the website improvement.
 - The Elms sits on over an acre and some of the trees are diseased. To enhance curb appeal and deal with the diseased trees, landscaping costs need to be increased by 5%.
 - The property management fee this year will be \$49.06 per occupied unit and HUD-allowable vacancies.
 - If The Elms does not have excess cash in order to pay asset management fees, funds will be transferred from another high-performing project so that The Elms can pay asset management fees to the central office (COCC).
 - All other operating expenditures are projected to remain the same.

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Section 10: Fees Paid by the Project to the COCC

The Elms

	Current FY	Proposed Next FY
Number of Available Units	250	250
Unit Months Available	3000	3000
Unit Months Leased	2600	2700
Occupancy Percent	86.67%	90.00%

	Current	Budget
Operating Income		
HUD Operating Subsidy	690,000	
Dwelling Rental Income	289,252	
Other Income	26,000	26,000
Total Operating Income	\$1,005,252	

Operating Expenditures

Salaries, Benefits, Admin Costs	500,000	500,000
Utility Expense	165,000	
Maintenance Expense	190,000	190,000
Advertising & Marketing	500	
Central HVAC Costs	10,000	10,000
Landscaping	21,000	
Property Management Fees Paid	109,460	
Asset Management Fees Paid	30,000	30,000
Total Operating Expenditures	\$1,025,960	

Transfers In/Out (fungibility)	0	0

Income/(loss) from operations	(\$20,708)	

Section 10: Fees Paid by the Project to the COCC

Part 3: Finalizing the Budget

- When Sue meets with you to finalize the budget, you both agree that the project needs to achieve a 97% occupancy rate. With the added dollars for outreach, the commitment of the eligibility team, and competent project staff, Sue is confident that she can achieve this goal.
- Remember, the PUM is projected to increase to \$130.00 for dwelling rental income.
- You also agree that with more specific policies and rigorous enforcement, Sue should be able to raise the rent collection rate to 97%.
- Help Sue finalize the budget.

The Elms

	Current FY	Proposed Next FY
Number of Available Units	250	250
Unit Months Available	3000	3000
Unit Months Leased	2600	
Occupancy Percent	86.67%	%

	Current	Budget
Operating Income		
HUD Operating Subsidy	690,000	768,200
Dwelling Rental Income	289,252	
Other Income	26,000	26,000
Total Operating Income	\$1,005,252	

Public Housing Executive Management

Public Housing Finance for the Director and Asset Manager

Section 10: Fees Paid by the Project to the COCC

Operating Expenditures

Salaries, Benefits, Admin Costs	500,000	500,000
Utility Expense	165,000	181,500
Maintenance Expense	190,000	190,000
Advertising & Marketing	500	1,500
Central HVAC Costs	10,000	10,000
Landscaping	21,000	21,630
Property Management Fees Paid	109,460	
Asset Management Fees Paid	30,000	30,000
Total Operating Expenditures	\$1,025,960	
Transfers In/Out (fungibility)	0	0
Income/(loss) from operations	(\$20,708)	

Section 11 Year-End Financial Reporting Overview

WHAT ARE THE REQUIREMENTS?

- At the end of each fiscal year a PHA is required to complete year-end financial reports to Real Estate Assessment Center.
- Under the *Uniform Financial Reporting Requirements* (FR Vol. 63, No. 169, Sept. 1, 1998) PHAs must report year-end financial information in accordance with generally accepted accounting principles (GAAP).
- Currently PHAs submit all year-end financial information for the public housing program to the Real Estate Assessment Center (REAC) using an Internet-based data template known as the Financial Data Schedule (FDS).
- Under current program rules PHAs have the following reporting deadlines:
 - Within 60 days after year-end, submit to REAC using the FDS unaudited financial information in accordance with GAAP. REAC does allow for a 15-day grace period.
 - Within nine months after year-end, submit to REAC audited financial information in accordance with GAAP.
 - An audited submission is only required when a PHA meets the single audit threshold of \$750,000 or more in expenditures for the year.

THE UNIFORM FINANCIAL REPORTING REQUIREMENTS CHANGED THE WAY PHAS REPORT TO HUD

- Under GAAP, PHAs can elect to use two bases of accounting: modified accrual, or full accrual, depending on the type of program they are operating.
- HUD suggested, and most PHAs accepted their suggestion that they use full accrual for all HUD programs.

- The use of full accrual alters the way PHAs handle accounting transactions primarily for the following items:
 - **Bad Debt**
 - Under regulatory HUD accounting, PHAs recognized tenant bad debt when it was actually written off.
 - Under full accrual bad debt expense is an estimate based on methodology prescribed by accounting practice. The writing off of bad debt is a separate accounting activity from recognizing bad debt expense.
 - **Maintenance Inventory Accounting**
 - Under regulatory HUD accounting, PHAs could choose to expense all maintenance inventory items at the time they were purchased or expense them when used.
 - Under full accrual PHAs are required to treat material amounts of inventory as an asset and only record an expense when items are actually used. The recognition of the expense is normally done through the work order process.
 - **Obsolete Inventory**
 - Under regulatory HUD accounting, PHAs often did not remove obsolete inventory even if it was of no use. Only when they actually disposed of obsolete inventory did they recognize the expense.
 - Under the full accrual accounting method, PHAs will be required to recognize an expense for obsolete inventory in the period it is determined to no longer have value. As with bad debt, actually removing the obsolete inventory from the accounting records is a separate accounting activity.

- **Fixed Assets**

- Under regulatory HUD accounting, PHAs expensed all asset purchases at the time they were purchased and then recorded them to the balance sheet at cost. Assets would remain on the balance at cost until they were disposed of.
- Under full accrual, PHAs will still record assets at cost, but they will not expense the full cost of the asset at the time it is purchased. Instead, the cost of the asset will be recognized over time through the use of depreciation.

- **Compensated Absences**

- Under regulatory HUD accounting, PHAs did not record the future liability for vacation and sick time. Instead, they simply recognized an expense in the period the employee used the vacation or sick time.
- Under full accrual, PHAs will recognize the expense for vacation and sick time when it is earned as opposed to when it is actually paid. The PHA is only required to recognize an expense and an offsetting liability if the employee earned the vacation and/or sick time for services already rendered, and the PHA makes a payout at termination.

- **HUD Debt**

- Under regulatory HUD accounting, HUD debt was recorded on the PHA's balance sheet as a liability even though the PHA was not legally responsible for the payment of the debt.
- Under GAAP, HUD debt was reclassified as contributed capital (an equity account).

- **Surplus or Equity Accounts**

- Using the regulatory HUD basis of accounting, a PHA's equity (surplus) was tracked in three accounts: 2810 Unreserved Surplus; 2810 Operating Reserves; 2840 Cumulative HUD Contributions.
- Under GAAP, PHAs will now be reporting retained earnings at the fund level and investment in fixed assets net of related debt, restricted net position and unrestricted net position at the entity wide reporting level.

- **Accounting for Pension Plans**

- In an effort to improve the financial reporting of pension expense and liabilities, the GASB issued two new statements in June 2012. The new pension reporting statements are:
 - **Statement 67, Financial Reporting for Pension Plans** – This statement is applicable to financial reporting for state and local government pension plans (i.e., the entity that administers the pension plan for member employers).
 - **Statement 68, Accounting and Financial Reporting for Pension** – This statement addresses the financial and reporting requirements for governments that provide their employees with pension.

Notes

- As some background on possible government retirement plans, the IRS code allows for the following types of retirement plans for governmental employees:
 - **Section 401(a) - Qualified Plan** – Prior to May 6, 1986, any public employer could set up a 401(a) plan, typically referred to as 401(k) plans. After May 6, 1986, state and local governments are no longer eligible to adopt this type of plan except for rural cooperatives and Indian tribal entities. However, under grandfather provisions, plans established prior to May 6, 1986, may continue to operate and add new participants. Under these plans, depending on the type of plan established, employer contributions can be deferred from income tax until distribution and exempt from social security and Medicare tax or deferred from income tax, but subject to FICA tax. Typically, employee contributions are deferred from income tax, but subject to FICA tax.
 - **Section 457(b) Plans** – Under these plans, employer contributions are tax-deferred up to annual limits established by the IRS. Employee elective contributions are deferred from income tax but subject to FICA.

Notes

- **Public Retirement Systems** – As defined by the IRS, is a pension, annuity, retirement, or similar fund or system maintained by a state or local government that provides a retirement benefit to eligible employees that is comparable to Social Security.
- Some PHAs administer their own retirement plans such as a 401(k) or a 457(b) plan. Others participate in a state retirement plan. Prior to the issuance of Statements 67 and 68, regardless of the type of plan a PHA participated in, PHAs only reported retirement expense for the actual contributions they made for eligible employees participating in their retirement plans. Any pension liability that was reported typically only related to the amounts employers were obligated to contribute to a retirement plan that were not made by the end of the fiscal year.
- Those PHAs who participate in a public retirement plan administered by a state or local government and who use the full accrual basis of accounting should refer to GASB 87.
- **Management's Discussion and Analysis (MD&A)**
 - Under GAAP, a PHA must include as part of its audited submission to REAC an MD&A. The MD&A is a narrative analysis of the PHA's activities based on currently known facts, decisions, and conditions.

Section 12 Capital Fund Program and Budgeting

BACKGROUND AND REFERENCES

- The Quality Housing and Work Responsibility Act (Reform Act) mandated one funding source for capital (modernization) programs.
- Published November 25, 2013, the Capital Fund Final Rule further consolidated and streamlined legacy modernization programs, including the CGP, CIAP, and the Public Housing Development Program regarding mixed-finance development, into one comprehensive regulation.
- HUD published the Capital Fund Guidebook in April, 2016, providing further guidance and details on the uses of the CFP.
- The PHA is required to present the Capital Fund submission to the public and its residents and Resident Advisory Board (RAB) in a public hearing. The public hearing for the CFP and the PHA Plan may be held at the same time.
- While qualified PHAs are exempt from submitting a PHA Annual Plan (see Chapter 3), they are not exempt from the requirement to hold an annual public hearing or to submit a 5-Year Plan.

eLOCCS

- The electronic Line of Credit Control System (eLOCCS) is HUD's primary grant disbursement system, involving disbursements for most HUD programs. eLOCCS provides internet-based drawdown of funds, and query and reporting capabilities.

SYSTEM FOR AWARD MANAGEMENT (SAM)

- All PHAs were required to obtain a DUNS number no later than April 2012 and to submit a certification to their local field office to demonstrate compliance with this requirement.
- The PHA's SAM registration must be updated annually.

EPIC

- Beginning with the FFY 2018 Capital Fund allocation, all PHAs will be required to submit electronically. To submit electronically, PHAs will use HUD's Energy Performance & Information Center (EPIC). Detailed information on using EPIC is included on the Capital Fund page of HUD's website.
- HUD has established a new broader Budget Line Item (BLI) structure that will be utilized in both EPIC and eLOCCS. This change is expected to reduce the need for PHAs to submit budget revisions.

CAPITAL FUND FORMULA

Emergency Reserve and Use of Amounts

- HUD reserves an authorized amount for:
 - Use for assistance in connection with emergencies and other disasters; and
 - Housing needs resulting from any settlement of litigation
 - Emergencies that are not identified in the 5-year action plan are eligible costs.
 - HUD may require a PHA to use any other source that may legally be available, including unobligated Capital Funds, prior to providing emergency or natural disaster funds from the set-aside.

- In the final rule, PHAs are reminded that PHAs are required by the CF ACC to carry various types of insurance to protect it from loss. In most cases, insurance coverage will be the primary source of funding to pay repair or replacement costs associated with emergencies or natural disasters.
- HUD may reserve other amounts for other purposes authorized by Congress.
- HUD generally releases a PIH Notice explaining the procedures and required documentation to apply for emergency safety and security funding each year.

Formula Allocation Based on Relative Needs

- After determining amounts to be reserved under emergency reserves, HUD allocates the remaining amount according to existing modernization needs and accrual needs of all PHAs.
- Capital funds are allocated to small, medium, and large PHAs on a fair-share basis.
- An individual PHA's formula share is based on measurable data including the average number of bed-rooms in a development, the location of the PHA, the age of the developments, and the amount of Congressional approved funding, just to name a few.

FUNGIBILITY OF CAPITAL FUNDS AND OPERATING FUNDS

Small PHAs

- A PHA with less than 250 public housing units may use up to 100 percent of CFP or operating funds if:
 - The PHA is not designated as troubled under PHAS; and
 - The PHA operates its public housing units in a safe, clean and healthy condition as determined by HUD.
 - The approved Five-Year Plan has outlined the use of these funds appropriately.

Notes

- PHAs using this flexible funding authority must retain the necessary accounting to indicate the sources and uses of all funds, including their origination as capital (including CFP) or operating funds.

Large PHAs

- A PHA with more than 250 public housing units may use up to 20 percent of its CFP funds for operating costs.
- Note that Notice PIH 2018-03 also allows PHAs the flexibility to use a portion of their operating subsidies for capital activities. HUD will publish the maximum amount allowable (currently, 25 percent) towards the end of each funding year.

Section 12: Capital Fund Program and Budgeting

Notes

Section 13 Income Statement

INCOME STATEMENT

- An income statement goes by many names; Statement of Revenue and Expenses, Profit & Loss Statement, Statement of Activities, or Operating Statement, just to name a few. Basically, an income statement is a financial statement that measures the results over a period of time, say for the month or a year. How much dwelling rent was earned for the month of December? Or how much did the project expend in plumbing contract costs for the year?
- Generally, the income statement will consists of three main categories:
 - Operating Revenue—Operating revenue relates to sources of funds expected from the operating of the project, dwelling rent, late fees, operating subsidy, etc.
 - Operating Expenses—Operating expenses can be defined as traditional day-to-day costs incurred for the maintaining of a project such as maintenance labor, office supplies, etc.
 - Non-operating items usually consist of items that are not part of the normal day-to-day activities such as roof damage from a wind storm
- There are many variations of this statement. Typically, asset managers and property managers will review a detailed statement listing each revenue and expense line item, where the Board of Commissioners may review a summarized presentation of the overall portfolio. The most traditional statement is the budget to actual, a combination of the actual income statement comparing it to the budget.

BUDGET TO ACTUAL

- In order to monitor expenses throughout the course of the month, the property manager should use a declining budget form to record all purchases. This form may be generated by accounting, or may be maintained by the property manager. This form will be used by the regional manager when approving purchases over the purchasing limit established for the property manager.
- The property manager most likely will monitor expenses and receivables over which he or she has the most control. For example, worksheets would usually not be required for salaries and wages, insurance, taxes, etc.
- Worksheets should be retained as a tracking and audit tool.
- It is important that the asset manager requires property managers to monitor the progress of their budgets on a monthly basis. The property manager must review both the income line items (rent, other income, repayment agreements, etc.) and the expense line items (maintenance costs, office supplies, etc.)
- While reviewing the monthly operating statements, the property manager should identify all variances. The variance is a comparison of what was budgeted (estimated) and what actually happens.
- Both favorable and unfavorable variances are shown. A favorable income variance, for example, is when the actual income is greater than the budgeted income.

Section 13: Income Statement

Notes

- The property manager should provide a written explanation to the regional manager at least monthly, identifying reasons for variances that exceed certain pre-established thresholds, e.g., 5 percent or \$500. Any explanation required for variances that exceed the approved thresholds should describe what actions have been taken and/or include a plan for corrective actions.
- Following are key budget to actual reports:
 - One project's budget to actual, with current month and FYE
 - One project's FYE PUM variance report
 - Portfolio PUM budget to actual, with current month and FYE

**Hilldale Housing Authority
Willow Run Project
Statement of Operations for the Year Ended December 31, 2021**

	Current Month			Year-to-Date		
	Actual	Budget	Variance Over/(Under)	Actual	Budget	Variance Over/(Under)

Operating Income:

Gross Potential Rent	31,964	31,050	914	372,600	372,600	-	0.00%
Less: Vacancy Loss	(248)	(311)	63	(7,452)	(3,726)	(3,726)	100.00%
Net Tenant Rental Revenue	31,716	30,740	977	365,148	368,874	(3,726)	-1.01%
Gross Potential Subsidy	44,879	44,850	20	538,200	538,200	-	0.00%
Less: Vacancy Loss	(432)	(449)	17	(10,764)	(5,382)	(5,382)	100.00%
Less: Proration Amount	(4,588)	(4,884)	296	(58,018)	(58,610)	592	-1.01%
Net Operating Subsidy	39,850	39,517	333	459,418	474,208	(4,790)	-1.01%
HUD PHA Operating Grant – CFP	-	-	-	-	-	-	N/A
Other Tenant Charges	542	450	92	5,100	5,400	(300)	-5.56%
Excess Utilities	-	-	-	-	-	-	N/A
Investment Income	342	600	(258)	4,200	7,200	(3,000)	-41.67%
Fraud Recovery	-	-	-	-	-	-	N/A
Non-Dwelling Rent	450	450	-	5,200	5,400	(200)	-3.70%
Other Income	152	1,167	(1,015)	14,600	14,000	600	4.29%
Total Operating Income	73,052	72,924	129	863,666	875,082	(11,416)	-1.30%

**Operating Expenditures
Administrative**

Administrative Salaries	5,887	5,885	2	70,616	70,616	-	0.00%
Employee Benefits – Administrative	2,298	2,236	62	26,834	26,834	-	0.00%
Auditing Expense	-	300	(300)	3,600	3,600	-	0.00%
Management Fees	7,752	7,731	21	91,834	92,771	(937)	-1.01%
Bookkeeping Fees	1,121	1,114	7	13,230	13,365	(135)	-1.01%
Advertising and Marketing	-	-	-	-	-	-	N/A
Office Expense	828	748	80	13,000	8,980	4,020	44.77%
Legal Expense	924	900	24	14,000	10,800	3,200	29.63%
Travel	-	-	-	-	-	-	N/A
Other Administrative Costs	2,498	1,719	779	19,800	20,628	(828)	-4.01%
Total Administrative	21,308	20,633	675	252,914	247,594	5,320	2.14%
Asset Management Fee	-	1,500	(1,500)	18,000	18,000	-	0.00%

Year-to-Date			
Actual	Budget	Variance Over/(Under)	Variance %

-	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
16,000	19,800	(3,800)	-19.19%
16,000	19,800	(3,800)	-19.19%

Current Month			
Actual	Budget	Variance Over/(Under)	Variance %

-	-	-	N/A
-	-	-	N/A
-	-	-	N/A
1,662	1,650	12	1%
1,662	1,650	12	1%

Tenant Services

Tenant Services – Salaries	-	-	N/A
Employee Benefits – Tenant Services	-	-	N/A
Relocation Costs	-	-	N/A
Tenant Services – Other	1,662	1,650	12
Total Tenant Services	1,662	1,650	12

Utilities

Water	4,286	4,011	275	7%
Electricity	7,342	7,272	70	1%
Gas	12,984	6,123	6,861	112%
Fuel	-	-	-	N/A
Sewer	2,896	2,673	223	8%
Other	-	-	-	N/A
Total Utilities	25,508	20,079	7,429	37%

58,200	48,132	10,068	20.92%
84,000	87,265	(3,265)	-3.74%
62,600	73,472	(10,872)	-14.80%
-	-	-	0.00%
38,700	32,076	6,624	20.65%
-	-	-	N/A
243,500	240,945	2,555	1.06%

Maintenance

Labor	8,186	8,250	(63)	-1%
Employee Benefits – Maintenance	3,248	3,135	113	4%
Labor – Overtime	620	-	620	#DIV/0!
Maintenance Materials	3,247	3,300	(54)	2%
Maintenance Contract				
Garbage and Trash Removal Contracts	1,224	1,200	24	2%
Heating & Cooling Contracts	198	1,293	(1,095)	-85%
Snow Removal Contracts	-	-	-	N/A
Elevator Maintenance	-	-	-	N/A
Landscape and Grounds Maintenance	320	1,050	(730)	-70%
Unit Turnaround Contracts	-	-	-	N/A
Electrical Contracts	426	300	126	42%
Plumbing Contracts	468	300	168	56%
Extermination Contracts	460	450	10	2%
Janitorial Contracts	-	-	-	N/A
Other Miscellaneous Contract Costs	2,426	2,112	314	15%
Total Maintenance	20,822	21,390	(568)	-3%

99,000	99,000	-	0.00%
37,620	37,620	-	0.00%
7,920	-	7,920	#DIV/0!
41,000	39,600	1,400	3.54%
14,500	14,400	100	0.69%
21,000	15,615	5,484	35.34%
-	-	-	0.00%
-	-	-	0.00%
17,600	12,600	5,000	39.68%
-	-	-	0.00%
3,300	3,600	(300)	-8.33%
3,200	3,600	(400)	-11.11%
6,400	5,400	1,000	18.52%
-	-	-	0.00%
18,000	24,344	(7,344)	28.98%
269,540	256,680	12,860	5.01%

Year-to-Date			
Actual	Budget	Variance Over/(Under)	Variance %

Current Month			
Actual	Budget	Variance Over/(Under)	Variance %

Protective Services

Protective Services – Salaries	-	-	-	-	0.00%
Employee Benefits – Protective Services	-	-	-	-	0.00%
Protective Services Contract Costs	880	900	(20)	-	0.00%
Protective Services Other	-	-	-	-	0.00%
Total Protective Services	880	900	(20)	-	0.00%

Insurance

Property	1,888	1,910	(22)	-	-1%
General Liability	1,296	1,357	(61)	-	-4%
Worker's Comp	324	333	(9)	200	5.00%
Other Insurance	46	-	46	-	0.00%
Total Insurance	3,554	3,600	(46)	200	0.46%

General Expense

Other General Expense	25	150	(125)	-	0.00%
Compensated Absences	-	-	-	-	0.00%
Payments in Lieu of Taxes	421	1,005	(584)	-	0.00%
Bad Debt – Tenants	642	564	78	7,028	103.78%
Severance Expense	-	-	-	-	0.00%
Total General Expense	1,088	1,719	(632)	7,028	34.06%

Total Operating Expenditures	76,822	71,471	5,351	24,163	2.82%

Excess Revenue Over (Under) Operating Expenses	(3,770)	1,453	(5,222)	(35,579)	-204.11%

Net Cash Flow	(3,770)	1,453	(5,222)	(35,579)	-204.11%

**Hilldale Housing Authority
Willow Run Project
Operating Statement – PUM Basis – For the Year Ended December, 2021**

	Actual	Budget	Variance Over/(Under)	Variance %
Gross Potential Rent	207.00	207.00	-	0.00%
Less: Vacancy Loss	(4.14)	(2.07)	(2.07)	100.00%
Net Tenant Rental Revenue	202.86	204.93	(2.07)	-1.01%
Gross Potential Subsidy	299.00	299.00	-	0.00%
Less: Vacancy Loss	(5.98)	(2.99)	(2.99)	100.00%
Less: Proration Amount	(32.23)	(32.56)	0.33	-1.01%
Net Operating Subsidy	260.79	263.45	(2.66)	-1.01%
HUD PHA Operating Grant – CFP	-	-	-	0.00%
Other Tenant Charges	2.83	3.00	(0.17)	-5.56%
Excess Utilities	-	-	-	0.00%
Investment Income	2.33	4.00	(1.67)	-41.67%
Fraud Recovery	-	-	-	0.00%
Non-Dwelling Rent	2.89	3.00	(0.11)	-3.70%
Other Income	8.11	7.78	0.33	4.29%
Total Operating Income	479.81	486.16	(6.34)	-1.30%

**Operating Expenditures
Administrative**

Administrative Salaries	39.23	39.23	-	0.00%
Employee Benefits – Administrative	14.91	14.91	-	0.00%
Auditing Expense	2.00	2.00	-	0.00%
Management Fees	51.02	51.54	(0.52)	-1.01%
Bookkeeping Fees	7.35	7.43	(0.08)	-1.01%
Advertising and Marketing	-	-	-	0.00%
Office Expense	7.22	4.88	2.23	44.77%
Legal Expense	7.78	6.00	1.78	29.63%
Travel	-	-	-	0.00%
Other Administrative Costs	11.00	11.46	(0.46)	-4.01%
Total Administrative	140.51	137.55	2.96	2.15%

Asset Management Fee	10.00	10.00	-	0.00%

Tenant Services

Tenant Services – Salaries	-	-	-	0.00%
Employee Benefits – Tenant Services	-	-	-	0.00%
Relocation Costs	-	-	-	0.00%
Tenant Services – Other	8.89	11.00	(2.11)	-19.19%
Total Tenant Services	8.89	11.00	(2.11)	-19.19%

Utilities

Water	32.33	26.74	5.59	20.92%
Electricity	46.67	48.48	(1.81)	-3.74%
Gas	34.78	40.82	(6.04)	-14.68%
Fuel	-	-	-	0.00%
Sewer	21.50	17.82	3.68	20.65%
Other	-	-	-	0.00%
Total Utilities	135.28	133.86	1.42	1.06%

	Actual	Budget	Variance Over/(Under)	Variance %
Maintenance				
Labor	55.00	55.00	-	0.00%
Employee Benefits – Maintenance	20.90	20.90	-	0.00%
Labor – Overtime	4.40	-	4.40	#DIV/0!
Maintenance Materials	22.78	22.00	0.78	3.54%
Maintenance Contract				
Garbage and Trash Removal Contracts	8.06	8.00	0.06	.69%
Heating & Cooling Contracts	11.67	8.62	3.05	35.34%
Snow Removal Contracts	-	-	-	0.00%
Elevator Maintenance	-	-	-	0.00%
Landscape and Grounds Maintenance	9.78	7.00	2.78	39.68%
Unit Turnaround Contracts	-	-	-	0.00%
Electrical Contracts	1.83	2.00	(0.17)	-8.33%
Plumbing Contracts	1.78	2.00	(0.22)	-11.11%
Extermination Contracts	3.56	3.00	0.56	18.52%
Janitorial Contracts	-	-	-	0.00%
Other Miscellaneous Contract Costs	10.00	14.08	(4.08)	-28.98%
Janitorial Contracts	-	-	-	0.00%
Other Miscellaneous Contract Costs	10.00	14.08	(4.08)	-28.98%
Total Maintenance	149.74	142.60	7.14	5.01%

Protective Services				
Protective Services – Salaries	-	-	-	0.00%
Employee Benefits – Protective Services	-	-	-	0.00%
Protective Services Contract Costs	6.00	6.00	-	0.00%
Protective Services Other	-	-	-	0.00%
Total Protective Services	6.00	6.00	-	0.00%

Insurance				
Property	12.73	12.73	-	0.00%
General Liability	9.04	9.04	-	0.00%
Worker's Comp	2.33	2.22	0.11	5.00%
Other Insurance	-	-	-	0.00%
Total Insurance	24.11	24.00	0.11	0.46%

General Expenses				
Other General Expense	1.00	1.00	-	0.00%
Compensated Absences	-	-	-	0.00%
Payments in Lieu of Taxes	6.70	6.70	-	0.00%
Bad Debt – Tenants	7.67	3.76	3.90	103.78%
Severance Expense	-	-	-	0.00%
Total General Expense	15.37	11.46	3.90	34.06%

Total Operating Expenditures	489.90	476.47	13.42	2.82%

Excess Revenue Over (Under) Operating Expenses	(10.08)	9.68	(19.77)	-204.11%

Net Cash Flow	(10.08)	9.68	(19.77)	-204.11%

Hilldale Housing Authority
Portfolio Analysis – PUM Basis for the Month of December, 2021

	Current Month – Actual		Year to Date – Actual	
	Willow Run	Juniper Gardens	Willow Run	Juniper Gardens
Operating Income				
Gross Potential Rent	213.09	214.00	207.00	214.00
Less: Vacancy Loss	(1.65)	(15.84)	(4.14)	(14.70)
Net Tenant Rental Revenue	211.44	198.16	202.86	199.30
Gross Potential Subsidy	299.13	198.11	299.00	198.11
Less: Vacancy Loss	(2.88)	(2.66)	(5.98)	(2.66)
Less: Proration Amount	(30.59)	(20.25)	(32.23)	(20.25)
Net Operating Subsidy	265.67	175.20	260.79	175.20
HUD PHA Operating Grant – CFP	-	-	-	-
Other Tenant Charges	3.61	4.28	2.83	2.39
Excess Utilities	-	-	-	-
Investment Income	2.28	3.42	2.33	2.71
Fraud Recovery	-	-	-	-
Non-Dwelling Rent	3.00	4.50	2.89	7.71
Other Income	1.01	10.96	8.11	11.10
Total Operating Income	487.01	396.52	479.81	398.40

Operating Expenditures
Administrative

Administrative Salaries	39.35	42.08	39.23	42.07
Employee Benefits – Administrative	15.32	17.04	14.91	17.81
Auditing Expense	-	300	2.00	2.17
Management Fees	51.68	46.78	51.02	49.89
Bookkeeping Fees	7.47	6.75	7.35	7.19
Advertising and Marketing	-	-	-	-
Office Expense	5.52	4.22	7.22	3.25
Legal Expense	6.16	-	7.78	1.96
Travel	-	-	-	-
Other Administrative Costs	16.65	12.08	11.00	8.22
Total Administrative	142.05	128.95	140.51	132.55

Asset Management Fee	-	10.00	10.00

	Current Month – Actual		Year to Date – Actual	
	Willow Run	Juniper Gardens	Willow Run	Juniper Gardens
Tenant Services				
Tenant Services - Salaries	-	-	-	-
Employee Benefits – Tenant Services	-	-	-	-
Relocation Costs	-	-	-	-
Tenant Services – Other	11.08	6.04	8.89	6.84
Total Tenant Services	11.08	6.04	8.89	6.84

Utilities				
Water	28.57	17.08	32.33	18.05
Electricity	48.95	32.68	46.67	35.25
Gas	86.56	68.42	34.78	35.65
Fuel	-	-	-	-
Sewer	19.31	11.89	21.50	11.67
Other	-	-	-	-
Total Utilities	183.39	130.07	135.28	100.63

Maintenance				
Labor	54.57	47.80	55.00	49.89
Employee Benefits – Maintenance	21.65	18.04	20.90	20.82
Labor – Overtime	4.13		4.40	
Maintenance Materials	21.64	20.68	22.78	19.15
Maintenance Contracts:				
Garbage and Trash Removal Contracts	8.16	4.26	8.06	3.57
Heating & Cooling Contracts	1.32	6.78	11.67	9.91
Snow Removal Contracts	-	-	-	-
Elevator Maintenance	-	10.20	-	5.97
Landscape & Grounds Contracts	2.13	2.04	9.78	1.65
Unit Turnaround Contracts	-	-	-	-
Electrical Contracts	2.84	1.77	1.83	2.25
Plumbing Contracts	3.12	6.04	1.78	2.32
Extermination Contracts	3.07	2.46	3.56	2.72
Janitorial Contracts	-	-	-	-
Mother Miscellaneous Contract Costs	16.17	27.89	10.00	14.99
Total Maintenance	138.81	147.96	149.74	133.25

Protective Services				
Protective Services - Salaries	-	-	-	-
Employee Benefits – Protective Services	-	-	-	-
Protective Services Contract Costs	5.87	-	6.00	-
Protective Services Other	-	-	-	-
Total Protective Services	5.87	-	6.00	-

	Current Month – Actual		Year to Date – Actual	
	Willow Run	Juniper Gardens	Willow Run	Juniper Gardens
Insurance				
Property	2.59	16.18	12.73	14.37
General Liability	8.64	11.08	9.04	8.21
Worker's Comp	2.16	2.34	2.33	1.39
Other Insurance	0.31	0.42	-	-
Total Insurance	23.69	30.02	24.11	24.29

General Expense				
Other General Expense	0.17	2.88	1.00	0.54
Compensated Absences	-	-	-	-
Payments in Lieu of Taxes	2.81	6.81	6.70	4.93
Bad Debt – Tenants	4.28	1.84	7.67	2.74
Severance Expense	-	-	-	-
Total General Expense	7.25	11.53	15.37	8.21

Total Operating Expenditures	512.15	454.57	489.90	415.76

Excess Revenue Over (Under) Operating Expenses	(25.13)	(58.05)	(10.08)	(17.36)

Non-Operating Expenses				
Extraordinary Maintenance	-	-	-	2.08
Casualty Losses – Non-capitalized	-	-	-	-
Depreciation Expense	-	-	-	-
Fraud Losses	-	-	-	-
Interest Expense	-	-	-	-
Total Non-Operating Expenses	-	-	-	2.08

Excess Revenue Over (Under) Expenses	(25.13)	(58.05)	(10.08)	(19.44)

Conversion to Cash Flow (before Other Financing Sources (Uses))				
Add back: Depreciation Expense	-	-	-	-
Deduct: Debt Service Payments (if any)	-	-	-	-
Cash Flow Before Other Financing Sources (Uses)	(25.13)	(58.05)	(10.08)	(19.44)

	Current Month – Actual		Year to Date – Actual	
	Willow Run	Juniper Gardens	Willow Run	Juniper Gardens
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Inter Project Excess Cash Transfer – In	-	-	-	-
Inter Project Excess Cash Transfer – Out				
Transfers Between Programs & Projects – In	-	-	-	-
Transfers Between Programs & Projects – Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Cash Flow	(25.13)	(58.05)	(10.08)	(19.44)

Section 13: Income Statement

Learning Activity 5-5: Operating Statements and Budget-to-Actual

1. Look at the statement of operations for Willow Run on page 5-92. What is the most serious YTD problem in operating income?

2. In overseeing maintenance, which costs would you look into, indicated on page 5-93?

3. In the PUM operating statement for Willow Run (pages 5-95 and 5-96), what is the largest variance in costs?

4. Which utility cost is highest in the month compared to year-to-date (page 5-98)? What do you think explains this difference?

5. Can you tell from these reports whether or not the projects will be able to pay the asset management fees to the COCC?

Section 13: Income Statement

- Following is a sample budget variance report.

Learning Activity 5-6: Budget Variance

Summary Budget Variance Report Consolidated Project Statement For the Period ending December 31, 20__ Fiscal Year January 2, [Year] – December 31, [Year] Asset Management Project 03					
Account	YTD Actual	YTD Budget	\$Variance	% Change	F or U
Revenue					
Tenant Rents	288,476.45	280,000.00	8,476.45	3%	F
- Vacancy	(1,932.50)	(2,000.00)	67.50	3%	F
- Delinquency	(725.63)	(500.00)	(225.63)	-31%	U
Total Rental Income	285,818.32	277,500.00	8,318.32	3%	F
Other Income	3,328.75	1,000.00	2,328.75	70%	F
Total Revenue	289,147.07	278,500.00	10,647.07	4%	F
Expense					
Salaries	85,301.05	82,176.00	(3,125.05)	-4%	U
Maintenance	28,980.35	30,000.00	1,019.65	3%	F
Utilities	49,815.24	45,000.00	(4,815.24)	-10%	U
Landscaping	4,067.81	2,000.00	(2,067.81)	-50%	U
Make-readies	5,988.75	4,000.00	(1,988.75)	-33%	U
Insurance	7,283.25	5,000.00	(2,283.25)	-31%	U
Tenant Services	4,000.00	4,000.00	0	0	
Total Expense	185,436.45	172,176.00	(13,260.45)	-7%	U
Net Operating Income	103,710.62	106,324.00	(2,613.38)	-2%	U

1. What is the problem(s) the property manager should start remedying first?

2. Why?

BUDGET REVISIONS

- Budgets are not merely an estimate of what to expect, but are the basis of decision-making for the projects and the agency's portfolio as a whole.
- Budget monitoring will involve situations where corrective actions need to be taken and your budget may need adjustments as the year progresses to reflect changes in the property's situation, or a revised budget may be necessary when change makes the original budget irrelevant.
- After the variances have been explained, it will be necessary for the property manager or asset manager to do budget revisions to move money into the line items with negative variances. This variance was created by an expense that was not budgeted for, or was more than anticipated. Therefore, the money must be found in another line item. Occasionally the board will need to approve a major budget revision.

Section 13: Income Statement

Notes

Section 14 The Balance Sheet

- A balance sheet is a snapshot of the project's financial position on a given day (usually, the last day of the month).
 - Typically, balance sheets are prepared on a monthly basis and presented along with the income statement for internal reporting purposes.
 - For HUD reporting purposes, the balance sheet is submitted only at year-end.
- The balance sheet provides a basis to evaluate the equity structure (net worth) and assess the liquidity and financial flexibility of the project.
 - Liquidity is defined as the ability to convert the assets into cash or to pay a liability.
 - Financial flexibility is the ability to take effective actions to alter the amounts and timing of cash flows to respond to unexpected needs and opportunities.
- The balance sheet also provides a basis for comparing changes from prior reporting periods. Did equity (net worth) account balances increase? Did cash/investment balances increase from the prior year?

BALANCE SHEET TERMINOLOGY

Assets

- Current assets are assets that can be easily converted to cash.
 - Cash, investments, accounts receivables, and prepaid insurance are examples.
- Non-current assets (fixed assets) are assets used for operations with an expected life of several years.
 - Land, buildings, equipment, construction in progress, and accumulated depreciation are examples.
- Restricted assets normally represent funds restricted for deposits or debt obligations
 - Tenant security deposits or other assets that are 'externally' restricted (i.e., not something that the PHA itself designates but imposed by a third-party).
- Proceeds from asset disposals of a project—i.e., the sale of a project's maintenance vehicle—are considered to be assets of the projects and not of the COCC.
 - With HUD approval, certain proceeds may be transferred to the COCC but may still be governed by other restrictions (24 CFR section 990.280(b)(5)). (Also see Section 6.3 in the Supplement to HUD Handbook 7475.1.)

Liabilities

- Current liabilities are liabilities typically due to be paid within one year.
 - Accounts payable, tenant security deposits, PILOT (unpaid from previous year), and wages/payroll payables are examples of current liabilities.
- Non-current liabilities (long-term liabilities) are liabilities that are typically due with multiple year payments.
 - Examples are CFFP financing and capital lease obligations. Most projects typically don't have long-term liabilities.

Section 14: The Balance Sheet

Notes

Equity

- Equity is defined generally as the remaining amount of assets after all liabilities have been extinguished. Equity is also known as net assets.
- Unrestricted net position is the funds available to utilize for future years expenditures.
- Investment in net fixed assets is the equity invested in fixed assets after debt has been considered.
- Restricted net position are funds restricted by an outside source

FUNGIBILITY AND THE BALANCE SHEET

- Projects that have excess cash may transfer it to other projects that may need additional cash. This is known as “fungibility.”
 - Excess cash is determined from a project’s balance sheet from the previous year. A project may exercise fungibility only to the extent that a project has excess cash.
- If a project has excess cash it can be:
 - Retained for future expenditures of the project
 - Transferred to other projects (fungibility)
 - Used to pay the asset management fees to the COCC up to the maximum amount allowed by HUD
 - Used for other eligible purposes, which could include:
 - Financing costs for the modernization or development of new units
 - The payment of legal costs due to lawsuits and other legal issues incurred prior to the conversion to asset management that can't be charged to specific projects
 - The payment of legacy liabilities such as accrued pension liabilities and retirement benefit liabilities that were incurred prior to the adoption of asset management.
- The executive team, including the finance director, needs to make the financial decision whether to transfer funds to projects, so that projects will show excess cash on the balance sheet at FYE.

Section 14: The Balance Sheet

Notes

- Calculation of excess cash is determined from a project's balance sheet as submitted to HUD via the FDS. The formula for calculating excess cash is certain current assets minus current liabilities minus one month operating expenses for the project.

Is this transfer fungible?	Yes	No
Transfer cash from AMP 1 to AMP2 if AMP 1 has sufficient cash and AMP 2 does not have excess cash		
Transfer cash from AMP 1 to COCC beyond HUD-allowable conventional fees		
Transfer cash from HCV to AMP1		
Transfer cash from Capital Fund to AMP1		
Transfer cash from COCC to AMP1		

BALANCE SHEET ISSUES

- Just because a project has an impressive balance sheet doesn't give the property manager the authority to incur additional unbudgeted expenditures.
 - Expenditures must be authorized through an operating budget approved by the board.
 - Executive management may plan to utilize a portion of these funds for an improvement project, or may make the decision to transfer funds from one project to another (fungibility).
- The balance sheet should be an integral part of the budget preparation and project monitoring process.
 - Only through an understanding of the balance sheet to determine the availability of funds can one understand the impact of the budget process.
- Analyzing the balance sheets and comparing amounts from previous years will bring to light issues that need to be addressed to insure the future viability of the project.

Section 14: The Balance Sheet

Notes

Section 15 Financial Audits

- Every housing authority that expends \$1,000,000 or more in federal funds must undergo an audit of its financial statements each fiscal year. The audit must be conducted by an auditor independent of the agency. The purpose of the audit is to ensure that the PHA's financial statements are sound and present an accurate picture of the agency's financial condition.
- As the asset manager, you should understand the audit, because the audit and the audit report ensure that the properties' financial statements are sound and can be relied upon as accurate reflections of the property's financial condition.

HOW TO READ THE AUDIT

- If the auditor finds no problems, they will give an "unqualified" opinion, which means that the auditor can give a firm opinion based on documentation. Any type of "qualified" opinion means that the auditor has some level of concern with the records or processes reviewed. A qualified opinion can be damaging to the credibility of the agency.
- An audit finding is a condition related to a deficiency in the internal control process, fraud, illegal acts, violations of provisions of contracts and grant agreements, and instances of abuse.
- Audit findings will be classified according to the severity as either a significant deficiency or a material weakness, with the latter being the most severe.
- Audit reports are sometimes accompanied by a management letter. The management letter will often times refer to methods to improve the internal control structure or communicate minor issues that are not significant enough to be addressed in the actual audit report.

Section 15: Financial Audits

Notes

Section 16 Summary

- Good financial management of the portfolio and projects is not divorced from good property management skills, good customer service skills, collaboration skills with other departments, hard work, and fairness. You need comprehensive, consistent financial and occupancy policies, and an up-to-date lease. Electronic reporting, accurate and on-time, will need to be generated for each project.
- Commitment to vision and the good of the community will be reflected in an impressive balance sheet and bottom line.
- We have seen that filling the units, collecting the rent, and keeping on track with the budgets are key responsibilities.

DAY-TO-DAY RESPONSIBILITIES

- Basically, the portfolio and the projects is your business. All of the following responsibilities affect the financial viability of the projects:
 - Verifying that operating budgets are being followed.
 - Marketing units, selecting families, making unit offers, and filling units quickly
 - Maintaining and operating the project in a decent, safe, and sanitary manner, keeping the site, units, common areas, building exteriors and building systems in good repair
 - Determining tenant income and calculating rent accurately, and conducting annual and interim reexaminations
 - Collecting rents on time and other amounts owed by tenants
 - Maintaining project accounts, records, and reports
 - Ensuring that staff practices match policies
 - Keeping risk to acceptable levels
 - Complying with HUD regulations and federal, state, and local law and codes

Section 16: Summary

CHAPTER 5 INDIVIDUAL COMPETENCY DEVELOPMENT PLAN

Identify at least one knowledge area or skill you plan to develop relevant to this chapter.

- **Knowledge:** Regarding the material covered in this chapter, what do you want to study or learn more about in order to gain knowledge?

- List some specific references you will study:

- **Skills:** What skills (what I know how to *do*) relevant to this chapter do I need to work on or develop? These could be technical or soft (behavior, attitude) skills.

- **Abilities:** What abilities relevant to this chapter do not come “naturally” or easily to me? How can I develop them? Be creative and don’t be afraid to think out of the box.

CHAPTER 5 REVIEW QUESTIONS

1. The two main sources of income for the day-to-day operations of public housing developments are:
 - a. Capital fund and rents
 - b. Rents and HAP
 - c. Rents and operating subsidy
 - d. Operating subsidy and reserves
 - e. Maintenance charges and operating subsidy
2. If a property's expenditures exceed its revenues, the result will probably be:
 - a. The property's reserves will decrease
 - b. The property's income will increase
 - c. The property's reserves will increase
 - d. The property will be designated as viable
 - e. All of the above are true
3. Your development has 210 public housing units. Of those 210 units, 5 have been approved for capital work for five months. Tenant services costs for the year are estimated at \$124,628. The PUM for tenant services will be:
 - a. \$49.95
 - b. \$50.19
 - c. \$50.05
4. What report does the manager analyze at the beginning of the month to determine rent collection for all public housing units?
 - a. Rent roll
 - b. Rent statement for each tenant
 - c. Operating budget
 - d. Work order log
5. In preparing the operating budget, a property manager would best start with:
 - a. HUD occupancy handbook
 - b. Most recent HUD audit compliance review
 - c. Cooperation agreement between the city and the PHA
 - d. Analyzing knowledge, skills, and abilities of staff
 - e. Analyzing past year's budget and anticipated revenues and expenses
6. The accounts receivable on which a manager has the most impact are:
 - a. Rent
 - b. Excess utilities
 - c. Non-dwelling rent
 - d. Investment income
 - e. Operating subsidy
7. A budget is a management tool that can be used as a guide for operations, a way to measure performance, an early warning system, and a control for expenditures:
 - a. True
 - b. False
8. The asset management fee:
 - a. Is a fee paid by the central office cost center to the development for managing the asset
 - b. Is based on units leased
 - c. Is paid by HUD to the central office cost center
 - d. Is a fee paid by the project to the central office cost center

Section 16: Summary

9. The public housing maintenance function:
 - a. Can be decentralized, or assigned to specific projects
 - b. Can be centrally maintained
 - c. Can be a mix, where some maintenance services are at the project and some are centralized
 - d. Will charge a fee-for-service to the project when a service is provided to the project from a central location
 - e. All of the above are true
10. Accounts payable by the property may include all the following except:
 - a. Dwelling rental income
 - b. Frontline administrative costs
 - c. Maintenance costs
 - d. Tenant services
 - e. All of the above are accounts payable by the property
11. The formula for calculating per unit month (PUM) is:
 - a. Favorable budget variance divided by unfavorable budget variance
 - b. Line item divided by unit months available
 - c. Number of units divided by any line item
 - d. Occupancy rate
 - e. Total number of vacancy days divided by number of units leased up in the reporting period
12. Treating each development as its own asset requires PHAs to:
 - a. Evaluate the financial viability of each development
 - b. Centralize maintenance
 - c. Consolidate
 - d. Fund each development from the central office
 - e. All of the above
13. An example of a liability is:
 - a. Tenant rents
 - b. Debt
 - c. Depreciation
 - d. Land and buildings
 - e. All of the above
14. Under project-based management:
 - a. Each project's budget must be approved by HUD
 - b. Budgets will be developed at an aggregate level
 - c. Budgets may not be revised
 - d. Each project's budget must be approved by the board
 - e. The property manager will have no input into his or her project's budget
15. The following category or categories of vacancies are approved by HUD and thus continue to receive operating subsidy:
 - a. Central eligibility team too slow in making unit offers
 - b. Make-readies are causing units to remain vacant
 - c. Vacant days due to formally declared disasters
 - d. No one has accepted offers to the unit
 - e. All the above are HUD-approved vacancies

Section 16: Summary

16. Vacancy days and HUD-approved vacancies are tracked in the FDS and PIC.
 - a. True
 - b. False
17. Linden Lane has 100 units. Property management fees for the PHA's jurisdiction are \$52.80 PUM. The bookkeeping fee is \$7.50 PUM and the asset management fee is \$10 PUM. The rent roll for August showed that 95 units were occupied. Therefore, the property management fee Linden Lane will pay to the central office (COCC) for August will be:
 - a. \$5,016
 - b. \$5,280
 - c. \$1,000
 - d. \$6,030
18. Linden Lane's trial balance sheet shows excess cash at the end of the year. Oakview's trial balance sheet shows that Oakview does not have excess cash. Which of the following is an option for the PHA?
 - a. The central office (COCC) could charge Linden Lane above \$10 in asset management fees to make up for Oakview's lack of excess cash
 - b. Linden Lane can transfer funds to Oakview
 - c. Oakview can pay asset management fees to the central office (COCC)
 - d. Oakview can transfer funds to Linden Lane
 - e. None of the above are allowed options for the PHA
19. In HUD's asset management model, the property management fee:
 - a. Can only be paid if the project's balance sheet shows excess cash at the end of the year
 - b. Is paid by the central office (COCC) to the project if the project has insufficient cash per the audit report
 - c. Is based on the total number of units in the project
 - d. Is based on occupied units and allowable vacancies
 - e. Is up to PHA policy
20. Centralized maintenance staff salary and benefits:
 - a. Are a frontline allocated cost, prorated back to the projects on a reasonable basis
 - b. Are paid by the project on a fee-for-service basis
 - c. Are a direct frontline cost of the project if the service is highly technical, such as HVAC or electrician
 - d. Can be paid in any reasonable way per PHA policy
21. The development will receive 100 percent of its operating subsidy for the coming FY if the development achieved at least what occupancy rate in the current FY?
 - a. 96 percent
 - b. 95 percent
 - c. 98 percent
 - d. 97 percent
 - e. The development will always receive 100 percent of its operating subsidy

Section 16: Summary

Notes

CHAPTER 6 Entrepreneurial Strategies

LEARNING OUTCOMES

- Upon completion of this chapter, you should be able to:
 - Discuss the changing market and the need for PHAs to explore entrepreneurial strategies
 - Analyze the entrepreneurial strategies best suited to your PHA, such as establishing a nonprofit
 - Identify the steps in developing affordable housing
 - List the possible scenarios in a mixed-finance development
 - Explain the basics of low-income housing tax credits

Section 1 Introduction

- The gap between the need for affordable housing and the supply of affordable housing continues to grow and now, in many communities, the lack of affordable housing is described as a “crisis.”
- Public housing stock decreases by between 0.5 percent and 1.0 percent each year.
- As a result, public housing authorities and local nonprofits are identifying ways to meet their individual community’s housing needs.
- HUD’s Rental Assistance Demonstration program (RAD) is HUD’s current major strategy to preserve housing stock. The basics of RAD will be covered in Chapter 7.

Notes

- Public and private partnerships, and mixed-income and mixed use developments, along with a variety of financing techniques have also been implemented. Some PHAs have developed skilled nursing homes on their property. Many PHAs are quite successful in getting into the “development business.” This kind of work takes certain skills and talent within and from outside the PHA staff, as well as patience and strategic planning. Most development “deals” take two to four years from conception to ground breaking.

Section 2 Setting Up a Nonprofit Entity

USE OF NONPROFIT ENTITIES BY PHAS

- One of the most common methods that PHAs utilize in the development of additional affordable housing is to establish a “captive” nonprofit.
 - This is an organization that is set up for specific purposes and recognized by the Internal Revenue Service as tax-exempt under the IRS Code Section 501(c)(3).
 - Nonprofits do not make a profit; however, this type of organization is allowed to have a “surplus” at the end of the fiscal year. The surplus is then used to pay operating expenses, services for residents of housing developments owned or operated by the nonprofits, or as a financial resource to develop additional housing.
- Many agencies establish nonprofits because it is easier to participate in business deals and in fact, do business as a nonprofit rather than as a much-regulated public housing authority.
- Public housing authorities are established under State enabling legislation, which means that the powers and activities granted to a housing authority may be very limited and even prohibit development. Be sure to have the PHA general counsel research state law before making a decision to set up a nonprofit corporation.
- Nonprofits associated with housing authorities are generally set up to provide low and moderate income households with affordable housing by acquiring or developing publicly financed low and moderate income housing and renting to eligible households.

- Reasons for using a nonprofit include:
 - The increasing number of HUD mortgage prepayments and “opt-outs” has resulted in a situation where many affordable housing units are in danger of being lost. These prepayments and “opt-outs” often create preservation opportunities for agencies to acquire and maintain properties and thereby add to their asset portfolio.
 - PHAs cannot be both the owner and administrator for prepaid or “opt out” projects that still have project-based rental assistance available to the project.
 - Many housing authorities act as administrators for HUD for local projects. The Housing Assistance Payments Contract (HAP) attached to these projects precludes an agency acting as a contract administrator from being both administrator and owner. Therefore, if a PHA, acting as a contract administrator, did acquire a prepayment project, the Section 8 assistance would not be available.
 - A nonprofit entity is necessary in order to sell tax credits generated by a project.
 - Many states have laws concerning public acquisitions that would not pertain to a nonprofit entity.
 - Any liabilities incurred by the nonprofit would not pass on to the housing authority.
- It is a relatively uncomplicated process to establish a nonprofit entity; however, the formation of the entity and the establishment of tax-exempt status (needed from both the IRS and any state tax authority) do take time, generally three months to a year.
- Exhibit 6-1 on page 6-11 is IRS Form 1023 (and IRS Form 872-C) that is filed to establish exemption from taxation as a nonprofit entity.

SETTING UP A NONPROFIT

- When considering the formation of a nonprofit, there are certain areas each entity must address.
- These include at a minimum:
 - Purpose of the nonprofit corporation: Many housing authorities set up nonprofit entities for a specific project, e.g., to be able to sell tax credits from the project
 - It may be beneficial to establish the corporation with a more flexible purpose, such as:

“To form a nonprofit public benefit corporation to provide very low, low and moderate income housing through purchase or development of publicly financed low and moderate income property and renting it to persons who are very low, low and moderate income, elderly and disabled; to provide services related to housing; and to promote the cause of affordable housing.”
 - Powers of the nonprofit corporation: Activities and affairs of the nonprofit are generally conducted under the direction of a Board of Directors. The board may elect to delegate the management of the daily activities to any person, management company or committee, or to the PHA. However, these organizations are always under the ultimate direction of the board.
- NOTE: In recent years, the IRS has emphasized the requirement that there is a clear distinction between a public housing authority and a nonprofit established by the PHA. This distinction should include separate staff, time reporting, separate office space, office equipment, etc.

Notes

- Directors: Establish the number of directors (always an odd number) and the terms of the directors. It is generally preferred to limit the number of directors to no more than nine and to ensure terms are staggered so that there is always someone on the board that can provide a historical perspective for new directors.
- Quorum: Establish how many directors are needed to constitute a quorum so that official actions can be taken and business can be transacted.
- Officers: Usually includes a president, vice president, secretary/treasurer. Additional vice presidents, individual secretary and treasurer positions, and sergeant-at-arms (provides direction on Robert's Rules of Order) are additional officer positions that a nonprofit may want to use.
- Election: Election of officers is usually done at annual meetings; the date and process for election of officers is included in the corporate By-laws.
- Amendments: Establishes method for amending corporate By-laws and the vote needed (majority, two-thirds) needed to amend or repeal By-laws.
- Exhibit 6-2 on page 6-23 shows sample minutes from an organizational meeting of a typical housing authority-established nonprofit corporation.
- Exhibit 6-3 on page 6-31 is a sample set of bylaws for the corporation.
- Exhibit 6-4 on page 6-43 shows sample articles of incorporation for the corporation.
- Exhibit 6-5 on page 6-45 is a sample management agreement between the nonprofit corporation and the housing authority for the purpose of providing services to the nonprofit, e.g., accounting services, human resources services, office space and cost of rental, shared staff and percentage of salary/benefits to be paid by the PHA and the nonprofit.

POLICY CONSIDERATIONS FOR A NONPROFIT

- As the PHA considers establishing a nonprofit, there are certain organizational systems and policies that may need to be developed specifically for the nonprofit.
- Separate policies and systems clearly delineate the PHA from the nonprofit and, depending on your community support, may prove useful; in some communities, a “captured” nonprofit may cause others to question if the PHA’s nonprofit will receive favorable treatment or financing from the jurisdiction.
- Some of the policies or systems to consider include:
 - Board of Directors
 - Vision/mission statement for the nonprofit
 - Board member recruitment/orientation system
 - Attendance policy
 - Membership make up and term limitations
 - Chair and other officer descriptions
 - By law review process
 - Chief executive performance review process
 - Board calendar with meetings, events, activities shown
 - Planning
 - Strategic or business plan
 - Marketing plan
 - Fund raising plan
 - Yearly operational plans, including staff work plan

Notes

- Evaluation
 - Valid methods to assess client needs
 - Established outcomes to match client needs
 - Data collection methods for each indicator identified
- Information Management
 - Client records
 - Personnel records
 - Financial records
 - Mailing lists
 - Inventory of computer hardware, software
 - Procedures for each major function to maintain computer systems
 - Regular back up plan
 - Disaster recovery plan
- Personnel
 - Board adopted personnel policies
 - Performance appraisal system
 - Professional development plan
- Finances
 - Board adopted fiscal policies
 - Board approved fiscal year budget
 - Financial procedures/internal controls manual
 - Inventory system
 - Depreciation schedules
 - Monthly/quarterly financial statements with balance sheet
 - Yearly audit
 - Tax and other reporting schedules

Notes

- Communications
 - Communication plan, including website usage
 - Annual reports
 - Brochures/videos
 - Media relations strategies
- Insurance
 - Risk management policies
 - Office liability coverage
 - Assessment of need for professional liability coverage
 - Assessment of need for director & officer liability
 - Assessment of need for bonding
 - Contingency plans for replacing key personnel
- Legal
 - Complete corporate records and retention policies
 - Current By-Laws
 - Incorporation and tax status documents
 - Anti discrimination practices
- This list is not meant to suggest that every nonprofit needs every one of these items; it is rather a list of items that a separate, standalone entity may want to establish; each PHA needs to assess the extent of separateness that it wants to maintain from the captured nonprofit based on its community politics.

Section 2: Setting Up a Nonprofit Entity

Notes

Exhibit 6-1: IRS Form 1023

Form **1023**
(Rev. September 1998)
Department of the Treasury
Internal Revenue Service

Application for Recognition of Exemption
Under Section 501(c)(3) of the Internal Revenue Code

OMB No. 1545-0056

Note: If exempt status is approved, this application will be open for public inspection.

Read the instructions for each Part carefully.

A User Fee must be attached to this application.

If the required information and appropriate documents are not submitted along with Form 8718 (with payment of the appropriate user fee), the application may be returned to you.

Complete the Procedural Checklist on page 8 of the instructions.**Part I Identification of Applicant**

1a Full name of organization (as shown in organizing document)		2 Employer identification number (EIN) (If none, see page 3 of the Specific Instructions .)
1b c/o Name (if applicable)		3 Name and telephone number of person to be contacted if additional information is needed ()
1c Address (number and street)	Room/Suite	
1d City, town, or post office, state, and ZIP + 4. If you have a foreign address, see Specific Instructions for Part I, page 3.		4 Month the annual accounting period ends
1e Web site address		5 Date incorporated or formed
		6 Check here if applying under section: a ☐ 501(e) b ☐ 501(f) c ☐ 501(k) d ☐ 501(n)
7 Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? ☐ Yes ☐ No If "Yes," attach an explanation.		
8 Is the organization required to file Form 990 (or Form 990-EZ)? ☐ N/A ☐ Yes ☐ No If "No," attach an explanation (see page 3 of the Specific Instructions).		
9 Has the organization filed Federal income tax returns or exempt organization information returns? . . . ☐ Yes ☐ No If "Yes," state the form numbers, years filed, and Internal Revenue office where filed.		
10 Check the box for the type of organization. ATTACH A CONFORMED COPY OF THE CORRESPONDING ORGANIZING DOCUMENTS TO THE APPLICATION BEFORE MAILING. (See Specific Instructions for Part I, Line 10, on page 3.) See also Pub. 557 for examples of organizational documents.) a ☐ Corporation—Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also include a copy of the bylaws. b ☐ Trust— Attach a copy of the Trust Indenture or Agreement, including all appropriate signatures and dates. c ☐ Association— Attach a copy of the Articles of Association, Constitution, or other creating document, with a declaration (see instructions) or other evidence the organization was formed by adoption of the document by more than one person; also include a copy of the bylaws.		

If the organization is a corporation or an unincorporated association that has not yet adopted bylaws, check here ► ☐

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please Sign Here ►

(Signature)

(Type or print name and title or authority of signer)

(Date)

For Paperwork Reduction Act Notice, see page 7 of the instructions.

Cat. No. 17133K

Part II **Activities and Operational Information**

- 1** Provide a detailed narrative description of all the activities of the organization—past, present, and planned. **Do not merely refer to or repeat the language in the organizational document.** List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: **(a)** a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; **(b)** when the activity was or will be initiated; and **(c)** where and by whom the activity will be conducted.

-
- 2** What are or will be the organization's sources of financial support? List in order of size.

-
- 3** Describe the organization's fundraising program, both actual and planned, and explain to what extent it has been put into effect. Include details of fundraising activities such as selective mailings, formation of fundraising committees, use of volunteers or professional fundraisers, etc. Attach representative copies of solicitations for financial support.
-

Part II Activities and Operational Information (Continued)**4** Give the following information about the organization's governing body:**a** Names, addresses, and titles of officers, directors, trustees, etc.**b** Annual compensation

c Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials? ☐ Yes ☐ No
If "Yes," name those persons and explain the basis of their selection or appointment.

d Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See **Specific Instructions** for Part II, Line 4d, on page 3.) ☐ Yes ☐ No
If "Yes," explain.

5 Does the organization control or is it controlled by any other organization? ☐ Yes ☐ No
Is the organization the outgrowth of (or successor to) another organization, or does it have a special relationship with another organization by reason of interlocking directorates or other factors? ☐ Yes ☐ No
If either of these questions is answered "Yes," explain.

6 Does or will the organization directly or indirectly engage in any of the following transactions with any political organization or other exempt organization (other than a 501(c)(3) organization): **(a)** grants; **(b)** purchases or sales of assets; **(c)** rental of facilities or equipment; **(d)** loans or loan guarantees; **(e)** reimbursement arrangements; **(f)** performance of services, membership, or fundraising solicitations; or **(g)** sharing of facilities, equipment, mailing lists or other assets, or paid employees? ☐ Yes ☐ No
If "Yes," explain fully and identify the other organizations involved.

7 Is the organization financially accountable to any other organization? ☐ Yes ☐ No
If "Yes," explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been submitted.

Part II Activities and Operational Information (Continued)

- 8** What assets does the organization have that are used in the performance of its exempt function? (Do not include property producing investment income.) If any assets are not fully operational, explain their status, what additional steps remain to be completed, and when such final steps will be taken. If none, indicate "N/A."

- 9** Will the organization be the beneficiary of tax-exempt bond financing within the next 2 years? ☐ Yes ☐ No

- 10a** Will any of the organization's facilities or operations be managed by another organization or individual under a contractual agreement? ☐ Yes ☐ No

- b** Is the organization a party to any leases? ☐ Yes ☐ No
If either of these questions is answered "Yes," attach a copy of the contracts and explain the relationship between the applicant and the other parties.

- 11** Is the organization a membership organization? ☐ Yes ☐ No
If "Yes," complete the following:

- a** Describe the organization's membership requirements and attach a schedule of membership fees and dues.

- b** Describe the organization's present and proposed efforts to attract members and attach a copy of any descriptive literature or promotional material used for this purpose.

- c** What benefits do (or will) the members receive in exchange for their payment of dues?

- 12a** If the organization provides benefits, services, or products, are the recipients required, or will they be required, to pay for them? ☐ N/A ☐ Yes ☐ No
If "Yes," explain how the charges are determined and attach a copy of the current fee schedule.

- b** Does or will the organization limit its benefits, services, or products to specific individuals or classes of individuals? ☐ N/A ☐ Yes ☐ No
If "Yes," explain how the recipients or beneficiaries are or will be selected.

- 13** Does or will the organization attempt to influence legislation? ☐ Yes ☐ No
If "Yes," explain. Also, give an estimate of the percentage of the organization's time and funds that it devotes or plans to devote to this activity.

- 14** Does or will the organization intervene in any way in political campaigns, including the publication or distribution of statements? ☐ Yes ☐ No
If "Yes," explain fully.

Part III Technical Requirements

- 1** Are you filing Form 1023 within 15 months from the end of the month in which your organization was created or formed? ☐ **Yes** ☐ **No**
If you answer "Yes," do not answer questions on lines 2 through 6 below.

- 2** If one of the exceptions to the 15-month filing requirement shown below applies, check the appropriate box and proceed to question 7.

Exceptions—You are not required to file an exemption application within 15 months if the organization:

- ☐ **a** Is a church, interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church. See **Specific Instructions**, Line 2a, on page 4;
- ☐ **b** Is not a private foundation and normally has gross receipts of not more than \$5,000 in each tax year; or
- ☐ **c** Is a subordinate organization covered by a group exemption letter, but only if the parent or supervisory organization timely submitted a notice covering the subordinate.

- 3** If the organization does not meet any of the exceptions on line 2 above, are you filing Form 1023 within 27 months from the end of the month in which the organization was created or formed? ☐ **Yes** ☐ **No**

If "Yes," your organization qualifies under Regulation section 301.9100-2, for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 4 through 6.

If "No," answer question 4.

- 4** If you answer "No" to question 3, does the organization wish to request an extension of time to apply under the "reasonable action and good faith" and the "no prejudice to the interest of the government" requirements of Regulations section 301.9100-3? ☐ **Yes** ☐ **No**

If "Yes," give the reasons for not filing this application within the 27-month period described in question 3. See **Specific Instructions**, Part III, Line 4, before completing this item. Do not answer questions 5 and 6.

If "No," answer questions 5 and 6.

- 5** If you answer "No" to question 4, your organization's qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed. Therefore, do you want us to consider the application as a request for recognition of exemption as a section 501(c)(3) organization from the date the application is received and not retroactively to the date the organization was created or formed? . . . ☐ **Yes** ☐ **No**

- 6** If you answer "Yes" to question 5 above and wish to request recognition of section 501(c)(4) status for the period beginning with the date the organization was formed and ending with the date the Form 1023 application was received (the effective date of the organization's section 501(c)(3) status), check here ► ☐ and attach a completed page 1 of Form 1024 to this application.

Part III Technical Requirements (Continued)**7** Is the organization a private foundation?

- ☐ **Yes** (Answer question 8.)
☐ **No** (Answer question 9 and proceed as instructed.)

8 If you answer "Yes" to question 7, does the organization claim to be a private operating foundation?

- ☐ **Yes** (Complete Schedule E.)
☐ **No**

After answering question 8 on this line, go to line 14 on page 7.

9 If you answer "No" to question 7, indicate the public charity classification the organization is requesting by checking the box below that most appropriately applies:**THE ORGANIZATION IS NOT A PRIVATE FOUNDATION BECAUSE IT QUALIFIES:**

a ☐	As a church or a convention or association of churches (CHURCHES MUST COMPLETE SCHEDULE A.)	Sections 509(a)(1) and 170(b)(1)(A)(i)
b ☐	As a school (MUST COMPLETE SCHEDULE B.)	Sections 509(a)(1) and 170(b)(1)(A)(ii)
c ☐	As a hospital or a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital (These organizations, except for hospital service organizations, MUST COMPLETE SCHEDULE C.)	Sections 509(a)(1) and 170(b)(1)(A)(iii)
d ☐	As a governmental unit described in section 170(c)(1).	Sections 509(a)(1) and 170(b)(1)(A)(v)
e ☐	As being operated solely for the benefit of, or in connection with, one or more of the organizations described in a through d , g , h , or i (MUST COMPLETE SCHEDULE D.)	Section 509(a)(3)
f ☐	As being organized and operated exclusively for testing for public safety.	Section 509(a)(4)
g ☐	As being operated for the benefit of a college or university that is owned or operated by a governmental unit.	Sections 509(a)(1) and 170(b)(1)(A)(iv)
h ☐	As receiving a substantial part of its support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public.	Sections 509(a)(1) and 170(b)(1)(A)(vi)
i ☐	As normally receiving not more than one-third of its support from gross investment income and more than one-third of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions).	Section 509(a)(2)
j ☐	The organization is a publicly supported organization but is not sure whether it meets the public support test of h or i . The organization would like the IRS to decide the proper classification.	Sections 509(a)(1) and 170(b)(1)(A)(vi) or Section 509(a)(2)

If you checked one of the boxes a through f in question 9, go to question 14. If you checked box g in question 9, go to questions 11 and 12. If you checked box h, i, or j, in question 9, go to question 10.

Part III Technical Requirements (Continued)

- 10** If you checked box **h**, **i**, or **j** in question 9, has the organization completed a tax year of at least 8 months?
- ☐ **Yes**—Indicate whether you are requesting:
- ☐ A definitive ruling. (Answer questions 11 through 14.)
- ☐ An advance ruling. (Answer questions 11 and 14 and attach two Forms 872-C completed and signed.)
- ☐ **No—You must request an advance ruling by completing and signing two Forms 872-C and attaching them to the Form 1023.**

- 11** If the organization received any unusual grants during any of the tax years shown in Part IV-A, **Statement of Revenue and Expenses**, attach a list for each year showing the name of the contributor; the date and the amount of the grant; and a brief description of the nature of the grant.

- 12** If you are requesting a definitive ruling under section 170(b)(1)(A)(iv) or (vi), check here ☐ and:

- a** Enter 2% of line 8, column (e), Total, of Part IV-A
- b** Attach a list showing the name and amount contributed by each person (other than a governmental unit or "publicly supported" organization) whose total gifts, grants, contributions, etc., were more than the amount entered on line **12a** above.

- 13** If you are requesting a definitive ruling under section 509(a)(2), check here ☐ and:

- a** For each of the years included on lines 1, 2, and 9 of Part IV-A, attach a list showing the name of and amount received from each "disqualified person." (For a definition of "disqualified person," see **Specific Instructions**, Part II, Line 4d, on page 3.)
- b** For each of the years included on line 9 of Part IV-A, attach a list showing the name of and amount received from each payer (other than a "disqualified person") whose payments to the organization were more than \$5,000. For this purpose, "payer" includes, but is not limited to, any organization described in sections 170(b)(1)(A)(i) through (vi) and any governmental agency or bureau.

14 Indicate if your organization is one of the following. If so, complete the required schedule. (Submit only those schedules that apply to your organization. Do not submit blank schedules.)	Yes	No	If "Yes," complete Schedule:
Is the organization a church?			A
Is the organization, or any part of it, a school?			B
Is the organization, or any part of it, a hospital or medical research organization?			C
Is the organization a section 509(a)(3) supporting organization?			D
Is the organization a private operating foundation?			E
Is the organization, or any part of it, a home for the aged or handicapped?			F
Is the organization, or any part of it, a child care organization?			G
Does the organization provide or administer any scholarship benefits, student aid, etc.?			H
Has the organization taken over, or will it take over, the facilities of a "for profit" institution?			I

Part IV Financial Data

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.

A. Statement of Revenue and Expenses

		Current tax year	3 prior tax years or proposed budget for 2 years			
		(a) From to	(b)	(c)	(d)	(e) TOTAL
Revenue	1 Gifts, grants, and contributions received (not including unusual grants—see page 6 of the instructions).					
	2 Membership fees received . .					
	3 Gross investment income (see instructions for definition) . .					
	4 Net income from organization's unrelated business activities not included on line 3					
	5 Tax revenues levied for and either paid to or spent on behalf of the organization					
	6 Value of services or facilities furnished by a governmental unit to the organization without charge (not including the value of services or facilities generally furnished the public without charge)					
	7 Other income (not including gain or loss from sale of capital assets) (attach schedule) . .					
	8 Total (add lines 1 through 7)					
	9 Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513. Include related cost of sales on line 22					
	10 Total (add lines 8 and 9) . .					
	11 Gain or loss from sale of capital assets (attach schedule) . .					
	12 Unusual grants.					
	13 Total revenue (add lines 10 through 12)					
Expenses	14 Fundraising expenses . . .					
	15 Contributions, gifts, grants, and similar amounts paid (attach schedule)					
	16 Disbursements to or for benefit of members (attach schedule) .					
	17 Compensation of officers, directors, and trustees (attach schedule)					
	18 Other salaries and wages . .					
	19 Interest					
	20 Occupancy (rent, utilities, etc.) .					
	21 Depreciation and depletion . .					
	22 Other (attach schedule) . . .					
	23 Total expenses (add lines 14 through 22)					
	24 Excess of revenue over expenses (line 13 minus line 23)					

Part IV Financial Data (Continued)

B. Balance Sheet (at the end of the period shown)		Current tax year Date
Assets		
1 Cash	1	
2 Accounts receivable, net	2	
3 Inventories	3	
4 Bonds and notes receivable (attach schedule)	4	
5 Corporate stocks (attach schedule)	5	
6 Mortgage loans (attach schedule)	6	
7 Other investments (attach schedule)	7	
8 Depreciable and depletable assets (attach schedule)	8	
9 Land	9	
10 Other assets (attach schedule)	10	
11 Total assets (add lines 1 through 10)	11	
Liabilities		
12 Accounts payable	12	
13 Contributions, gifts, grants, etc., payable	13	
14 Mortgages and notes payable (attach schedule)	14	
15 Other liabilities (attach schedule)	15	
16 Total liabilities (add lines 12 through 15)	16	
Fund Balances or Net Assets		
17 Total fund balances or net assets	17	
18 Total liabilities and fund balances or net assets (add line 16 and line 17)	18	
If there has been any substantial change in any aspect of the organization's financial activities since the end of the period shown above, check the box and attach a detailed explanation ☐		

Form **872-C**

(Rev. September 1998)

Department of the Treasury
Internal Revenue Service

**Consent Fixing Period of Limitation Upon
Assessment of Tax Under Section 4940 of the
Internal Revenue Code**

(See instructions on reverse side.)

OMB No. 1545-0056

**To be used with
Form 1023. Submit
in duplicate.**

Under section 6501(c)(4) of the Internal Revenue Code, and as part of a request filed with Form 1023 that the organization named below be treated as a publicly supported organization under section 170(b)(1)(A)(vi) or section 509(a)(2) during an advance ruling period,

.....
(Exact legal name of organization as shown in organizing document)

.....
(Number, street, city or town, state, and ZIP code)

} and the District Director of
Internal Revenue, or
Assistant
Commissioner
(Employee Plans and
Exempt Organizations)

consent and agree that the period for assessing tax (imposed under section 4940 of the Code) for any of the 5 tax years in the advance ruling period will extend 8 years, 4 months, and 15 days beyond the end of the first tax year.

However, if a notice of deficiency in tax for any of these years is sent to the organization before the period expires, the time for making an assessment will be further extended by the number of days the assessment is prohibited, plus 60 days.

Ending date of first tax year
(Month, day, and year)

Name of organization (as shown in organizing document)	Date
Officer or trustee having authority to sign	Type or print name and title
Signature ►	

For IRS use only

District Director or Assistant Commissioner (Employee Plans and Exempt Organizations)	Date

By ►

For Paperwork Reduction Act Notice, see page 7 of the Form 1023 Instructions.

Cat. No. 16905Q

You must complete Form 872-C and attach it to the Form 1023 if you checked box **h**, **i**, or **j** of Part III, question 9, and the organization has not completed a tax year of at least 8 months.

For example: If the organization incorporated May 15 and its year ends December 31, it has completed a tax year of only 7½ months. Therefore, Form 872-C must be submitted.

(a) Enter the name of the organization. This must be entered exactly as it appears in the organizing document. Do not use abbreviations unless the organizing document does.

(b) Enter the current address.

(c) Enter the ending date of the first tax year.

For example:

- (1) If the organization was formed on June 15 and it has chosen December 31 as its year end, enter December 31, ...
- (2) If the organization was formed June 15 and it has chosen June 30 as its year end, enter June 30, ... In this example, the organization's first tax year consists of only 15 days.

(d) The form must be signed by an authorized officer or trustee, generally the president or treasurer. The name and title of the person signing must be typed or printed in the space provided.

(e) Enter the date that the form was signed.

DO NOT MAKE ANY OTHER ENTRIES.

Section 2: Setting Up a Nonprofit Entity

Notes

Exhibit 6-2: Sample Minutes of a Nonprofit Corporation

ORGANIZATIONAL MEETING
OF
THE BOARD OF DIRECTORS
OF THE
ANYTOWN HOUSING DEVELOPMENT CORPORATION
A Nonprofit Public Benefit Corporation

July 16, 20__ at 10:30 a.m.

Committee Room
City Administration Building

The Board of Directors of the Anytown Housing Development Corporation held its first meeting at the above time and place. Notice was posted for purposed of the Ralph M. Brown Act at the City Administration Building at least 72 hours before the meeting.

1. CALL TO ORDER

The meeting was called to order at 10:45 a.m. by Director _____.

The Director recognized staff member _____, who informed the Directors about the formation of the Corporation and presented the General Counsel for the Corporation, _____.

The General Counsel for the Corporation provided the Directors with a draft copy of the Organizational Minutes.

2. ELECTION OF DIRECTORS

The General Counsel informed the directors that the Bylaws called for five (5) Directors: (1) two Housing Commissioners; (2) two at-large residents of the City; and (3) the Executive Director of the Anytown Housing Authority.

Director _____ nominated the slate below. Director _____ moved to approve the slate, the motion was seconded by Director _____ and the following Directors were unanimously elected to the classes set forth opposite their names: (Note: list of names omitted.)

4. ADOPTION OF BYLAWS

RESOLVED: that the Secretary of the Corporation is authorized and directed to execute a certificate of the adoption of the Bylaws and to insert the Bylaws, as certified, in the minute book, and to cause a copy of the Bylaws, similarly certified, as they may be amended from time to time, to be kept at the principal office of the Corporation in accordance with paragraph 5160 of the California Corporations Code.

5. PUBLIC AGENCY MATTERS

The General Counsel advised the Board on the following public agency matters:

a) CONFLICT OF INTEREST CODE; RALPH M. BROWN ACT; PUBLIC RECORDS ACT

The General Counsel explained that since the corporation is a quasi-governmental entity, it is required to adopt a Conflict of Interest Code and it is required to follow the Ralph M. Brown Act and the Public Records Act. The General Counsel advised the Board that the Corporation can adopt the Conflict of Interest Code by reference. The General Counsel suggested that the agenda for the Corporation's meetings be posted at the City Administration Building and at the Housing Authority's business address. After discussion, Director _____ made a motion to adopt the following resolution, the motion was seconded by Director _____ and the resolution was adopted unanimously;

RESOLVED that the Corporation shall adopt by reference the Conflict of Interest Code of the Housing Authority as the same may, from time to time, be amended and as may be applicable to the Corporation.

RESOLVED that the Corporation pledges to adhere to the Brown Act and the Public Records Act in the conduct of its affairs.

RESOLVED that the Corporation shall post its agenda at the City Administration Building and at the Housing Authority's business address.

6. CORPORATE MATTERS

The General Counsel advised the Board on the following corporate matters:

a) EXEMPTION APPLICATION

The General Counsel noted that the Corporation intended to qualify as exempt from federal and state income taxes under paragraph 510(c)(3) of the Internal Revenue Code and paragraph 23701 d of the California Revenue and Taxation Code. The General Counsel explained that it takes between 4 to 6 months to receive federal and state letters of determination of tax exempt status. After the letters of determination are received, the Corporation must file further documentation with the IRS to receive the status of a non-private foundation tax exempt entity. After discussion, Director _____ made a motion to adopt the following resolution, the motion was seconded by Director _____ and the resolution was adopted unanimously:

RESOLVED, that the Corporation's legal counsel is authorized to file the appropriate applications for exemption from tax with the Internal Revenue Service and the Franchise Tax Board and that the President is authorized and directed to execute such applications and related documents upon the preparation thereof.

b) BUDGET

The General Counsel explained that three tentative fiscal years' operating budgets would be required for the federal exemption application. The General Counsel explained that that the three year operating budget is merely an estimated operating budget that may be changed at a later date. However, the budget should accurately reflect the Corporation's current fiscal condition and reasonable anticipated future expenses to allow the Internal Revenue Service to make a determination on whether the intended use of the Corporation's money falls within proper tax exempt purposes. After discussion, Director _____ made a motion to adopt the following resolution, the motion was seconded by Director _____ and the resolution was adopted unanimously:

RESOLVED, that the President and Treasurer shall prepare and submit operating budgets for fiscal years ____, ____, and ____ for the approval of the board.

c) CORPORATE MATTERS

The General Counsel explained the need to file a California Corporations Code Section 6210 (a) Statement in the Office of the California Secretary of State. The Statement must be filed annually and it must contain the names and complete addresses of the Corporation's Chief Executive Officer, Secretary and Chief Financial Officer. The General Counsel also discussed the need to authorize certain officers to sign official documents on behalf of the Corporation. After discussion, Director _____ made a motion to adopt the following resolution, the motion was seconded by Director _____ and the resolution was adopted unanimously:

RESOLVED, that the appropriate officers of this Corporation shall, within ninety (90) days after the date the Articles of Incorporation of this corporation are filed in the Secretary of State's office, and annually thereafter during the applicable filing period, as the term is defined in Section 6210 (c) of the California Corporations Code, on a form prescribed by the California Secretary of State, file in the California Secretary of State's office the statement containing the information required by Section 6210 of the California Corporations Code.

RESOLVED, that the President and the Secretary are authorized and directed to make such filings and applications including, without limitation, the statement required by paragraph 6210 of the California General Corporation Law, to execute and deliver such documents and instruments and to do the acts and things the Officer deems necessary to obtain the licenses, authorizations and permits necessary or desirable for the Corporation's business, to fulfill the legal requirements applicable to the Corporation or its business or to complete the organization of the Corporation. Signature by either Officer shall bind the Corporation.

d) OFFICER'S ACTIONS ON BEHALF OF CORPORATION

The General Counsel explained the need to designate officers who will be authorized to act on behalf of the Corporation. After discussion, Director _____ made a motion to adopt the following resolution, the motion was seconded by Director _____ and the resolution was adopted unanimously:

RESOLVED, that the President and Secretary of this Corporation are hereby authorized and directed to individually do or cause to be done from time to time, in the name and on behalf of the Corporation, any and all acts or things as may be shown by the officer's execution or performance thereof to be in the officer's judgment necessary or desirable in connection with the foregoing resolutions.

e) MINUTES AND BOOKS

The General Counsel explained that corporate law requires that the Corporation maintain minutes of its meetings. After discussion, Director _____ made a motion to adopt the following resolution, the motion was seconded by Director _____ and the resolution was adopted unanimously:

RESOLVED, that the Secretary shall record, or cause to be recorded, all proceedings of the Board of Directors in a book to be kept for that purpose at the Corporation's principal place of business.

RESOLVED FURTHER, that the Secretary is directed to procure such a minute book and such other books and records as may be required by the Corporation.

7. ADMINISTRATIVE MATTERS

The President addressed the following administrative issues:

a) START UP EXPENSES

The president explained that funds in the amount of \$5,000.00 to cover start up expenses for the Corporation will be obtain from the Anytown Housing Authority, a City-administered state agency. After discussion, Director _____ made a motion to adopt the following resolution, the motion was seconded by Director _____ and the resolution was adopted unanimously:

RESOLVED, start up expenses of \$5,000.00 will be accepted by the Corporation from the Anytown Housing Authority.

b) BANK ACCOUNTS

The President described the need for a depository for the funds of the Corporation and the need to authorize certain officers to deal with the funds. After discussion, Director _____ made a motion to adopt the following resolution, the motion was seconded by Director _____ and the resolution was adopted unanimously:

RESOLVED, that the President shall open a corporate checking account at _____ Bank.

RESOLVED, that the standard form of corporate resolutions required by the above bank for opening such accounts, showing the persons authorized to withdraw funds and endorse instruments for deposit, are adopted as the resolutions of the Board of Directors; the Secretary is authorized to execute the certificate of Secretary included on the bank's standard form, and is directed to make the resolutions a part of the corporate records by inserting a copy thereof in the minute book immediately following these minutes.

RESOLVED, that any two of the following officers are authorized to jointly sign and withdraw funds from the checking account:

- 1) President
- 2) Vice President
- 3) Secretary/Treasurer

c) ACCOUNTING YEAR

The President suggested adoption of an accounting year for the Corporation. After discussion, Director _____ made a motion to adopt the following resolution, the motion was seconded by Director _____ and the resolution was adopted unanimously:

RESOLVED, that the fiscal year of this Corporation shall end each year on _____ (date).

d) PRINCIPAL OFFICE LOCATION

The principal office location will be: _____.

e) SCHEDULED MEETINGS

The President discussed the need to have regularly scheduled meetings and to provide the public with notice of the meeting. After discussion, Director _____ made a motion to adopt the following resolution, the motion was seconded by Director _____ and the resolution was adopted unanimously:

RESOLVED, that the Corporation shall hold regularly scheduled meetings on the third Monday of each month at 12:00 noon.

RESOLVED FURTHER, that the Secretary shall cause to be posted at the Corporation's principal place of business and at the City Administration Building copies of the agenda at least 72 hours before the meeting, unless a special meeting is called, for which 24 hour posting is required.

8. PUBLIC COMMENTS

The President asked whether there were any public comments. There were none.

9. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at _____ a.m. on motion made, seconded and unanimously carried.

_____, President

Attest:

_____, Secretary/Treasurer

Section 2: Setting Up a Nonprofit Entity

Notes

Exhibit 6-3: Sample Bylaws for a Nonprofit Corporation

BYLAWS OF A Nonprofit Public Benefit Corporation

ARTICLE 1 OFFICES

Section 1.01 Principal Office. The corporation's principal office shall be fixed, and located at such place within the county of _____ as the Board of Directors (the "Board") shall determine. The Board is granted full power and authority to change the principal office from one location to another within the county of _____.

Section 1.02 Other Offices. Branch or subordinate offices may be established at any place or places by the Board at any time within the State of _____.

ARTICLE 2 PURPOSE

Section 2.01 Description in Articles. The general and specific purposes of the corporation are described in the Articles of Incorporation.

ARTICLE 3 MEMBERSHIP

Section 3.01 Members. The corporation shall have no members. Any action which would otherwise by law require approval by a majority of all members or approval by the members shall require only approval of the Board. All rights which would otherwise by law vest in the members shall vest in the Board.

ARTICLE 4 DIRECTORS

Section 4.01 Powers.

(a) General Corporate Powers. Subject to the limitations of the Articles of Incorporation and these Bylaws, the activities and affairs of the corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of the corporation to any person(s), a management company, or committees however composed, provided that the activities and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

(b) Board's Ultimate Authority. No assignment, referral or delegation of authority by the Board or anyone else shall preclude the Board from exercising the authority required to meet its responsibility for the conduct of the activities of the corporation and the Board shall retain the right to rescind any such delegation.

Section 4.02 Number, Selection, and Term of Directors.

(a) The number of directors shall be five (5) until changed by an amendment to these Bylaws.

(b) The directors shall be designated as follows:

1. Two Commissioners of the Housing Authority as designated by the Housing Authority
2. The Executive Director of the Housing Authority
3. Two at-large residents of the County, as designated by the Housing Authority

(c) The term of office of directors who hold office by virtue of their position as a Commissioner or as Executive Director of the Housing Authority shall expire at the time such person no longer holds their respective position. Their successors to such directors shall assume office upon their designation by the Housing Authority, or in the case of the Executive Director, upon the assumption of duties as such at the Housing Authority. The at-large directors designated by the Housing Authority shall serve for a term of two (2) years, with the terms of the directors staggered. At-large directors shall, however, hold office until their successor is appointed and assumes office.

Section 4.03 Resignation. Subject to the provisions of Section 5226 of the California Nonprofit Public Benefit Corporation Law' any director may resign effective upon giving written notice to the President, the Secretary or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be appointed before such time, to take office when the resignation becomes effective.

Section 4.04 Vacancies.

(a) Events Causing Vacancy. A vacancy or vacancies on the Board shall be deemed to exist in the case of the death or resignation of any director or if the authorized number of directors is increased. The Board may declare vacant the office of a director who has been absent from three (3) or more consecutive meetings, whether regular or special, without having been excused

by resolution, or has been declared of unsound mind by a final order of court, or convicted of a felony, or found by a final order or judgment of any court to have breached any duty arising under Article 3 of the California Nonprofit Public Benefit Corporation Law.

(b) Filling Vacancies. Vacancies on the Board shall be filled in the same manner as the director whose office is vacant was selected. Each director so appointed shall hold office until the expiration of the term of the replaced director and until a successor has been appointed and qualified.

Section 4.05 Place of Meetings. Meetings of the Board may be held at the principal office of the corporation or at any other place within or without the state of California which has been designated in the notice of the meeting. Notwithstanding anything to the contrary in these Bylaws, all meetings shall comply with the requirements of the Ralph M. Brown Act (Gov. Code §54950 et seq.) ("Brown Act").

Section 4.06 Annual Meetings. The Board shall hold an annual meeting for the purpose of organization, selection of officers, and the transaction of other business set forth on an agenda posted at its regular place to provide public notice as required by the Brown Act.

Section 4.07 Regular Meetings. Regular meetings of the Board, including the annual meeting, shall be held upon written notice given to all directors and the public as required by the Brown Act. No action may be taken at regular meetings on any item that is not posted on the agenda, except as provided in the Brown Act.

Section 4.08 Special Meetings.

(a) Authority to Call. Special meetings of the Board for any purpose(s) may be called at any time by the Executive Director of the Corporation, the President, the Secretary, or any two directors.

(b) Notice. Special meetings of the Board shall be held upon four (4) days' notice by first-class mail or twenty-four (24) hours' written notice given personally or by facsimile, telegraph, telex or other similar means of communication to each director and after posting of the agenda at the regular place of posting at least twenty-four (24) hours before the meeting. Any such notice shall be addressed or delivered to each director at the director's address as it is shown on the records of the corporation or as may have been given to the corporation by the director for purposes of notice or, if an address is not shown on the corporation's records or is not readily ascertainable, at the place at which the meetings of the directors are regularly held.

Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mail, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient.

(c) Action. No action may be taken at any special meeting on any item unless it is posted on the agenda.

Section 4.09 Quorum. A majority of the directors then in office shall constitute a quorum. Except as provided in Article 9, every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is an act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 4.10 Participation in Meetings by Conference Telephone. Members of the Board may not participate in a meeting through use of conference telephone or similar communications equipment, except as permitted under the Brown Act.

Section 4.11 Waiver of Notice. Notice of a meeting need not be given to any director who signs a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting the lack of notice to such director prior thereto or at its commencement. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

Section 4.12 Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any directors' meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given to the directors who were not present at the time of the adjournment, and notice of the adjourned meeting shall be posted for public notice.

Section 4.13 Action Without Meeting. Any action required or permitted to be taken by the Board may NOT be taken without a meeting by written consent or otherwise.

Section 4.14 Rights of Inspection. Every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the corporation.

Section 4.15 Fees and Compensation. Appointed directors shall not receive any compensation for their services; however, the Board may approve the reimbursement of a director's actual and necessary' expenses incurred in the conduct of the corporation's business. The corporation may carry liability insurance respecting the conduct of the corporation's business by the directors.

ARTICLE 5 COMMITTEES

Section 5.01 Board Committees. The Board may, by resolution, create one or more standing or advisory committees, each consisting of at least three (3) persons, at least one (1) but not more than two (2) of whom shall be a member(s) of the Board, to serve at the pleasure of the Board. Appointments to such Board committees shall be by majority vote of the directors then in office, and the chairman of such Board committees shall be appointed by the president. Committees may recommend action to the Board, but no action may be taken at committee meetings except as specifically delegated by the Board.

Section 5.02 Meetings and Action of Board Committees. No written notice is required for committee meetings so long as less than a majority of the Board members are members of the advisory committee. Oral notice must be given to each committee member at least twenty-four (24) hours prior to the meeting.

ARTICLE 6 OFFICERS

Section 6.01 Officers. The officers of the corporation shall be a president, vice president, secretary, and a chief financial officer (treasurer). The corporation may also have, at the discretion of the Board, a chairman of the Board, additional vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be elected or appointed in accordance with the provisions of section 6.03. All officers except those elected or appointed under Section 6.03 must be directors. Any number of offices may be held by the same person, except that neither the secretary nor the treasurer may serve concurrently as either the president or chairman of the Board.

Section 6.02 Election. The officers of the corporation, except such officers as may be elected or appointed in accordance with the provisions of Section 6.03 or Section 6.06, shall be chosen at the annual meeting by and shall serve at the pleasure of the Board, and shall hold their respective offices until their resignation, removal or other disqualification from service, or until their respective successors shall be elected.

Section 6.03 Subordinate Officers. The Board may elect, and may empower the president to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

Section 6.04 Removal. Any officer may be removed, either with or without cause, by the Board at any time. Any such removal shall be without prejudice to the rights, if any, of such officer under any contract of employment.

Section 6.05 Resignation. Any officer may resign at any time by giving written notice to the Board, but without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.06 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular election or appointment to such office, provided that such vacancies shall be filled as they occur and not on an annual basis.

Section 6.07 President. The president is the general manager and chief executive officer of the corporation and has, subject to the control of the Board, general supervision, direction and control of the business and officers of the corporation. The president shall preside at all meetings of the Board. The President has the general powers and duties of management usually vested in the office of president and general manager of a corporation and such other powers and duties as may be prescribed from time to time by the Board. The president shall be an ex officio voting member of each Board committee.

Section 6.08 Vice President. In the absence or disability of the president, the vice president shall perform all the duties of the president and, when so acting, shall have all the powers of and be subject to all the restrictions upon, the president. The vice president shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board.

Section 6.09 Secretary.

(a) Book of Minutes and Seal. The secretary shall keep or cause to be kept, at the principal office or such other place as the Board may order, a book of minutes of all meetings of the Board and its committees, with the time and place of holding, whether regular or special, and if special, how authorized, the

notice thereof given, the names of those present, and the proceedings thereof. The secretary shall keep, or cause to be kept, at the principal office in the State of California, the original or a copy of the corporation's Articles and Bylaws, as amended to date. The secretary shall keep the seal of the corporation and shall affix the same on such papers and instruments as may be required in the regular course of business, but failure to affix it shall not affect the validity of any instrument.

(b) Notices and Other Duties. The secretary shall give, or cause to be given, notice of all meetings of the Board and any committees thereof required by these Bylaws or by law to be given, and shall distribute the minutes of meetings of the Board to all members promptly after the meetings. The secretary shall see that all reports, statements and other documents required by law are properly kept or filed, except to the extent the same are to be kept or filed by the treasurer. In general, the secretary shall have such other powers and perform such other duties as may be prescribed from time to time by the Board.

Section 6.10 Chief Financial Officer (Treasurer)

(a) Books of Account. The chief financial officer of the corporation shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts and disbursements. The books of account shall at all times be open to inspection by any director.

(b) Deposit and Disbursement of Money and Valuables. The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated from time to time by the Board. The chief financial officer shall disburse the funds of the corporation as may be ordered by the Board, and shall render to the president and directors, upon request, an account of all transactions as chief financial officer and of the financial condition of the corporation. The chief financial officer shall present to the Board at all regular meetings an operating statement and report since the last preceding regular meeting of the Board. The chief financial officer shall cause the books of account to be audited or reviewed each year by a certified public accountant and a report of such audit or review shall be presented to the Board not later than the fourth month following the close of the fiscal year. The chief financial officer shall have such other powers and perform such other duties as may be prescribed from time to time by the Board.

ARTICLE 7
INDEMNIFICATION AND INSURANCE

Section 7.01 Definitions. For the purposes of this Article 7, "agent" means any person who is or was a director, officer, employee, or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or was a director, officer, employee, or agent of a foreign or domestic corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation; "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" includes without limitation attorneys' fees and any expenses of establishing a right to indemnification under Section 7.05 or 7.05 (b) of this Article 7.

Section 7.02 Indemnification in Actions by Third Parties. The corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any proceedings, (other than an action by or in the right of the corporation to procure a judgment in its favor, an action brought under Section 5233 of the California Nonprofit Public Benefit Corporation Law, or an action brought by the Attorney General or a person granted relator status by the Attorney General for any breach of duty relating to assets held in charitable trust) by reason of the fact that such person is or was an agent of the corporation, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the corporation, and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the corporation or that the person had reasonable cause to believe that the person's conduct was unlawful.

Section 7.03 Indemnification in Action by or in the Right of the Corporation. The corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action by or in the right of the corporation, or brought under Section 5233 of the California Nonprofit Public Benefit Corporation Law, or brought by the Attorney General for a person granted relator status by the Attorney General for breach of duty relating to

assets held in charitable trust, to procure a judgment in its favor by reason of the fact that such person is or was an agent of the corporation, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action of such person acted in good faith, in a manner such person believed to be in the best interests of the corporation and with such care" including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this Section 7.03:

(a) In respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the corporation in the performance of such person's duty to the corporation, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court shall determine;

(b) Of amounts paid in settling or otherwise disposing or a threatened or pending action, with or without court approval; or

(c) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval, unless it is settled with the approval of the Attorney General.

Section 7.04 Indemnification Against Expenses. To the extent that an agent of the corporation has been successful on the merits in defense of any proceeding referred to in Section 7.02 or 7.03 of this Article 7 or in defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

Section 7.05 Required Determinations. Except as provided in section 7.04 of this Article 7, any indemnification under this Article 8 shall be made by the corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in Sections 7.02 or 7.03 of this Article 7, by:

(a) A majority vote of a quorum consisting of directors who are not parties to such proceeding; or

(b) The court in which such proceeding is or was pending upon application made by the corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney, or other person is opposed by the corporation.

Section 7.06 Advance of Expenses. Expenses incurred in defending any proceeding may be advanced by the corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Article 7.

Section 7.07. Other Indemnification. No provision made by the corporation to indemnify its or its subsidiary's directors or officers for the defense of any proceeding, whether contained in the Articles, By-Laws, a resolution of directors, an agreement or otherwise, shall be valid unless consistent with this Article 8. Nothing contained in this Article 8 shall affect any right to indemnification to which persons other than such directors and officers may be entitled by contract or otherwise.

Section 7.08 Forms of Indemnification not Permitted. No indemnification or advance shall be made under this Article 7, except as provided in 7.04 or 7.05(b, in any circumstances where it appears:

(a) That it would be inconsistent with a provision of the Articles, these By-Laws, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving settlement.

Section 7.09 Insurance. The corporation shall have power to purchase and maintain insurance on behalf of any agent of the corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the corporation would have the power to indemnify the agent against such liability under the provisions of this Article 7; provided, however, that a corporation shall have no power to purchase and maintain such insurance to indemnify the agent of the corporation for a violation of section 5233 of the California Nonprofit Public Benefit corporation Law.

Section 7.10 Non-Applicability to Fiduciaries of Employee Benefit Plans. This Article 7 does not apply to any proceedings against any trustee, investment manager, or other fiduciary or an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the corporation as defined in section 1 of this Article 7. The corporation shall have power to indemnify such trustee, investment manager, or other fiduciary to the extent permitted by subdivision (f) of section 207 of the California General corporation Law.

**ARTICLE 8
AMENDMENTS**

Section 8.01 Bylaws. New Bylaws may be adopted or these Bylaws may be amended or repealed by two-thirds (2/3) vote of the Board.

**ARTICLE 9
OTHER PROVISIONS**

Section 9.01 Validity of Instruments. Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, conveyance or other instrument in writing and any assignment or endorsement thereof executed or entered into between the corporation and any other person, when signed by the president or vice president and the secretary or treasurer of the corporation, shall be valid and binding on the corporation in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instruments may be signed by any other person(s) and in such manner as from time to time shall be determined by the Board and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

Section 9.02 Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction, and definitions contained in the General Provisions of the California Nonprofit Corporation Law and in the California Nonprofit Public Benefit Corporation Law shall govern the construction of these Bylaws. Words in these Bylaws shall be read as the masculine or feminine gender and as the singular or plural, as the context requires. The captions and headings in these Bylaws are for convenience only and are not intended to limit or define the scope or effect of any provision.

Section 9.03 Fiscal Year. The fiscal year of the corporation shall be set by the Board.

CERTIFICATE OF ADOPTION OF BYLAWS

I certify that I am the elected and active Secretary of Anytown Housing Development Corporation, a California nonprofit public benefit corporation, and that the foregoing Bylaws, comprising 12 pages, constitute the Bylaws of said corporation as adopted at a meeting of the Board of Directors held on _____.

IN WITNESS WHEREOF, I have signed my name and affixed the seal of the corporation to this certificate on _____.

_____, Secretary

Exhibit 6-4: Sample Articles of Incorporation for a Nonprofit Corporation

ARTICLES OF INCORPORATION

OF

ANYTOWN HOUSING DEVELOPMENT CORPORATION

ONE: The name of this corporation is ANYTOWN HOUSING DEVELOPMENT CORPORATION.

TWO: a) This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit corporation Law for charitable purposes.

b) The specific purposes of this corporation are as follows:

1. To provide very low, low and moderate income persons, elderly persons, and persons with disabilities with affordable housing by acquiring or developing publicly financed low and moderate income property and renting such housing to the aforementioned persons;
2. To provide very low, low and moderate, income persons, elderly persons, and persons with facilities and services related to housing; and
3. To take such other action, in cooperation with private and public persons or agencies, as may reasonably promote the cause of housing very low, low and moderate income persons, elderly persons, and persons with disabilities.

THREE: The name and address in the State of California of the corporation's initial agent for service of process is

FOUR: a) This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c) (3) of' Section 510 (c) (3) of the Internal Revenue Code of 1986 or the corresponding provision of any future United States internal revenue law.

(b) Notwithstanding any other provision of these Articles, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of this corporation, and this corporation shall not carryon any other activities no permitted to be carried on (1) by a corporation exempt from federal income tax under Section 5C1(c) (3) of the Internal Revenue Code of 1986 or the corresponding provision of any future United states internal revenue law, or (2) by a corporation, contributions to which are deductible under Section

170(c) (2) of the Internal Revenue Code of 1986 or the corresponding provision of any future United States internal revenue law.

- (c) No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and this corporation shall not participate in or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

FIVE: (a) The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net earnings or assets of this corporation shall ever inure to the benefit of any of its directors, trustees, officers or members, or to the benefit of any private person.

- (b) On the winding up and dissolution of this corporation, after paying or adequately providing for the debts, obligations, and liabilities of this corporation, the remaining assets of this corporation shall be distributed to the Anytown Housing Agency of the City of _____ or successor nonprofit fund, foundation or corporation, organized and operated exclusively for charitable purposes and which has established and maintained its tax-exempt status under section 501(c) (3) of the Internal Revenue Code of 1986 or the corresponding provision of any future United States internal revenue law, as may be designated in the event the Housing Agency cannot receive such distribution.

SIX: The number of directors of the corporation shall be not less than five (5) nor more than nine (9), as may from time to time be fixed by a bylaw adopted by the Board of Directors.

IN WITNESS WHEREOF, I, the undersigned, constituting the incorporator of this corporation have hereunto set my hand this day of _____, 20 ____.

_____, Incorporator

DECLARATION

I declare that I am the incorporator of the Anytown Housing Development corporation and am the person who executed the above Articles of Incorporation. This instrument is my act and deed.

Executed at _____ on _____.

I declare under penalty of perjury that the foregoing is true and correct.

_____, Incorporator

Exhibit 6-5: Sample Management Agreement between Nonprofit and PHA

MANAGEMENT AGREEMENT

This Agreement is made this _____ day of _____, between the Anytown Housing Development Corporation (the "Owner") and _____ Management (the "Agent").

1. Appointment and Acceptance. The Owner appoints the Agent as exclusive agent for the management of the property described in section 2 of this Agreement, and the Agent accepts the appointment, subject to the terms and conditions set forth in this Agreement.
2. Description of Project. The property to be managed by the Agent under this Agreement is a housing development consisting of the land, buildings, and other improvements which make up the Project. The Project is further described as follows:
Name: _____
Location: City: _____
County/State: _____
No. of Dwelling units: _____
3. Definitions. As used in this Agreement:
 - a. "HUD" means the United States Department of Housing and Urban Development.
 - b. "Secretary" means the Secretary of the United States Department of Housing and Urban Development.
 - c. A "Mortgage" is an instrument of agreement between the Owner, as mortgagor, and the mortgagee, creating a lien on the Project as security for the payment of debt, which mortgage is insured by the United States Department of Housing and Urban Development.
 - d. "Mortgagee" means any holder of the Mortgage.
 - e. "Principal Parties" means the Owner and the Agent.
 - f. "Consenting Parties" means the Secretary and the Mortgagee.
4. HUD Requirements. The project is subject to a mortgage which will be or is insured by HUD under section 221(d) (3) of the National Housing Act, and the Owner has entered or will accordingly enter into a Regulatory Agreement with the Secretary, whereby the Owner is obligated to provide for management of the project in a manner satisfactory to the Secretary.

In addition, the Owner has entered or will enter into a Rent Supplement Contract with the Secretary. The Owner has furnished or will furnish the Agent with copies of the Regulatory Agreement and the Rent Supplement Contract. In performing its duties under this Management Agreement, the Agent will comply with all pertinent requirements of the Regulatory Agreement, the Rent Supplement Contract, and the directives of the Secretary. In the event any instruction from the Owner is in contravention of such requirements, the latter will prevail.

5. Management Plan (Form HUD-9405). Attached hereto as Exhibit "A" and hereby incorporated herein, is a copy of the Management Plan for the Project, which provides a comprehensive and detailed description of the policies and procedures to be followed in the management of the Project. In many of its provisions, this Agreement briefly defines the nature of the Agent's obligations, with the intention that reference be made to the Management Plan for more detailed policies and procedures. Accordingly, the Owner and the Agent will comply with all applicable provisions of the Management Plan, regardless of whether specific reference is made thereto in any particular provision of this Agreement.
6. Management Ingot During HUD Processing. The Agent will advise and assist the Owner with respect to management input during the remaining stages of HUD mortgage insurance processing. The Agent's specific tasks will be as follows:
 - a. Preparation and submission to the owner of a recommended operating budget for the initial operating year of the Project;
 - b. Participation in the pre-occupancy conference with HUD officials;
 - c. Preparation and submission to the Owner (for the Owner's signature and submission to HUD) of the monthly Statement of Income and Expenses (Forms HUD-93479, HUD-93480, HUD-93481) throughout the period from initial occupancy through the achievement of sustaining (95%) occupancy;
 - d. Participation in the on-site inspection of the Project, required by HUD approximately ninety (90) days subsequent to initial occupancy; and
 - e. Continuing review of the Management Plan, for the purpose of keeping the Owner advised of necessary or desirable changes.

7. Basic Information. As soon as possible, the Owner will furnish the Agent with a complete set of plans and specifications approved by the Secretary and copies of all guaranties and warranties pertinent to construction, fixtures, and equipment. with the aid of this information and through inspection by competent personnel, the Agent will thoroughly familiarize itself with the character, location, construction, layout, plan and operation of the Project, and especially the electrical, heating, plumbing, and all other mechanical equipment.
8. Liaison with Housing Staff and General Contractor. During the transfer of ownership and rehabilitation phases, the Agent will maintain direct liaison with the Architect and General Contractor, in order to coordinate management concerns with the design and construction of the Project, and to facilitate completion of any corrective work and the Agent's responsibilities for arranging facilities and services pursuant to section 14 of this Agreement. The Agent will keep the Owner advised of all significant matters in this connection.
9. Marketing. The Agent will carry out the marketing activities prescribed in the Management Plan, observing all requirements of the Affirmative Marketing Plan. Subject to the Owner's prior approval, advertising expenses will be paid out of the Rental Agency Account as Project expenses.
10. Rentals. The Agent will offer for rent and will rent the dwelling units, parking spaces, commercial space and other rental facilities and concessions in the Project. Incident thereto, the following provisions will apply:
 - a. The Agent will make preparation for initial rent-up, as described in the Management Plan.
 - b. The Agent will follow the tenant selection policy described in the Management Plan, giving preference to low-and moderate-income families who have certificates of eligibility as displaced persons.
 - c. The Agent will show the premises to prospective tenants.
 - d. The Agent will process applications for rentals. If an application is rejected, the applicant will be told the reason for rejection, and the rejected application, with reason for rejection noted thereon, will be kept on file for one (1) year. A current list of prospective tenants will be maintained.

- e. The Agent will prepare all dwelling leases and parking permits, and will execute the same in its name, identified thereon as agent for the Owner. The terms of all leases will comply with the pertinent provisions of the Regulatory Agreement, the Rent Supplement Contract, and the directives of the Secretary. Dwelling leases will be in a form approved by the Owner and the Secretary, but individual dwelling leases and parking permits need not be submitted for the approval of the Owner or the Secretary.
- f. The Owner will furnish the Agent with rent schedules, as from time to time approved by the Secretary, showing fair market rents and basic rents for dwelling units, and other charges for facilities and services. In no event will such fair market rents and other charges be exceeded. Eligibility for dwelling rents that are less than such fair market rents, and the amount of such lesser rents, will be determined in accordance with the Regulatory Agreement, the Rent Supplement Contract, and the directives of the Secretary.
- g. The Agent will counsel all perspective tenants regarding eligibility for dwelling rents that are less than fair market rents, and will prepare and verify eligibility certification and recertification in accordance with the Regulatory Agreement, the Rent Supplement Contract, and the directives of the Secretary.
- h. The Agent will negotiate commercial leases and concession agreements, and will execute the same in its name, identified thereon as agent for the Owner, subject to the Owner's prior approval of all terms and conditions. Commercial rents will not be less than the minimums from time to time approved by the Secretary.
- i. The Agent will collect, deposit, and disburse security deposits, if required, in accordance with the terms of each tenant's lease. The amount of each security deposit will be as specified in the Management Plan. (If applicable, security deposits will be deposited by the agent in an interest-bearing account, separate from all other accounts and funds, with a bank or other financial institution whose deposits are insured by an agent of the United States Government and a pro-rata share of interest will be credited to each tenant's security deposit.) This account will be carried in the Agent's name and designated of record as "Security Deposit Account."

11. Collection of Rents and Other Receipts. The Agent will collect when due all rents, charges and other amounts receivable on the Owner's account in connection with the management and operation of the Project. Such receipts (except for tenants' security deposits, which will be handled as specified in Subsection 10 i. above) will be deposited in an account, separate from all other accounts and funds, with a bank whose deposits are insured by the Federal deposit Insurance Corporation. This account will be carried in the Agent's name and designated of record as "Rental Agency Account."
12. Enforcement of Leases. The Agent will secure full compliance by each tenant with the terms of his lease. Voluntary compliance will be emphasized, and the Agent, utilizing the services of the Social Services Director when available will counsel tenants and make referrals to community agencies in cases. of financial hardship or under other circumstances deemed appropriate by the Agent, to the end that involuntary termination of tenancies may be avoided to the maximum extent consistent with sound management of the Project. Nevertheless, and subject to the pertinent procedures prescribed in the Management Plan, the Agent may lawfully terminate any tenancy when in the Agent's judgment, sufficient cause (including but not limited to non-payment of rent) for such termination occurs under the terms of the tenant's lease. For this purpose, the Agent is authorized to consult with legal counsel to be designated by the Owner, to bring actions for eviction and to execute notices to vacate and judicial pleadings incident to such actions; provided, however, the Agent keeps the Owner informed of such actions and follows such instructions as the Owner may prescribe for the conduct of any such action. Subject to the Owner's approval, attorney fees and other necessary costs incurred in connection with such actions will be paid out of the Rental Agency Account as Project expenses.
13. Maintenance and Repair. The Agent will maintain the Project in good repair in accordance with the Management Plan and local code, and in a condition at all times acceptable to the Owner and the Secretary, including but not limited to cleaning, painting, decorating, plumbing, carpentry, grounds care, and such other maintenance and repair work as may be necessary, subject to any limitations imposed by the Owner in addition to those contained herein.

Incident thereto, the following provisions will apply:

- a. Special attention will be given to preventive maintenance and, to the greatest extent feasible, the services of regular maintenance employees will be used.
 - b. Subject to the Owner's prior approval, the Agent will contract with qualified independent contractors for the maintenance and repair of air conditioning systems and elevators, and for extraordinary repairs beyond the capability of regular maintenance employees.
 - c. The Agent will systematically and promptly receive and investigate all service requests from tenants, take such action thereon as may be justified, and will keep records of the same. Emergency requests will be received and serviced on a twenty-four (24) hour basis. Complaints of a serious nature will be reported to the Owner after investigation.
 - d. The Agent is authorized to purchase all materials, equipment, tools, appliances, supplies and services necessary to proper maintenance and repair.
 - e. Notwithstanding any of the foregoing provisions, the prior approval of the Owner will be required for expenditure which exceeds ONE THOUSAND AND NO/00 Dollars (\$1,000.00) in any one instance for labor, materials, or otherwise in connection with the maintenance and repair of the Project, except for recurring expenses within the limits of the operating budget or emergency repairs involving manifest danger to persons or property, or required to avoid suspension of any necessary service to the Project. In the latter event, the Agent will inform the Owner of the facts as promptly as possible.
14. Utilities and Services. In accordance with the Management, Plan and the operating budget, the Agent will make arrangements for water, electricity, gas, sewage and trash disposal, vermin extermination, decorating, laundry facilities, and telephone services. Subject to the Owner's prior approval, the Agent will make such contracts as may be necessary to secure such utilities and services.
15. Employees. The Management Plan prescribes the number, qualifications and duties of the personnel to be regularly employed in the management of the Project, including a Resident Manager, a Social Services Director (if applicable), and maintenance, bookkeeping, clerical, and other managerial employees. All such on-site personnel will be employees of the Project and not the Agent, It will be hired, paid, supervised, and discharged through the Agent, subject to the following conditions:

- a. As more particularly described in the Management Plan, the Resident Manager will have duties of the type usually associated with his position, and the Social Services Director will be responsible for the conduct of the social services program for the Project. Each will be directly responsible to the Agent's Project Manager or other officer, and neither will have authority to supervise or discharge the other. Nevertheless, the Resident Manager and Social Services Director will coordinate their activities in the interest of good overall management.
- b. The compensation (including fringe benefits) of the Resident Manager, the Community Services Director, and the maintenance employees will be prescribed in the Management Plan. Compensation of bookkeeping, clerical, and other managerial personnel will be within the Agent's sole discretion, provided minimum wage standards are met.
- c. The Owner will reimburse the Agent for compensation (including fringe benefits) payable to the on-site management and maintenance employees, as prescribed in the Management Plan, and for all local, state, and Federal taxes and assessments (including but not limited to Social security taxes, unemployment insurance, and workman's compensation insurance, incident to the employment of such personnel). Such reimbursements will be lid out of the Rental Agency Account and will be treated as Project expenses.
- d. Compensation (including fringe benefits) payable to the on-site staff, such as the Resident Manager, Social Services Director, and all bookkeeping, clerical, and other managerial personnel, plus all local, state, and Federal taxes and assessments incidents to the employment of such personnel will be borne solely by the Project, and will not be paid out of the Agent's fee. The rental value of any dwelling unit furnished rent-free to the Resident Manager will be treated as a cost to the Project.
- e. The Agent will establish and follow an employment policy that afford residents of the project maximum opportunities for employment in the management and operation of the Project and, to the extent consistent with that consideration, employment opportunities to lower income persons in the area. While personnel will be employed primarily on the basis of ability, the Agent will make a conscientious effort to provide special assistance and training for Project residents and members of minority groups who are not initially qualified.

16. Disbursements from Rental Agency Account.

- a. From the funds collected and deposited by the Agent in the Rental Agency Account pursuant to section 11 above, the Agent will make the following disbursements promptly when payable:
 - (1) Reimbursement to the Agent for compensation payable to the employees specified in Subsection 15-c above, and for the taxes and assessments payable to local, state, and Federal governments in connection with the employment of such personnel.
 - (2) The single aggregate payment required to be made monthly by the Owner to the Mortgagee, including the amounts due under the mortgage for principal amortization, interest, mortgage insurance premium, ground rents, taxes and assessments, fire and other hazards insurance premiums, and the amount specified in the certificate of Incorporation or Regulatory Agreement for allocation to the Reserve for Replacements.
 - (3) For Projects insured under section 236, the monthly remittance to the Secretary of all dwelling rents collected in excess of the "basic rents" approved by the Secretary. Form 3104, Monthly Report of Excess Income, will be prepared each month and submitted to the Secretary whether or not there are such excess rent collections for the month. The original form covering each month and the excess rent collections made during that month (if any) will be mailed within ten (10) days after the end of that month directly to the Assistant Commissioner-Comptroller, Department of Housing and Urban Development, Washington, D.C. 20412.
 - (4) All sums otherwise due and payable by the Owner as expenses of the Project authorized to be incurred by the Agent under the terms of this Agreement, including compensation payable to the Agent, pursuant to section 26 below for its service hereunder.
- b. Except for the disbursements mentioned in Subsection 16-a above, funds will be disbursed or transferred from the Rental Agency Account only as the Owner may from time to time direct in writing.

- c. In the event the balance in the Rental Agency Account is at any time insufficient to pay disbursements due and payable under Subsection 16-a above, the Agent will inform the Owner of that fact and the Owner will then remit to the Agent sufficient funds to cover the deficiency. In no event will the Agent be required to use its own funds to pay such disbursements.
- 17. Budgets. Annual operating budgets for the Project will be as approved by the Owner. Except as permitted under Subsection 13-e above, annual disbursements for each type of operating expenses itemized in the budget will not exceed the amount authorized by the approved budget. In addition: to preparation and submission of a recommended operating budget for the initial fiscal year (as provided in Subsection 6-a above), the Agent will prepare a recommended operating budget for each subsequent fiscal year beginning during the term of this Agreement, and will submit the same to the Owner at least thirty (30) days before the beginning of the fiscal year. The Owner will promptly inform the Agent of any changes incorporated in the approved budget, and the Agent will keep the Owner informed of any anticipated deviation from the receipts or disbursements stated in the approved budget.
- 18. Records and Reports. In addition to any requirements specified in the Management Plan or in other provisions of this Agreement, the Agent will have the following responsibilities with respect to records and reports:
 - a. The Agent will establish and maintain a comprehensive system of records, books, and accounts in a manner conforming to the directives of the Secretary, and otherwise satisfactory to the Owner and the Consenting Parties. All records, books, and accounts will I subject to examination at reasonable hours by any authorized representative of the Owner or either of the Consenting Parties.
 - b. With respect to each fiscal year ending during the term of this Agreement, the Agent will have an annual financial report prepared by a Certified Public Accountant or other person acceptable to the Owner and Secretary, based upon the preparer's examination of the books and records of the Owner and the Agent. The report will be prepared in accordance with the directives of the Secretary, will be certified by the preparer and the Agent, and will be submitted to the Owner within sixty (60) days after the end of the fiscal year, for the Owner's further certification and submission to the Secretary and the Mortgagee. Compensation for the preparer's services will be paid out of the Rental Agency Account as an expense of the Project.

- c. The Agent will prepare a quarterly report comparing actual and budgeted figures for receipts and disbursements, and will submit each such report to the Owner within fifteen (15) days after the end of the quarter covered.
- d. The Agent will furnish such information (including occupancy report) as may be requested by the Owner or the Secretary from time to time with respect to the financial, physical, or operational condition of the Project.
- e. The Agent will prepare, on a monthly basis, Form 2505, Schedule of Rent Supplement Payments, and HUD-92512, Housing Owner's Certification and Application for Rent Supplement Payments, and will submit the same to the appropriate area or Insuring Office of the Department of Housing and Urban Development within ten (10) days after the end of the month for which rent supplement payments are claimed. Such payments will be deposited to the Rental Agency Account.
- f. By the fifteenth (15th) day of each month, the Agent will furnish the Owner with an itemized list of all delinquent accounts, including rental accounts, as of the tenth (10th) day of the same month.
- g. By the tenth (10th) day of each month, the Agent will furnish the Owner with a statement of receipts and disbursements during the previous month, and with a schedule of accounts receivable and payable, and reconciled bank statements for the Rental Agency Account and Deposit Account as of the end of the previous month.
- h. If, after the Project reaches sustaining (95%) occupancy, the rental collections plus HUD subsidy fall below operating expenses for a sustained period of sixty (60) days, the Agent will immediately send written notification of the same to the appropriate HUD Area/ Insuring Office.
- i. Except as otherwise provided in this Agreement, all off-site bookkeeping, clerical, and other management overhead expenses (including but not limited to costs of office supplies and equipment, data processing services, postage, transportation for managerial personnel, and telephone services) will be borne by the Agent out of his own funds and will not be treated as Project expenses.

19. Fidelity Bond. The Agent will furnish at its own expense, a fidelity bond in the principal sum of _____ Dollars (\$_____) which is at least equal to the gross potential income for two months and is conditioned to protect the owner and the Consenting Parties against misappropriation of Project funds by the Agent and its employees. The Owner shall provide a bond of a like kind to cover the on-site personnel expressed in section 15 and it shall be paid for from Project income. The other terms and conditions of the bond, and the surety thereon, will be subject to the approval of the Owner and the Consenting Parties.
20. Bids and Purchase Discounts. Rebates or Commissions. The Project Owner and Management Agent agree to obtain contract materials, supplies and services at the lowest possible cost and on the terms most advantageous to the Project and to secure and credit to the Project all discounts, rebates or commissions obtainable with respect to purchases, service. contracts and other transactions on behalf of the project. The Project Owner and the Management Agent agree that all goods and services purchased from individuals or companies having an identity-of-interest with the Agent, Project Owner or Management Agent shall be purchased at costs not in excess of those that would be incurred in making arms-length purchases on the open market.

The Management Agent shall solicit written cost estimates (i.e., bids) from at least three contractors or suppliers for any work item which the project Owner or the Secretary estimates will cost \$5,000 or more and for any contract or ongoing supply or service arrangement which is estimated to exceed \$5,000 per year. The Management Agent agrees to accept the bid which represents the lowest price taking into consideration the bidder's reputation for quality of workmanship or materials and timely performance, and the time frame within which the service of goods are needed. For any contract or ongoing supply or service arrangement, obtainable from more than one source and estimated to cost less than \$5,000, the Management Agent shall solicit verbal or written cost estimates, as necessary to assure that the project is obtaining services, supplies and purchases at the lowest possible cost. The Management Agent must make a written record of any verbal estimate obtained. Copies of all required bids and documentation of all other written or verbal cost comparisons made by the Management Agent shall be made part of the Project's records and shall be retained for three years from the date the work was completed. This documentation shall be subject to inspection by the Secretary or his/her designee and the Management Agent agrees to submit such documentation upon request.

The Management Agent further agrees to include the following clause in any contract entered into with an identity-of-interest firm for provision of goods or services to the project, the cost of which services are to be paid from Project funds: "Upon request by the (Project Owner or Management Agent) or the Secretary, (name of contractor or supplier) will make available to the Secretary at a reasonable time and place; (name of contractor or supplier's) records which relate to goods or services provided to the Project." The Management Agent agrees to request such records from the contractor or supplier within seven (7) days of receipt of a written request from the Secretary or his/her designee.

The Management Agent agrees to make available to the Secretary all records of the Agent's management company and its identity-of-interest company(s), if any, which relate to the provision of goods or services to the Project whenever Project funds have been used to pay for such goods and/or services (other than management services).

In the event charges levied by an identity-of-interest firm exceed charges which were or would have been levied by non-identity-of-interest firms for similar services or materials, the Project Owner, at the request of the Department shall refund any excessive amounts which were paid from the Project funds. If the Project Owner and Field Office cannot agree as to the amount of refund due, the Loan Management Branch Chief shall request the Office of the Inspector General to review the Management Agent's or identity-of-interest firm's records related to the transactions under review. The Inspector General shall provide the Loan Management Branch Chief with an estimate of the amount of refund due. The Deputy Director for Housing Management and the Chief shall review the Inspector General's report and shall notify the Project Owner of the amount of refund due. within 20 days of receipt of the Field Office's letter, the Project Owner shall refund any amounts found to be excessive.

21. Social Services Program. The Agent will be responsible to the Owner for carrying out the social services program described in the Management Plan. The Social Services Director will be directly responsible to the Agent for the conduct of this program.
22. Tenant-Management Relations. The Agent will encourage and assist residents of the Project in forming and maintaining representative organizations to promote their common interests, and will maintain good-faith communication with such organizations to the end that problems affecting the Project and its residents may be avoided or solved on the basis of mutual self-interest.

23. On-site Management Facilities. Subject to the further agreement of the Owner and Agent as to more specific terms, the Agent will maintain a management office within the Project and the Resident Manager will reside in one of the dwelling units in the Project, and the Owner will make no rental charge for the same.
24. Insurance. The Owner will inform the Agent of insurance to be carried with respect to the Project and its operations, and the Agent will cause such insurance to be placed and kept in effect at all times. The Agent will pay premiums out of the Rental Agency Account, and premiums will be treated as operating expenses. All insurance will be placed with such companies, on such conditions, in such amounts, and with such beneficial interests appearing thereon as shall be acceptable to the Owner and Consenting Parties, and shall be otherwise in conformity with the mortgage; provided that the same will include public liability coverage, with the Agent designated as one of the insured, in amounts acceptable to the Agent as well as the Owner and the Consenting Parties. The Agent will investigate and furnish the Owner will full reports as to all accidents, claims, and potential claims for damage relating to the Project, and will cooperate with the Owner's Insurers in connection therewith.
25. Compliance with Governmental Orders. The Agent will take such actions as may be necessary to comply promptly with any and all governmental orders or other requirements affecting the Project, whether imposed by Federal, state, county or municipal authority, subject, however, to the limitation stated in Subsection 13-e with respect to repairs. Nevertheless, the Agent shall take no such action so long as the Owner is contesting, or has affirmed its intention to contest, any such order or requirement. The Agent will notify the Owner in writing of all notices of such orders or other requirements, within seventy-two (72) hours from the time of their receipt.
26. Nondiscrimination. In the performance of its obligations under this Agreement, the Agent will comply with the provisions of any Federal, state or local law prohibiting discrimination in housing on the grounds of race, color, sex, creed or national origin, including Title VI of the civil Rights Act of 1964 (Public Law 88-352, 78 stat. 241), all requirements imposed by or pursuant to that Title; regulations issued pursuant to Executive Order 110#, and Title VIII of the 1968 Civil Rights Act.

27. Agents' Compensation. The Agent will be compensated for its services under this agreement by monthly fees, to be paid out of the Rental Agency Account and treated as Project expenses. Such fees will be payable on the day of each month for the months _____, 20 ____

- a. Each such monthly fee will be in an amount equal to _____ percent (____%) of gross collections received during the preceding month. Gross collections include rental income, rent supplement receipts, leasing receipts from a Local or State Housing Authority, AND _____ income from other sources such as coin-operated laundry equipment. In Section 236 projects, any rents collected in excess of basic rents do not count as part of gross collections.
- b. The percentage fee stipulated in section 27-a may be increased by one-fourth of one percent (1/4) (example: a fee of 5% of gross collections could be increased to 5-1/4%) on the anniversary date of this Agreement if HUD approves the Owner's written request, based upon its determination that the Agent's performance has been of superior quality. Such requests are not automatically approved, and may not be implemented without written authorization from the HUD Area/Insuring Office having jurisdiction over the Project mortgage.

28. Term of Agreement. This agreement shall be in effect:

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- a. This Agreement will not be binding upon the Principal Parties until endorsed by the Consenting Parties.
 - b. This Agreement may be terminated by the mutual consent of the Principal Parties as of the end of any calendar month, provided at least thirty (30) days advance written notice thereof is given to each of the Consenting Parties.
 - c. In the event a petition in bankruptcy is filed by or against either of the Principal Parties, or in the event either makes an assignment for the benefit of creditors or takes advantage of any insolvency act, the other party may terminate this Agreement without notice to the other, provided prompt written notice of such termination is given to each of the Consenting Parties.

- d. It is expressly understood and agreed by and between the Principal Parties that the Secretary or the Mortgagee shall have the right to terminate this Agreement at the end of any calendar month, with or without cause, on thirty (30) days advance written notice to each of the Principal Parties, except that in the event of a default by the Owner under its Articles of Incorporation under the obligation of the Mortgage, the Secretary or the Mortgagee may terminate this Agreement immediately upon the issuance of a notice of cancellation to each of the Principal Parties. It is further understood and agreed that no liability will attach to either of the Principal Parties in the event of such termination.
- e. Upon termination, the Agent will submit to the Owner any financial statements required by the Secretary and, after the Principal Parties have accounted to each other with respect to all matters outstanding as of the date of termination, the Owner will furnish the Agent security, in form and principal amount satisfactory to the Agent, against any obligations or liabilities the Agent may properly have incurred on behalf of the Owner hereunder.

29. Interpretative Provisions.

- a. At all times, this Agreement will be subject and subordinate to all rights of the Secretary and will inure to the benefit of and constitute a binding obligation upon the Principal Parties and their respective successors and assigns. To the extent that I this Agreement confers rights upon the Consenting Parties, it will be deemed to inure to their benefit, but without liability to either, in the same manner and with the same effect as though the Consenting Parties were primary parties to the Agreement.
- b. This Agreement constitutes the entire Agreement between the Owner and the Agent with respect to the management and operation of the Project, and no change will be valid, unless made by supplemental written agreement, executed and approved by the Consenting Parties as well as the Principal Parties.
- c. This Agreement has been executed in several counterparts, each of which shall constitute a complete original Agreement, which may be introduced in evidence or used for any other purpose without production of any of the other counterparts.

IN WITNESS WHEREOF, the Principal Parties (by their duly authorized officers) have executed this Agreement on the date first written.

OWNER: _____

By: _____

Title: _____

Date: _____

WITNESS: _____

AGENT: _____

By: _____

Title: _____

WITNESS: _____

Section 3 Mixed-Income Housing and Mixed-Use Development

- “Mixed-income housing” has become the major way of developing affordable housing. Simply, it is a housing development that “mixes” a variety of funding or subsidy sources in the same housing site. By mixing these funding and subsidy sources an agency (or nonprofit) can use a variety of financing tools to develop the project. For example, a combination of tax credits and private financing can be combined to develop a project that includes housing units affordable to households with incomes of up to 60 percent of the area median income (AMI) and market units without any income restriction at all. This mix enables a developer to service the debt on the project while providing some affordable housing to the community.
- “Mixed-use development” is a project that combines affordable housing, market rate housing and retail or a similar commercial use. This type of a project is considerably more complex than a mixed-income project because there may be various HUD and IRS requirements that must be adhered to in this kind of project. Generally, these kinds of projects are developed in localities that receive Hope VI funding, have designated Enterprise Zones or have been awarded Choice Neighborhood funding and use a variety of public and private financing techniques.
- Why “mix” incomes? The general thinking is that mixed-income housing can result in considerable social benefits. Suggested benefits include better role modeling for young people in very low and moderate-income families, deconcentration of poverty, and revitalization of low-income neighborhoods.

Section 3: Mixed-Income Housing and Mixed-Use Development

Notes

- Models for mixed-income housing include:
 - RAD, which is a new model for public housing. The basics of RAD will be covered Chapter 7.
 - State and local government mixed income housing initiatives, e.g., density bonuses, inclusionary zoning, other land use regulations.
 - Public housing authorities, e.g., utilizing HOPE VI or Choice Neighborhood funds. PHAs also have begun to select higher income families (up to 80 percent of AMI) from the public housing waiting list as a way of “mixing” currently owned housing sites. (NOTE: The Admissions and Continued Occupancy Policy must address the need and procedure to be followed for this type of selection process.).
- Some localities require mixed-income development as a condition for funding from available programs;
- Both for profit and nonprofit developers use Low Income Housing Tax Credits, HOME and CDBG grants to develop mixed income housing projects.
- HOME funds may not be used for public housing units. HOME-assisted housing units may not receive Operating Fund or Capital Fund assistance under section 9 of the 1937 Act during the HOME period of affordability.
 - The exception is that HOME funds may be used for the development of public housing units, if the units are developed under section 24 of the 1937 Act (HOPE VI) and no Capital Fund assistance under section 9(d) of the act is used for the development of the unit. Units developed with both HOME and HOPE VI may receive operating assistance under section 9 of the 1937 Act. Units developed with HOME and HOPE VI funds may subsequently receive Capital Funds for rehabilitation or modernization only if the 20-year period of affordability required by the HOME regulations has expired.

Section 3: Mixed-Income Housing and Mixed-Use Development

Notes

- Consistent with §92.205(d), HOME funds may be used for affordable housing units in a project that also contains public housing units, provided that the HOME funds are not used for the public housing units (except in the instance as mentioned above) and HOME funds are used only for eligible costs in accordance with regulatory requirements.

Section 3: Mixed-Income Housing and Mixed-Use Development

Notes

Section 4 Developing Affordable Housing

INTRODUCTION

- The use of “mixed financing” to develop public housing was first authorized under the Omnibus Consolidation and Rescissions Appropriations Act of 1996 and established by statute in the QHWRA (Section 539);
- Since that time public housing agencies have been able to use public housing program funds to produce and operate affordable housing
- More recently, mixed-finance requirements have been streamlined as part of the Capital Fund Final Rule, published in the *Federal Register* October 24, 2013, and effective November 25, 2013
- There is no separate appropriation for this purpose; PHAs are allowed to use current funds received for public housing programs in public/private ventures to develop additional units
- At the same time, the Capital Fund Final Rule does allow some deviations from public housing requirements for mixed-finance projects
- “Mixed-finance development” is the use of several types of resources to produce affordable housing units, e.g., HOME, Community Development Block Grant, low income housing tax credit, bond financing. (NOTE: Each of these sources is discussed in more detail in the following sections)
- These “regular” sources of financing can now be supplemented with public housing capital and operating funds
 - However, 24 CFR 92.214 prohibits HOME funds in projects with public housing capital and operating funds.

- Activities that are eligible for the use of capital and operating funds include:
 - Set aside operating funds to fund reserves for public housing units in a mixed-finance development to ensure affordability for low and very low income households over an extended period of time;
 - Use capital funds as a grant, loan, loan guarantee or other form of investment (see next Section) for development of affordable housing
- If the PHA uses operating or capital funds in the development of units, those units are counted as part of the PHA's inventory and must be operated as public housing units, e.g., only eligible households may be housed in those units and all continuing occupancy rules apply

LEVERAGING CAPITAL FUND

- The Quality Housing and Work Responsibility Act of 1998 (QHWRA) permits public housing authorities to use their capital fund allocations as leverage to develop additional affordable housing in their communities or to undertake modernization work on existing public housing stock.
- Basically, a PHA would pledge a portion of its future capital fund allocation to secure a private loan or bond issue. This would enable a PHA to undertake modernization or construction needs sooner and avoid potential deterioration of the housing stock. All loan proceeds generated have to be used for permissible purposes, e.g., improvements or development that could otherwise be made with capital funds. NOTE: HUD will not guaranty the repayment of debt.
- Generally, HUD will not approve an application that commits more than 33% of a PHA's current annual Capital Fund grant.

Section 4: Developing Affordable Housing

Notes

- A PHA's commitment of Capital Fund should not exceed a 20-year term, although some circumstances will be considered by HUD.
- A PHA that plans to apply for approval of a Capital Fund financing should be designated at least as a Standard Performer under PHAS.
- Many housing authorities are considering this form of leverage so that modernization can be accomplished at current costs. Others want to prevent a large backlog of modernization needs. In some cases, housing authorities are planning to use this form of leverage to develop additional affordable housing for their communities.
- The advantages of using this financing technique are:
 - Can be used by any size of PHA
 - Helps facilitate coordination with local government
 - Saves costs
 - Creates more and better housing stock, sooner
 - Straight forward (although complex) transactions
- Three potential scenarios include:
 - Taxable bank loan: Banks can make a loan that is collateralized with Capital Fund resources to a housing authority. This means that any bank can participate and that the legal requirements are minimal from a tax perspective.
 - Tax-exempt bank loan: Banks can lend money to PHAs in return for a pledge of Capital Fund as security for the loan at a tax-exempt rate because the bonds are municipal instruments and public purpose in nature. The bank often requires a limited debt service reserve fund to provide an assurance of repayment.

- Bond issues: Involves a public offering; the bond issue is assigned a rating by a national rating agency (Moody's, Standard and Poor's) and then subsequently sold to institutional investors. A PHA can pledge future Capital Fund allocations which secures the bond issue. This type of transaction has been assigned an AA rating in the past. The debt is limited recourse to the PHA which means that, in case of default, the bondholders are only able to seek repayment from the Capital Funds pledged and cannot attach the general assets (public housing stock/ equipment) of the PHA.

Points to Consider

- Investors want to be sure that debt service and reserve requirements can be met.
- Some transactions will require compliance with the IRS code, such as tax-exempt bonds.
- Current proposed limit on leveraging is that no more than twenty five percent (25%) of a PHA's current year allocation can be pledged for debt service.
- PHA capacity – does the PHA's performance history indicate it can complete the project successfully?
- Leveraging may have an effect on the PHA's long- and short-term plans.
- Effect of default and its consequences on the PHA's reputation in the community if Congress fails to appropriate Capital Fund at reasonable levels.
 - S & P, Moody's and Fitch examined this risk and concluded that the risk is remote.
- Each project is reviewed at HUD headquarters by program staff and legal counsel in the Office of Public and Indian Housing.

Notes

- PHAs that propose to use Capital Fund financing should anticipate a minimum HUD review time of 60 to 90 days, with interim comments on the initial submission.
- It is critical to consider approval timeframes if the PHA has deadlines associated with other types of financing, e.g., LIHTCs.
- There are two restrictions on the use of capital funds for new construction of public housing units:
 - Assistance: PHA can use operating or capital funds for the construction or operation of units in excess of the number in the inventory on 10/1/99; however, the PHA's formula amount will not be increased to allow for this construction or operation, except that
 - Formula amounts may be increased to cover additional capital or operating funds (not initial development costs) if the units are part of a leveraged, mixed-finance project and the estimated cost of the units' useful life is less than the cost of providing tenant based assistance for the same time period

How do we get started?

- The PHA may find the following steps helpful to begin the capital fund financing process:
 - The PHA Agency Plan must include a self assessment and information on the proposed undertaking. For what purpose would the PHA use the proceeds? How much financing is needed and is it within limitations? What would be the effect on other capital needs? What is the PHA's capacity to complete the project?
 - Some form of official action, such as a resolution by the board of commissioners approving the financing is needed. (A final resolution will be needed prior to closing on the final terms of the transaction.)

Section 4: Developing Affordable Housing

Notes

- Assembling the team needed will vary based on the experience and knowledge of the PHA in this kind of project. For example, does the PHA have appropriate financial expertise or development staff? Generally, the PHA will need to procure specific legal counsel familiar with this type of transaction, a financial advisor, bankers and possibly development partners, depending on the type and breadth of the proposed project.
- Specific PHA staff should be appointed as a project manager or “point of contact” to ensure daily attention is paid to the implementation of the financing plan and, ultimately, the project.
- The PHA may need to educate lenders and investment bankers about public housing, including information on appropriations history (solid for over twenty years); the relationship between the PHA and HUD; and the restrictions on borrowing.
- The PHA team will also want to evaluate a variety of possible financing scenarios. A financial advisor will be able to provide and describe the various methods and types of transactions the PHA can consider. Remember that local government and resident input may be required and is always desirable as a part of this undertaking.
- This financing technique is not for all housing authorities.
- Good candidates will have a capital fund allocation that can support borrowing and a solid performance history; poor candidates will have very small capital fund allocations and/or a troubled performance history.

SUMMARY: CAPITAL FUND FINANCING PROGRAM (CFFP)

- Allows PHAs to leverage their Capital Fund (CF) grant (i.e., “grant acceleration”). PHAs can use one-third of the CF grant to pay for debt service payments, *with HUD approval*.
 - Final rule was published October, 21, 2010.
- Debt service will be supported by project cash flow or operating reserves.
- Loan terms can extend to 20 years.
- Additional information on the capital fund, capital fund financing programs, operating fund financing programs, physical needs assessments, etc., are available through Public Housing’s Office of Capital Improvements at:
 - https://www.hud.gov/program_offices/public_indian_housing/programs/ph/capfund

Section 4: Developing Affordable Housing

Notes

Section 5 Streamlined Voluntary Conversions of Last Remaining Projects of Small PHAs

- Notice PIH 2019-05, published March 1, 2019, waives the conversion assessment requirement for small PHAs to convert to tenant-based assistance.
 - A small PHA has 250 or fewer public housing units under its Consolidated Annual Contributions Contract (CACC) with HUD.
- The regular conversion assessment consists of a cost analysis, market value analysis, rental market analysis, and an impact analysis on the neighborhood. Recognizing that small PHAs typically have reduced staff and limited funding, HUD is exercising its authority to waive the conversion assessment for small PHAs.
- See the notice for more detailed instructions, required forms, and appendices. Below is a summary.

ELIGIBILITY

- A public housing project is eligible for conversion under the notice if it meets the criteria listed below:
 1. As of the date of application submission, the project or projects are owned by a small PHA that confirms its intent to close out its public housing program after all units are converted; and
 2. Conversion of the project or projects will result in the conversion of all public housing units owned by the PHA.

Section 5: Streamlined Voluntary Conversions of Last Remaining Projects of Small PHAs

Notes

APPLICATION SUBMISSION AND CONVERSION PLAN COMPONENTS

- To apply for conversion under Notice PIH 2019-05, PHAs submit a conversion plan to HUD in the Inventory Removals Submodule of the IMS/PIC under “Streamlined VC.” PHAs are required to complete the electronic IMS/PIC application and upload completed forms.

Section 6 Notice on Public Housing Required Conversions, Notice PIH 2019-10

- Notice PIH 2019-10, published April 30, 2019, provides guidance on the requirement that PHAs annually review their inventories to determine whether any of their public housing developments (or parts of developments) meet the criteria for required conversion from public housing. This notice also provides guidance on developing a required conversion plan in such instances.
- HUD regulations require conversion of certain distressed public housing units to Section 8 tenant-based assistance if it would be more expensive to modernize and operate the distressed development for its remaining useful life than to provide tenant-based assistance to all residents, or if the PHA cannot assure the long-term viability of a distressed development.

THRESHOLD CRITERIA

- Public housing units meeting all of the following conditions are subject to required conversion:
 - A. Requirement for conversion applies to a general occupancy project, which could mean a group of 250 or more units that are part of a portion of a project, one project; or more than one project, as project is defined by section 3(b)(1)) of the 1937 Act.
 - B. The development is on the same or contiguous sites.
 - C. The development has a vacancy rate at or above 12 percent. See Notice 2019-10 for units which must be excluded from the vacancy calculation.
- If the PHA meets the threshold criteria above, the PHA must determine whether the development is distressed (the PHA cannot assure long-term viability or is more expensive for the PHA to operate than tenant-based assistance).

PHA ACTIONS

- If the development meets the criteria above, the PHA must take one of two actions:
 1. The PHA submits a conversion plan through the Inventory Removals Module of IMS/PIC.
 2. Or, the PHA evidences that the conversion plan is not required. The PHA can assure the Field Office that development is not more expensive for the PHA to operate as public housing than providing tenant-based assistance.

APPLICATION SUBMISSION AND CONVERSION PLAN COMPONENTS

- PHAs must submit an application to HUD's Special Applications Center (SAC). Notice 2019-10 specifies required forms and steps.
- Conversion plans must remove the required public housing units from the PHA's inventory in five years or less, although HUD may allow up to 10 years in exceptional circumstances.
- The SAC application includes a list of proposed units, describing the proposed conversion in the PHA Plan process, consulting with residents, board approval, local government consultation, status of Capital Funds, and description of future use of units.
 - The notice describes requirements depending on whether the PHA proposes to demolish units as part of the conversion or after conversion.
- If developments continue to operate as rental housing, the PHA (or subsequent owner) must allow the families to choose to remain in their units using the housing choice voucher.

Section 6: Notice on Public Housing Required Conversions, Notice PIH 2019-10

Notes

- There is no statutory or regulatory right to provide project-based voucher (PBV) assistance to former public housing developments that HUD approves for required conversion. PBV assistance cannot be provided in cases of required conversions.
- The PHA must comply with relocation requirements. There is no exclusion from applicability of the Uniform Relocation Act (URA) when tenants are displaced as a direct result of any demolition carried out as part of a required conversion.
- Requests for technical assistance and public comments may be directed to SACTA@hud.gov.

Section 6: Notice on Public Housing Required Conversions, Notice PIH 2019-10

Notes

Section 7 Mixed-Finance Development

BENEFITS OF THE MIXED-FINANCE APPROACH

- Brings additional resources to the project that can be used for gap financing and to provide amenities not usually available in publicly financed units.
- Increases opportunities for the physical, social, economic integration of public housing. Mixed-finance developments can include public housing units, tax credit units and market rate units (not rent restricted). Usually, in these projects, units are considered as “floating” rather than “dedicated” so that eligible public housing households have access to amenities available to market rate tenants.
- Stimulates neighborhood revitalization and economic development; often cities target specific neighborhoods for infrastructure improvements, affordable homeownership programs, owner rehab programs and new public facilities.
- Increases PHA development expertise by attracting experienced partners. Development takes considerable expertise, not usually available through public housing staff; mixed-finance projects provide a vehicle for attracting experienced partners, nonprofit as well as for profit. The experience often results in PHA staff developing expertise that can be utilized in future development activities.
- Provides opportunities for partnership with organizations that have been successfully working in neighborhoods for years on housing, economic development and social service delivery.

HOPE VI

- In 1993 the National Commission on Severely Distressed Public Housing made a report to Congress that included a recommendation to provide funding for reconstruction of several distressed public housing developments. This “Urban Revitalization Demonstration” program provided \$300 million to selected cities, some of which were on HUD’s troubled list in March 1992.
- Funds were to be used to reconstruct public housing developments; 20 percent of the funds could be used for community services and cities receiving the URD funds were required to make contributions for supportive services.
- Subsequently, appropriations legislation increased funding and relaxed some of the program requirements and HOPE VI or this type of “mixed finance” became an ongoing program.
- The mixed-finance approach involves financing from multiple sources, public and private. It can also involve ownership of the public housing units by an entity other than the PHA.

HOW DOES MIXED-FINANCE DEVELOPMENT WORK?

- Public housing funds, including HOPE VI and Capital Funds can be loaned or granted to a development partner to build replacement or new public housing. Public housing funds must leverage other public or private funds to produce public housing, other affordability level housing and/or market rate housing

Notes

- PHAs must procure development partners in compliance with Part 85 of 24 CFR (Procurement requirements for use of federal funds); selection must be through a publicly advertised and procedurally fair competition. Generally, PHAs will use the Request for Qualification (RFQ) process, that allows the PHA to select a developer partner based on qualifications and negotiated price after selection. Once the developer partner is selected through this process, contractors hired by the developer/owner are not subject to Part 85 unless the PHA is significantly involved in the development process.
- Eligible Uses of HOPE VI and Capital Funds:
 - Predevelopment activities (demolition, site preparation, relocation)
 - Construction of public housing units and a pro rata share of common area costs
- Operating subsidy may be provided for public housing units owned by private or public/private entities. Operating subsidy is calculated through PFS and can flow through the housing authority to the owner. A methodology acceptable to HUD must be developed so that a portion of a PHA's operating subsidy is passed along to assist the public housing units in a mixed-finance project
 - Public housing Capital Funds, HOPE VI funds or operating subsidy cannot be used to **create** an operating reserve account (to cover costs of operation of the public housing units in the event that operating subsidy and rents collected is not sufficient to cover operating expenses); however, these sources can be used to **replenish** a reserve that has been drawn down to pay operating deficits

OTHER POINTS

- Market design. Developments should be attractive, marketable, improve or are harmonious with the surrounding neighborhood, meet long term needs of occupants and are sustainable over the long run.
 - To achieve desired market design, PHAs are provided maximum flexibility regarding amenities and design as long as the units are developed with the Total Development Cost (TDC) and Housing Cost Cap (HCC) limits.
 - Amenities such as air conditioning, garbage disposals, dishwashers, washers and dryers, trash compactors are allowable expenses.
 - Architectural features such as balconies, expanded counter space, floor area and carpeting are allowable expenses.
- Site based waiting lists. Can be used for public housing units to identify families that are specifically interested in living in those units. The PHA must describe its intent to use a site based waiting list in the Agency Plan and ensure the list is established according to the conditions included in Section 525 of QHWRA.
- Site based management functions. A PHA can contract with a management company or delegate to the owner entity all management functions for the public housing units included in the development, including applicant screening and selection, informal appeals for denial of admission, rent determination. However, the PHA remains responsible to HUD for ensuring all statutory requirements are met
- Exhibit 6-6 on page 6-124 is a sample “Mixed-Finance Responsibility Checklist” that includes a step-by-step task list to follow for a mixed-finance development project.

HOME

- The HOME Investment Partnership Program (HOME) was created under Title II of the Cranston-Gonzales National Affordable Housing Act of 1990 and represented a federal commitment to providing decent, safe, affordable housing and to alleviate the problems of excessive rent burdens, homelessness and deteriorating housing stock nationwide. HOME is available to states and local governments, known as participating jurisdictions (PJs), and allows each community to use the funds in ways that best respond to each jurisdiction's circumstances.
- The HOME final rule, published on July 24, 2013, adds a new 24 CFR 92.213 to the HOME regulations to address the use of HOME funds with public housing funds. The new section addresses three issues:
 - HOME funds cannot be used, alone or in combination with capital funds, for public housing units. HOME units cannot receive public housing capital fund or operating fund assistance under section 9 of the Housing Act of 1937. The use of HOME funds for public housing units funded under section of the 1937 act or another source is prohibited.
 - HOME funds may be used in a project that also contains public housing units, provided that HOME funds are not used in the public housing units and the HOME units are not separately designated through the cost allocation process required for units that are not comparable under 24 CFR 92.205(d). In such projects, the HOME and public housing units would have separate waiting lists and rent structures. The residential anti-displacement and relocation assistance plan requirements of 24 CFR 92.353(3) are applicable to the entire project.
- The information on HOME/CHDOs is presented here for informational purposes only.

Notes

- HOME funds can be used for a broad range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership, or provide direct assistance to low-income households.
- A secondary purpose for the HOME program was for participating jurisdictions (PJs) to develop the skills, relationships and vision needed to undertake local affordable housing strategies. In this way, the HOME program can provide communities with more than financial assistance.
- Three ways to access HOME funds:
 - States, metropolitan cities and urban counties can receive a direct allocation of program funds according to an entitlement formula
 - Other units of local government may also become eligible for direct allocations by forming a consortium with one or more contiguous jurisdictions
 - Local governments that do not qualify for a direct allocation may apply for program funds made available by their State
- Formula allocations are based on six indicators of a jurisdiction's affordable housing needs:
 - Relative inadequacy of housing supply
 - Supply of substandard rental housing
 - Number of low income families in rental housing units likely in need of rehabilitation
 - Cost of producing housing
 - Incidence of poverty in the jurisdiction
 - Fiscal incapacity to carry out housing activities without Federal assistance

Notes

- The application for HOME funding is the Consolidated Plan (see Chapter 9, Section 7); the Consolidated Plan includes the basic information HUD requires on how the jurisdiction will utilize HOME, including:
 - A description of how HOME funds will be used to address priority needs
 - A statement describing the resale/recapture provisions the PJ may use to recover subsidies or ensure affordability in home buyer assistance efforts
 - Certifications regarding compliance with other statutory requirements and Federal laws
- Eligible activities for HOME funds include:
 - Development costs:
 - Acquisition of property
 - Construction of new housing for rent or ownership
 - Moderate or substantial rehabilitation of rental or owner occupied units
 - Site improvements for HOME assisted projects
 - Demolition of dilapidated housing for a HOME assisted project
 - Relocation payments
 - Reasonable expenses related to developing non luxury housing
 - Administrative costs:
 - Planning and administration (10%)
 - Staff and overhead costs directly related to a HOME project
 - Operating costs for a community housing development organization (5%)

Notes

- Home purchase or rehabilitation financing assistance to low income homeowners and new homebuyers:
 - Direct loans
 - Help with down payments and closing costs
 - Loan guarantees
- Tenant based rental assistance (TBRA)
 - Rent subsidy
 - Security deposits
 - Rental assistance contracts cannot exceed 24 months
 - Comparability, subsidy level, lease requirements, HQS requirements mirror the Section 8 housing voucher program
- Ineligible activities for HOME funds include (exceptions described above):
 - Public and assisted housing renovation, operation and preservation activities
 - Operating subsidies for rental housing, reserve accounts, tenant subsidies for special purpose Section 8 purposes
 - Matching funds for other Federal programs

Notes

- There are specific income eligibility and affordability requirements required by HOME, depending on the way the funds will be used, e.g., home buyer assistance is limited to households whose total income does not exceed 80 percent of the AMI.
- Participating jurisdictions (PJs) must match a share of their HOME funds from non federal sources; these matching funds can be in the form of:
 - Cash
 - Donated construction materials or voluntary labor
 - Value of donated land or real property
 - Value of foregone interest, taxes, fees or charges levied by public or private entities
 - Investments in on or off site improvements
 - Proceeds from bond financing
 - Cost of supportive services provided to families living in HOME units
 - Cost of home buyer counseling provided to families purchasing HOME units

THE NONPROFIT ADVANTAGE

- If the PHA decides to establish a nonprofit entity to pursue development activities, it is worthwhile to organize as a community housing development organization or CHDO
- Under the HOME program, PJs must set aside at least 15 percent of their jurisdiction's allocation for use by CHDOs

Notes

- In order to qualify as a CHDO, a nonprofit entity must:
 - Provide decent housing affordable to low and moderate income persons (may perform other functions as well)
 - Have effectively carried out activities such as those financed by HOME
 - Have a history of serving the community where the HOME financed project will be located
 - Are organized under State or local laws and exempt from taxes under Section 501(c) of the IRS Code.
 - Meet standards of financial accountability
 - Have a governing board that is made up of at least one third of low income residents or elected representatives of those residents
 - Must have a formal process that allows low income residents to provide input on relevant decisions
- A CHDO cannot be a public body nor can it be controlled by an individual or group seeking to make profit from the organization
- A CHDO can receive HOME funds to help pay operating costs as well as funds for specific projects
- A nonprofit must provide a completed checklist along with the necessary documentation to be certified as a CHDO by a PJ for the purposes of the HOME Program. The CHDO Checklist is provided by the Home Front as a tool to assist PJs and nonprofit organizations in the certification process.

CHDO CHECKLIST

The information contained in this checklist refers to the definition of Community Housing Development Organization (CHDO) in Subpart A, Section 92.2 of the HOME Final Rule. This checklist should be used as a tool to educate participating jurisdictions about the documents they must receive from a nonprofit before it may be certified as a CHDO.

I. LEGAL STATUS

- A. The nonprofit organization is organized under State or local laws, as evidenced by:
_____ A Charter, OR
_____ Articles of Incorporation.
- B. No part of its net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:
_____ A Charter, OR
_____ Articles of Incorporation.
- C. Has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c) of the Internal Revenue Code of 1986, as evidenced by:
_____ A 501(c) Certificate from the IRS.
- D. Has among its purposes the provision of decent housing that is affordable to low and moderate-income people, as evidenced by a statement in the organization's:
_____ Charter
_____ Articles of Incorporation
_____ By-laws
_____ Resolutions
_____ A HUD approved audit summary

II. CAPACITY

- A. Conforms to the financial accountability standards of Attachment F of OMB Circular A-110, "Standards for Financial Management Systems," as evidenced by:

_____ A notarized statement by the president or chief financial officer of the organization;
_____ A certification from a Certified Public Accountant; OR
_____ A HUD approved audit summary.

- B. Has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

_____ Resumes and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds, OR
_____ Contract(s) with consulting firms or individuals who have housing experience similar to projects to be assisted with HOME funds to train appropriate key staff of the organization.

- C. Has a history of serving the community where housing to be assisted with HOME funds will be used, as evidenced by:

_____ Statement that documents at least one year of experience in serving the community, OR
_____ For newly created organizations formed by local churches, service, or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.

NOTE: The CHDO or its parent organization must be able to show one year of serving the community from the date the participating jurisdiction provides HOME funds to the organization. In the statement, the organization must describe its history (or its parent organization's history) of serving the community by describing activities which it provided (or its parent organization provided), such as developing new housing, rehabilitating existing stock, and managing housing stock, or delivering non-housing services that have had lasting benefits for the community, such as counseling, food relief, or childcare facilities. The statement must be signed by the president of the organization or by a HUD-approved representative.

III. ORGANIZATIONAL STRUCTURE

- A. Maintains at least one-third of its governing board's membership for residents of low income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations, as evidenced by the organization's:

_____ By-Laws
_____ Charter, OR
_____ Articles of Incorporation.

Under the HOME Program, for urban areas, the term "community" is defined as one or several neighborhoods, a city, county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county, or multi-county area (but not the whole state).

- B. Provides a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of all HOME-assisted affordable housing projects, as evidenced by:

_____ The organization's By-laws,
_____ Resolutions, OR
_____ A written statement of operating procedures approved by the governing body.

- C. A CHDO may be chartered by a State or local government, however, the State or local government may not appoint: (1) more than one-third of the membership of the organization's governing body; (2) the board members appointed by the State or local government may not, in turn, appoint the remaining two-thirds of the board members; and (3) no more than one-third of the governing board members are public officials, as evidenced by the organization's:

_____ By-Laws
_____ Charter, OR
_____ Articles of Incorporation.

- D. If the CHDO is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the CHDO's:

_____ By-Laws
_____ Charter, OR
_____ Articles of Incorporation.

IV. RELATIONSHIP WITH FOR-PROFIT ENTITIES

- A. CHDO is not controlled, nor receives directions from individuals or entities seeking profit from the organization, as evidenced by:
- _____ The organization's By-laws, OR
- _____ A Memorandum of Understanding (MOU).
- B. A CHDO may be sponsored or created by a for-profit entity; however:
- (1) The for-profit entity's primary purpose does not include the development or management of housing, as evidenced by:
- _____ The for-profit organization's By-laws, AND
- (2) The CHDO is free to contract for goods and services from vendor(s) of its own choosing, as evidenced by the CHDO's:
- _____ By-Laws
- _____ Charter, OR
- _____ Articles of Incorporation.

EXCERPTS FROM AN IRS LETTER

A sample of typical requests from the IRS to organizations seeking 501(c)(3) status is provided below. Although all situations are unique, this sample can help an organization more effectively plan and prepare for the process. For additional information, contact your local IRS office.

- (1) Submit a detailed description of all the activities of the organization – past, present, and planned – showing how you operate or will operate to achieve your purposes. Each activity should be separately described and the description should include as a minimum, the following:
- a. Its purpose and nature.
 - b. Frequency and duration.
 - c. How, when, where, and by whom it was, is, or will be conducted.
 - d. The requirements a person or organization must meet in order to participate in or receive benefit from the activity.
 - e. The amounts of any charges or fees and the basis for them.
 - f. What the activity has accomplished or will accomplish.
 - g. State what percentage of the total time and effort of the organization is devoted to carrying out each activity.

- (2) If the organization pays, has paid, or will pay compensation to or on behalf of persons who are officers, directors, or trustees or members of their families, or any other compensation, submit the following:
- a. The name and title or relationship of such person to whom payment has been, is being, or will be paid.
 - b. The nature and/or purpose of payments (i.e., salary, wage, housing allotment, car allowance, etc.) and the amount of payment made or to be made on behalf of such person. If payments are to be made in more than one category, state each separately.
 - c. A detailed description of the positions filled by and the duties and services for which compensation will be paid.
 - d. The amount of time each person devotes to the position (if prospective, how the payment will be affected by an upward or downward adjustment in time based on need of the organization).
 - e. The qualifications (training, background, experience) of such person for the position, duties, and services.
 - f. If any such person is employed outside the organization, the hours per week and weeks per year devoted to such outside employment.
 - g. Who determines compensation to be paid? What criteria is used to determine compensation?
 - h. How do you or will you insure that all compensation paid is "reasonable" and in return for service rendered?
 - i. Does the organization pay or plan to pay any of the personal living expenses of employees, directors, officers, founders, members, etc.? If so, explain in detail. Be specific.
- (3) Submit copies of any brochures, pamphlets, newsletters, advertisements, or other literature regarding your organization.
- (4) Providing housing for individuals who earn a certain percentage of an area's median income is not sufficient to establish that you are operated exclusively for charitable purposes, a prerequisite for exemption under Section 501(c)(3). Basing a determination of exempt status on a strict percentage test is generally not sufficient to confer tax-exempt status under Section 501(c)(3). If it appears that the organization may be engaged in assisting the poor and distressed, the organization must be able to show how it qualifies under 501(c)(3). If you claim to be eliminating prejudice and discrimination, submit descriptions of the existing prejudicial and discriminatory conditions that exist in the areas you are targeting for assistance and an explanation of how your activities will seek to alleviate such conditions. Be specific in your descriptions. Describe any educational or other programs you will provide to eliminate prejudice and/or discrimination.

- (5) If you claim to combat community deterioration, submit descriptions of the areas you will be targeting for relief. Provide evidence of the deterioration of the community. State whether any of the areas you will be targeting for assistance have been recognized as depressed by a governmental agency.
 - a. Submit a copy of such determination as to the condition of the area served.
 - b. Submit a description from the authorizing agency as to how that agency defines "blight."
- (6) State whether any of your housing recipients will earn more than 80% of the area's median income.
- (7) Why do you include moderate income families in your housing activities? How will this serve a charitable purpose? Discuss in detail.
- (8) Have you been issued an employer identification number? If so, please let us know the number that has been assigned to you.
- (9) Please submit any additional information you feel will help us better understand your organization.

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)

- The Housing and Community Development Act of 1974 established the Community Development Block Grant (CDBG) Program
- Jurisdictions receive CDBG funds either directly as an entitlement community (metropolitan cities and urban counties) or from their States as non entitlement areas (cities with populations of less than 50,000 or counties with populations of less than 200,000)
- Similar to the HOME program, the Consolidated Plan for metropolitan cities or urban counties serves as the application vehicle for CDBG funds
- For smaller communities, CDBG funds flow to the States from HUD; the States annually develop funding priorities and criteria to select projects and then small communities apply to the State for CDBG funds using whatever application method the State elects to use
- The statutory objective of the CDBG program is to develop viable communities by providing decent housing and a suitable living environment, and by expanding economic opportunities primarily for persons of low and moderate income
- Eligible uses of CDBG funds include:
 - Acquisition of property for public purposes
 - Construction or reconstruction of community infrastructure
 - Demolition
 - Rehabilitation of public and private buildings
 - Public services
 - Planning activities
 - Assistance to nonprofit entities to carry out community or economic development activities (including assistance to micro enterprises)

- Application for CDBG funds can be submitted by public housing agencies for a variety of uses (rehabilitation work, housing counseling, planning, etc.)
- Familiarity with individual state requirements is key to submitting an application for CDBG funding to your state

CHOICE NEIGHBORHOODS PROGRAM

- The Choice Neighborhoods Program, which is replacing HOPE VI, is a federal program that supports local drive strategies to address struggling neighborhoods that include distressed public or HUD-assisted housing through a comprehensive approach to neighborhood revitalization.
- The idea is for local officials, residents, PHAs, business owners, and other stakeholders to work together to create and implement a plan to transform distressed HUD housing and other problems in the neighborhood.
- Choice Neighborhoods focuses on three core goals:
 - Housing: Replace distressed public and assisted housing with good quality, mixed income housing that is well managed and meets the needs of the community;
 - People: Improve educational outcomes and mobility for youth in the area with services and networks directly with the young people and their families;
 - Neighborhood: Create favorable conditions for private and public investment in distressed neighborhoods to offer amenities, such as safety, good schools and commercial activity, that are important to the families and the community.

Notes

- The first step in qualifying for a Choice Neighborhoods award is to develop a comprehensive revitalization strategy, known as a Transformation Plan.
- The Transformation Plan becomes the guide for the revitalization of the public or assisted housing units and simultaneously directs the transformation of the surrounding neighborhood.
- There are two forms of assistance available under Choice Neighborhoods:
 - Planning Grant to develop the Transformation Plan
 - Implementation Grant
- Both of these grants are awarded based on a published Notice of Funding Availability (NOFA); to current date, all jurisdictions that have been awarded Implementation Grants applied and received a Planning Grant from HUD.
- The following summarizes the components needed for a Planning Grant application:
 - Needs assessment: Communities must complete a needs assessment to drive the development of the Transformation Plan and all three Choice Neighborhoods Goals must be considered: housing, people, and neighborhood.
 - Transformation plan: Communities must develop a plan to deliver the solutions that address the challenges and gaps identified through the needs assessment. Again, the Plan must address the three goals.
 - Financial sustainability: Public, private agencies, organization and people come together to find ways to leverage resources needed to support the financial sustainability of the Transformation Plan. Sources and amount of available Federal, State, and local funds must be identified in the Plan.

Notes

- Plan integration: Strategies must be identified for building on high quality programs and community supports, existing and anticipated Federal resources and existing or anticipated investments in the revitalization efforts.
- Resident & community engagement: Widespread community support for the plan should be demonstrated. This can be achieved by establishing outcomes for the neighborhood that are communicated and reviewed on an ongoing basis with the community members.
- Managing partnerships: Written commitments from partners to work long term on plan implementation should be included which will help ensure continued programmatic success and include performance goals and milestones.
- Data system: There must be in place, or be planned, a comprehensive data management system that adheres to all Federal, State, or other privacy laws and requirements.
- Technical assistance: The plan should identify any needed technical assistance to ensure the strategies included in the plan can be accomplished.
- Community of practice: Communication and information exchange with other communities working with a Choice Neighborhood program is required.
- Those communities that are awarded planning grants are essentially assured award of an implementation grant because the resulting transformation plan becomes the application for the implementation grant.

Section 8 Bond Financing

MULTI FAMILY TAX-EXEMPT BONDS

- Bonds, stocks, checks, promissory notes, debentures and treasuries are all referred to as “securities.” Congress regulates these instruments primarily through federal agencies such as the Securities and Exchange Commission (SEC), the Federal Reserve (Fed), and the Treasury Department, which includes the IRS.
- Federal, state and local legislation authorize the issuance of bonds by local governments to finance the development, acquisition and rehabilitation of multifamily rental projects. The interest on the bonds is exempt from federal and state taxation, which is critical to developers and investors looking for tax-free income. This vehicle provides below-market financing for qualified rental projects located in the PHA’s jurisdiction.
- Bonds issued are generally rated “AAA” or equivalent and are rated by nationally recognized rating agencies, such as:
 - Moody's Investors Service
 - Standard and Poors Corporation
 - Fitch Investors Service, Inc.
 - Duff and Phelps Credit Rating Company
- The goals of using tax-exempt bond financing include:
 - Increase and preserve the supply of affordable rental housing
 - Encourage economic integration within residential communities
 - Maintain a quality of living environment for residents of assisted projects and surrounding properties
 - Optimize the effectiveness of PHA or nonprofit funds by maximizing the leverage of private sector funds

Bond Basics

- A bond is a piece of paper that evidences debt - that money was borrowed and will be paid back at a certain rate of return called “interest.” When someone buys a bond they are loaning money to a governmental agency or a private corporation. In return for the loan, the issuer of the bond promises to pay the bondholder a specified interest rate during the life of the bond and to repay the face amount of the bond when it matures or comes due.
- The bond’s maturity refers to the specific future date on which the principal is scheduled to be repaid in full. A short-term maturity is from one to four years; medium-term maturity rates from five to twelve years and a long-term maturity exceeds twelve years.
- A tax-exempt bond is one that earns interest for the bondholder (investor) that is exempt from federal and state taxation.
- Purchasers of bonds like the safety in bonds and the predictable stream of payments compared to equity investments such as stocks. Since the risk of financial loss on bonds is less than that of a promissory note or equity investment, the purchasers’ expected rate of return (interest) is lower and the borrowing rate is lower, resulting in a lower mortgage rate.
- How does tax-exempt bond financing raise funds for a developer?
 - Issuer (jurisdiction or PHA) issues the bonds
 - Bonds are sold to interested investors
 - Proceeds from bond sale are loaned to the project developer

- Who can issue tax-exempt bonds?
 - State and local agencies as well as municipalities can issue tax-exempt bonds, if they have the authority to do so by federal, state and local law. The IRS code sets the conditions under which the interest on a bond will be tax-exempt to the bondholders. All tax-exempt bonds issued by a government agency or municipality must be issued for a public purpose specified in state law and the IRS code.
- How are bonds repaid?
 - An investor's key concern when evaluating an investment in a bond issue is whether the interest and principal will be paid in a timely fashion.
 - *General obligation bonds* are those where the pay back is made only from the full faith and credit of the municipality (taxing power on all real estate and personal property).
 - When the pay back is made only from a portion of the issuer's assets the bonds are classified as *limited obligation bonds*.
 - When payback is linked to a particular revenue stream, such as rental payments, bonds are classified as *revenue bonds*.
 - Because the principal and interest due to the bondholders of single-family or multifamily mortgage revenue bonds are repaid from the monthly mortgage note payments paid by the homebuyers or from the monthly rental payments collected by the housing project owner(s), housing bonds are classified as revenue bonds.

- What makes a “good” bond issue?
 - Simply put, credit-worthiness or the borrower’s ability to pay the interest and principal in a timely, agreed upon manner. The process of determining credit-worthiness is called “underwriting.” Some considerations when evaluating credit worthiness include:
 - Character: What is the issuer’s experience in the bond market, its management capability and the legal authority to act.
 - Capacity: A cash flow analysis is done to ensure the issuer has the capacity to pay the principal and interest.
 - Credit: Minimum standards of investment quality will be required based on the credit rating issued by Moody’s or Standard and Poor’s.
 - Collateral: The mortgage payments or revenues generated by the multifamily development must be pledged to pay the principal and interest on the bonds.
 - Cash: The cost of issuance must be covered including underwriter’s fees and other bond marketing fees.
- What is the difference between rated and unrated bonds?
 - Rated bonds have received a bond rating from a recognized rating agency which reflects the underlying security of the transaction
 - The higher the rating (A, AA, AAA) the lower the yield required by investors
 - Rated bonds generally trade at a price premium (lower yield) to similarly structured unrated transactions

Notes

- What is the difference between credit-enhanced and non-credit-enhanced bonds?
 - Credit-enhanced bonds have underlying credit enhancement (guarantees) which assures bond principal and interest payments to the bondholders in the event of revenue shortfalls
- What are some types of credit enhancement?
 - Letter of credit from banking institution
 - Mortgage backed security
 - Bond insurance
 - Collateral pledge
- What is a bond yield?
 - A bond yield is the interest a bond will earn annually if purchased at its current price and held to maturity. For example, if a bond has a yield of 9.0%, the bond holder will have an annual rate of return of 9.0% on the amount of money invested.

Bond Transactions

- What are the steps in a bond “deal” or transaction?
 - Establish the project concept, eligibility and site option
 - Determine the bond finance team including bond counsel, the underwriter and the financial advisor
 - Locality passes a “bond inducement” resolution identifying project and establishing “start” date for financing costs to the project
 - Jurisdiction holds a TEFRA hearing. (Tax Equity and Fiscal Responsibility Act of 1982). Purpose of the public hearing is to provide an opportunity for interested persons to present their views on the proposed bond issuance and on the nature of the project
 - Apply for and obtain bond allocation from the state
 - Structure bond issue including negotiation and drafting of documents; prepare preliminary cash flows
 - Issuer passes bond resolution, approves final bond documents, approves issuance of bonds
 - Bonds are priced (interest rate set) and purchase agreements are signed
 - Final cash flows and documents are prepared
 - Bond rating obtained
 - Bond issue is closed (bonds are delivered to investor in exchange for bond proceeds)

Regulatory Agreements

- A regulatory agreement will be recorded against the property and must be complied with by all owners, even if the project is sold at a later date. The regulatory agreement will include rental and affordability restrictions. These restrictions are terminated upon expiration of the regulatory agreement or the event of casualty loss or foreclosure and the subsequent retirement of bonds as a result of foreclosure.
- Examples of restrictions to be included in regulatory agreements include:
 - Income restrictions: Federal law requires that to be eligible for tax-exempt bond financing, the project must meet one of the following conditions:
 - A minimum of 20 percent of the units in the project must be set aside for occupancy by households whose incomes do not exceed 50 percent of AMI; or
 - A minimum of 40 percent of the units in the project must be set aside for occupancy by households whose incomes don't exceed 60 percent of AMI
- NOTE: State requirements may also be added and must be included in the regulatory agreement.

Who are the Players and What Do They Do?

- **The Issuer:** By law, the issuer, a key participant, must be a public entity – a state, city, county, state or local housing finance agency, housing authority or redevelopment agency. State laws vary on requirements of issuers but common criteria may include:
 - Providing rental housing in a market experiencing a shortage of affordable housing
 - Providing rental housing for persons of very low, low or moderate income
- **Bond Counsel:** The bond counsel opines on the validity of the bonds under the applicable state law and the federal tax-exempt status of the bonds. Bond counsel also drafts main financing documents including the indenture, loan agreement, regulatory agreement and closing papers;
- **Issuer's Counsel/Consultant:** May be a separate counsel or consultant to advise the issuer on various matters. Important if the issuer is inexperienced in these types of deals;
- **Underwriter:** Structures the bond issue, assists the project owner in choosing a credit enhancer, coordinates the financing, obtains rating and sells the bonds;
- **Owner:** Develops, builds, owns and manages the project. May be a Section 501(c)(3) corporation, the Issuer or another public body;
 - The largest owners of bonds are: individuals, mutual funds, property companies, and banks

Notes

- **Owner's Counsel:** Reviews and passes on legal matters for the owner.
- **Owner's Financial Consultant:** Some owners may engage a financial consultant to advise them on matters relating to interest rates, alternative financial structures, issuer requirements, credit enhancement and any other aspect of tax-exempt financing that is unfamiliar.
- **Credit Enhancer:** Assures repayment of funds if the project revenues are insufficient. This is what establishes the bond rating (AA or AAA). Typical credit enhancers include FHA, Ginnie Mae, Fannie Mae, Freddie Mac, larger domestic and foreign banks (utilizing letters of credit). The credit enhancer is key to the success of these transactions. The credit enhancer's requirements, together with those of the Issuer, will generally determine the basic terms of the financing and the form and content of most of the documents.
- **Rating agency:** Rates the bonds.
- **Trustee and Trustee's Counsel:** Administers the trust indenture, makes payments to the bond holders.

Notes

Section 9 Low-Income Housing Tax Credit Program

OVERVIEW

- The Low-Income Housing Tax Credit (LIHTC) program was enacted as part of the Tax Reform Act of 1986 in order to place affordable rental housing tax benefits in one place in the tax code.
- It is essentially a housing program in the tax code, and is administered by the Treasury Department and state housing finance agencies (HFAs).
- The objective of the LIHTC is to provide investor equity capital to reduce debt service and thereby lower rents. The credit provides for a dollar-for-dollar reduction in tax liability for owners.
- Tax credits are used to raise funds from investors. In return for the tax benefits that the investors receive, they contribute equity capital as limited partners in a partnership that owns the housing project.
- Generally, 40-50% of the project costs (not including land) can be raised from investors.
- Most credits are sold to corporate or individual investors through public or private syndication.
- Investors benefit from the tax credit by purchasing an ownership interest in one or more tax credit housing projects; the benefit from the tax credit is a dollar-for-dollar credit against their tax liability over a ten year period.

WHAT IS A TAX CREDIT?

- There are actually two credits – the four percent credit and a nine percent credit.
 - The four percent credit for new construction/substantial rehabilitation:
 - Can be used for federally subsidized new construction or substantial rehabilitation expenditures. *Federally subsidized* means the building receives the proceeds of tax-exempt bonds or a below-market federal loan, e.g., Rural Housing Services Section 515 loan. (Can be 0% loan or deferred payment loan.)
 - If 40 percent of units in each building are occupied by families at or below 50 percent of median income, HOME or CDBG loans may be used for financing the project. These loans must be repaid at HUD rate (5-6%).
 - The four percent credit for acquisition:
 - Can be used for acquisition of existing buildings.
 - The building must be purchased from an unrelated party.
 - There is at least ten years between the date of acquisition by the taxpayer and the date it was in service or substantially rehabbed.
 - At least \$3,000 per low-income unit must be spent in substantial rehabilitation.
 - The nine percent credit is used for non-federally subsidized new construction and substantial rehabilitation projects.

HOW ARE TAX CREDITS RECEIVED?

- Each state is allocated a set amount in tax credits per person in the state.
- Credits are allocated according to state qualified allocation plans (QAPs), which are adopted after public hearings. State hearings are publicly noticed and include discussion of how the credits will be allocated for the next year.
- A detailed application is required by most states and significant work must be completed before application submission; e.g., site control.
- Process is very competitive and owners must agree to substantial public policy provisions in order to obtain allocations; for example, reducing income levels to be served, extending low-income use, providing additional tenant services or amenities.
- Project Evaluation: Each project is evaluated for the sources and uses of funds and total financing; the amount expected to be generated by tax benefits; reasonableness of development and operating costs, including any fees planned in the project.

How is a Tax Credit Transaction or Deal Structured?

- Owners are generally limited partnerships. Must be a partner to receive credits and credits cannot be sold separately.
- Syndication transactions involve two or three separate partnerships:
 - Local or operating partnership – owns the project, comprised of general partner (developer) and an investment partnership as limited partner
 - Investment partnership – becomes the limited partner in local partnership and is comprised of one or more investors (generally large corporations) and a sponsor entity as general partner
 - Limited partner will generally own between 99 and 99.99 percent of the tax credits, losses and profits. Cash flow and sale residuals are negotiated later.
- Capital contributions generally are paid in three or four installments based on agreed upon benchmarks such as completion, occupancy, permanent loan closing, cost certification, breakeven operations
- General partner generally must guarantee completion of the project, amount of tax credits and funds operating deficits.

Who Can Use the Tax Credit?

- Individual investors can use the tax credit up to \$25,000 for ten years (\$250,000).
- Corporations, other than subchapter S or professional service corporations (such as doctors, dentists, lawyers) can use the tax credit against ordinary income tax. Corporations with five or fewer shareholders holding over 50 percent of the stock can only use the credit against active income.
- Some use is available by real estate professionals to offset development fees, management income, other active income.
- In most states, the application process for tax credits is very competitive. Projects that are most likely to quickly begin development or rehabilitation are considered “high readiness” projects and usually receive a higher number of points. Readiness may involve site control, other financing secured, plans approved, and management company selected. The more upfront work that is completed prior to applying for tax credits, the more likely the project is to receive the credits.
- Once a project receives credits, it is imperative that the developer keep to the schedule presented in the application for tax credits. Loss of tax credits is possible if a project does not keep on schedule and the developer must reapply. Some states only open for tax credit applications once each year; other states may consider applications more frequently.
- Tax credit financing is a very competitive program and requires professionals with knowledge and experience. A PHA would be well advised to hire an independent financial advisor to guide the process to completion and success.

What the Investor is Buying

- The investor is buying a financial asset in the form of a stream of tax benefits (both credits and losses associated with depreciation and interest) with real estate supporting the asset. The investor's return is based on the price paid for this benefit. The developer will typically require payment of the capital into the property for development costs, and the investor's capital is usually paid in several installments based on agreed upon benchmarks such as construction completion.
- In addition to the credit, the investor will earn tax losses that lower tax liability by lowering overall earnings.

Investor Rights and Responsibilities

- As a limited partner, the investor is primarily responsible for oversight and the general partner is responsible for day-to-day operations. The relationship between the limited partner and the general partner is governed by the operating partnership agreement which is a complex document negotiated with the help of an experienced tax counsel.

MANAGING COMBINED PH/LIHTC UNITS

- Both public housing and the tax credit program (Low Income Housing Tax Credit, or LIHTC) generally follow the definition of *income* found at 24 CFR Part 5. With that said, while rules for calculating income and assets are similar among programs, they are not identical. The tax credit program follows guidance found in Chapter 5 of the HUD Handbook 4350.3 REV-1, CHG 4, which is written by HUD's Office of Multifamily Housing Programs. The public housing program instead follows notices and guidance issued by the HUD's Office of Public and Indian Housing (PIH). As a result, there are numerous differences in the interpretation of how income is calculated between the tax credit and public housing programs.

Section 9: Low-Income Housing Tax Credit Program

Notes

- Further, files for the tax credit program are audited by the state allocating agencies who have great latitude in deciding how income is calculated and verified for the tax credit program in their states.
 - The state allocating agency will only be concerned that information in the tax credit portion of the file complies with federal and state tax credit requirements. They will not audit the public housing portion of the file.

Income

- As in public housing, in the tax credit program, all forms of income must be verified and the family's gross income for the year must be included in the file. However, the method used to annualize income and the way income is verified differs between the two programs.
- Most state allocating agencies have specific requirements for income verifications, which are typically outlined in the state's LIHTC compliance manual.
- A few of the key differences between tax credit and public housing are:
 - EIV cannot be used as verification for tax credit and may not be accessed or maintained in tax credit files.
 - The tax credit program typically requires third-party written verification of employment, although paystubs may be used.
 - Verifications in the tax credit program must be dated within 120 days of the effective date of the certification.

Section 9: Low-Income Housing Tax Credit Program

Notes

Section 10 Regionalization

REGIONAL HOUSING AUTHORITIES

- There are approximately 3,400 housing authorities in the U.S. [citation: CLPHA] The overwhelming majority of PHAs are very small. Nearly 88 percent of the PHAs that own public housing have 500 or fewer units. These agencies manage 29.4 percent of the public housing units nationwide. Almost half of agencies with any public housing have fewer than 100 public housing units.
- Residents living in public housing in a very small jurisdiction have limited ability to transfer or to seek jobs outside the jurisdiction. Very small PHAs are not enjoying economies of scale and often are either understaffed or overstaffed. Waiting lists can be robust in one PHA while a neighboring PHA has trouble attracting applicants and filling units. A high-performing PHA may be surrounded by several severely troubled PHAs. All of the above, plus duplication of efforts in developing multiple policies and processes, have led some PHAs and States to conclude that there must be a better way to provide rental assistance and public housing.
- An emerging trend is the creation of regional housing authorities which may operate in place of the individual PHAs. Potential benefits of regional housing services include cost savings through coordinated activities and economies of scale, a shared regional and sub-regional vision for development, and shared development authority and tax revenues for communities.

- Following are some examples of regionalization:
 - The Southern Nevada Regional Housing Authority (SNRHA), the seventh largest housing authority in the country, was created through state legislation passed in 2009. The law consolidated the housing authorities of the City of Las Vegas, North Las Vegas and Clark County.
 - The regionalization, according to SNRHA, has resulted in a quicker process, less duplication of efforts, better staff training and a more global opportunity to allow people to move in and out.
 - The governing body of the SNRHA consists of nine commissioners appointed by the governing bodies of the county (two each from Clark County, Las Vegas, North Las Vegas, and Henderson and one resident commissioner). There is one executive director.
 - The South Carolina Regional Housing Authority operates in the eighteen counties in the Northwest section of South Carolina in towns of less than 5000 population. Under the law, each of the eighteen counties has a commissioner on the board and there is one commissioner-at-large, all acting as a Board of Directors to govern the policies and procedures and handle the business of this Authority.
 - The office of the Regional Housing Authority is located in the geographical center of the area and is within easy driving distance of all of the towns in this area. Each PHA has its own executive director.
 - In Massachusetts, many small housing authorities have already regionalized.
 - It is hoped that the new structure will improve turnover of vacant units, a problem state officials are trying to tackle with new regulations. Housing authorities, under a new policy, must fill vacant units within 60 days.

PHAs Overseeing Other PHAs

- An increasing trend is where high-performing PHAs are managing neighboring PHAs.
- This is a type of regionalization, but each PHA maintains its own board.
- Usually these PHAs' administrative plans and ACOPs are the same.
- For the administering PHA, this can be a business opportunity. For the PHA being administered, there are cost savings in infrastructure, policy development, and possibly staff.

Section 10: Regionalization

Notes

Section 11 Overview of the Real Estate Development Process

- The development process can be broken down into three phases:
 - Feasibility
 - Acquisition & Construction
 - Project Completion

PHASE 1: FEASIBILITY

- Often referred to as the predevelopment phase, includes all tasks that must be completed prior to actually purchasing a particular property
- Most important phase because the developer (nonprofit or PHA) must decide if the project is feasible – if it can actually be accomplished – given the information available for analysis
- Tasks in this phase are related to determining feasibility and securing site control over the property. This is accomplished by:
 - Forming a development team who can assist in completing the needed study and negotiations
 - Determine a project's projected total development cost (TDC) based on projected income and expenses
 - Estimate the sources, amounts and cost of funds that may be available to the developer on a short and long term basis for the purchase and construction/rehabilitation of the project
- Once a project is deemed feasible, the next step is to execute an agreement with the existing property owner that gives the nonprofit “site control” or the right to purchase the property within a specific time period

Section 11: Overview of the Real Estate Development Process

Notes

- After execution of the site control document, but prior to purchase of the property, the developer must:
 - Interview and select an architect, management company, appraiser
 - Apply for and obtain financing commitments and rent subsidies from sources identified earlier in the process
 - Identify potential tenants from targeted market
 - Develop a sales and marketing plan

PHASE 2: ACQUISITION & CONSTRUCTION PHASE

- This phase includes all the work to complete the following:
 - Tasks required to complete the transfer of the property to the nonprofit including:
 - Evaluate the seller's title to the property
 - Obtain title and property insurance
 - Obtain title to the property
 - Record the title
 - Tasks required to complete the construction or rehabilitation of the housing on the property include working with the development team to:
 - Develop detailed architectural drawings, specifications and a narrative description of the work to be performed
 - Select a contractor to perform the work
 - Negotiate the terms of a construction contract, including cost
 - Address preconstruction requirements such as permits, approvals, bonds, insurance, tenant relocation if applicable
 - Supervise the successful completion of the work, including securing the necessary government certifications

PHASE 3: PROJECT COMPLETION PHASE

- In the completion phase, the developers' short term (construction) loans will be paid off and replaced with long term or permanent financing; in addition, the following will be accomplished:
 - A short and long term management plan for the property will be implemented
 - Appropriate tenant outreach and services will be established
 - Lease up and occupancy tasks are accomplished
- As you can see, the most intensive, critical phase is the first phase. Many projects do not get beyond the feasibility phase and since there are significant costs incurred in this phase, it is necessary that the nonprofit have sufficient funding to complete the tasks in this phase.

Exhibit 6-6: Mixed-Finance Responsibility Checklist

Mixed-Finance Responsibility Checklist

PHA Staff	PHA Consultants	Project Manager	Developer	Instructions:
				Enter a 1, 2 or 3 in the left-hand columns to indicate the level of responsibility that each party has in completing the listed tasks. The party with ultimate responsibility for task completion should be ranked 1. The party that assists in task completion should be ranked 2. The party that only reviews or monitors task completion should be ranked 3. If a party is not involved in task completion, leave its block blank. If a column to the left or section below does not apply, cross out the column or section title.
				TASK
				General
				Facilitate and foster involvement of residents in major decisions.
				Promote communication with neighborhood groups.
				Supervise and coordinate activities of all HOPE VI team members/partners.
				Prepare and update/revise, as necessary, the project implementation schedule and budget.
				Submit monthly financial, management and project status activity reports to HUD.
				Prepare all required submissions and reports to HUD and other agencies.
				Predevelopment Activities
				Initiate Site Acquisition Activities.
				Provide evidence of adequate zoning; prepare PUD, if required.
				Develop a Relocation Plan; relocate residents.
				Test for hazardous materials and develop an abatement procedure; obtain environment review.
				Prepare Demolition and/or Disposition Plan and submit to HUD for approval.
				Prepare Acquisition Plan (if applicable) and submit to HUD for approval.
				Design and obtain commitments for site improvements
				Revitalization Plan
				Structure and implement participatory planning process
				Develop Master Plan for site and neighborhood revitalization activities.
				Submit additional information requested by HUD for revitalization plan approval.
				Obtain local backing and secure letters of support.
				Legal
				HUD Compliance
				Certify that the PHA has legal authority under local laws to develop housing and to proceed with the project as proposed.
				Provide evidence the owner has site control.
				Provide evidence the proposed development complies with applicable zoning or won't be delayed by rezone.
				Complete subdivision if necessary.
				Provide ALTA form title policy.
				Provide evidence of real estate property and leasehold tax exemption (PILOT).
				Provide evidence that the existing Cooperation Agreement covers the mixed-finance PHA units.
				Assist HUD field office/City with environmental (parts 50 and 58) review and Section 213 Clearance.
				Advise team on mixed-finance regulations.
				Procurement
				Advise team on federal and local procurement regulations.
				Draft and/or review RFPs/RFQs.
				Draft and/or review contracts between all team members.
				Negotiating the Deal
				Represent PHA in negotiations with the developer.
				Develop ownership structure for mixed-finance rental and homeownership (LP, GP).
				Develop Organizational Documents of the owner.
				Prepare the Limited Partnership Agreement/Development Agreement.
				Prepare the Regulatory and Operating Agreement - method for allocating operating subsidy and terms if unable to provide.
				Coordinate/draft all mixed-finance legal evidentiaries, including loan documents, regulatory & operating agreement.
				Negotiate with HUD on HUD evidentiaries and requirements.
				Provide legal structure for ensuring the long-term affordability of the PHA stock.
				Prepare the Management Agreement.
				Advise on creation of management-related documents (e.g. site-based waiting list, tenant leases, ACOP)
				Financing/Real Estate Services
				Assist in financial structuring (e.g., LIHTC, tax-exempt bonds).
				Provide legal counsel on tax credit syndication to assure compliance with tax provisions.
				Provide legal counsel on bond issuance.
				Record real property legal description and title.
				Nonrental Components
				Analyze and advise team on homeownership models.
				Draft homeownership-related loan documents, use restriction covenants, and sales contracts.
				Advise on commercial/retail development (includes development of leases, Section 3 businesses)
				Procurement
				Prepare RFPs for consultants such as program manager, legal, financial, design, relocation, services, etc.
				Prepare RFQ for developer partner and/or A/E.
				Coordinate pre-proposal conferences; review, analyze and score proposals; check references.
				Obtain an independent cost estimate; negotiate fees.

April 13, 2000

page 1 of 4

[illegible]

[illegible]

page 3 of 4

Mixed-Finance Responsibility Checklist

PHA Staff	PHA Consultants	Project Manager	Developer	Instructions:
				Enter a 1, 2 or 3 in the left-hand columns to indicate the level of responsibility that each party has in completing the listed tasks. The party with ultimate responsibility for task completion should be ranked 1. The party that assists in task completion should be ranked 2. The party that only reviews or monitors task completion should be ranked 3. If a party is not involved in task completion, leave its block blank. If a column to the left or section below does not apply, cross out the column or section title.
				TASK
				Construction
				Develop phasing plan and construction critical path schedule.
				Obtain regulatory approvals and permits.
				Develop M/W/DBE participation goals.
				Prepare bidding package strategy and coordinate with A/E.
				Advertise, bid and award construction contracts.
				Initiate and complete hazardous materials abatement.
				Initiate and complete demolition.
				Initiate and complete construction of infrastructure.
				Initiate and complete construction of housing.
				Initiate and complete construction of community facilities.
				Establish construction draw schedule and monitor draws against schedule.
				Compile maintenance manuals and guarantees for transmittal to PHA.
				Perform inspections, monitor contractor compliance and certify completion.
				Property Management/Reoccupancy
				Prepare a management plan that is responsive to the mixed-income and self-sufficiency goals.
				Prepare operating expense and proforma.
				Develop management policies including community rules, lease, orientation, application process, etc.
				Submit waiver request to HUD FHEO and PHM if proposing site-based waiting list.
				Develop a marketing program.
				Develop and hold reoccupancy training.
				Implement interim management, particularly if involving phased construction.
				Return temporarily relocated residents to the development.
				Complete unit rent-up/sales.
				Implement long-term management plan.
				Provide documentation for on-going compliance.
				Asset Management (PHA Ongoing Regulatory and Compliance Responsibilities)
				Create an asset management implementation manual to guide PHA staff.
				Identify PHA personnel responsible for asset management.
				Monitor compliance with the R&O Agreement and all applicable statutes and regulations, and report to HUD as required.
				Close-Out of Capital Grant
				Initiate DOFA.
				Complete cost certification.
				Conduct final audit of program activities and expenditures.
				Prepare final report in accordance with HUD's Grant Agreement.
				Transfer archival information.
				Reach EIOP.

Exhibit 6-7: Development Process Application Sample

Page 1

GENERAL APPLICATION FORM - Project Overview

Last revised: March 22, 2002

DATE: Nov 26, 2002

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED IN SHADED CELLS (Check all boxes that apply)

REQUEST FOR:	☐ EARLY ASSISTANCE	☒ PROJECT FUNDING	\$ <u>591,881</u>
	☐ TECHNICAL ASSISTANCE	☐ PREDEVELOPMENT LOAN	\$ _____
	☐ _____	☐ PROJECT SUPPORT GRANT	\$ _____

PROJECT TYPE:	☐ ACQUISITION	☒ ACQUISITION & REHABILITATION	☐ RENTAL
	☐ NEW CONSTRUCTION	☐ REHABILITATION	☐ OWNERSHIP

PROJECT CONDITION:	☐ UNIMPROVED SITE	☒ RESIDENTIAL	☐ COMMERCIAL
YEAR BUILT: <u>1950's</u>	☒ EXISTING STRUCTURE	☐ OTHER (DESCRIBE) _____	

PROJECT NAME:	<u>Paseo Glenn Apartments</u>						
ADDRESS:	<u>1851-1865 Titus Street</u>						
LEGAL DESCRIPTION:	<u>20-24</u> LOT NO.	<u>10</u> BLOCK NO.	<u>N/A</u> SUBDIVISION NAME	<u>451-738-07-00, 451-738-06</u> ASSESSORS PARCEL NO.	<u>0065-003</u> CENSUS TRACT		

SITE CONTROL:	☐ DEED	☒ OPTION	☐ OTHER (DESCRIBE) _____

DWELLING UNITS:	<u>12</u> 0-BEDROOM	<u>1</u> 1-BEDROOM	<u>1</u> 2-BEDROOM	<u>3</u> 3-BEDROOM	<u>4</u> 4-BEDROOM	<u>5</u> 5-BEDROOM	<u>14</u> TOTAL UNITS	<u>2</u> # STORIES
HC Assisted Units:	<u>12</u> 0-BEDROOM	<u>1</u> 1-BEDROOM	<u>1</u> 2-BEDROOM	<u>3</u> 3-BEDROOM	<u>4</u> 4-BEDROOM	<u>5</u> 5-BEDROOM	<u>13</u> TOTAL UNITS	

EXISTING USES OF PROPERTY:	<u>Multi-Family Rental Property</u>	NO. OF BUILDINGS:	<u>3</u>

DESCRIPTION OF PROPOSED PROJECT:	TACHS hopes to purchase this three structure property for the use of converting into affordable permanent, supportive housing for persons enrolled in the AB2034 program (Seriously Mentally Ill Adults).		

APPLICANT/BORROWER:			
NAME:	<u>TACHS</u>	CONTACT PERSON:	<u>Kimberly Russell-Shaw</u>
ADDRESS:	<u>1901 First Avenue, Suite 152</u>	CITY:	STATE: ZIP:
TELEPHONE:	<u>(619) 235-9217</u>	FAX NO.:	<u>(619) 235-9268</u>

LEGAL DESCRIPTION OF APPLICANT:			
☐ FOR PROFIT CORPORATION	☒ NONPROFIT CORPORATION	☐ PARTNERSHIP	☐ INDIVIDUAL OWNER
	☒ CHDO	☐ OTHER	DESCRIBE _____

TAXPAYER IDENTIFICATION NUMBER:	<u>33-0602842</u>

CURRENT OWNER/SELLER INFORMATION:			
NAME:	<u>Michael Rich, Richard Melfe, Paul Garcia</u>	LEGAL DESCRIPTION:	<u>000384 Lots 20-24 Blk 10</u>
ADDRESS:	<u>2125 Adams Avenue</u>	CITY:	STATE: ZIP:
TELEPHONE:	<u>() _____</u>	FAX NO.:	<u>() _____</u>

ZONING:	<u>R3</u>	COMMUNITY PLAN AREA:	<u>Mission Hills</u>
COUNCIL DISTRICT:	<u>_____</u>	SCHOOL DISTRICT:	<u>Unified School District</u>

SIGNATURE	<u>Kimberly Russell-Shaw</u>	EXECUTIVE DIRECTOR	<u>#####</u>
	PRINT NAME	TITLE	DATE

APPLICANT INTEREST FORM - AI

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED

NAME, ADDRESS, TITLE/POSITION, TELEPHONE, NATURE OF INTEREST AND PERCENT OF INTEREST
 FOR PROPOSED OWNERS, OFFICERS AND GENERAL PARTNERS - LIST ALL
 FOR SHAREHOLDERS, INVESTORS, LIMITED PARTNERS AND OTHERS - LIST ALL WITH A 10% OR HIGHER INTEREST

PROJECT NAME: Paseo Glenn Apartments
 ADDRESS: 1851-1865 Titus Street CITY _____ STATE _____ ZIP _____
 ADDRESS _____ CITY _____ STATE _____ ZIP _____
 OWNERSHIP NAME: TACHS (The Association For Community Housing Solutions) DATE: Nov 26, 2002

1.	<u>Glenn Allison</u> NAME <u>1880 Third Avenue</u> STREET/PO CITY _____ STATE _____ ZIP _____	<u>President</u> TITLE/POSITION <u>BUSINESS TELEPHONE NO.</u>	<u>Board Officer</u> NATURE OF INTEREST <u>PERCENT INTEREST</u>
2.	<u>Louis Alonso</u> NAME <u>701 B Street</u> STREET/PO CITY _____ STATE _____ ZIP _____	<u>Vice President</u> TITLE/POSITION <u>BUSINESS TELEPHONE NO.</u>	<u>Board Officer</u> NATURE OF INTEREST <u>PERCENT INTEREST</u>
3.	<u>Rafael Arreola</u> NAME <u>220 W. Broadway</u> STREET/PO CITY _____ STATE _____ ZIP _____	<u>Treasurer</u> TITLE/POSITION <u>BUSINESS TELEPHONE NO.</u>	<u>Board Officer</u> NATURE OF INTEREST <u>PERCENT INTEREST</u>
4.	<u>David Gartner</u> NAME <u>3139 1/2 Menloe Avenue</u> STREET/PO CITY _____ STATE _____ ZIP _____	<u>Secretary</u> TITLE/POSITION <u>N/A</u> <u>BUSINESS TELEPHONE NO.</u>	<u>Board Officer</u> NATURE OF INTEREST <u>PERCENT INTEREST</u>
5.	<u>Catherine DuBose</u> NAME <u>2231 Isabel Street</u> STREET/PO CITY _____ STATE _____ ZIP _____	<u>Board Member</u> TITLE/POSITION <u>N/A</u> <u>BUSINESS TELEPHONE NO.</u>	<u>Board Member</u> NATURE OF INTEREST <u>PERCENT INTEREST</u>
6.	<u>Consuelo Patterson</u> NAME <u>539 Center Street</u> STREET/PO CITY _____ STATE _____ ZIP _____	<u>Board Member</u> TITLE/POSITION <u>BUSINESS TELEPHONE NO.</u>	<u>Board Member</u> NATURE OF INTEREST <u>PERCENT INTEREST</u>
7.	<u>Lynda Molaison</u> NAME <u>351 Avocado Avenue</u> STREET/PO CITY _____ STATE _____ ZIP _____	<u>Board Member</u> TITLE/POSITION <u>BUSINESS TELEPHONE NO.</u>	<u>Board Member</u> NATURE OF INTEREST <u>PERCENT INTEREST</u>
8.	<u>Susan Johnson</u> NAME <u>1551 3rd Avenue #706</u> STREET/PO CITY _____ STATE _____ ZIP _____	<u>Board Member</u> TITLE/POSITION <u>N/A</u> <u>BUSINESS TELEPHONE NO.</u>	<u>Board Member</u> NATURE OF INTEREST <u>PERCENT INTEREST</u>

USE ADDITIONAL SHEETS AS NECESSARY

DEVELOPMENT FORM -RENTAL INCOME - RI

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED - CHECK ALL BOXES THAT APPLY

DATE: Nov 26, 2002

PROJECT TYPE ☐ ACQUISITION ☒ ACQUISITION & REHABILITATION ☐ RENTAL
☐ NEW CONSTRUCTION ☐ REHABILITATION ☐ OWNERSHIP

PROJECT NAME: Paseo Glenn Apartments
 ADDRESS: 1851-1865 Titus Street
 STREET CITY STATE ZIP

UTILITY INFORMATION [Input X, G, E, T, or L where indicated]

Type (X) in ONE box

- ☒ Apartment
☐ Duplex, Townhouse
☐ House, Mobile Home

Gas (G) or Electricity (E)
 FILL IN ALL BOXES G or E

Paid by Tenant (T) or Owner/Landlord (L)
 FILL IN ALL BOXES T or L

Heat	G	L
Cooking	G	L
Water Heater	G	L
Water/Sewer		L
Basic Electric		L
Stove		L
Refrigerator		L

INCOME BY UNIT TYPE

COLUMN:

A	B	C	D	E	F	G	H	I	J	K	L	M
UNIT TYPE*	NO. OF UNITS	BED-ROOMS PER UNIT	BATH-ROOMS PER UNIT	SQ FT PER UNIT	CURRENT RENT	MONTHLY HOUSING COST PER UNIT	LESS: MONTHLY UTILITY ALLOW. PER UNIT	EQUALS: MONTHLY Tenant Paid RENT PER UNIT	COMPARE TO: MONTHLY MARKET RENT PER UNIT	AFFORDABILITY LEVEL: PERCENT MEDIAN INCOME	YEARLY GROSS RENTS ALL UNITS	YEARLY MARKET RENTS
A	12	Studio	1.00	303	\$ 695	\$	\$	\$ 708	\$ 750	**na %	\$ 101,952	\$ 108,000
B	1	1	1.00	668	\$ 595	\$	\$	\$ 809	\$ 975	**na %	\$ 9,708	\$ 11,700
*C	1	2	1.00	675	\$ mgr	\$	\$	\$	\$	%	\$	\$
D					\$	\$	\$	\$	\$	%	\$	\$
E					\$	\$	\$	\$	\$	%	\$	\$
F					\$	\$	\$	\$	\$	%	\$	\$
G					\$	\$	\$	\$	\$	%	\$	\$
H					\$	\$	\$	\$	\$	%	\$	\$
I					\$	\$	\$	\$	\$	%	\$	\$
J					\$	\$	\$	\$	\$	%	\$	\$
K					\$	\$	\$	\$	\$	%	\$	\$
L					\$	\$	\$	\$	\$	%	\$	\$
M					\$	\$	\$	\$	\$	%	\$	\$
N					\$	\$	\$	\$	\$	%	\$	\$
O					\$	\$	\$	\$	\$	%	\$	\$
P					\$	\$	\$	\$	\$	%	\$	\$

* Unit Type - Indicate Resident Manager's unit(s) with an asterisk (e.g., L*, M*)

**Monthly tenant-paid rent is HUD Shelter Plus Care contract rent.

TOTAL RENT (YEAR) \$ 111,660 \$ 119,700
 Comp. to 90% of Market: \$ 111,660 \$ 107,730

OTHER INCOME Laundry \$ 1,800
 \$
 \$

TOTAL ANNUAL INCOME \$113,460

TOTAL UNITS 14

TOTAL UNIT SQ. FT. 4,979 + TOTAL COMMUNITY FACILITIES SQ. FT.

TOTAL SQ. FT. 4,979

DEVELOPMENT FORM - OPERATING EXPENSE - OEDATE: Nov 26, 2002

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED - CHECK ALL BOXES THAT APPLY

Last revised: March 22, 2002

PROJECT TYPE: ☐ ACQUISITION ☒ ACQUISITION & REHABILITATION ☐ RENTAL
☐ NEW CONSTRUCTION ☐ REHABILITATION ☐ OWNERSHIP

PROJECT NAME: Paseo Glenn ApartmentsADDRESS: 1851-1865 Titus Street

STREET

CITY

STATE

ZIP

TOTAL NUMBER OF UNITS 14

OPERATING EXPENSE ITEM	ANNUAL COST	COST PER UNIT	COST PER SQ. FT.
PROPERTY TAX	\$ 75	\$ 5	\$ 0.02
INSURANCE	\$ 2,400	\$ 171	\$ 0.48
GAS & ELECTRIC	\$ 6,800	\$ 486	\$ 1.37
WATER & SEWER	\$ 5,000	\$ 357	\$ 1.00
LABOR - MAINTENANCE/REPAIR	\$ 6,000	\$ 429	\$ 1.21
SUPPLIES - MAINTENANCE/REPAIRS	\$ 3,600	\$ 257	\$ 0.72
LANDSCAPE & GROUNDS	\$ 1,200	\$ 86	\$ 0.24
SITE CLEANING	\$ 1,800	\$ 129	\$ 0.36
MANAGEMENT - LABOR	\$ 6,500	\$ 464	\$ 1.31
MANAGEMENT - FEES	\$ 6,000	\$ 429	\$ 1.21
PAYROLL TAXES & OVERHEAD	\$ 3,800	\$ 271	\$ 0.76
ADVERTISING & MARKETING	\$ 120	\$ 9	\$ 0.02
TRASH REMOVAL	\$ 1,908	\$ 136	\$ 0.38
PEST CONTROL	\$ 600	\$ 43	\$ 0.12
SECURITY	\$	\$	\$
LEGAL	\$ 1,200	\$ 86	\$ 0.24
ACCOUNTING & AUDIT	\$ 3,600	\$ 257	\$ 0.72
TELEPHONE	\$ 1,400	\$ 100	\$ 0.28
RESERVE FOR REPLACEMENT	\$ 3,500	\$ 250	\$ 0.70
SDHC MONITORING FEE	\$ 910	\$ 65	\$ 0.18
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
ANNUAL OPERATING COST	\$ 56,413	\$ 4,030	\$ 11.33
MONTHLY OPERATING COST	\$ 4,701	\$ 336	\$ 0.94

DEVELOPMENT FORM - DEVELOPMENT COST - DC

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED - CHECK ALL BOXES THAT APPLY

DATE: Nov 26, 2002

PROJECT TYPE: ☐ ACQUISITION ☒ ACQUISITION & REHABILITATION ☐ RENTAL
☐ NEW CONSTRUCTION ☐ REHABILITATION ☐ OWNERSHIP

PROJECT NAME: Paseo Glenn Apartments
 ADDRESS: 1851-1865 Titus Street CITY _____ STATE _____ ZIP _____
 STREET

NUMBER OF UNITS 14

DEVELOPMENT COST ITEM	PERCENT	AMOUNT
ACQUISITION		
LAND		\$ _____
BUILDINGS		\$ <u>1,250,000</u>
TOTAL ACQUISITION		\$ <u>1,250,000</u>
SITE IMPROVEMENTS		
SITE IMPROVEMENTS		\$ _____
DEMOLITION		\$ _____
OFF-SITE IMPROVEMENTS		\$ _____
TOTAL SITE IMPROVEMENTS		\$ _____
STRUCTURES		
MAIN BUILDINGS		\$ <u>114,600</u>
ACCESSORY BUILDINGS		\$ _____
GARAGES		\$ _____
TOTAL STRUCTURES		\$ <u>114,600</u>
CONSTRUCTION CONTINGENCY	<u>5.4</u> %	\$ <u>6,212</u>
OVERHEAD & FEES		
GENERAL REQUIREMENTS	<u>9.7</u> %	\$ <u>11,078</u>
BUILDERS OVERHEAD	_____ %	\$ _____
BUILDERS PROFIT	<u>7.4</u> %	\$ <u>8,440</u>
BOND PREMIUM		\$ <u>3,200</u>
OTHER FEES		\$ _____
ARCHITECT - DESIGN	_____ %	\$ _____
ARCHITECT - SUPERVISION	_____ %	\$ _____
TOTAL OVERHEAD & FEES		\$ <u>22,718</u>
CHARGES & INTEREST		
CONSTRUCTION INTEREST COST		\$ _____
REAL ESTATE TAXES		\$ <u>1,000</u>
INSURANCE		\$ <u>3,000</u>
MORTGAGE INS. PREMIUM		\$ _____
MORTGAGE EXAM FEE		\$ _____
CONSTRUCTION INSPECTION FEE		\$ _____
LOAN ORIG. FEE-CONSTRUCTION		\$ <u>20,000</u>
LOAN ORIG. FEE-PERMANENT		\$ _____
TITLE & RECORDING		\$ <u>3,826</u>
OTHER CHGS		\$ _____
TOTAL CHARGES & INTEREST		\$ <u>27,826</u>

DEVELOPMENT COST ITEM	PERCENT	AMOUNT
LEGAL, ORGANIZATION & AUDIT		
DOCUMENT PREPARATION		\$ <u>2,500</u>
LEGAL		\$ <u>4,000</u>
ORGANIZATION		\$ _____
AUDIT		\$ <u>2,000</u>
TOTAL LEGAL, ORG. & AUDIT		\$ <u>8,500</u>
OTHER COSTS		
DEVELOPER'S FEE	<u>6.3</u> %	\$ <u>105,000</u>
CONSULTANT FEE	<u>0.9</u> %	\$ <u>15,000</u>
OPERATING RESERVE	<u>0.3</u> %	\$ <u>5,000</u>
SOFT COSTS CONTINGENCY	<u>1.7</u> %	\$ <u>5,000</u>
RELOCATION COST		\$ <u>65,000</u>
MARKETING & RENT-UP		\$ <u>1,200</u>
SURVEYS & SOIL BORINGS		\$ <u>3,800</u>
APPRAISAL COSTS		\$ <u>2,400</u>
MARKET STUDY		\$ _____
ENVIRONMENTAL STUDY		\$ <u>800</u>
PERMITS		\$ <u>1,525</u>
MONITOR SET-UP		\$ <u>500</u>
OTHER: <u>Inspection</u>		\$ <u>1,800</u>
<u>Hazardous Materials</u>		\$ <u>12,000</u>
<u>Capitalized Reserve</u>		\$ <u>3,000</u>
<u>HC Predevelopment Loan</u>		\$ <u>10,000</u>
		\$ _____
TOTAL OTHER COSTS		\$ <u>232,025</u>
TOTAL DEVELOPMENT COST		\$ <u>1,661,881</u>

CONSTRUCTION TIME na (MONTHS)CONSTRUCTION INTEREST na %CONSTRUCTION LENDER naCOMMITTED: ☐ YES ☐ NO

DATE OF COMMITMENT OR EXPECTED _____

DEVELOPMENT FORM - SOURCES AND USES OF FUNDS - SF

DATE: Nov 26, 2002

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED - CHECK ALL BOXES THAT APPLY

PROJECT TYPE	☐ ACQUISITION	☒ ACQUISITION & REHABILITATION	☐ RENTAL	NUMBER OF UNITS	14
	☐ NEW CONSTRUCTION	☐ REHABILITATION	☐ OWNERSHIP		

PROJECT NAME: Paseo Glenn Apartments

ADDRESS: 1851-1865 Titus Street

STREET

CITY

STATE

ZIP

SOURCES

POSITION	TERMS	COMMITMENT	PERMANENT	DEFERRED	TAX CREDIT	GRANT	EQUITY
1ST California Bank & Tru	30 YRS RATE	6.09 % DATE OR EXPECTED	8/1/2002 DATE OR EXPECTED	\$ 600,000			
2ND CSH	3 YRS RATE	% DATE OR EXPECTED		\$ 400,000			
(Select one) Residual Receipts OR Amortized	☒ ☐						
3RD	55 YRS RATE	3.00 % DATE OR EXPECTED	8/12/2002 DATE OR EXPECTED	\$ 591,881	\$		
4TH TACHS	5 YRS RATE	% DATE OR EXPECTED	8/12/2002 DATE OR EXPECTED	\$ 60,000	\$		
Tax Credits					\$		\$
EQUITY Owner Equity			5/1/2002 DATE OR EXPECTED				\$ 10,000
TOTAL			\$ 1,661,881	\$ 1,191,881	\$ 460,000	\$	\$ 10,000

USES

	Totals From Page 5	PERMANENT	DEFERRED	TAX CREDIT	GRANT	EQUITY
ACQUISITION	\$ 1,250,000	\$ 850,000	\$	\$	\$ 400,000	\$
SITE IMPROVEMENTS	\$	\$	\$	\$	\$	\$
STRUCTURES	\$ 114,600	\$ 114,600	\$	\$	\$	\$
CONSTRUCTION CONTINGENCY	\$ 6,212	\$ 6,212	\$	\$	\$	\$
OVERHEAD & FEES	\$ 22,718	\$ 22,718	\$	\$	\$	\$
CHARGES & INTEREST	\$ 27,826	\$	\$ 24,826	\$	\$	\$ 3,000
LEGAL, ORGANIZATION & AUDIT	\$ 8,500	\$	\$ 6,500	\$	\$	\$ 2,000
OTHER COSTS	\$ 232,025	\$ 198,351	\$ 28,674	\$	\$	\$ 5,000
TOTAL USES:		\$ 1,661,881	\$ 1,191,881	\$ 60,000	\$ 400,000	\$ 10,000
		TOTALS				

No Input Required on this page

DEVELOPMENT FORM - PRO FORMA - PF

Last revised: March 22, 2002

PLEASE PROVIDE ALL KNOWN INFORMATION - CHECK ALL BOXES THAT APPLY

Date: Nov 26, 2002

PROJECT TYPE: ☐ ACQUISITION ☒ ACQUISITION & REHABILITATION ☐ RENTAL
☐ NEW CONSTRUCTION ☐ REHABILITATION ☐ OWNERSHIP

PROJECT NAME: Paseo Glenn ApartmentsADDRESS: 1851-1865 Titus Street

STREET

CITY

STATE

ZIP

YEARLY INCOME & EXPENSES		ASSUMED ANNUAL INCREASES		Mortgage Amount	\$ 600,000
Rental Income	\$ 111,660	Rental & Other Income	2.5 %	Mortgage Rate	6.090 %
Other Income	\$ 1,800	Operating Expenses*	3.5 %	Mortgage Term(Years)	30
Operating Expenses	\$ 56,413	Vacancy Loss	5.0 %	Number of Units	14

SDHC Participation	\$ 591,881	Residual Receipts	☒	Interest Rate	3.000 %
		or			
		Amortize	☐	Term (Years)	55

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Rental Income	\$ 111,660	\$ 114,452	\$ 117,313	\$ 120,246	\$ 123,252
Other Income	\$ 1,800	\$ 1,845	\$ 1,891	\$ 1,938	\$ 1,987
Gross Income	\$ 113,460	\$ 116,297	\$ 119,204	\$ 122,184	\$ 125,239
Vacancy	\$ 5,673	\$ 5,815	\$ 5,960	\$ 6,109	\$ 6,262
Effective Gross Income	\$ 107,787	\$ 110,482	\$ 113,244	\$ 116,075	\$ 118,977
Operating Expense	\$ 56,413	\$ 58,387	\$ 60,431	\$ 62,546	\$ 64,735
Net Operating Income	\$ 51,374	\$ 52,094	\$ 52,813	\$ 53,529	\$ 54,241
Debt Service (1st)	\$ 43,585	\$ 43,585	\$ 43,585	\$ 43,585	\$ 43,585
Coverage (1st)	1.18	1.20	1.21	1.23	1.24
Residual Receipts	\$ 7,789	\$ 8,509	\$ 9,228	\$ 9,944	\$ 10,656
Cumulative Residual	\$ 7,789	\$ 16,298	\$ 25,526	\$ 35,469	\$ 46,125

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Rental Income	\$ 126,333	\$ 129,491	\$ 132,729	\$ 136,047	\$ 139,448
Other Income	\$ 2,037	\$ 2,087	\$ 2,140	\$ 2,193	\$ 2,248
Gross Income	\$ 128,370	\$ 131,579	\$ 134,868	\$ 138,240	\$ 141,696
Vacancy	\$ 6,418	\$ 6,579	\$ 6,743	\$ 6,912	\$ 7,085
Effective Gross Income	\$ 121,951	\$ 125,000	\$ 128,125	\$ 131,328	\$ 134,611
Operating Expense	\$ 67,001	\$ 69,346	\$ 71,773	\$ 74,285	\$ 76,885
Net Operating Income	\$ 54,950	\$ 55,654	\$ 56,352	\$ 57,043	\$ 57,726
Debt Service (1st)	\$ 43,585	\$ 43,585	\$ 43,585	\$ 43,585	\$ 43,585
Coverage (1st)	1.26	1.28	1.29	1.31	1.32
Residual Receipts	\$ 11,365	\$ 12,069	\$ 12,767	\$ 13,458	\$ 14,141
Cumulative Residual	\$ 57,490	\$ 69,559	\$ 82,326	\$ 95,784	\$ 109,925

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
Rental Income	\$ 142,934	\$ 146,508	\$ 150,170	\$ 153,925	\$ 157,773
Other Income	\$ 2,304	\$ 2,362	\$ 2,421	\$ 2,481	\$ 2,543
Gross Income	\$ 145,238	\$ 148,869	\$ 152,591	\$ 156,406	\$ 160,316
Vacancy	\$ 7,262	\$ 7,443	\$ 7,630	\$ 7,820	\$ 8,016
Effective Gross Income	\$ 137,976	\$ 141,426	\$ 144,962	\$ 148,586	\$ 152,300
Operating Expense	\$ 79,576	\$ 82,361	\$ 85,244	\$ 88,227	\$ 91,315
Net Operating Income	\$ 58,400	\$ 59,065	\$ 59,718	\$ 60,358	\$ 60,985
Debt Service (1st)	\$ 43,585	\$ 43,585	\$ 43,585	\$ 43,585	\$ 43,585
Coverage (1st)	1.34	1.36	1.37	1.38	1.40
Residual Receipts	\$ 14,815	\$ 15,479	\$ 16,132	\$ 16,773	\$ 17,400
Cumulative Residual	\$ 124,740	\$ 140,219	\$ 156,352	\$ 173,125	\$ 190,524

ENVIRONMENTAL REVIEW REQUESTDate: November 22, 2002

Last revised: March 22, 2002

PROPOSED PROJECT NAME: _____

PROJECT STREET ADDRESS: _____ ZIP CODE 92105

ASSESSOR'S PARCEL NO: _____ ZONING: _____

COMMUNITY PLANNING AREA: _____

Attach map page with arrow showing location of site. Attach assessor's parcel map if available. Attach labeled photos if available.

DEVELOPER/SPONSOR OF PROPOSED PROJECT: _____

DEVELOPER'S ADDRESS: _____
STREET CITY STATE ZIP

CONTACT PERSON: _____

PHONE: (____) _____ FAX: (____) _____

EXISTING USE OF SITE (Check all that apply):

____ Vacant ____ Residential ____ Commercial ____ Industrial ____ Other (specify) _____

If residential, number of units: ____ Studio ____ 1-bedroom 44 2-bedroom
____ 28 3-bedroom 20 4-bedroom 2 5-bedroom 94 TOTALNumber of buildings: 12 Number of stories: 2

Size of site (acres or square ft): _____ Age of structure(s): _____ Years

PROPOSED PROJECT TYPE (check all that apply):____ x New Construction ____ Rehabilitation: ____ Major ____ Minor
____ Acquisition ____ Acquisition & Rehabilitation ____ Exterior ____ Interior

Other (describe) _____

**PROPOSED PROJECT DESCRIPTION (be brief, but attach additional sheets if necessary)
(describe differences in use, density, unit sizes, etc. between existing use and proposed use):**

DEVELOPMENT FORM - SOURCES AND USES DURING CONSTRUCTION/REHABILITATION

Date: Nov 26, 2002

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED - CHECK ALL BOXES THAT APPLY - USE ADDITIONAL SHEETS AS NECESSARY

Project Type ☐ ACQUISITION ☒ ACQUISITION & REHABILITATION ☐ RENTAL
☐ NEW CONSTRUCTION ☐ REHABILITATION ☐ OWNERSHIP

NUMBER OF UNITS 14

PROJECT NAME: Paseo Glenn Apartments

ADDRESS: 1851-1865 Titus Street

CITY

STATE

ZIP

Sources and Uses During Construction/
Rehabilitation OnlySOURCES
PROVIDE THE AMOUNTS OF PARTICIPATION BY EACH SOURCE

Mark only those boxes for which costs will
be incurred during construction.

USES	Costs	California Bank & Trust	CSH	Housing Commiss	TACHS		Owner Equity
LAND	X \$						
BUILDINGS	X \$ 1,250,000	\$ 600,000	\$ 400,000	\$ 250,000			
SITE IMPROVEMENTS	X \$						
DEMOLITION	X \$						
OFF-SITE IMPROVEMENTS	X \$						
MAIN BUILDINGS	X \$ 114,600			\$ 114,600			
ACCESSORY BUILDINGS	X \$						
GARAGES	X \$						
CONSTRUCTION CONTINGENCY	X \$ 6,212			\$ 6,212			
GENERAL REQUIREMENTS	X \$ 11,078			\$ 11,078			
BUILDERS OVERHEAD	X \$						
BUILDERS PROFIT	X \$ 8,440			\$ 8,440			
BOND PREMIUM	X \$ 3,200			\$ 3,200			
OTHER FEES	X \$						
ARCHITECT - DESIGN	X \$						
ARCHITECT - SUPERVISION	X \$						
CONSTRUCTION INTEREST COST	X \$						
REAL ESTATE TAXES	X \$ 1,000				\$ 1,000		
INSURANCE	X \$ 3,000				\$ 3,000		
MORTGAGE INS. PREMIUM	X \$						
MORTGAGE EXAM FEE	X \$						
CONSTRUCTION INSPECTION FEE	X \$						
LOAN ORIG. FEE-CONSTRUCTION	X \$ 20,000				\$ 20,000		
LOAN ORIG. FEE-PERMANENT	X \$						
TITLE & RECORDING	X \$ 3,826				\$ 826		\$ 3,000
	X \$						
DOCUMENT PREPARATION	X \$ 2,500				\$ 2,500		
LEGAL	X \$ 4,000				\$ 4,000		
ORGANIZATION	X \$						
AUDIT	X \$ 2,000						\$ 2,000
DEVELOPER'S FEE	X \$ 105,000			\$ 105,000			
CONSULTANT FEE	X \$ 15,000			\$ 1,026	\$ 13,974		
OPERATING RESERVE	X \$ 5,000						\$ 5,000
SOFT COSTS CONTINGENCY	X \$ 5,000				\$ 5,000		
RELOCATION COST	X \$ 65,000			\$ 65,000			
MARKETING & RENT-UP	X \$ 1,200				\$ 1,200		
SURVEYS & SOIL BORINGS	X \$ 3,800			\$ 3,800			
APPRAISAL COSTS	X \$ 2,400				\$ 2,400		
MARKET STUDY	X \$						
ENVIRONMENTAL STUDY	X \$ 800				\$ 800		
PERMITS	X \$ 1,525			\$ 1,525			
MONITOR SET-UP	X \$ 500				\$ 500		
Inspection	X \$ 1,800				\$ 1,800		
Hazardous Materials	X \$ 12,000			\$ 12,000			
Capitalized Reserve	X \$ 3,000				\$ 3,000		
HC Predevelopment Loan	X \$ 10,000			\$ 10,000			
	X \$						
	\$ 1,661,881	\$ 600,000	\$ 400,000	\$ 591,881	\$ 60,000		\$ 10,000
	TOTAL	Subtotal	Subtotal	Subtotal	Subtotal	Subtotal	Subtotal

G:/hshare/forms/proforma

SUMMARY: TIPS FOR STARTING ANY NEW BUSINESS VENTURE

- Starting any new business venture is complex, with many missteps possible at any point. In order to start off on the right track, avoid the following common mistakes:
 - Lack of research and planning;
 - Lack of financial savvy;
 - Thinking it's easier than it really is;
 - Not realizing how much time, effort and money it takes;
 - Not having (or building) an effective board.
- Whether you're considering starting a nonprofit, transforming your existing stock either through RAD or mixed finance, or any new business venture, think through the following considerations:

Do your research

- Remember that a nonprofit is essentially a business and you need to be realistic in starting one. Is there a need for your organization? Are you sure that a nonprofit is the best business structure for what you want to accomplish?

Develop a business plan

- A nonprofit is simply another version of a business. You need to have at least as much money coming in as going out in order to even survive, much less succeed in your mission. Many nonprofit start-ups are launched on a wing and a prayer rather than a well-thought-out plan.
- Spend some time on doing a needs assessment before starting out.
- Make sure the financial plan is viable - will there be enough resources to cover expenses? Do pro formas to brainstorm possible scenarios. Will the projects stay financially viable over time? Look at short- and long-range financials.
- Elements of the business plan, as discussed earlier are executive summary, description of the organizational structure, description of the programs or services, a marketing plan, an operations plan, the management and organizational team, capital structure, and financial plan.

Be sure to take care of all the legal requirements

- Any new endeavor will be highly accountable to laws and regulations. Laws will probably be codified both by the states in which they reside and by the federal government. Make sure you have the legal expertise you need.

Keep good records

- Good record keeping is a must, and all programs have reporting requirements that are special to them. Start with good records and you are less likely to run into problems later. Make sure your accounting and management staff are well-trained on required recordkeeping and reports to be submitted.

Build an effective board

- Some entrepreneurial endeavors won't require a separate board. With a nonprofit, however, the board is a key consideration. It cannot be overstated how important your board is to your nonprofit's success. It is legally responsible for keeping you on track with your mission, helps you to secure the funds you need to accomplish that mission, and provides much of the expertise that you will need. Find the right people, get them on board, and keep them interested.
- For strategies such as RAD, mixed financing, etc., it's imperative that your board understand the purpose (why), where (which projects), when (what's the timeline), how (including what will change and what will not change), and who (is responsible, involved and affected). Many of these new initiatives will require extensive education and outreach to residents and the community. Fear and anxiety is a common reaction to change. The board needs to understand and fully support any new entrepreneurial endeavor, and help the public and residents see the benefits.

Section 11: Overview of the Real Estate Development Process

Notes

CHAPTER 6 REVIEW QUESTIONS

1. Who are among the largest owners of tax exempt bonds?
 - a. Individuals
 - b. Mutual funds
 - c. Property & casualty insurance companies
 - d. Commercial banks
 - e. All the above
2. One of the major advantages for a housing authority to consider establishing a nonprofit is:
 - a. A nonprofit is more regulated than the housing authority
 - b. A nonprofit is eligible for funds not accessible to a housing authority
 - c. A nonprofit does not have to pay attention to community needs
 - d. A nonprofit can be used to shelter administrative funds
 - e. Both c and d
3. Entrepreneurial strategies:
 - a. Are always a good idea as an immediate remedy to any PHA problem
 - b. Are not viable for small PHAs
 - c. Require commitment and expertise
 - d. Are a fast way to increase financial viability of any PHA
4. The most important thing to consider in leveraging the Capital Fund is the effect that leveraging may have on the PHA's long and short-term plans.
 - a. True
 - b. False
5. Tax credits provide a reduction in tax liability of 50 cents for every dollar invested.
 - a. True
 - b. False
6. When setting up a nonprofit, the by-laws establish the number of board members required to constitute a quorum needed to make board decisions.
 - a. True
 - b. False
7. An example of a "mixed use" development is:
 - a. A development with 50% public housing and 50% LIHTC (tax credit) dwellings
 - b. A development designed for elderly persons and persons with disabilities, with supportive services
 - c. A development with dwelling units and a grocery store

8. If the PHA wants to leverage its Capital Fund, it may do so and report the financing arrangements in the next Agency Plan submission.
 - a. True
 - b. False
9. One important use for a business plan is to have it available for potential lenders to review when the PHA is interested in developing new affordable housing.
 - a. True
 - b. False
10. The process for determining credit worthiness of a borrower is called:
 - a. Mortgaging
 - b. Underwriting
 - c. Delivering bonds
11. The following should be considered when setting up a nonprofit:
 - a. Purpose of the nonprofit
 - b. Powers of the nonprofit
 - c. Salary of the executive director
 - d. Number of directors
 - e. All of the Above
 - f. a, b and d
12. Some investors find purchasing bonds more attractive than stocks because of:
 - a. Fluctuating interest rates
 - b. The high return on investment
 - c. Safety
 - d. All the above
13. PHAs can leverage the Capital Funds for developing affordable housing and/or modernizing public housing.
 - a. True
 - b. False
14. PHAs are allowed to mortgage public housing developments if approved by HUD in order to develop affordable housing.
 - a. True
 - b. False
15. The “predevelopment” phase includes tasks needed to be done prior to purchasing. This phase is also referred to as:
 - a. Project completion phase
 - b. Construction phase
 - c. Feasibility phase
 - d. Acquisition phase
 - e. None of the above
16. In order to receive tax credits, a partnership applies to the _____ for the tax credits.
 - a. State
 - b. Federal government
 - c. City or County
 - d. Securities and Exchange Commission
17. The tax credit application process is on a fair-share formula and is not competitive.
 - a. True
 - b. False

18. When exploring entrepreneurial funding sources and strategies, the PHA and its investors:
 - a. Should not share too much information with each other
 - b. Have no need to establish that basic performance of PHA operations and projects is adequate
 - c. Should ensure that debt service and reserve requirements will be met
 - d. All the above
19. An example of an entrepreneurial strategy could include administering programs for neighboring PHAs.
 - a. True
 - b. False
20. To establish a nonprofit status, a PHA will have to receive approval of tax exempt status from both the IRS and the state of incorporation of the nonprofit.
 - a. True
 - b. False
21. The Choice Neighborhoods Program is:
 - a. Replaces HOPE VI
 - b. Is designed to address distressed public housing
 - c. Is designed to mandate entities to work together in struggling neighborhoods
 - d. Focuses on housing, people and the neighborhood
 - e. All the above
22. Some factors the PHA should consider when undertaking any new entrepreneurial venture include all of the following except:
 - a. Ensuring that the board is effective and supportive
 - b. Making sure the venture will be financially feasible
 - c. Jumping in feet first and figuring it out as you go
 - d. Ensuring that all legal requirements are being met
 - e. Planning adequately
 - f. Making sure the PHA is doing the basics right

Section 11: Overview of the Real Estate Development Process

Notes

CHAPTER 7 The Rental Assistance Demonstration Program (RAD)

LEARNING OUTCOMES

- Upon completion of this chapter, you should be able to:
 - Identify the purpose of the RAD program
 - Discuss the PHA's programmatic options under RAD
 - Explain the differences between the PBV and PBRA programs
 - Identify the required references and documents for the PBV and PBRA programs
 - Recognize the steps and requirements of the RAD process, from application to closing
 - Identify resident procedural rights under RAD
 - Discuss other programs commonly part of RAD developments

Section 1 Overview: What is RAD?

- According to a 2011 HUD analysis, it would take about \$26 billion to repair public housing developments that provide shelter for over two million residents. Meanwhile, the federal budget for housing assistance fell by over six percent or \$2.5 billion between 2010 and 2012. Given inflation, little financial improvement is expected in the near future. At the same time, other HUD affordable housing programs were expiring that assisted families in privately owned properties with HUD-insured mortgages. When the contracts end, assisted families are eligible to receive tenant protection vouchers to remain at the property or move. Since most of the properties are 20 to 40 years old, renovation and repairs are essential. To deal with these crises, HUD launched the rental assistance demonstration program, better known as RAD.

Section 1: Overview: What is RAD?

Notes

- RAD is intended to assess the effectiveness of converting public housing, moderate rehabilitation properties, and units under the rent supplement and rental assistance payments programs to long-term, project-based Section 8 rental assistance. The program's four primary objectives are to:
 - Preserve and improve public and other assisted housing.
 - Standardize the administration of the plethora of federally subsidized housing programs and rules. The conversions are intended to promote operating efficiency by using a Section 8 project-based assistance model that has proven successful and effective for over 30 years.
 - In other words, RAD aligns eligible properties more closely with other affordable housing programs.
 - Attract private market capital for property renovations. Through the use of this model, properties may be able to leverage private debt and equity to make capital repairs.
 - Increase tenant mobility opportunities.
- The RAD program is comprised of two distinct components.
- Under the **first component**, a PHA must submit an application to HUD. To be eligible, the PHA must be classified as a Standard or High Performer under the Public Housing Assessment System (PHAS) or Section 8 Management Assessment Program (SEMAP). However, HUD may waive this requirement for troubled agencies that have demonstrated substantial progress under corrective action plans, or that propose a revision to such agreements or plans that incorporates conversion under RAD and that is acceptable to HUD.
- The PHA or owner can select one of two major sub-programs under RAD:
 - Project-based rental assistance (PBRA)
 - Project-based vouchers (PBVs)

Section 1: Overview: What is RAD?

Notes

- Under the **second component**, owners of moderate rehabilitation (including single room occupancy), rental assistance payments, and rental supplement properties may apply to convert to PBV or PBRA upon contract expiration or termination occurring after October 1, 2006. The second component also allows owners of 202 PRACs to convert to PBV or PBRA contracts.
- Thus far, RAD has proved successful in raising private capital. PHAs and their partners have cleared a major milestone—they have crossed over 94,000 units and raised a total of \$5.4 billion to rehabilitate and in some cases replace affordable properties from the ground up with new construction.
- As is true with many new programs, the details for RAD are evolving and certain rules are changing. Stay alert, as HUD will be providing a lot more guidance on RAD program implementation.

THE RAD NOTICE

- Generally, public housing projects converting assistance under RAD are bound by the terms of the notice in effect at the time of closing.
 - Notice PIH 2019-23 was immediately applicable at the time of closing to all projects converting assistance (notwithstanding execution of a commitment for conversion). Notice PIH 2019-23 was published on September 5, 2019.
 - Except with respect to changes in the project eligibility and selection criteria, not included in this policy, which are effective after a 30-day comment period.

Section 1: Overview: What is RAD?

Notes

- Notice PIH 2012-32, REV-3, was applicable to projects that were seeking conversion of assistance through RAD, including those where a CHAP had already been issued when it was published January 12, 2017.
 - Except with respect to changes in the project eligibility and selection criteria, not included in this policy, which were effective after a 30-day comment period.
- Notice PIH 2012-32, REV-2, was applicable to projects that were seeking conversion of assistance through RAD, including those where a CHAP had already been issued when it was published June 15, 2015.
 - Except with respect to changes in the project eligibility and selection criteria, not included in this policy, which are effective after a 30-day comment period.

Section 2 PBRA vs. PBV

- HUD's Office of Multifamily Housing Programs administers the PBRA component, whereas HUD's Office of Public and Indian Housing (PIH) administers the PBV component.
- Because PHAs can select one of two major sub-programs under RAD-project-based rental assistance (PBRA) or project-based vouchers (PBVs), PHAs should have a good idea of which they will choose before submitting the application materials.
- In February 2015, HUD published a PBRA vs. PBV comparison guide detailing the primary differences between the two programs under RAD. HUD has also published other useful tools such as quick reference guides for PBRA and PBV conversions under RAD. Supplemental materials are available on HUD's RAD webpage.
- Following is a basic description of both the PBRA and PBV programs.

PBRA

- The RAD PBRA contract term is 20 years.
- The rental assistance is project-based and stays with the unit. PBRA projects are owned by eligible owners who executed a Housing Assistance Payment (HAP) contract with HUD to provide rental subsidies for a period of time, generally 20 years. In the standard PBRA program, these HAP contracts can be renewed at the end of the initial term or project owners can "opt-out" of the contract. In the RAD PBRA program, contract renewal is mandatory. Eligible owners of standard PBRA projects include private owners as well as PHAs.
- PBRA rents under RAD typically cannot exceed 120 percent of FMR, unless the rents are below comparable market rent, in which case the PHA may request an amount up to 150 percent of the FMR.

Section 2: PBRA vs. PBV

Notes

- There is no limit on the percentage of assisted units in a PBRA project.
- Unlike in the standard PBRA program, under RAD, PBRA-assisted households have the right to a PHA's next available voucher ("Choice Mobility") after 24 months of occupancy, although such moves may be limited in certain circumstances.
- Resident procedural rights in Attachment 1E of Notice PIH 2019-23 must be incorporated as part of the House Rules for the project and must be submitted to HUD for review prior to closing. This includes a description of termination notification, the grievance process, and information on Choice Mobility.
 - In addition to the regulations at 24 CFR 880.607 and the Model Multifamily Lease, the termination notification requirements for RAD conversions require PHAs to provide adequate written notice of termination of the lease, which is outlined in Notice PIH 2019-23.

Applicable Regulations and Requirements

- PBRA is governed by the following parts under Title 24 of the Code of Federal Regulations (CFR):
 - Part 1: Title VI of the Civil Rights Act of 1964
 - Part 5: General Program Requirements
 - Part 8: Nondiscrimination
 - Parts 100 and 108: Fair Housing Act (Title VIII of the Civil Rights Act of 1968)
 - Part 146: Age Discrimination Act of 1975
 - Part 245: Tenant Participation Regulations
 - Part 880: New Construction
 - Part 881: Substantial Rehabilitation
 - Part 883: State Agency Financed

Notes

- There are also several key documents that govern an owner's day-to-day operation of a PBRA project
 - **The HAP Contract** is the legal document between HUD and the project owner, or PHA, authorizing subsidy to the project for a length of time.
 - **HUD Handbook 4350.3 REV-1**, Occupancy Requirements of Multifamily Housing Programs, describes the occupancy requirements and procedures governing the PBRA program.
 - **HUD Handbook 4350.1**, Multifamily Asset Management and Project Servicing, provides general guidance for most of the tasks associated with HUD's involvement in the affairs of multifamily projects.
 - **HUD Handbook 4381.5**, The Management Agent Handbook, provides guidance regarding most aspects of HUD's relationship and interaction with owners and management agents of HUD-insured and HUD-assisted properties.
 - **HUD Handbook 8025.1**, Implementing Affirmative Fair Housing Marketing Requirements for Multifamily Housing, provides guidance for the implementation of the Affirmative Fair Housing Marketing Plan (AFHMP) Regulations and the AFHMP requirements in HUD's programs.

Required Policy and Form

- The **Tenant Selection Plan** is the owner's written tenant selection policies and procedures.
- **HUD Form 50059** is submitted via the Tenant Rental Assistance Certification System (TRACS) in order to report information on family composition, income and allowances for each family assisted under the program.

Program Assessment

- Compliance with the terms and conditions of the HAP contract is the responsibility of the project owner. Under contract with HUD, Contract Administrators (CAs) or Performance Based Contract Administrators (PBCAs) perform regular assessments of program compliance, called Management and Occupancy Reviews (MORs) using Form HUD-9834. The MOR must evaluate, analyze, and assess the owner's operating policies, procedures, and practices related to compliance with the HAP Contract. The PBCA/CA assigns a score based on the results of the MOR.
- In addition to regular MORs, REAC inspectors also perform on-site inspections of the project to ensure compliance with UPCS.

PBV

- The RAD PBV contract term is generally 15 years, although it may be up to 20 years.
- PBV rents are generally limited to 110 percent of the fair market rent (FMR), although rent reasonableness may also limit rents.
- In PBV under RAD, for projects that are governed by Notice PIH 2012-32, REV-3 or PIH 2019-23, there is no cap on the number of units in the project. For projects governed by Notice PIH 2012-32, REV-2, the number of assisted units in a project is limited to 50 percent, unless the units are designated for elderly, disabled, or for families participating in supportive services, in which case all units may be assisted.
- In both standard and RAD PBV, assisted households have the right to a PHA's next available voucher ("Choice Mobility") after one year of occupancy.

- Resident procedural rights as listed in Notice PIH 2019-23, which cover RAD PBV termination notification and grievance rights, must be incorporated both in the PHA's administrative plan and the project owner's lease.

Applicable Regulations and Requirements

- Much of the tenant-based voucher program regulations also apply to the PBV program. Consequently, many of the PHA policies related to tenant-based assistance apply to the PBV program as well.
- The HCV program regulations are listed at 24 CFR Part 982. The regulations that apply to family eligibility (SSN disclosure, citizenship status, annual income) are listed at 24 CFR Part 5.
- The regulations that are applicable only to the PBV program are listed at 24 CFR Part 983. The provisions of the tenant-based voucher regulations that do not apply to the PBV program are listed at 24 CFR Part 983.2.
- However, there are some specific requirements for RAD PBV units.
- Generally, public housing projects converting assistance under RAD are bound by the terms of the notice in effect at the time of closing as indicated in the applicable RAD notice for the project.

- There are also several key documents that govern a PHA's day-to-day operation of the PBV program:
 - The **Annual Contributions Contract (ACC)** is the written contract between HUD and the PHA. Under the ACC, HUD agrees to provide funds for rental assistance (HAP funds) and administrative fees for the operation expenses related to the PHA's administration of the housing choice voucher program, including that portion of the HCV program that the PHA opts to project-base. The HCV ACC governs the PBV program, as HUD does not provide additional baseline vouchers or budget authority to a PHA for the administration of a PBV program.
 - **The Administrative Plan** (admin plan) is the PHA's principal statement of the policies used in the administration of the project-based program.
 - The family must sign the **HUD 52578-B form**, which is the Section 8 Project-Based Voucher Program Statement of Family Responsibility. This form functions much like the voucher in the tenant-based program in that it enumerates the family responsibilities on the PBV program.
 - **The Tenancy Addendum for the Section 8 Project-based Voucher Program** has two parts:
 - Part A has information on the tenant, contract unit, household, term of the lease, rent to owner, initial HAP payment amount, and utility responsibilities for the unit.
 - Part B is attached to the tenant's lease and includes requirements for the family and the owner under the program.
 - The **Project-Based Voucher Housing Assistance Payment Contract (PBV-HAP Contract)** is the contract between the PHA and the owners of PHA-assisted PBV projects.
 - The **HUD Form 50058** is submitted via IMS-PIC in order in order to report information on family composition, income and allowances for each family assisted under the program.

Program Assessment

- All SEMAP indicators apply with the exception of indicator #12 for annual HQS inspections.
 - In RAD PBV (and regular PBV) only 20% of PBV units need to be inspected annually/biennially.
 - For example, indicator 10, Correct Tenant Rent Calculations, includes PBV, while indicator 12, Annual HQS Inspections, does not. This is because PBV inspection requirements are different than those for an agency's tenant-based program.

Section 2: PBRA vs. PBV

Notes

Section 3 The RAD Process

- A PHA must complete several steps for a successful RAD project. Generally, a PHA does not have all the expertise needed in house, so it may be necessary to hire a consultant familiar with federal and private financing techniques.
- A brief summary of the actions involved in a public housing RAD project follows.

APPLYING FOR THE RAD PROGRAM

- In order to participate in the RAD program, a PHA must submit an application to HUD. Applications must be submitted for specific projects. HUD encourages small housing authorities to consider applying RAD to all their properties so they will only have one set of program rules to follow.
- To be eligible, the PHA must not be classified as troubled under the Public Housing Assessment System (PHAS) or Section 8 Management Assessment Program (SEMAP). HUD may waive this requirement for troubled agencies that have demonstrated substantial progress under corrective action plans or that propose a revision to such agreements or plans that incorporates conversion under RAD and that is acceptable to HUD.
- PHAs should first determine the financial feasibility of the project they are considering. While RAD does encourage leveraging equity in the properties and private sector financing, it does not provide additional subsidy. RAD is essentially an authorized program without any appropriations (i.e., money) so the subsidy or rents a PHA receives under RAD will be the same amount as it is receiving prior to RAD conversion.
- Once a PHA decides to proceed with a RAD application, it is important to become familiar with the RAD website, because all applications as well as following up submissions are done electronically through the website.

Section 3: The RAD Process

Notes

- The submission of a RAD application is a significant change to the agency's five-year plan. Therefore, a PHA must obtain input from the resident advisory board and take all other mandatory steps to meet agency plan amendment requirements. At the same time, a PHA must submit any required amendments to its admissions and continued occupancy policy and administrative plan.
 - HUD provides a checklist for RAD-Specific Significant Amendment Submissions as Attachment 1D of Notice PIH 2019-23.
- RAD application materials can be found on HUD's RAD webpage. The application consists of:
 - The PHA application form, which must be filled out entirely and submitted along with the required attachments.
 - The board approval form, which must be signed by the executive director.
 - The financing letter of interest/intent form, which by signing, the entity certifies that the project appears feasible and that the entity acknowledges RAD program requirements and policies and agrees to abide by them.
 - This form must be completed for every proposed funding source.
 - A mixed-finance affidavit form, which is required if the PHA is proposed to convert the public housing assistance in a mixed -finance project.
 - The choice mobility letter agreement, which is required for PHAs that are requesting the choice mobility (briefly described later) ranking factor.
 - Resident comments and the PHA's response.
- Other attachments may also be required depending on the particular project and whether the conversion will be to PBRA or PBV.

COMMITMENT TO ENTER INTO A HOUSING ASSISTANCE PAYMENT (CHAP)

- PHAs are notified of selection via an award letter signed by HUD. Attached to the award letter is a commitment to enter into a housing assistance payment (CHAP), which states the HUD-approved terms and conditions for conversion of assistance.
- The CHAP requires each PHA to meet a series of contractual milestones applicable to both RAD transactions and debt or equity financing that must be met within a specific period of time (several months to one year). These may include, but are not limited to:
 - Accepted Lender Engagement or Commitment Lender. The letter must include language that the lender is aware of all RAD policies, the proposed loan amount and key business terms of the loan, pro forma sources and uses, and pro forma cash flow once the project is stabilized;
 - Statement of Development Team Capacity. Must identify the proposed development team members, with evidence of their recent experience in financing, developing, rehabilitating, constructing, owning and operating similar properties. A general rule is that the team must have experience with at least three transactions with mixed or multiple sources of financing.
 - Significant Amendment to the Annual/Five Year Plans. This should include the PHAs decision to convert to either project-based vouchers (PBV) or project-based rental assistance (PBRA).
 - Capital Needs Assessment (CAN). A detailed physical inspection of the property to determine short and long-term repair and rehabilitation needs.
 - Financing Plan. This plan includes a description of improvements to be made, construction phasing, payment schedule, procurement process, and anticipated closing date

- Once the Financing Plan is approved, HUD issues a RAD Conversion Commitment (RCC). A PHA then must submit a firm commitment of financing (with the terms included in the financing plan).

Financing Sources for RAD Conversions

- Properties converting to PBRA or PBVs under the RAD program may involve multiple layers of financing, such as:
 - Public housing program funds
 - FHA Section 223(f) mortgage insurance
 - FHA Section 221(d)(4) construction and permanent loan with FHA-insurance
 - Community development block grant
 - HOME
 - Low-income housing tax credits (LIHTC)
- For each conversion property with multiple financing sources, PHAs must be familiar with the overlapping regulatory requirements that must be followed for each property.

Closing

- The RAD conversion is complete when the PHA reaches closing. In the initial year of conversion of assistance, projects will be funded through public housing accounts. At closing, the PHA provides certification that it will make operating and capital funds available in HUD-determined amounts within RAD budget line items in the line of credit control system (LOCCS). The PHA must use all such funds to make HAP payments for the remainder of that calendar year.
- In the calendar year following conversion, projects will be funded from either the PBRA account or the tenant-based rental assistance account (TBRA) relative to the form of Section 8 assistance for the projects, according to the amount indicated in the HAP contract.

Section 4 Resident Procedural Rights

- There are hearing-specific requirements for RAD units.
- All the rights under the grievance process are retained in perpetuity in RAD developments. These rights are afforded all residents of RAD developments, not just the original public housing residents. The term “informal hearing” is used instead of “grievance hearings” because RAD PBV and RAD PBRA adopt Section 8 language.
- For any hearing required under 24 CFR 982.555(a)(1), the contract administrator will perform the hearing, as is the current standard in the program. For any additional hearings required under RAD, the Project Owner will perform the hearing.
- PHAs should see Notice PIH 2019-23, published September 5, 2019, and the RAD Quick Reference Guides for PBV and PBRA for more information.

PROJECT BASED VOUCHER

- PBV mostly follows the Housing Choice Voucher (HCV) regulations. However, per the RAD statute, additional procedural rights are established for RAD PBV.
- 24 CFR § 982.555 For issues related to the termination of assistance and several other PHA determinations, RAD specifies that:
 - In addition to reasons that require an opportunity for an informal hearing in the HCV regulations, an opportunity for an informal hearing must be given to residents for any dispute that a resident may have with respect to an owner action in accordance with the individual's lease or the contract administrator in accordance with RAD PBV requirements that adversely affect the resident's rights, obligations, welfare, or status.

Notes

- For any hearing required under the voucher regulations, the contract administrator (who is likely the PHA) will perform the hearing, as is the current standard in the program.
- For any additional hearings required under RAD, the owner will perform the hearing.

**PROJECT BASED RENTAL ASSISTANCE (PBRA)
(MULTIFAMILY)**

- Resident procedural rights in Attachment 1E of Notice PIH 2019-23 must be incorporated as part of the House Rules for the project and must be submitted to HUD for review prior to closing. This includes a description of termination notification, the grievance process, and information on Choice-Mobility.
- The requirements of 24 CFR 880.607, the Model Multifamily Lease, and any other HUD multifamily administrative guidance, apply.

Section 5 Other Programs Commonly in RAD Developments

LOW INCOME HOUSING TAX CREDITS (LIHTCs OR TAX CREDITS)

- LIHTCs represent a dollar-for-dollar reduction in the owner's federal tax liability for affordable housing investments. Such credits partially fund most affordable housing built or substantially rehabilitated since 1990. The Internal Revenue Service (IRS) awards the tax credits to states, usually to the state housing finance agencies. The state housing finance agencies generally administer the program and award the credits competitively to proposed properties. Many tax credit properties receive additional governmental assistance in the form of development cost payments, loans, and subsidies.

HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

- HOME funds involve formula grants from HUD to states and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities that build, buy, and rehabilitate affordable housing for rent or homeownership, or provide direct rental assistance to low-income people. The HOME program is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended. Program regulations are at 24 CFR Part 92.

Notes

Section 6 Special Provisions for PHA-Owned Properties in RAD PBV

- Even though the PHA typically creates a separate legal entity to be owner of the project, if that entity is under the control of the PHA that is acting as the contract administrator, the project may be deemed as PHA-owned.
- *FR Notice 1/18/17;*
FR Notice 7/14/17;
Notice PIH 2017-21
In order to be a PHA-owned unit, the PHA must have ownership interest in the building itself, not simply the land beneath the building. A unit is considered to be owned by the PHA if the unit is in a project that is owned by the PHA, owned by an entity wholly controlled by the PHA, or owned by a limited liability company or limited partnership in which the PHA (or an entity wholly controlled by the PHA) holds a controlling interest in the managing or general partner.
- *Controlling interest* means:
 - Holding more than 50 percent of the stock of any corporation;
 - Having the power to appoint more than 50 percent of the members of board of directors of a non-stock corporation (such as a non-profit corporation);
 - Where more than 50 percent of the members of board of directors of any corporation also serve as directors, officers, or employees of the PHA;
 - Holding more than 50 percent of all managing member interests in an LLC;
 - Holding more than 50 percent of all general partner interests in a partnership; or
 - Equivalent levels of control in other organizational structures

Notes

- *24 CFR 983.59*
For PHA-owned units, a third-party independent entity approved by HUD must perform all HQS inspections, rent reasonableness determinations, and determine the OCAF adjustment annually.
- HUD may also require another PHA, other than the one with the ownership interest, to act as contract administrator if the PHA is not a standard or high performer under SEMAP and is not making acceptable progress on a corrective action plan.

Notes

Section 7 Table of Regulatory Documents

- Below is a summary of the regulatory documents for programs most commonly found in RAD developments.

	Regulatory Documents	
LIHTC	Section 42 of the IRS Code Qualified Allocation Plan (QAP) Tax Credit Application Regulatory Agreement IRS Form 8609 State-specific LIHTC compliance manual HUD Handbook 4350.3 Guide for Completing Form 8823 General Explanation of the Tax Reform Act of 1986	
PBRA	24 CFR Parts 1, 5, 8, 100, 108, 146, 245 24 CFR Part 880 (New Construction) 24 CFR Part 881 (Substantial Rehabilitation) 24 CFR Part 883 (State Agency Financed) HAP contract HUD Handbook 4350.3 HUD Handbook 4381.5 HUD Handbook 8025.1 Tenant Selection Plan (TSP) Possible regulatory agreement or use agreement Form HUD-50059 Form HUD-50059 A	
PBV	24 CFR Parts 1, 5, 8, 100, 108, 146, 982 and 983 Section 8 administrative plan PBV HAP contract HUD 52578-B Current PIH notices The Housing Choice Voucher Guidebook Annual Contributions Contract (ACC) PHA Annual and 5-Year Plan Form HUD-50058	
HOME	24 CFR 1, 5, 8, 92, 100, 108, 146 Written agreement Deed Restriction HOME Loan Agreement The Technical Guide for Determining Income and Allowances for the HOME Program The Compliance in HOME Rental Projects Guide	

Notes

Notes

Section 8 Summary

- The Rental Assistance Demonstration (RAD) program allows PHAs to leverage public and private debt and equity in order to reinvest in the public housing stock by moving to a Section 8 platform. However, the submission of a RAD application, in addition to participation in the RAD program, requires a lot of thought and careful planning. As is true with many new programs, the details for RAD are evolving. HUD will continue to provide guidance as this program moves forward.

Section 8: Summary

Notes

CHAPTER 7 REVIEW QUESTIONS

1. The Rental Assistance Demonstration (RAD) program:
 - a. Is mandatory for all PHAs
 - b. Allows conversion of public housing to project-based vouchers
 - c. Allows conversion of public housing to project-based rental assistance
 - d. All of the above
 - e. b and c
2. RAD also:
 - a. Is designed to revitalize the most distressed public housing in struggling neighborhoods
 - b. Provides additional funding to revitalize public housing
 - c. Allows a public housing project to acquire debt funding
 - d. Is designed by HUD, with HUD providing all the financial expertise and feasibility analysis
3. When converting public housing units to Section 8 HAP contracts under RAD, the PHA may select to convert units to either the Project-Based Voucher (PBV) program or:
 - a. Low-Income Housing Tax Credits (LIHTC)
 - b. The Project-Based Rental Assistance (PBRA) program
 - c. The Rent Supplement Program (RAP)
 - d. HOME
4. A project is considered PHA-owned if:
 - a. The PHA has a 51% or more financial interest in the property
 - b. The PHA has a 50% or more financial interest in the property
 - c. The PHA, its board, or employees have any financial interest in the property
 - d. If the PHA, its board, or employees have financial interest in an entity that holds direct or indirect financial interest in the property
 - e. c and d
5. Which statement below is not true about the rental assistance demonstration (RAD) program?
 - a. RAD encourages leveraging equity in properties in the conversion to RAD
 - b. Properties converting to RAD may involve multiple layers of financing
 - c. HUD provides additional subsidy to properties that convert to RAD
 - d. RAD is mandatory for all PHAs
 - e. c and d

Section 8: Summary

Notes

CHAPTER 8 Overview of Asset Repositioning and Portfolio Planning

LEARNING OUTCOMES

- Upon completion of this chapter, you should be able to:
 - Describe the roles, principles, and steps in portfolio planning and asset repositioning
 - Identify necessary elements of short-term and long-term assessment of each project, including the physical needs assessment, pro forma, market data, and asset value
 - Locate funding sources for asset repositioning
 - Identify the basic options when planning for long-range viability of the portfolio

Section 1 Role of the PHA as Owner in Asset Repositioning and Portfolio Planning

- A PHA's resources are its projects, operating fund subsidies, capital fund subsidies and Housing Choice Vouchers. PHAs have to make decisions as owners on how best to allocate or invest their resources within and across their projects.
- PHAs must make these decisions to:
 - Best meet the organization's affordable housing mission.
 - Most effectively support the community's affordable housing strategy.
 - Best serve the needs of the resident population.
- A PHA should operate in a manner that is consistent with its mission statement, which typically identifies the population to be served.
- This might be those in the community with the lowest incomes, or it might be those within a range of low incomes. Mission statements might also identify the level of resident services the PHA intends to provide.

Section 1: Role of the PHA as Owner in Asset Repositioning and Portfolio Planning

Notes

- Some mission statements are very broad and some are more specific.
- A PHA's portfolio planning and asset repositioning activities should align with the community's affordable housing strategy.
- For example, a PHA development with high vacancies located in a neighborhood where the municipality is investing resources to redevelop and create opportunities to attract mix-income residents, may want to consider a modernization or redevelopment program for one or more of its properties that results in attracting residents with a greater range of incomes.
 - This might require a revision of the PHA's mission statement as well as the Annual and Five-Year Plans.

Section 2 Short-Term and Long-Term Assessment of Each Project

- As an owner, in order to make the decisions relating to asset repositioning and portfolio planning, the PHA should analyze the short-term and long-term economic (financial, physical, and managerial) viability of each of its projects.
- PHAs can then classify each project, use different treatment approaches, and apply and/or explore appropriate strategies for each project. Completing this process is an important component of establishing and/or revising the project's operating goals.

KEY DATA NECESSARY TO DEVELOP SHORT-TERM AND LONG-TERM PROJECT ECONOMIC VIABILITY STRATEGY AND GOALS FOR EACH DEVELOPMENT

- The following are the key analysis components a PHA should review when developing an economic viability strategy for its projects:
 - Physical needs assessment (PNA)
 - Projected 5-year project operating pro-forma
 - Market data, including analysis of local housing needs
 - Asset value
 - Funding sources

Physical Needs Assessment (PNA)

- A PNA is a study of an existing project that quantifies the physical condition of the property, and the cost of replacing the project's capital items over a specific time period.
 - Currently, HUD does not require small (fewer than 250 units) PHAs to conduct PNAs.
 - A Green PNA (GPNA) requirement for all PHAs is currently on hold.

Notes

- Key areas that are covered in a PNA are replacement items relating to the site, building exteriors, common areas and community space, mechanical systems, and units.
- A PNA is most useful when replacement items and their corresponding costs are identified by the year in which the replacement is recommended or anticipated. Typically, the PNA identifies those items needing immediate replacement, as well as those recommended or anticipated to be replaced for years 1 through 20.

Benefits of a physical needs assessment

- The PNA is a critical tool that enables the PHA to develop both a short-term and a long-term capital plan for each project.
- PHAs should use the PNA when determining what, if any, capital funds should be transferred to a property's operations in the current and future years.
- It should also use the PNAs of all of its properties to evaluate its ability to meet the capital needs of its entire portfolio over time. This is called capital planning.
- PNAs can be used in determining that a project is physically obsolete and can no longer meet the needs of its target population.
 - Physical obsolescence is where the cost of making physical repairs and improvements approaches what the cost would be to rebuild or replace the property.
 - Physical obsolescence often is coupled with functional obsolescence, which is discussed in the market data section of this chapter.
- The PHA will need to take into account the timing of these needs for individual properties as well as the portfolio as a whole, allowing for emergency replacement needs, overall funding limitations, and other possible funding sources.

Notes

- The PHA should use the PNA to quantify funding shortfalls in specific project and overall portfolio capital needs, if any, as part of its portfolio planning.
 - The PNA should be part of developing a capital plan for each project and is a key component of portfolio planning and asset repositioning.
- Generally, PHAs will have capital needs shortfalls compared with existing capital funding levels. PHAs will then have to prioritize what replacement items they will fund as part of their 5-year capital plan.
- PNAs can be modified to quantify the costs of known improvements such as reconfiguring studios to 1-bedroom units. Generally, however, PNAs just quantify the replacement cost of capital items for the existing project. If the PHA decides that redevelopment or modernization activities are appropriate, a separate study will be necessary.
- Although HUD does not currently require a PNA for small agencies or a Green PNA (GPNA) for any agency, it may be useful to review HUD's prototype GPNA on the following pages.

PHA Information

HA Code:

HA Name:

PNA:

PHA Data

Number of Development/AMPs:

Number of Sites:

Number of Buildings:

Number of Units:

Total PNA:

Immediate Needs:

Replacement Needs:

Refurbishment Needs:

Sustainability Needs:

Marketability Needs:

Accessibility Needs:

Critical Needs:

Needs By Type

Needs By Category

Needs By Component

Needs By Year

Category Graph

Needs Type Graph

Total Needs

Average Need per Year:

Average Need Per Dev/AMP:

Average Need Per Building:

Average Need Per Unit:

Replacement Needs

Average Need per Year:

Average Need Per Dev/AMP:

Average Need Per Building:

Average Need Per Unit:

Refurbishment Needs

Average Need per Year:

Average Need Per Dev/AMP:

Average Need Per Building:

Average Need Per Unit:

Marketability Needs

Average Need per Year:

Average Need Per Dev/AMP:

Average Need Per Building:

Average Need Per Unit:

Site Needs:

Building Exterior Needs:

Building System Needs:

Common Area Needs:

Unit Needs:

\$1

\$1

\$1

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Development /AMP Information

PNA:

Dev/AMP:

Development Data

Number of Sites:

Number of Buildings:

Number of Units:

Development Total:

Immediate Needs:

Replacement Needs:

Refurbishment Needs:

Sustainability Needs:

Marketability Needs:

Accessibility Needs:

Critical Needs:

Site Needs:

Building Exterior Needs:

Building System Needs:

Common Area Needs:

Unit Needs:

Dev Needs By Type

Dev Needs By Component

Dev Needs by Year

Dev Category Graph

Dev Needs Type Graph

Total Needs

Replacement Needs

Accessibility Needs

Sustainability Needs

Refurbishment Needs

Marketability Needs

Development/AMP Projection

Amount

Go to Control Panel

Go to Reports



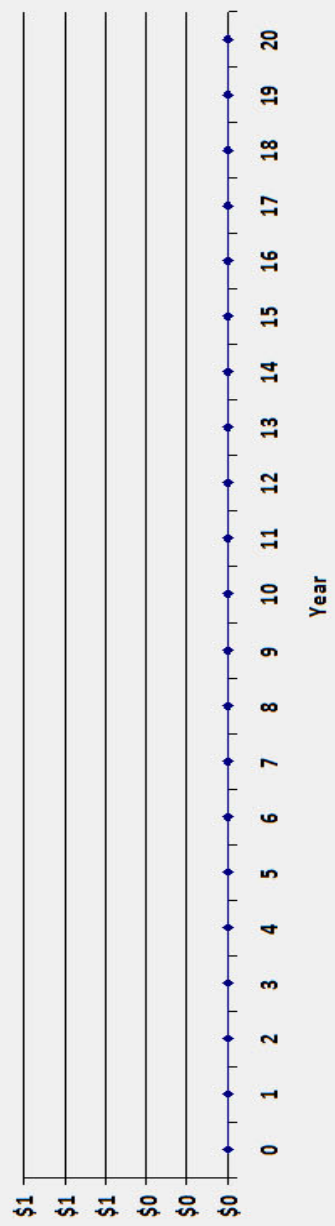
Number of Buildings:	
Number of Units:	
Development Total:	
Immediate Needs:	
Replacement Needs:	
Refurbishment Needs:	
Sustainability Needs:	
Marketability Needs:	
Accessibility Needs:	
Critical Needs:	
Site Needs:	
Building Exterior Needs:	
Building System Needs:	
Common Area Needs:	
Unit Needs:	
Window Needs:	
Roof Needs:	
Kitchen Needs:	
Bath Needs:	
Exterior Wall Needs:	

Replacement Needs	
Average Need per Year:	\$0.00
Average Need Per Building:	\$0.00
Average Need Per Unit:	\$0.00
Accessibility Needs	
Average Need per Year:	\$0.00
Average Need Per Building:	\$0.00
Average Need Per Unit:	\$0.00

Refurbishment Needs	
Average Need per Year:	\$0.00
Average Need Per Building:	\$0.00
Average Need Per Unit:	\$0.00
Marketability Needs	
Average Need per Year:	\$0.00
Average Need Per Building:	\$0.00
Average Need Per Unit:	\$0.00

Development/AMP Projection

Amount



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Five-Year Operating Pro Forma

- PHAs should develop five-year operating pro-formas for each of their projects. Pro-formas should be developed both with and without projected improvements.
- For example, if a project has high vacancies due to studio units which are hard to fill, and the PHA is exploring the possibility of reconfiguring studios into one-bedroom and/or two-bedroom units, the PHA should develop an operating pro forma both with and without the reconfiguration to review the economic merits of investing in reconfiguring the units, including their effect on ongoing operating viability.
 - In some cases, some of the capital items may be able to be funded from operations or surplus cash.
 - Reconfiguring studio apartments into one- or two-bedroom apartments is a common capital project for PHAs who have units that are physically obsolete in many communities.
- Operating viability is a key component in assessing a project's economic viability. Projects experiencing operating shortfalls and/or specific operating problems should be analyzed to determine the nature of the problem. The most common non-performance problems are management-related, market-related, or connected to the physical condition of the property.
 - Frequently, more than one of these problems exists simultaneously.

Notes

- This analysis should identify specific operating problems and determine if they are management-related, market-related, or connected with the physical condition of the property.
 - Projects with management-related problems (such as high vacancies, extended unit turnaround time, or excessive administrative /maintenance expenses that lead to poor cash flow) can possibly be corrected without large capital expenditures.
 - Projects that are not competitive in the existing market may need different strategies. For example, there may be little or no demand for very large units which sit vacant for long periods awaiting eligible applicants. Or, the market is saturated with housing for seniors and the PHA's aged property does not have the same features available in the newer subsidized senior properties.
- Properties may have physical conditions that cannot be cured by improving the management or becoming more competitive.
- It is important to carefully identify whether a property has a management, marketing, or physical problem, or a combination, before developing an improvement strategy.

Market Data

- A project should be viewed within the context of the market it serves. Market data components include:
 - The PHA's mission statement.
 - The affordable housing strategy of the city/town/region.
 - The assessment of fair housing (AFH), including neighborhood demographics
 - Redevelopment initiatives promoted or funded in part by the city/town/region that affects the neighborhood in which the project is located.
 - Other development/redevelopment initiatives being undertaken by nonprofit and/or for-profit developers in the neighborhood in which the project is located.
 - A market study outlining affordable housing supply and demand data, existing and future demographic data, underserved populations, distance from municipal services, project amenities, and comparable rents.
 - A market study can be used to determine need for certain types of units and/or whether existing units are functionally obsolete.
 - Functional obsolescence can be a key factor in high vacancy and excessive unit turnover and turnaround time.
 - For example, the most common form of functional obsolescence may be small studio units which are (from a market standpoint) functionally obsolete because there is no market for this type of unit, which results in the unit serving no functional purpose.

Asset Value

- In developing their short and long-term project strategies, PHAs should understand the value of their properties without improvements to assist them.
- Major repairs and/or redevelopment/development initiatives, where external debt and equity financing are the sources of funds to make the repairs, will need to have an appraisal completed.
 - An appraisal is the tool used to determine asset value. It is typically performed by a professional appraiser.
 - Generally, the most common form of valuing an income-producing property is the income approach, where the appraiser determines the appropriate rents and expenses for the property, based on the location, amenities, services, property condition, and other variables to determine the property's net operating income (NOI).
 - The NOI is then capitalized, based on a capitalization rate determined by the appraiser, to arrive at a value for the property. Equity financing via Low-Income Housing Tax Credits (LIHTC) must also be supported by an appraisal.
- PHAs should also understand the value of their properties once improvements have been completed. This is particularly important for redevelopment/development initiatives where external debt and equity financing are components of the funds necessary to redevelop the property and/or make repairs.

Section 2: Short-Term and Long-Term Assessment of Each Project

Notes

- PHAs may find that determining the value of a property is a useful tool in general. The Reform Act of 1998 (QHWRA) provides HUD the statutory authority to allow PHAs to place debt on their low-rent public housing projects using the property as collateral in order to make repairs.
 - At present, HUD has not enacted regulations to move forward in this direction; however this could become a tool in the future.
- In order to determine rents for a PH project, an appraiser would most likely:
 - Develop rent based on what comparable unassisted rents would be in the market.
 - Determine operating expenses based on PHA operating costs for the project.
- The appraiser could then determine the NOI for the property, apply a capitalization rate, and estimate a value for the project.

Section 3 Funding Sources

- The following is a summary of the funding sources already discussed in previous chapters.

PUBLIC HOUSING CONTROLLED SOURCES

- PHA-controlled sources include:
 - Capital Fund/Replacement Housing Factor Funds
 - Project-based vouchers
 - Project cash flow

Capital Fund/Demolition Disposition Transitional Funding

- Capital Funds are generally used by PHAs to cover routine building replacement items, specifically for individual projects or on an agency-wide basis. Capital Funds can also be used to support project operating costs; up to 20 percent can be transferred to support project operations, and additional capital funds can also be used to support other items such as management improvements, security, and various resident service programs.
- It is very important for PHAs to account for overall portfolio capital needs when considering using capital funds for non-capital items. PHAs that have capital fund shortfalls exacerbate the problem by transferring capital funds to support project operations or other allowed activities.

- Demolition Disposition Transitional Funding (DDTF) can be used to replace, acquire, or rehab public housing, among other eligible capital fund activities.
 - Under the Capital Fund Final Rule, effective November 25, 2013, DDTF replaces the former Replacement Housing Factor (RHF) funds, allowing more flexibility in demolishing or disposing of units.
 - However, the Capital Fund Final Rule provides a smooth transition period between RHT and DDTF, allowing PHAs to receive RHF incremental funding units removed prior to the effective date and receive DDTF funding for units removed after the effective date.

Project-Based Vouchers

- Project-based vouchers are part of HUD's HCV program.
- PHAs can attach up to 20 percent of their voucher authority to specific housing units. Vouchers pay the difference between 30 percent of a tenant's income and the gross rent, which is set based on comparable unassisted rents in the market.
- There are limitations on the number of units in a project, with the exception of elderly projects that can be assisted under the program.
- PHAs must adopt a written policy for how the units will be selected and must advertise that it will accept proposals from owners for the project-based voucher program.
- This program, when used by PHAs on their own projects, is usually part of a major mixed-financed redevelopment initiative and is combined with LIHTC and debt financing programs.

Project Cash Flow

- PHAs that have projects with surplus cash can use that cash to fund a replacement reserve fund for the project, which could supplement the Capital Fund to fund capital needs.
 - Cash flow from other developments based on year-end results could also be used to help fund capital needs.
 - However, the Capital Fund Final Rule provides a smooth transition period between RHT and DDTF, allowing PHAs to receive RHF incremental funding units removed prior to the effective date and receive DDTF funding for units removed after the effective date.

FUNDING SOURCES REQUIRING HUD APPROVAL

Mixed-Finance Projects

- The mixed-finance approach is one of the most important tools PHAs can use to revitalize existing public housing projects.
- The underlying goal of mixed-financed developments is to maximize leveraging of other funds, both public and private, into the public housing redevelopment/development process.
- In a mixed-financed approach, the PHA sells or leases the project and/or land to a development partner.
 - Public housing funds are often loaned to a development partner and are used in a variety of ways to leverage other funds, both public and private, to repair, replace, or otherwise revitalize public housing.
 - The use of public housing funds in a mixed income proposal must comply with 24 CFR Part 941 Subpart F.

Other funding sources requiring HUD approval

- The following funding sources can be used on a stand-alone basis or with a mixed-financed approach:
 - Rental Assistance Demonstration (RAD)
 - Capital Fund Financing Program/Mixed Finances
 - Energy Service contracts
 - HOPE VI/Mixed
 - CDBG
 - Choice Neighborhoods

NON-HUD FUNDING SOURCES DEBT FINANCING

Taxable financing

- Taxable financing is often a key component of funding redevelopment initiatives.
- Capital can be provided by a bank or other private entity, or through a public entity, such as a state housing finance agency.
- Financing can be a conventional loan from a bank or bond-financing from a public agency.
- Some PHAs have statutory authority to issue taxable bonds.
 - Taxable financing often funds an acquisition, construction, and/or permanent loan, and is leveraged with low-income housing tax-credits.

Tax-Exempt Bond Financing

- Tax-exempt bond financing brings considerable rules and regulations, including but not limited to income eligibility of residents occupying a percentage of the units, and use restrictions on units for the period of time the financing is in place.
- Tax-exempt bond financing generally requires the bonds be credit-enhanced.

Low-Income Housing Tax Credits (LIHTC)

- As described earlier, LIHTC is essentially a housing program embedded in the tax code and is administered by the Treasury Department and state housing finance agencies, which allocate the credits to partnerships sponsoring affordable housing developments.

OTHER FUNDING SOURCES

- Federal Home Loan Bank Loan Programs (FHLB)
- Other state and local loans and/or grants

VOLUNTARY CONVERSION OF PUBLIC HOUSING UNITS

- A PHA may request approval to voluntarily convert a public housing property partially or entirely to tenant-based assistance.
- An application for voluntary conversion must incorporate a conversion assessment. One required component of the conversion assessment is the cost analysis comparing the cost of public housing with the cost of tenant-based assistance. HUD will approve the proposed voluntary conversion of a property from the PHA's inventory only when the cost analysis component of the conversion assessment demonstrates the total costs of ongoing maintenance and operations of a property exceed the total costs of providing tenant-based assistance.

Section 3: Funding Sources

Notes

- The conversion assessment must also include an analysis of the market value of the property. This market value analysis will evaluate various proposed development scenarios and sets of assumptions including use of the property as public, assisted, or market-rate housing based on the as-is and post rehab condition as required as part of the conversion assessment.
- Several options are available to PHAs involving whether to undertake a voluntary conversion. These include modernization and reuse of the existing building as public, assisted, market-rate, mixed-income or some other form of affordable housing for the low-income.
- Refer to PIH Notice 2008-35, dated August 20, 2008, Cost-Test and Market Analyses Guidelines for the Voluntary Conversion of Public Housing Pursuant to 24 CFR Part 972.

Section 4 Framework for Developing Portfolio Planning and Asset Repositioning Portfolio Analysis

- The PHA should analyze and integrate the results of its PNAs, five-year operating pro forma, market data, and possible funding sources to develop an economic viability analysis for each project.
- The analysis should be done within the context of the PHA's mission statement, the affordable housing strategy of the city/town, and existing redevelopment initiatives being undertaken in the neighborhood in which the project is located.

ASSET REPOSITIONING AND PORTFOLIO PLANNING ASSET CLASSIFICATIONS

- Based on the analysis, the project may fall into one of the following asset classifications:
 - Hold and operate as public housing
 - Dispose of as low-rent public housing
 - Demolish

Hold Strategies

- Hold and operate the project as-is; use the Capital Fund to make needed capital improvements.
- Hold and operate project as-is; use the Capital Fund to make more extensive capital improvements, and reposition the property.
- Hold and operate project as-is; but defer some capital improvements (with the exception of emergency and health and safety items) while exploring major rehab or redevelopment alternatives with outside sources of funding to reposition the property. This involves reviewing alternative ownership structures.

Examples:

- Hold and operate the project as-is, using the Capital Fund to make needed capital improvements.
 - Project characteristics are projects operating consistently with the PHA's mission statement, having stable and positive cash-flow, high levels of occupancy, few (if any) management improvements necessary, located in reasonably strong or stable neighborhoods, and are in good physical condition. On-going capital needs are able to be covered with the Capital Fund.
 - Same as above, but with projects experiencing cash flow and management-related operating problems, that can be corrected with management improvements, and the Capital Fund can cover immediate and future capital needs.
- Hold and operate the project as-is, using the Capital Fund to make more extensive capital improvements, including repositioning the asset.
 - Project characteristics are similar to those under **Hold and operate the project as-is, using the Capital Fund to make needed capital improvements classification**, with the exception that the PHA will use the Capital Fund to undertake more extensive modernization work.

Section 4: Framework for Developing Portfolio Planning and Asset Repositioning Portfolio

Notes

- Hold project and operate as-is, but defer some capital improvements (with the exception of emergency and health and safety items) while exploring major rehab or redevelopment alternatives with outside sources of funding to reposition asset; involves reviewing alternative ownership structures.
 - Projects in this classification will include those with significant immediate and/or long-term capital needs that generally can not be solved with traditional public housing resources. Common characteristics may include any or all of the following variables affecting on-going economic viability:
 - Physical obsolescence of major building systems
 - Functional obsolescence of unit configuration
 - High project vacancy
 - Poor cash flow
 - Excessive maintenance expenses
 - Management-related operating problems
 - Security problems
 - Deteriorating neighborhood conditions

Demolition Strategies

- Although demolition/disposition activity has always been permitted, HUD and its business partners have begun to actively pursue it as a management strategy option in the last ten years.
 - This is due to the realization that some developments have difficulties associated not only with physical deterioration, but also with the overall deterioration of the surrounding community.
- To evidence obsolescence for demolition of a project, PHAs must show that the necessary modification and/or rehabilitation to a project is not cost-effective. HUD generally considers modifications not to be cost-effective if costs exceed 62.5% of total development costs TDC for elevator structures and 57.14% for other types of structures.

Examples:

- Projects that are in extremely poor condition with high vacancy in a poor market and with no viable redevelopment alternatives available should be considered for demolition.
- Projects with similar conditions to the above, whose redevelopment options are too expensive given other project needs with higher priorities and limited resources, should also be considered for demolition.
- Projects with reasonable occupancy, in poor condition, whose repair/replacement costs are more expensive than the cost to voucher out the units, where other property priorities are higher and resources are limited, should be considered for demolition as well.
- For the demolition of a portion of a development, that portion of the development is obsolete as to physical condition, location, or other factors, making it unsuitable for housing purposes, and no reasonable program of modifications is cost-effective to return that portion to its useful life, and the demolition will ensure the viability of the remaining portion of the development by reducing density to permit better access by emergency, fire, or rescue services, or improving the marketability by reducing density to that of the neighborhood or other developments in the PHA's inventory

Dispose Strategies

- Dispose of project as low-rent public housing by selling to development partner and redeveloping—the mixed-finance approach.
- **Note:** Per Notice PIH 2011-69, if the PHA disposes of some or all of its public housing, it cannot add back to its portfolio any more public housing units than the most recent ACC allowed.
- Other dispositions.

Examples:

- Due to a change in the neighborhood, the location of the development is no longer conducive to residential use.
- The land on which the development was built is sufficiently valuable that the PHA can replace the existing development with an improved development at no cost to HUD.
- Leasing the development to another entity, or transferring the title of the development via a sales contract, may be determined to be more cost-effective or efficient way for the development to be used for low-income or mixed-income housing, because that party will have access to funds not available to the PHA. (Note that a lease of more than one year is considered to be a disposition by HUD.)
- The development includes vacant land or non-dwelling structures that exceeds the need of the development (after Date of Full Availability--DOFA).
- The development includes vacant land or non-dwelling structures that are incidental to, or do not interfere with, the continued operation of the remaining portion of the development.
- The PHA has otherwise determined that the disposition is appropriate for reasons that are consistent with its goals of the PHA and its PHA Plan and that are otherwise consistent with the U.S. Housing Act of 1937.

Section 4: Framework for Developing Portfolio Planning and Asset Repositioning Portfolio

ASSET MANAGEMENT PLAN: SUMMARY DATA

Project (AMP) Name			
Project (AMP) No.			
Address			
City/Zip Code			
Building Type*			
Acquisition/construction date		No. of 0-BRs	
Date of last major rehab or modernization		No. of 1-BRs	
DOFA date		No. of 2-BRs	
Total Units		No. of 3-BRs	
Total BRs		No. of 4-BRs	
No. BRs/Units		No. of 5-BRs	
Physical Needs Assessment			
Date PNA Completed			
a. Immediate needs			
b. Years 2-5 needs			
Total current needs (a+b)			
c. Years 6-20 needs			
Total Physical Needs			
Total Per Unit Needs			
Financial Performance			
Date of most recent 12-month operating results			
Most recent 12-month operating costs – Total			
Most recent 12-month operating costs – PUM			
Most recent 12-month bottom line – Total			
Most recent 12-month bottom line – PUM			
5-Year Operating Pro-Forma			
Date completed			
Assumes capital planning?	☐ Yes	☐ No	
Assumes curing management problems?	☐ Yes	☐ No	
Assumes market changes?	☐ Yes	☐ No	
Assumes as is?	☐ Yes	☐ No	
Bottom Line - Year 1			
Bottom Line - Year 5			

** High-rise/elevator, walk-up garden, semi-detached row or townhouse or single family/detached*

ASSET MANAGEMENT STRATEGIES

Project (AMP) Name			
Project (AMP) No.			
Address			
City			
Asset Classification	Asset Strategy	Considerations	PHA Comments
I-A HOLD	Hold and operate as- is	Works for projects where: a. Operations consistent with mission b. Stable positive cash flow c. High levels of occupancy d. Few if any management improvements needed e. Located in strong or stable neighborhood f. Good physical condition g. Capital fund sufficient for ongoing capital needs	
I-B HOLD	Hold and make extensive capital improvements	Works for projects with: a. Same characteristics as I-A above b. More extensive modernization needs c. Other capital needs of other projects in portfolio are not so great or can be deferred	
I-C HOLD	Hold and defer capital improvements and explore rehabilitation or redevelopment	Common characteristics of projects in this category: a. Physical obsolescence of major building systems b. Functional obsolescence of unit configuration c. High project vacancy d. Poor cash flow e. Excessive maintenance expenses f. Management related operating problems g. Security problems h. Deteriorating neighborhood conditions	

Asset Classification	Asset Strategy	Considerations	PHA Comments
II-A DISPOSITION	Dispose but retain some low-rent public housing	Common characteristics of projects in this category: a. Low potential for economic viability b. Often require prohibitively large investment for practical use (cost of rehab greater than 60% of HUD typical total development costs is a red flag) c. Section 33 mandatory conversion or Section 22 voluntary conversion viability study to determine if public housing cost is greater than voucher cost, then project is not considered viable d. Requires HUD approval	
II-B DISPOSITION	Project and land sold to a new entity without regard to any housing use	Common characteristics of projects in this category: a. Same as II-A above b. Scattered site projects, particularly single family homes are often good candidates. They may also be part of a homeownership initiative that the PHA promotes for its residents. c. Requires HUD approval	

Asset Classification	Asset Strategy	Considerations	PHA Comments
III-A DEMOLITION	No viable redevelopment options	Common characteristics of projects in this category: a. Lowest potential economic viability in portfolio b. Require prohibitively large investment for practical use - Section 33 Mandatory Conversion or Section 22 Voluntary Conversion viability study to determine if public housing cost is greater than voucher cost, then project is not considered viable. c. In extremely poor condition with high vacancy in a poor market d. Requires HUD approval	
III-B DEMOLITION	Redevelopment costs too high given other portfolio needs, higher priorities and limited resources	Common characteristics of projects in this category: a. Same as III-A above	
III-C DEMOLITION	Cost to repair and replace outweigh cost to voucher out units	Common characteristics of projects in this category: a. Require prohibitively large investment for practical use – Section 33 Mandatory Conversion or Section 22 Voluntary Conversion viability study to determine if public housing cost is greater than voucher cost, then project is not considered viable. b. May have reasonable occupancy despite poor condition. c. Requires HUD approval	

CHAPTER 8 REVIEW QUESTIONS

1. There is no need for the asset manager and executive director to make decisions as owners, as HUD owns the public housing land and property.
 - a. True
 - b. False
2. A PHA's portfolio planning and asset repositioning activities should:
 - a. Be determined without input from the community, as communities may have a NIMBY (not in my backyard) attitude
 - b. Align with community's affordable housing strategy
 - c. Be developed with no consideration of historic, political, or financial realities
 - d. Never be revised
 - e. Ignore market demand
3. A physical needs assessment (PNA) is a study of an existing project that:
 - a. Assesses the competencies of the property manager
 - b. Analyzes performance under PHAS
 - c. Quantifies the physical condition of the property
 - d. Quantifies the cost of replacing the project's capital items over time
 - e. All of the above
 - f. c and d
4. The physical needs assessment (PNA) is identical to the Capital Fund 5-Year Plan.
 - a. True
 - b. False
5. PHAs may have capital needs shortfalls compared with existing Capital Fund funding levels.
 - a. True
 - b. False
6. HUD requires all PHAs to conduct a physical needs assessment (PNA).
 - a. True
 - b. False
7. Physical obsolescence is where:
 - a. The project is 25 years or older
 - b. Market demand and competition within the jurisdiction makes the project less desirable so that the project cannot achieve full lease-up
 - c. The cost of making physical repairs and improvements approaches what the cost would be to rebuild or replace the property
 - d. All of the above
8. The purpose of a pro-forma is to examine various scenarios to financially explore reconfiguration options, improvements, and long-term viability of the project.
 - a. True
 - b. False

9. Properties may have physical conditions that cannot be cured by improving the management of the property.
 - a. True
 - b. False
10. An example of functional obsolescence in a public housing property is:
 - a. A project that, because of age, has deteriorating infrastructure that cannot be repaired with existing capital funds
 - b. A project with small studio units where the market contains adequate supply of one-bedroom units
 - c. A property where the property manager does not understand how to manage the property as a business
 - d. All the above
11. A market study contains the following:
 - a. Affordable housing supply and demand data
 - b. Existing and demographic data
 - c. Data on underserved populations
 - d. Distance from municipal services
 - e. Project amenities and comparable rents
 - f. All the above
12. Most rebuilding or repositioning initiatives where external debt and equity financing will be used will require:
 - a. Bond financing
 - b. An appraisal
 - c. Approval from the mayor
 - d. A court order
13. Determining the value of a public housing property is not a useful tool in general.
 - a. True
 - b. False
14. The PHA would consider the long-range viability of a project in deciding whether to continue to hold and operate it as public housing.
 - a. True
 - b. False

Notes

CHAPTER 9 Importance of Managing Non-Discrimination

LEARNING OUTCOMES

- Upon completion of this chapter, you should be able to:
 - Recognize and apply HUD's nondiscrimination requirements to avoid liability and minimize risk at your PHA
 - Explain the principles, requirements, processes, allowable verification policies and considerations for reasonable accommodation for persons with disabilities
 - Identify the basics of 504 physical accessibility requirements
 - Understand the Office of General Counsel's guidance on the application of the Fair Housing Act in making adverse decisions based on criminal history
 - Define the statutory requirements, HUD regulations, PHA policies, and best practices under the Violence Against Women Act (VAWA)
 - Recognize liability for sexual and other forms of harassment
 - Identify the key responsibilities of the 504 coordinator

INTRODUCTION

- The public housing director must be acquainted with nondiscrimination requirements, particularly Section 504 of the 1973 Rehabilitation Act, the Fair Housing Amendments Act, and the Americans with Disabilities Act. Everyday policy and procedure decisions are affected by laws, interpretation of laws, and HUD requirements. Legal challenges cost both time and money.
- The PHA can mitigate challenges if the public housing director is knowledgeable about these laws and requirements.

Learning Activity 9-1: Test Your Knowledge

We will not cover fair housing in depth in this seminar. Test your fair housing knowledge and analyze the results. Are there any areas you need to learn more about? How do you think other managers and staff would do on this pre-test? You may want to consider NMA's "Fair Housing & Reasonable Accommodation" two-day seminar.

1. The definition of "disability" for purposes of reasonable accommodation is the same as the definition of "disability" used for purposes of eligibility and rent calculation.
 - a. True
 - b. False
2. Spanish and Russian are the predominant languages other than English spoken in your PHA's jurisdiction. An applicant comes into the office speaking Farsi. The PHA:
 - a. Should ask the applicant to bring a family member or friend to interpret
 - b. Must hire staff who can translate in all language spoken in the PHA's jurisdiction
 - c. May ask the applicant to come back later, after an interpreter is found
 - d. Must offer competent oral interpretation, free of charge, upon request
 - e. May ask the applicant to bring a family member or friend to interpret
3. Which of the following is not a protected class?
 - a. Persons over 62
 - b. Single persons with children
 - c. Households in the low income range
 - d. Persons with disabilities
4. When determining whether or not to grant a request for an accommodation, the PHA may:
 - a. Obtain medical records
 - b. Determine the nature of the disability
 - c. Verify that there is a nexus
 - d. Limit their inquiries to physicians or medical professionals
5. In order to keep its units safe, a PHA may verify that an applicant is able to live independently.
 - a. True
 - b. False
6. The PHA may require verification that a service animal is trained or licensed.
 - a. True
 - b. False

7. Mr. Armado is a public housing tenant who uses a walker due to his disability. Mr. Armado comes into the office and requests grab bars for his bath/shower. The PHA:
 - a. Must require third-party verification of the need for the grab bars, to ensure consistency and documentation
 - b. May not require third-party verification
 - c. May set policy to require third-party verification of the need for the grab bars
 - d. May deny the request if the project does not have excess cash
8. Susan Lee is an elderly resident in the PHA's mixed-population (elderly/disabled) development. She resides in a 1-bedroom unit. There are no 2-bedroom units in the development. Ms. Lee informs you that she is obtaining custody of her 5-year old grandson. The PHA:
 - a. Must require Ms. Lee to transfer to a 2-bedroom unit
 - b. May require Ms. Lee to transfer to a 2-bedroom unit
 - c. May require Ms. Lee to transfer to a general occupancy (family) development
 - d. May not require Ms. Lee to transfer to a general occupancy (family) development
 - e. Must require Ms. Lee to transfer to a general occupancy (family) development
9. The Violence Against Women Act (VAWA) is a gender-neutral law.
 - a. True
 - b. False
10. A service animal is:
 - a. A companion animal
 - b. A dog that is trained to assist a person with a disability
 - c. Any animal that is trained to assist a person with a disability
 - d. Not allowed in the PHA's public housing office or community room, if in PHA policy
 - e. All of the above

Section 1 HUD's Non-discrimination/Fair Housing Compliance Requirement

- HUD requires¹ every housing agency to comply with federal fair housing laws.
 - Every PHA must submit a signed certification to HUD of the PHA's intention to comply with:
 - Fair Housing Act (24 CFR 100)
 - Title VI of the Civil Rights Act of 1964
 - Age Discrimination Act of 1975
 - Executive Order 11063, signed in 1962, banning segregation in federally funded housing
 - Section 504 of the Rehabilitation Act of 1973
 - Title II of the Americans with Disabilities Act
 - Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency
 - Executive Order 13217, Community-based Alternatives for Individuals with Disabilities (Olmstead)
 - Executive Order 13988, Preventing and Combating Discrimination on the Basis of Gender Identity and Sexual Orientation
 - In addition, Supreme Court decisions, Office of General Counsel (OGC) guidance, current HUD notices, and HUD rules are mandatory resources that impact the PHA's fair housing obligations. These resources include, but aren't limited to:
 - Supreme Court Olmstead decision
 - Supreme Court Disparate Impact decision
 - OGC Guidance on Application of Fair Housing Act Standards to the Use of Criminal Records by Providers of Housing and Real Estate-Related Transactions

1. 24 CFR 982.53

Section 1: HUD's Non-discrimination/Fair Housing Compliance Requirement

Notes

- PIH 2015-19, Guidance for Public Housing Agencies (PHAs) and Owners of Federally -Assisted Housing on Excluding the Use of Arrest Records in Housing Decisions
- HUD/DOJ Joint Statement on Reasonable Accommodations
- HUD/DOJ Joint Statement on Physical Modifications
- FHEO 2020-01, Service Animals and Assistance Animals
- The ACOP should include the intent to ensure full compliance with these laws and requirements.
- The public housing director should ensure that policies, procedures, and staff conduct are consistent with the PHA's fair housing oath.
- Tenants should be briefed about fair housing.
- If a resident believes they have been illegally discriminated against, they should be put in contact with the local fair housing agency.
- The housing agency should never steer an applicant toward a particular area based on their race, national origin, or any other arbitrary classification.

Notes

WORKING WITH LEGAL AID AND OTHER ADVOCACY GROUPS

- A public housing director will be richly rewarded for being proactive with local advocacy groups. Every program needs checks and balances for the health of the process, and advocacy groups are one of those checks, to keep us from going too far in one direction.
- Not every contact with an advocacy group must be adversarial. It may reveal a problem that had been previously overlooked or give you a new perspective on an issue. For the most part, the housing agency and Legal Aid should be on the same side, since both are committed to serving the larger interests of low-income people.
- A public housing director should locate and contact local advocacy groups. The housing agency should train advocacy groups about rules and regulations and talk with them about PHA policy and ACOP formulation. By developing long-term rapport with the key personnel of these organizations, you lay a foundation of trust and accountability with the community. As issues arise, your preexisting relationship can calm the intensity of the moment and lead to a peaceful resolution.

Notes

NOTICE OF NON-DISCRIMINATION AND RECORD KEEPING FOR HUD

- HUD requires¹ PHAs to maintain records on applicants and participants for at least three years to provide HUD with racial, ethnic, gender and disability status.
- Every public housing office must have a posted policy on non-discrimination, which must state that the housing provider will not discriminate on account of:
 - Race
 - Color
 - Sex
 - Age
 - Religion
 - Disability
 - Handicap
 - National origin
 - Family status
- “Sex” includes discrimination on the basis of sexual orientation and gender identity.²
- Posters are available at no cost on HUD’s website at: http://portal.hud.gov/hudportal/documents/huddoc?id=Fair_Housing_Poster_Eng.pdf

OTHER STATE AND LOCAL FAIR HOUSING LAWS

- In addition to the classes protected under federal law, public housing agencies must be aware of protections that may be provided by state or local ordinance.
- These laws could have implications for the agency’s definition of family in the administrative plan, to ensure all families are treated equally according to that jurisdiction’s fair housing laws.

1. 24 CFR 982.158(f)(1)

2. Executive Order 13988

AN OVERVIEW OF FEDERAL DISABILITY DISCRIMINATION LAWS

Section 504 of the Rehabilitation Act of 1973

- Before 1988, the definitive law that protected people with disabilities was Section 504 of the Rehabilitation Act of 1973:
 - “No otherwise qualified individual with handicaps in the United States...shall, solely by reason of her or his handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance...”
- Subsequent laws have either taken their wording directly from Section 504 or adopted language similar to it. Courts have adopted decisions from 504 law to interpret the meaning of more recently enacted disability laws.
- Section 504 requires public housing agencies to affirmatively ensure that people with disabilities are given an equal opportunity to participate in the public housing program. HUD's Section 504 regulations¹ provide a more detailed explanation of public housing responsibilities.
- A “qualified” person with a handicap:
 - Must be afforded an *opportunity equal* to that afforded to others, and/or
 - Must be provided housing or benefits *as effective* as those afforded to others, and/or
 - *May not be provided different or separate* housing or benefits unless necessary to provide the person with a handicap with housing or benefits that are as effective as those provided to others.

1. 24 CFR Part 8 (Subpart A - E)

Notes

- These regulations make clear that it is not necessary to produce an “*identical*” result. Instead, the law affords people with handicaps an “equal opportunity to obtain the same result, to gain the same benefit, or to reach the same level of achievement.”
- In addition, there is an obligation to administer the program in the most integrated setting appropriate to the needs of qualified individuals with handicaps.
 - For example, it is better that a hearing-impaired person should participate in the general tenant briefings, with perhaps a sign language interpreter, than to segregate the applicant in an individual briefing.
- In each case, *a participant with a disability must ask for an accommodation of their disability before the housing agency treats them differently.*

The Fair Housing Amendments Act

- The Fair Housing Act¹ prohibits housing discrimination based on race, color, religion, sex, and national origin, regardless of whether federal funds are involved.
- The Fair Housing Amendments Act (FHAA) of 1988 extended this law to prohibit discrimination against people with disabilities and family status, otherwise known as discrimination against families with children, in almost every kind of housing-related activity, including advertising, renting, selling, and lending.

1. Title VIII of the Civil Rights Act of 1968

Discriminatory Effects and Disparate Treatment

- On April 4, 2016, HUD's Office of General Counsel (OGC) published "Guidance on Application of Fair Housing Act Standards to the Use of Criminal Records by Providers of Housing and Real Estate-Related Transactions," addressing how the Fair Housing Act applies to the use of criminal history. The OGC guidance addresses how the discriminatory effects and disparate treatment methods of proof apply in Fair Housing Act cases in which a housing provider justifies an "adverse housing action" such as denial of admission or termination of assistance based on an individual's criminal history.
 - This is one of many consequences of the Supreme Court's "disparate impact" decision of June, 2015.
 - HUD's 2023 final rule on discriminatory effects officially standardized the three-step process for burdens of proof at 24 CFR 100.500(c). This had been previously outlined in the OGC guidance and has long been HUD's approach.
- "Criminal history" is not a protected class under the FHA; however, the OGC guidance states that since disproportionate incarceration rates exist for African Americans and Hispanics (creating a disparate impact), the FHA does apply to criminal convictions.
- While the OGC guidance underscores HUD's de-emphasis in the use of criminal histories in housing decisions, it does **not** prohibit the consideration of such information. PHAs and other housing providers must, however, scrutinize their existing policies to ensure they do not create a disparate adverse impact on protected classes (the guidance places an emphasis on race and national origin). Per the guidance, policy must distinguish between "criminal conduct that indicates a demonstrable risk to resident safety and/or property and criminal conduct that does not."

Notes

- HUD OGC suggests that policies that exclude persons based on criminal history must be tailored to serve the PHA/housing provider's substantial, legitimate, nondiscriminatory interest, and take into consideration such factors as the type of the crime and the length of the time since conviction.

Title II of the Americans with Disabilities Act (ADA)

- Signed into law in 1990, the ADA is the most comprehensive civil rights law for disabled people. Title II of the ADA and the regulations that implement it extended 504's non-discrimination policy to apply to all activities of "public entities"—specifically state and local governments—regardless of whether they receive federal funds.
 - Service animals are legislated under the ADA.
- Title II did not add many additional obligations to the public housing program that were not already there under the HUD 504 regulations. It mostly extended to all levels of government activity the anti-discrimination requirements already in effect for federal agencies.
- However, if your housing agency employs more than 50 people, Title II requires the housing agency to adopt grievance procedures for anyone denied a reasonable accommodation, *including applicants*. The grievance procedures can be the same as the regular informal hearing procedures, as long as they provide due process. ADA case law will affect public housing programs, so you should stay aware of legal developments.

Title III of the Americans with Disabilities Act (ADA)

- Title III applies to privately owned entities some of the requirements that Title II applies to government entities.
- Title III applies to any privately owned public accommodation, such as:
 - Homeless shelters
 - Restaurants
 - Public transportation terminals
 - Banks
 - Offices
 - Senior citizen centers
 - Day care facilities
- It does not apply to strictly residential facilities, but it does cover a private landlord's public space within a residential facility, such as;
 - Rental office
 - Community room
 - Pool
 - Any other amenity that is rented out or offered for use to the public.
- Title III requires public accommodations to:
 - Remove physical barriers that are readily fixable
 - Provide auxiliary aids, if it will not result in an undue burden
 - Allow service animals
 - Make changes in rules, policies and procedures, if it will not fundamentally alter the nature of the program.
- It also contains specific requirements regarding new construction and altering an existing facility.

Section 1: HUD's Non-discrimination/Fair Housing Compliance Requirement

Notes

Section 2 Reasonable Accommodation

DEFINITIONS OF THE TERM “DISABILITY”

- This section is an overview of the two definitions of “disability.” The first is the HUD/Social Security definition used for purposes of eligibility as a disabled family, and the HUD allowances and deductions. The second is the ADA definition used for purposes of reasonable accommodation.

HUD DEFINITION OF A DISABLED PERSON

- The HUD definition of a person with a disability is used for purposes of receiving the Disabled Family preference, the \$400 disabled household deduction, the \$480 dependent allowance, the allowance for medical expenses, and/or the allowance for disability assistance expenses.
- The person must provide third-party documentation that they meet at least one of the three qualifying HUD definitions of disabled.

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- Persons are considered disabled if:
 - They have a disability as defined in 42 U.S.C. 423
 - They are determined, pursuant to HUD regulations, to have a physical, mental or emotional impairment that:
 - Is expected to be of long-continued and indefinite duration
 - Substantially impedes their ability to live independently
 - Is of such a nature that the ability to live independently could be improved by more suitable housing conditions

OR

- They are functionally disabled as defined in Section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act [42 U.S.C. 6001(7)]. "Severe chronic disability that:
 - a. Is attributable to a mental or physical impairment or combination of mental and physical impairments;
 - b. Is manifested before the person attains age 22;
 - c. Is likely to continue indefinitely;
 - d. Results in substantial functional limitation in three or more of the following areas of major life activity:
 - Self-care
 - Receptive and responsive language
 - Learning
 - Mobility
 - Self-direction
 - Capacity for independent living
 - Economic self sufficiency
 - e. Reflects the person's need for a combination and sequence of special interdisciplinary or generic care, treatment, or other services which are of lifelong or extended duration and are individually planned and coordinated."

- Persons who have acquired immunodeficiency syndrome (AIDS) or any conditions arising from the AIDS virus are not excluded from this definition.
- For purposes of qualifying for low-income housing, the definition does not include a disability based solely on any drug or alcohol dependence.

DEFINITION OF A DISABLED PERSON FOR PURPOSES OF REASONABLE ACCOMMODATION

- The definition of a person with a disability for purposes of granting a reasonable accommodation request under either 504, FHA or the ADA is much broader than the HUD/Social Security definition of “disability.” The Fair Housing Act defines “handicap” as:
 - “A physical, mental or emotional impairment that substantially limits one or more of a person’s major life activities;
 - “Has a record of such impairment; or
 - “Is regarded as having such an impairment.”
- This definition is identical to the 504 definition at 29 U.S.C. section 706(8)(B) and the definition of a disabled person under the ADA.
- The physical or mental impairment can include practically any condition, disease, illness, disfigurement or disorder, as long as the impairment substantially limits one or more major life activities. Examples include:
 - Alcoholism
 - Cerebral palsy
 - Cancer
 - Mental illness
 - Emotional disorder
 - Former drug addiction
 - HIV infection

Notes

- Major life activities include, but are not limited to:
 - Caring for oneself
 - Performing tasks
 - Walking
 - Seeing
 - Hearing
 - Breathing
 - Learning
 - Working
- These federal civil rights laws were intended to cover a wide range of disabilities and do not require the severity of the HUD definition.
 - This broader definition is used for purposes of reasonable accommodation. This is because the laws were intended to ensure that a person with some limitation due to an impairment was not excluded from a program simply by virtue of that impairment so long as a reasonable shift in a program's rules or practices could allow them full access to the program.
- Qualifying as a person eligible to request an accommodation is the first step in the reasonable accommodation process. It is the establishment of the person's right to make a request of the program.
- However, the person must also show that they are limited by the program due to the nature of their disability, and that the requested accommodation will remove that limitation so that they can completely fulfill the program's requirements.

LIMITATIONS SPECIFICALLY EXCLUDED FROM DISABILITY PROTECTION

- The following three categories are specifically excluded from disability laws' protections:
 - Current drug users
 - People whose alcohol use interferes with the rights of others
 - A person with any disability that poses a direct threat or substantial risk of harm to others, that cannot be controlled with a reasonable accommodation under the public housing program
- Additionally, the Fair Housing Act does not protect an individual with a disability whose tenancy would constitute a direct threat to the health or safety of other individuals or result in substantial physical damage to the property of others unless the threat can be eliminated or significantly reduced by reasonable accommodation.¹

NON-DISABLED PEOPLE WHO ARE CONSIDERED DISABLED

- This part of the definition of disability is used only to determine who is protected by civil rights laws.
- A person does not have to have a mental or physical impairment to be discriminated against under fair housing laws.
 - A person is "handicapped" if others regard or treat them as if they are
- If a staff member treats an applicant or tenant as though they had an impairment that substantially limits a major life activity, and because of that perception discriminates against that person, that person may file a discrimination claim under 504, whether or not they are actually disabled, and even though they are not qualified to receive an accommodation.

1. HUD/DOJ Joint Statement on Reasonable Accommodation

REASONABLE ACCOMMODATION PROCESS

- This section is an overview of the correct approach for a request for a reasonable accommodation.
- The best way to ensure consistent compliance with legal obligations to provide reasonable accommodation is to standardize the procedure for considering such requests. The process should be included in the Admissions and Continued Occupancy Policy, and should describe protocol and steps beginning with the original request for an accommodation and concluding with the resolution of the request.

1. PHA Obligation to Notify

- The PHA has an obligation to inform applicants and tenants of the right for any person with disabilities to request a reasonable accommodation. The PHA should review forms, letters, posters and signs for inclusion of this information.
- PHAs should consider adding the following to relevant application and occupancy documents:
 - “If you or anyone in your family is a person with disabilities, and you require a specific accommodation in order to fully utilize our programs and services, please contact (name and phone number).”
- PHAs should create or adopt standardized forms that clearly and simply ask for all the information and verifications the PHA will use in considering the request. It is best to ask the same questions of everyone.
 - However, PHAs must give appropriate consideration to reasonable accommodation requests even if the requester makes the request orally or does not use the PHA’s preferred forms or procedures.

- The PHA should have written procedures that spell out:
 - The position in the PHA responsible for overseeing compliance with reasonable accommodation compliance
 - The manner in which the PHA will respond to the request
 - The decision-making process (including a determination of undue burdens or fundamental alterations)
 - The time periods for decision and implementation of the accommodation
 - The right of appeal for unfavorable decisions regarding an accommodation or a particular choice of accommodation
 - The procedure for handling confidential verification forms that may disclose private medical facts.

2. Applicant or Tenant Must *Request* an Accommodation

- An applicant's or tenant's request triggers the need for an accommodation.
- Request must be by or on behalf of a person who meets the FHA/ADA definition of disabled.
- The PHA should never offer an accommodation until one has been specifically requested. Treating people differently because of a perceived disability is discrimination.

3. There Must be a Nexus

- There must be not only a request by or on behalf of a person with disabilities; there must also be a disability-related need for the requested accommodation. This is referred to as a nexus.

THE REQUEST FOR AN ACCOMMODATION BEGINS A PROCESS

- The reasonable accommodation process may include fluid negotiations on a case-by-case basis. What is reasonable in one situation may not be reasonable in another. The PHA may not be able to exactly meet the specific request, but may offer alternative options.
- The PHA should develop a reasonable accommodation process to be followed by all staff. For example, it is reasonable for the property manager to have the authority to approve a request for grab bars when the resident's disability is obvious or otherwise known and the need for the accommodation is clear or known. The PHA's process could require that the 504 coordinator's approval is needed for any denial of a reasonable accommodation request.
- It's important to be aware that sometimes the need for an accommodation first presents itself in the form of a complaint (from or about the applicant or tenant), or through issues of noncompliance.
 - For example, if an applicant is denied admission, or if a tenant is facing lease termination, the need for some type of accommodation may be brought up. This is the signal for the PHA to begin the reasonable accommodation *process*.
- The reasonable accommodation process should be documented beginning with the initial request for an accommodation.
- The PHA's legal protection from a discrimination complaint or lawsuit lies in having *written* proof that consideration was given to the request.

WHAT THE PHA CANNOT ASK

- The general rule is that the PHA **cannot** ask:
 - If a person has a disability (unless it is relevant to whether the applicant qualifies for the program or type of designated development);
 - The nature or extent of the disability;
 - Any question that would require the disabled person to waive or disclose a medical condition or history;
 - Whether any family member has a disability.
- It is always the right of a person with disabilities to not say anything about their disabilities.
 - However, the PHA does not have to provide any accommodation or special preference for that person.
- A public housing program cannot require that the tenant be able to live independently.
 - The PHA can only require that the family meet all its defined family obligations.

WHAT THE PHA CAN ASK

- A PHA can ask only for information that is relevant.
 - If a person is applying for housing designated for individuals with disabilities or a certain type of disability, the PHA may ask if the applicant has a qualifying disability and for verification of that disability.
 - If the person is applying for the public housing program and is single, the PHA may ask if they qualify for a priority over other single applicants.
 - If the person is trying to qualify for allowances that reduce their rent on the basis of a disability (such as the \$400 allowance for elderly and disabled families, the allowance for unreimbursed medical expenses, or the disability assistance allowance), the PHA may ask the person to verify that the person meets the HUD definition of disability (and disability-related expenses when relevant).
 - If the person requests an accommodation due to their particular disability, you may ask the person to verify they have a disability and the need for the requested accommodation.
 - If, during the denial of admission process, the person asserts the poor history was caused by their disability and that a reasonable accommodation would prevent future violations, or that mitigating circumstances should be taken into account, the family may be asked to verify that:
 - They have a disability
 - The poor history or violation was a result of their disability
 - There are mitigating circumstances related to the disability, and the problems causing the poor history have been reasonably resolved, or that the requested accommodation is reasonable and likely to cure the violation.

TREAT EACH CASE INDIVIDUALLY

- The essential intent of federal anti-discrimination laws is that each case should be treated on its individual merits.
- The PHA's legal protection from a discrimination complaint or lawsuit lies in having written proof that *good-faith, individual consideration was given to that particular person.*
- Consider the applicant's or tenant's choice of accommodation.

INFORMATION MUST BE ACCESSIBLE

- Information must be provided in an accessible format, when requested. People must be informed of their right to ask for a reasonable accommodation.

4. Consideration of Reasonableness of Request

- The request must be reasonable.
- A PHA can deny a request for reasonable accommodation if the request was not made by or on behalf of a person with a disability or if there is no disability-related need for the accommodation.
 - In addition, a request for a reasonable accommodation may be denied if providing the accommodation is not reasonable, i.e., if it would impose an undue financial and administrative burden on the PHA or it would fundamentally alter the nature of the PHA's operations.

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- The determination of undue financial and administrative burden must be made on a case-by-case basis involving various factors, such as:¹
 - The overall size of the PHA's program with respect to the number of employees, type of facilities, and size of budget
 - The type of operation, including the composition and structure of workforce
 - The nature and cost of the requested accommodation
 - The availability of alternative accommodations that would effectively meet the requester's disability-related needs
- Modifying a rule or policy that is required by statute would be a fundamental alteration of a program.²
- When a PHA refuses a requested accommodation because it is not reasonable, the PHA should discuss with the requester whether there is an alternative accommodation that would effectively address the requester's disability-related needs without a fundamental alteration to the PHA's operations and without imposing an undue financial and administrative burden.
 - If an alternative accommodation would effectively meet the requester's disability-related needs and is reasonable, the PHA must grant it.

1. Notice PIH 2010-26

2. Notice PIH 2010-26

REQUIREMENT TO KEEP INFORMATION CONFIDENTIAL

- Under federal privacy laws, a PHA is required to keep confidential any personal information about an applicant or tenant obtained in a confidential manner or from a confidential source.
- An applicant or tenant may sign a consent form to allow the PHA to disclose information in their file, but staff should not talk to anyone about a particular applicant's or tenant's medical status without authorization from the applicant or tenant, preferably in writing.
 - For example, the individual may have a social worker or family member who will help with the annual reexamination and inspection.
- If a PHA receives a verification document that provides a person's diagnosis or details of treatment for a disability or medical condition, the PHA should shred it. The PHA should note in the file that a disability (in place of the specific disability information) and any other information requested has been verified, the date the verification was received, and the name and address of the knowledgeable professional who sent the information.¹

VERIFICATION

- If a person voluntarily discloses a disability and requests an accommodation, a PHA can require third-party verification that accommodation being requested would remove a barrier that is due to the disability.
 - In other words, a PHA may require documentation of the manifestation of the disability that causes a need for a specific accommodation.

1. Notice PIH 2010-26

- The PHA should define what the PHA considers a valid third-party for verification of a disability.
 - Limiting verification to only physicians is not allowed. Depending on the information sought, a social worker, nurse, or other licensed professional might be competent to verify.
 - A medical professional, a peer support group, a non-medical service agency, or a reliable third party who is in a position to know about the individual's disability may provide verification of a disability and disability-related need for the requested accommodation.¹
- If a person's disability is obvious, or otherwise known to the PHA, and if the need for the requested accommodation is also readily apparent or known, then the PHA may not request any additional information about the requesters disability or the disability-related need for the accommodation.²
- The PHA should not receive actual medical records.
 - A verification form should ask for only as much information about an applicant's or tenant's disability as is necessary to consider the qualification for a particular reason stated by the PHA.
 - Per PIH 2010-26 and PIH 2023-27, confidential medical information should never be placed in the tenant file.
- A PHA must ask the applicant or tenant for authorization in order to contact any third-party professional to ask clarifying questions. Again, such questions must not go beyond the specific and necessary information required to make a decision.

1. HUD/DOJ Joint Statement on Reasonable Accommodation
2. HUD/DOJ Joint Statement on Reasonable Accommodation

REASONABLE ACCOMMODATION FUNCTIONS

Program Areas

- This section provides practical strategies for implementing the requirements in each function area of the public housing program.
- PHAs are encouraged to conduct needs assessments and self-evaluations at least yearly, working with people/residents with disabilities and local advocacy groups.¹
- Reasonable accommodation pertains to making reasonable adjustments in all functional areas of the public housing program:
 - Applications
 - Admissions
 - Determinations of eligibility
 - Inspections and repairs
 - Leasing
 - Modifications
 - Annual activities
 - Transfers
 - Termination of tenancy
 - Services

1. Notice PIH 2010-26

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- Some examples in these functions may include:
 - Visiting an applicant in their home for an eligibility interview;
 - Conducting a home visit for an annual reexamination;
 - Allowing briefings, annual reexaminations, informal reviews, informal hearings, and grievance hearings to be conducted remotely
 - Not prohibiting an eligible disabled family from accepting a non-accessible unit for which the family is eligible which may become available before an accessible unit;
 - The PHA is required to modify such a non-accessible unit as needed, unless the modification would result in an undue financial and administrative burden.
 - Allowing a service animal or assistance animal;
 - Providing an extra bedroom for a live-in aide;
 - Providing an extra bedroom for special medical equipment;
 - Allowing mitigating factors to be presented in a denial informal hearing or lease termination grievance;
 - Physically altering a unit;
 - Providing accessible transportation so a tenant may participate in a PHA -sponsored self-sufficiency activity.
- Essential program requirements need not be waived. A reasonable accommodation allows a person with a disability to meet essential requirements of the lease, but it does not require reducing or waiving essential requirements to rules, policies, functions, or physical space.
 - For example, waiving the requirement to pay rent would be waiving an essential program requirement. Knocking out a wall in the public housing unit that would impair the unit's structural integrity is not reasonable.

- Reasonable accommodations are sometimes costly. Congress anticipated this additional financial commitment and made clear that they intended the federal programs to lay out resources where necessary to ensure equal access to persons with disabilities.
- In determining whether a particular accommodation is an undue financial burden, the public housing budget as a whole is considered.

ASSISTANCE ANIMALS

- Notice FHEO 2020-01, published January 28, 2020, provides guidance to help PHAs and other housing providers distinguish between a person with a non-obvious disability who has a legitimate need for an assistance animal and a person without a disability who simply wants to have a pet or avoid the costs and limitations imposed by the PHA's pet policies.
- FHEO 2020-01 makes clear that the notice is guidance and a tool for PHAs and other housing providers to use at their discretion and provides a set of best practices for addressing requests for assistance animals.
 - The notice should be read together with HUD's regulations prohibiting discrimination under the FHA, including the HUD/DOJ Joint Statement on Reasonable Accommodation.

Two Types of Assistance Animals

- There are two types of assistance animals: (1) service animals, and (2) other animals that do work, perform tasks, provide assistance, and/or provide therapeutic emotional support for individuals with disabilities (referred to in the FHEO guidance as support animals).
- Assistance animals are not pets. An animal that does not qualify as a service animal or support animal is a pet for purposes of the FHA.
 - A PHA may charge a fee or deposit for pets in its policy, subject to local law, but not for service animals or other assistance animals (support animals).

- While most requests for reasonable accommodations involve one animal, requests sometimes involve more than one animal (for example, a person has a disability-related need for both animals, or two people living together each have a disability-related need for a separate assistance animal). The decision-making process in Notice FHEO 2020-01 should be used for all requests for exceptions or modifications to the PHA's rules, policies, practices, and procedures so that persons with disabilities can have assistance animals in the housing where they reside.

Service Animals

- PHAs should initially follow the Department of Justice (DOJ) analysis in assessing whether an animal is a service animal under the Americans with Disabilities Act (ADA).
- Under the ADA, service animal means any dog that is individually trained to do work or perform tasks for the benefit of an individual with a disability, including a physical, sensory, psychiatric, intellectual, or other mental disability. Other species of animals, whether wild or domestic, trained or untrained, are not service animals for the purposes of this definition. The work or tasks performed by a service animal must be directly related to the individual's disability.
 - As a best practice, housing providers may refer to the questions used for determining whether an animal is a service animal under the ADA as outlined in Notice FHEO 2020-01.

Support Animals (Assistance Animals other than Service Animals)

- When the animal does not meet the definition of service animal, PHAs and other housing providers may use the relevant questions outlined in Notice FHEO 2020-01 to help them make a decision regarding the reasonable accommodation.
 - If the individual has requested a reasonable accommodation-that is, asked to get or keep an animal in connection with a physical or mental impairment or disability, the PHA would then consider the “Criteria for Assessing Whether to Grant the Requested Accommodation” outlined in the notice.
 - If not, the PHA or other housing provider is not required to grant a reasonable accommodation that has not been requested.

Criteria for Assessing Whether to Grant the Requested Accommodation

- If the person has an observable disability or the housing provider (or agent making the determination for the housing provider) already has information giving them reason to believe that the person has a disability, the PHA should determine whether there is a connection between the person’s disability and the animal.
 - The person requesting the accommodation should provide information that reasonably supports that the person seeking the accommodation has a disability and that the animal does work, performs tasks, provides assistance, and/or provides therapeutic emotional support with respect to the individual’s disability.
 - Notice FHEO 2020-01 discusses the specific type of information about the disability that may be requested and the types of allowable documentation.

Type of Animal

- The PHA may also consider whether the requested animal is an animal commonly kept in households.
 - An animal commonly kept in households would be a dog, cat, small bird, rabbit, hamster, gerbil, other rodent, fish, turtle, or other small, domesticated animal that is traditionally kept in the home for pleasure rather than for commercial purposes. For purposes of this assessment, reptiles (other than turtles), barnyard animals, monkeys, kangaroos, and other non-domesticated animals are not considered common household animals.
 - If the individual is requesting to keep a unique animal not commonly kept in households, the individual is encouraged to submit documentation from a health care professional demonstrating the disability-related need for the animal.

General Consideration of the Reasonableness of the Request

- The FHA does not require a dwelling to be made available to an individual whose tenancy would constitute a direct threat to the health or safety of other individuals or would result in substantial physical damage to the property of others.
- A PHA or other housing provider may, therefore, refuse a reasonable accommodation for an assistance animal if the specific animal poses a direct threat that cannot be eliminated or reduced to an acceptable level through actions the individual takes to maintain or control the animal (e.g., keeping the animal in a security enclosure).

Notes

- A reasonable accommodation may include a reasonable accommodation to a land use and zoning law, Homeowners Association (HOA) rule, or co-op rule.
- A person with a disability is responsible for feeding, maintaining, providing veterinary care, and controlling his or her assistance animal. The individual may do this on his or her own or with the assistance of family, friends, volunteers, or service providers.

Notes

Section 3 Accessibility

- Notice PIH 2002-01(HA), issued on January 22, 2002, reiterates that PHAs are required to make and pay for structural modifications to dwelling units and common areas when needed as a reasonable accommodation for tenants or applicants with disabilities.
 - For example, a PHA may be required to:
 - Install a ramp to allow a tenant in a wheelchair access to a dwelling unit; or
 - Transfer a family to an available accessible unit or one that can be modified without causing an undue financial and administrative burden.
- Public housing offices and any other facilities used by the office in interaction with the public must be accessible to people with a full range of disabilities.
 - These facilities must be accessible, made so, or be relocated, subject only to the undue administrative and financial burden test.
- PIH 2002-01(HA) specifies accessibility standards for PHAs. The HUD/DOJ Joint Statement on Reasonable Modifications, published March 5, 2008, provides further explanation and clarification.
- Required accessible dwelling units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout projects and sites and be available in a sufficient range of sizes and amenities so that people with disabilities have choices of living arrangements comparable to that of other families.
- If a PHA is out of compliance with 504 (accessibility), HUD can refuse to fund *any* other funding application, or can withhold other payments, even if it's not related to accessibility at all.

Section 3: Accessibility

Notes

SELF-EVALUATION PLAN OF PROCEDURAL BARRIERS

- Section 504 of the Rehabilitation Act requires public housing agencies to have completed a written self-evaluation of their administrative operations and policies to see how they could remove procedural barriers to people with disabilities (24 CFR 8.51) and a transition plan (24 CFR 8.24(d)) to show how they would accomplish this.
- For agencies employing 15 or more people, the plan must be kept publicly available for at least 3 years.
- HUD regulations make clear that all housing programs receiving federal funds must comply with 504, and this includes conducting a self-evaluation.
- Most housing agencies have written a joint self-evaluation for its public housing and public housing programs together. It would be a good idea to revisit this plan and make sure proper attention was paid to the public housing program.
- The self-evaluation was to be completed by July 10, 1989. Though HUD does not require it be updated, 504 is still in effect, and it is a useful tool to ensure on-going compliance with 504.
- The best starting place for a public housing director seeking to ensure 504 compliance is to read the plan. It will probably need to be updated or at least re-sent to staff to ensure that the agency's policy is still the practice.
- You might want to organize an annual or biennial review of the evaluation, to stay on top of the agency's progress in implementing the plan, keep current with case law on the subject, and to incorporate new technologies and solutions that are developed in the field.

Section 3: Accessibility

Notes

- The essential elements of the self-evaluation are:
 - Consultation with interested parties is required, including people with handicaps or organizations representing people with handicaps.
 - Policies and practices must be evaluated to determine if they meet the requirements of Section 504. When examining documents and procedures, look for language or actions that have the effect of restricting participation by public housing residents with disabilities in functions that relate to program requirements (e.g. reexaminations).
 - Policies or practices that do not meet 504 requirements must be modified.
 - Public housing agencies must take corrective steps to remedy any discrimination revealed by the self-evaluation.
 - If the agency employs 15 or more people, they must keep the self-evaluation on file for at least 3 years and make it available for public inspection.
 - On request, provide a list of interested people consulted, description of areas examined, modifications made or remedial actions taken.

Transition Plan to Change Physical Barriers

- You must also examine the public housing agency offices and any other facilities you use to be sure they are all, to the maximum extent feasible, readily accessible to and usable by people with handicaps (24 CFR 8.21(b)).
- The requirements for the transition plan focus on physical access. This plan was to have been completed by January 1989. The essential requirements were similar to the self-evaluation. The plan was to be developed with the assistance of interested parties, including people with disabilities or organizations representing people with disabilities.

Section 3: Accessibility

Notes

- A copy of the transition plan was to be made available for public inspection and should, at minimum:
 - Identify physical obstacles in the public housing office that limit program access to people with disabilities.
 - Describe in detail the methods that will be used to make the office accessible.
 - Specify the schedule for taking the steps necessary to achieve compliance, and if the transition is to be longer than one year, identify steps that will be taken during each year of the transition period.
 - Indicate the official responsible for implementing of the plan.
 - Identify the people or groups with whose assistance the plan was prepared.
- 504 does not require that every facility be made structurally accessible, so long as the program, when viewed in its entirety, is readily accessible to, and usable by, people with disabilities (24 CFR 8.21(c)).
- A structural change is not necessary if it:
 - Imposes an undue financial and administrative burden
 - Requires a fundamental change in the nature of the program
 - Is structurally infeasible.
- However, other action must be taken to ensure equal opportunity for participation.
- Program accessibility is achieved through the 504 requirements of self-evaluation and transition plans, which are part of a comprehensive approach to accessibility. They are critical to developing an organizational culture that makes standard operating procedures sensitive to the access and communication issues that people with disabilities confront.

Section 4 Fair Housing Monitoring and Enforcement

Requirements under Section 504 of the Rehabilitation Act

- Under the 504 HUD Regulations, housing agencies that have at least 15 employees must designate a 504 coordinator to act as the primary contact for compliance enforcement for all duties owed to people with disabilities.
- The 504 coordinator should be the person in the PHA with the most knowledge concerning persons with disabilities.
- For a smaller PHA, if there is no designated 504 coordinator, the PHA should ensure that the appropriate staff are trained to fulfill this requirement.

FAIR HOUSING ACT ENFORCEMENT

- The Fair Housing Act provides for three means of enforcement:¹
 - Department of Justice (DOJ)
 - Voluntary compliance agreements (VCAs)
 - Administrative enforcement

Department of Justice (DOJ)

- DOJ may bring lawsuits where a “pattern or practice” of housing discrimination exists, or where alleged discrimination raises an issue of federal public importance. DOJ may also bring an action on behalf of an individual upon receiving a referral from HUD.

1. 24 CFR 103.500(b); 103.510(a)

Voluntary Compliance Agreements (VCAS)

- A VCA is a compliance agreement or contract between a PHA and FHEO. Each contract is specific to the PHA who signs it, but the following are common areas of enforcement:
 - Affirmative marketing
 - Articulated reasonable accommodation process
 - Physical accessibility
 - Transfer process
 - Language services

ADMINISTRATIVE ENFORCEMENT

- Administrative complaints can be made to HUD. HUD and its FHEO offices investigate discrimination complaints and attempt to resolve complaints informally, as is required by the act.
- A person who feels discriminated against by the housing agency typically has 180 days from the date of the alleged discrimination to file a complaint with HUD. Once it receives a complaint, HUD follows its formal complaint resolution process.
- After the complaint is filed, HUD conducts its own investigation of the incident. If you receive notice from HUD that they are conducting an investigation, you should involve legal counsel.
- Complaints can be often resolved informally with HUD acting as a mediator. You should give the HUD investigators all information and background relevant to the complaint. They should work actively to come up with a solution that all parties can agree to. Once HUD has concluded its investigation, it will issue a letter of findings. Much like a housing agency's own informal hearing officer's finding, HUD will summarize the material facts at issue and rule whether discrimination occurred.

Notes

- If either the person with a disability or the housing agency feels there is additional information that has not been considered, they may request a review within 30 days of the date of the letter of findings. If no review is requested, HUD sends its final decision.
- If the housing agency is found to have discriminated against the person, it must correct the problem within 10 days. HUD may order you to give the person with disabilities the accommodation they requested, or they may order that person back on the waiting list. HUD can order a housing agency to:
 - Modify its policy or procedure
 - Provide training for staff
 - Undergo ongoing monitoring and enforcement activities
 - Pay monetary damages to the person who was unfairly discriminated against.
- If the discrimination is serious enough, or the housing agency fails to comply with an order, HUD can order the suspension, termination, or denial of new funding to the housing agency. HUD can also refer the case to the Department of Justice for prosecution.

Filing a Complaint in Court

- A person who feels they have a case proving the housing agency unfairly discriminated against them because of their disability can file in state or federal court. The person must file within three years from the date of the discriminatory action.
 - Individuals do not need to file a complaint with the PHA, HUD, or any other administrative body first.
- If the person prevails against the housing agency, the court may order the same remedies as the HUD decision listed above. In addition, the person may get the housing agency to pay for their attorney fees from the matter.

HUD/FHEO AUDITS

- FHEO audits PHAs for fair housing compliance.
 - The audit, while focusing on reasonable accommodation and accessibility, looks at all aspects of civil rights and fair housing requirements.
 - The auditors examine relevant PHA policies such as the PHA Plan, Maintenance Plan, ACOP, Administrative Plan, and the public housing lease, to make sure these policies coordinate with each other.
- If a PHA fails to respond to a fair housing complaint, FHEO can file a complaint against the Board of Commissioners.

Section 5 Prohibition Against Discrimination Affecting Limited English Proficient Persons

- In the *Federal Register* on January 22, 2007, HUD published a notice of Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons.
- Under Title VI of the Civil Rights Act, recipients of federal financial assistance have a responsibility to ensure meaningful access to their programs and activities by persons with limited English proficiency (LEP).
- This Guidance provides PHAs with a framework to integrate, formalize and assess its LEP efforts.

SELECTING LANGUAGE ASSISTANCE SERVICES

- PHAs have two main ways to provide language services: oral and written language services.

Oral Interpretation

- PHAs must provide competent oral interpretation, free of charge, upon request.
- Using a telephone language line can offer speedy interpreting assistance in many different languages.
- The PHA should consider hiring bilingual staff who can interpret for the most frequently spoken languages.

Section 5: Prohibition Against Discrimination Affecting Limited English Proficient Persons

Notes

- The use of family members or friends as interpreters is a sensitive area. Where LEP persons desire, they should be permitted to use, at their own expense, an interpreter of their own choosing, in place of or as a supplement to the free language services offered by the PHA.
 - However, special circumstances may raise additional serious concerns regarding the voluntary nature, conflicts of interest, and privacy issues surrounding the use of family members and friends as interpreters.
 - This is particularly true in a courtroom, a hearing, or situations in which health, safety, or access to important benefits and services are at stake.

Written Language Services (Translation)

- Documents that should be translated could include: Consent and complaint forms, intake forms with the potential for important consequences, written notices of rights, denial, loss, or decreases in benefits or services, including hearings; notices of eviction; notices advising LEP persons of free language assistance; leases and tenant rules; and/or applications to participate in the program.
 - Sometimes a document includes both vital and non-vital information. Vital information may include, for instance, the provision of information of where a LEP person might obtain an interpretation or translation of the document.

Safe Harbor

- “Safe harbor” means that if a PHA provides written translations under this guidance, such action will be considered strong evidence of compliance.
 - The PHA provides written translations of vital documents for each eligible LEP language group that constitutes 5 percent or 1,000 persons, whichever is less, of the population eligible to be service.
 - Translation of other documents, if needed, can be provided orally; or
 - If there are fewer than 50 persons in a language group that reaches the 5 percent trigger above, the PHA does not translate vital written materials, but provides written notice in the primary language of the LEP language group of the right to receive competent oral interpretation of those written materials, free of cost.
- These safe harbor provisions only apply to written translation and not to the PHA’s obligation to provide competent oral interpreters.

Section 5: Prohibition Against Discrimination Affecting Limited English Proficient Persons

Notes

Section 6 Familial Status

- The Fair Housing Act makes it unlawful for a housing provider to refuse to rent to families because they have children or impose different terms or conditions on families with children.
- There are a limited number of special developments in the private market that meet HUD specific qualification for housing for older persons. Except in these special developments that limit occupancy to older persons, it is illegal for PHAs or HCV private landlords to discriminate against families with children.
- In the public housing program, discriminatory conduct also includes forbidding children to reside with grandparents or older adults in a designated elderly, disabled, or mixed-family development.¹
 - See the definitions of elderly family and disabled family at 24 CFR 5.403.

HUD has brought Fair Housing Act charges against federally assisted housing providers for not allowing children in rural development programs and public housing programs that simply require that the head, spouse, or co-head be elderly-not the entire family that will reside in the unit.
 - However, elderly or mixed population public housing projects often consist solely of zero or one-bedroom units. PHAs may apply their occupancy policies or local building codes (i.e., the PHA most likely could not allow grandma and her six grandchildren to occupy a one bedroom unit).
 - A PHA cannot forbid, for example, a grandmother from having custody of her grandson and bringing him to live with her in her one-bedroom public housing elderly-designated unit if the PHA would otherwise allow two persons in a one-bedroom unit.

1. 24 CFR 5.403

Section 6: Familial Status

Notes

Section 7 Violence Against Women Act (VAWA)

INTRODUCTION

- The purpose of VAWA is to reduce domestic violence, dating violence, sexual assault, stalking, and human trafficking; to prevent homelessness of the victims of such acts; to protect victims who reside in PH and S8; and to ensure victims have access to criminal justice system without jeopardizing their housing.¹
 - VAWA amends the 1937 Housing Act, placing safeguards on admissions and terminations for the public housing and Housing Choice Voucher programs, and provides procedures for certification, confidentiality and notification.²
 - Although the VAWA 2022 statute does not specifically do so, HUD has recently begun including human trafficking as part of the list of victims protected under VAWA, as seen in Notices PIH 2022-06, PIH 2022-22, and PIH 2022-24. In the absence of a final rule implementing VAWA 2022 and to mirror HUD's recent usage, we have opted to include human trafficking in this text in addition to domestic violence, dating violence, sexual assault, and stalking anywhere such a list appears.
- PHAs are strongly urged to consult with legal counsel, victim advocacy groups/service providers and tenants before adopting policy.

1. 24 CFR 960.200(b)(8)

2. 24 CFR 5.2005; 24 CFR 5.2007

DENIAL OF ADMISSION

- VAWA prohibits PHAs from denying admission to otherwise qualified applicants on the basis of or as a direct result of the fact that they are, or have been, victims of domestic violence, dating violence, sexual assault, stalking, or human trafficking.¹
- When an applicant appears unsuitable due to bad credit, poor landlord references, or a history of evictions or crime, the PHA usually denies admission.
 - What if the reason for the bad history is that they are a victim? How would a PHA know?
 - Notice PIH 2017-08 states that the PHA is prohibited from denying assistance or admission, terminating participation, or evicting a tenant based on adverse factors, if the adverse factor is determined to be a direct result of the fact that the applicant is or has been a victim of domestic violence, dating violence, sexual assault, or stalking.
 - *Adverse factors* refers to any factor that can be used as a basis for denying admission, terminating assistance, or evicting a tenant.

REQUIRED VAWA DOCUMENTS WITH NOTICE OF DENIAL, AT ADMISSION, AND WITH NOTICE OF TERMINATION

- PHAs are required to provide the Notice of Occupancy Rights (HUD-5380) and the VAWA certification form (HUD-5382) at admission, along with any notice of denial or termination/eviction.
 - The Notice of Occupancy Rights is the official HUD informing notice.
 - The notice must be made available in multiple languages per limited English proficiency (LEP) requirements.

1. 24 CFR 5.2005

TERMINATIONS

- VAWA mandates that incidents or threats of abuse will not be construed as serious or repeated violations of the lease or “other good cause” for termination of a victim of abuse.¹
 - This includes property damage and noise complaints due to abuse.
- Criminal activity directly relating to domestic violence, dating violence, sexual assault, stalking, or human trafficking, engaged in by a member of the tenant's household, guest, or other person under the tenant's control shall not be cause for termination of tenancy or assistance if the tenant or affiliated person is a victim of that violence.²
- A PHA may bifurcate a lease to evict, remove, or terminate assistance to any individual who is a tenant or lawful occupant, and who engages in criminal acts of physical violence against family members or others:
 - Without evicting or otherwise penalizing the victim of such violence.³
 - Regardless of whether the household member is a signatory of the lease.
- In lease bifurcations for mixed families where the eligible individual is the perpetrator, the PHA must provide any remaining tenant or tenants that were not already eligible a period of 30 calendar days from the date of bifurcation of the lease to establish eligibility in the same or another housing program or find alternative housing. The 90-day time period does not apply to HCV or public housing.⁴

1. 24 CFR 5.2005

2. 24 CFR 5.2009(a)

3. 24 CFR 5.2003

4. Notice PIH 2017-08

Notes

- PHAs are encouraged to undertake any permissible and feasible actions under the program to assist individuals that are victims to remain in their units or other units under the same or other program, and to bear the costs of any transfer, if permissible.¹
- PHAs and owners may not coerce, intimidate, threaten, interfere with, or retaliate against any person who exercises or assists or encourages a person to exercise any rights or protections under VAWA.²
- VAWA does not limit the authority of the PHA to honor court orders addressing rights of access to or control of property, including civil protection orders issued to protect victims.³
- The law does not limit the PHA's authority to terminate tenancy or assistance when the PHA is able to demonstrate there is an actual and imminent threat to other tenants, employees, or others providing services to the property. Termination should only be undertaken as a last resort when there are no other actions that could be taken to reduce or eliminate the threat.⁴
 - Notice PIH 2017-08 provides several considerations for reducing “actual and imminent” threats.

1. 24 CFR 5.2009(c)

2. FR Notice 1/4/23

3. 24 CFR 5.2009(b)

4. 24 CFR 5.2005(d)

CERTIFICATIONS

- PHAs are not required to demand official documentation or physical proof of domestic violence, dating violence, sexual assault, stalking or human trafficking before granting an alleged victim any of the special protections afforded by VAWA. The PHA may accept the individual's statement alone.
 - HUD recommends documenting in a confidential manner when a verbal statement or other evidence is accepted.¹
- If the PHA chooses to request an individual document their status as a victim, the PHA must make such a request in writing. Simply providing the victim with the form HUD-5382 does not constitute a written request for documentation.²
- If the PHA requests documentation, the applicant or participant may submit any one of the following:
 - A signed HUD-5382
 - A document signed by a "professional" and the applicant or participant that specifies that the professional believes that the occurrence is grounds for VAWA protections
 - A "professional" can be an employee, agent, or volunteer of a victim service provider, an attorney, a medical professional, or a mental health professional.
 - Federal, state, tribal, territorial, or police or court records
 - A statement or other evidence provided by the individual, at the PHA's discretion

1. Notice PIH 2017-08

2. Notice PIH 2017-08

Notes

- Form HUD-5382 may also be filled out and submitted on behalf of a victim.
 - Notice PIH 2017-08 encourages PHAs and owners to advise applicants, tenants, and participants that forms submitted on their behalf will take the place of the victim's own statement.
- Individuals requesting protection cannot be required to provide additional third-party documentation, although the PHA may require third-party documentation if more than one applicant or tenant provides documentation (e.g., two household members each claiming to be the victim and the other the perpetrator) or the submitted documentation contains information that conflicts with information already available to the PHA.
 - In such cases, the applicant has 30 calendar days from the date of the PHA's request to submit third-party documentation.
 - Notice PIH 2017-08 provides several clarifications and considerations with respect to requesting third-party documentation in cases where information conflicts.
- In addition, PHAs and owners may not conduct further "fact finding" to verify the validity of victim status, although if the PHA or owner already has or receives reliable conflicting information, they may require additional third-party documentation, as noted above.¹
- Form HUD-5382 states that victims are not expected and cannot be asked or required to claim, document, prove victim status or VAWA violence or abuse other than as stated in the Notice of Occupancy Rights, Form HUD-5380.
- The VAWA certification requirements do not supersede any provision of any federal, state, or local law that provides greater protection for victims of domestic violence, dating violence, sexual assault, stalking or human trafficking.

1. Notice PIH 2017-08

EMERGENCY TRANSFER PLAN

- VAWA requires PHAs to establish an emergency transfer plan (ETP) as part of their ACOP.
 - The ETP must provide for immediate transfer to a safe unit if one is available, and the client would not have to apply for a different program.
 - The ETP must describe the priority of VAWA transfers in relation to other transfers.
 - The ETP must also include policies for transfers when a safe unit is not immediately available, including whether the client would or would not have to apply for a different program.
 - Notice PIH 2017-08 also provides a detailed description of requirements for ETPs and other considerations when establishing ETPs, including examples.
- The ETP must be made available upon request, or made publicly available.
- The ETP must state that victims of sexual assault qualify for emergency transfers if:
 - The tenant (or their household member) is a victim of VAWA violence/abuse;
 - The tenant expressly requests the emergency transfer; AND
 - EITHER
 - The tenant reasonably believes that there is a threat of imminent harm from further violence, including trauma, if they or (their household member) stays in the same dwelling unit; OR

- If the tenant (or their household member) is a victim of sexual assault, either the tenant reasonably believes that there is a threat of imminent harm from further violence, including trauma, if the tenant (or their household member) were to stay in the unit, or the sexual assault occurred on the premises and the tenant requested an emergency transfer within 90 days (including holidays and weekend days) of when that assault occurred.

CONFIDENTIALITY REQUIREMENTS

- If a tenant inquires or requests any VAWA protections, or represents that they or a household member is a victim, all information provided to the PHA regarding domestic violence, dating violence, sexual assault, stalking, or human trafficking, including the fact that an individual is a victim of such violence, stalking, or human trafficking, must be retained in confidence and may neither be entered into any shared database nor provided to any related entity, except to the extent that the disclosure (a) is requested or consented to by the individual in writing, (b) is required for use in an eviction proceeding, or (c) is otherwise required by applicable law.¹
- For safety and legal reasons surrounding liability to the PHA and harm to a victim, a PHA may want to consider having all VAWA situations handled by a single staff member to limit access and knowledge with regards to the certification process and details regarding the abusive situation.
 - Notice PIH 2017-08 offers guidance and best practices for proper communication with victims, specifically for avoiding inadvertent disclosure of information and ensuring the safety of the victim.

1. 24 CFR 5.2007(b)(4); FR Notice 8/6/13

**CERTIFICATION OF DOMESTIC VIOLENCE, DATING VIOLENCE,
SEXUAL ASSAULT, OR STALKING**

Confidentiality Note: Any personal information you share in this form will be maintained by your covered housing provider according to the confidentiality provisions below.

Purpose of Form: If you are a tenant of or applicant for housing assisted under a covered housing program, or if you are applying for or receiving transitional housing or rental assistance under a covered housing program, and ask for protection under the Violence Against Women Act ("VAWA"), you may use this form to comply with a covered housing provider's request for written documentation of your status as a "victim". This form is accompanied by a "Notice of Occupancy Rights Under the Violence Against Women Act," Form HUD-5380.

VAWA protects individuals and families regardless of a victim's age or actual or perceived sexual orientation, gender identity, sex, or marital status.

You are not expected **and cannot be asked or required** to claim, document, or prove victim status or VAWA violence/abuse other than as stated in "Notice of Occupancy Rights Under the Violence Against Women Act," Form HUD-5380.

This form is **one of your available options** for responding to a covered housing provider's written request for documentation of victim status or the incident(s) of VAWA violence/abuse. If you choose, you may submit one of the types of third-party documentation described in Form HUD-5380, in the section titled, "What do I need to document that I am a victim?". Your covered housing provider must give you at least 14 business days (weekends and holidays do not count) to respond to their written request for this documentation.

Will my information be kept confidential? Whenever you ask for or about VAWA protections, your covered housing provider must keep any information you provide about the VAWA violence/abuse or the fact you (or a household member) are a victim, including the information on this form, strictly confidential. This information should be securely and separately kept from your other tenant files. This information can only be accessed by an employee/agent of your covered housing provider if (1) access is required for a specific reason, (2) your covered housing provider explicitly authorizes that person's access for that reason, **and** (3) the authorization complies with applicable law. This information will not be given to anyone else or put in a database shared with anyone else, unless your covered housing provider (1) gets your written permission to do so for a limited time, (2) is required to do so as part of an eviction or termination hearing, **or** (3) is required to do so by law.

In addition, your covered housing provider must keep your address strictly confidential to ensure that it is not disclosed to a person who committed or threatened to commit VAWA violence/abuse against you (or a household member).

What if I require this information in a language other than English? To read this in Spanish or another language, please contact _____; FOR HOPWA PROVIDERS – _____ or go to _____

_____. You can read translated VAWA forms at https://www.hud.gov/program_offices/administration/hudclips/forms/hud5a#4. If you speak or read in a language other than English, your covered housing provider must give you language assistance regarding your VAWA protections (for example, oral interpretation and/or written translation).

Can I request a reasonable accommodation? If you have a disability, your covered housing provider must provide reasonable accommodations to rules, policies, practices, or services that may be necessary to allow you to equally benefit from VAWA protections (for example, giving you more time to submit documents or assistance with filling out forms). You may request a reasonable accommodation at any time, even for the first time during an eviction. If a provider is denying a specific reasonable accommodation because it is not reasonable, your

covered housing provider must first engage in the interactive process with you to identify possible alternative accommodations. Your covered housing provider must also ensure effective communication with individuals with disabilities.

Need further help? For additional information on VAWA and to find help in your area, visit <https://www.hud.gov/vawa>. To speak with a housing advocate, contact

TO BE COMPLETED BY OR ON BEHALF OF THE VICTIM OF DOMESTIC VIOLENCE, DATING VIOLENCE, SEXUAL ASSAULT, OR STALKING

1. Name(s) of victim(s): _____

2. Your name (if different from victim's): _____

3. Name(s) of other member(s) of the household: _____

4. Name of the perpetrator (if known and can be safely disclosed): _____

5. What is the safest and most secure way to contact you? (You may choose more than one.)

If any contact information changes or is no longer a safe contact method, notify your covered housing provider.

☐ Phone Phone Number: _____

Safe to receive a voicemail: ☐ Yes ☐ No

☐ E-mail E-mail Address: _____

Safe to receive an email: ☐ Yes ☐ No

☐ Mail Mailing Address: _____

Safe to receive mail from your housing provider: ☐ Yes ☐ No

☐ Other Please List: _____

6. Anything else your housing provider should know to safely communicate with you?

Applicable definitions of domestic violence, dating violence, sexual assault, or stalking:

Domestic violence includes felony or misdemeanor crimes of violence committed by a current or former spouse or intimate partner of the victim, by a person with whom the victim shares a child in common, by a person who lives with or has lived with the victim as a spouse or intimate partner, by a person similarly situated to a spouse of the victim under the domestic or family violence laws of the jurisdiction, or by any other person against an adult or youth victim who is protected from that person's acts under the domestic or family violence laws of the jurisdiction.

Spouse or intimate partner of the victim includes a person who is or has been in a social relationship of a romantic or intimate nature with the victim, as determined by the length of the relationship, the type of the relationship, and the frequency of interaction between the persons involved in the relationship.

Dating violence means violence committed by a person:

- (1) Who is or has been in a social relationship of a romantic or intimate nature with the victim; **and**
- (2) Where the existence of such a relationship shall be determined based on a consideration of the following factors: (i) The length of the relationship; (ii) The type of relationship; and (iii) The frequency of interaction between the persons involved in the relationship.

Sexual assault means any nonconsensual sexual act proscribed by Federal, tribal, or State law, including when the victim lacks capacity to consent.

Stalking means engaging in a course of conduct directed at a specific person that would cause a reasonable person to:

- (1) Fear for the person's individual safety or the safety of others **or**
- (2) Suffer substantial emotional distress.

Certification of Applicant or Tenant: By signing below, I am certifying that the information provided on this form is true and correct to the best of my knowledge and recollection, and that one or more members of my household is or has been a victim of domestic violence, dating violence, sexual assault, or stalking as described in the applicable definitions above.

Signature

Date

Public Reporting Burden for this collection of information is estimated to average 20 minutes per response. This includes the time for collecting, reviewing, and reporting. Comments concerning the accuracy of this burden estimate and any suggestions for reducing this burden can be sent to the Reports Management Officer, QDAM, Department of Housing and Urban Development, 451 7th Street, SW, Washington, DC 20410. Housing providers in programs covered by VAWA may request certification that the applicant or tenant is a victim of VAWA violence/abuse. A Federal agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid Office of Management and Budget control number.

Notes

Section 8 Sexual and Other Forms of Harassment

HUD FINAL RULE ON HARASSMENT AND LIABILITY FOR DISCRIMINATORY PRACTICES

- HUD published a final rule in the *Federal Register* on September 14, 2016, amending regulations in 24 CFR Part 100, effective October 14, 2016, to formalize standards for use in investigations and judicial proceedings involving allegations of harassment on the basis of race, color, religion, national origin, sex, familial status, or disability.
 - This rule clarifies that harassment can be not only a form of discrimination based on sex, but also can be discrimination based on other protected classes under the Fair Housing Act, and that the same discriminatory conduct could violate more than one provision of the Act.
- Through this rule, HUD encourages housing providers to create and maintain safe, welcoming, and responsive housing environments by regularly training staff, developing and publicizing anti-discrimination policies, and acting quickly to resolve complaints once sufficient information exists that would lead a reasonable person to conclude harassment was occurring.

Notes

- The rule defines the two types of liability for harassment—quid pro quo harassment and hostile environment harassment.
 - Quid Pro Quo (something for something) harassment is an unwelcome request or demand to engage in conduct where submission to the request or demand, either explicitly or implicitly, is made a condition related to housing activities such as the sale, rental, or availability of a dwelling, or the provision of housing-related services or facilities. An unwelcome request or demand may constitute quid pro quo harassment even if a person accepts without protest the unwelcome request or demand.
 - Hostile environment harassment is unwelcome conduct that is sufficiently severe or pervasive as to interfere with housing activities such as the sale, rental, or availability of a dwelling, or the provision or enjoyment of housing-related services or facilities. Hostile environment harassment does not require a change in the economic benefits, terms, or condition of the housing-related activities.
- The final rule provides that a person is directly liable for failing to take prompt action to correct and end a discriminatory housing practice by a third party, where the person knew or should have known of the discriminatory conduct and had the power to correct it. The power to take prompt action to correct a discriminatory housing practice by a third party depends upon the extent of control or any other legal responsibility the person may have with respect to the conduct of such third party.
- The final rule adds a provision, Section 110.400(c)(6), prohibiting retaliation against anyone because they reported a discriminatory housing practice to a housing provider or other authority.

Section 9 504 Coordinator

- The PHA's responsibility for ensuring compliance with civil rights and fair housing laws is an essential commitment.
- Under Section 504 of the Rehabilitation Act, regulations require the appointment of a 504 coordinator within the PHA to act as the primary contact for compliance enforcement for all duties owed to people with disabilities. If an applicant or participant is dissatisfied with a decision the PHA has made regarding his or her disability, he or she may first file a grievance with the 504 coordinator.
- Under the same regulations, PHAs that have at least 15 employees are required to have grievance procedures for participants that incorporates "appropriate due process standards" for the "prompt and equitable" resolution of complaints.
- Depending on the size of the PHA, the 504 coordinator may have other roles at the PHA. For example, in a small PHA, the executive director may be designated as the 504 coordinator. Whether a full- or part-time role, the 504 coordinator will be responsible for reviewing reasonable accommodation and modification requests by AHA employment applicants, employees, housing applicants, and tenants.

ESSENTIAL DUTIES OF THE 504 COORDINATOR

Notification

- The 504 coordinator must ensure that notification procedures are defined and implemented:
 - Applicants for employment, employees, applicants for housing, and tenants who identify themselves as individuals with disabilities may be entitled to reasonable accommodations.
 1. *Applicants for employment* – the PHA shall conduct job interviews in wheelchair accessible locations. Applicants will be notified of the availability of reasonable accommodations when an interview is being scheduled.
 2. *Employees* – all employees of the PHA shall be given a copy of the reasonable accommodation policy.
 3. *Applicants* – all application forms for housing used by the PHA shall contain language which states that accommodations for persons with disabilities may be requested.
 4. *Tenants* – all PHA tenants are notified that accommodations and/or modifications for persons with disabilities may be requested. Tenant handbooks include this language as well.

Confidentiality

- All requests for modifications and/or accommodations and related information must be kept confidential.

Modification Review

- The PHA should define which requests the 504 coordinator should review. It may be that the PHA decides that the 504 coordinator reviews:
 - All requests
 - Requests for which additional information is requested
 - A request which requires a meeting with the person requesting
 - Any request which is not considered reasonable by the property manager, and for which reasonable alternatives will be explored;
 - Any denial of a request for an accommodation.
- The PHA needs to establish:
 - Timelines in which the PHA will respond, after receipt of the request.
 - Forms adequate to establish a reasonable accommodation process and to document good-faith consideration of PHA to the individual request.
 - Written notices of the PHA's decision.

Monitoring

- The PHA should define the 504 coordinator's role in:
 - Developing protocol for receiving requests for and responding to complaints, requests for reasonable accommodation, appeals, and hearings;
 - Tracking and monitoring requests for reasonable accommodation;
 - Record-keeping for all requests for reasonable accommodation, complaints, appeals, and grievance procedures conducted at the AMPs;
 - Dissemination and implementation of new regulations and guidance; and
 - Regular training of staff.

Section 9: 504 Coordinator

Notes

- The 504 coordinator may be assigned to assist in the admissions function, the property manager decision-making function, and other PHA functions in reviewing reasonable accommodation requests. The position may be required to make recommendation to resolve a variety of problems.
- The PHA needs to be very specific about who receives a request for a reasonable accommodation, who makes the decision to approve or deny, who offers alternative solutions in the case of denial, the process of appeal and grievance, and who makes the final decision if the request is determined to be unreasonable (undue financial and administrative burden, a threat that cannot be mitigated or resolved by the reasonable accommodation, or a fundamental alteration of the program).
- The PHA should post a copy of its reasonable accommodation policies and procedures in the central office and in each AMP office.
 - Information should include:
 - Name of 504/ADA coordinator
 - Address
 - Telephone number
 - Dedicated toll-free telephone number
 - TDD/TTY number - or state relay service number
 - FAX number

Enforcement

- The 504 coordinator should be given adequate authority to ensure and enforce the PHA's commitment for fair housing and reasonable accommodation.

*Notes***Tracking**

- Either electronically or manually, the 504 coordinator should track reasonable accommodation and physical modification requests, with accompanying documentation. Below is a sample tracking report.

Unit	Request	Date Requested	Status	Outcome
1800 Creekview #316	Request for transfer to balcony unit	11/3/24	Referred to 504 Coordinator 11/12/24.	Denied by 504 Coordinator. Family notified 11/30/24. No nexus verified.
2323 Daybreak #11	Request for live-in aide	1/2/25	Approved 1/12/25. Background check on live-in aide pending.	Live-in aide approved, added 1/30/25.
1558 Vine St, #12	Request for grab bars	2/17/25	Approved and WO issued 2/17/25/ No verif needed.	Installed 12/20/25
200 Maple St, #4	Request for support animal	3/28/25	RA request/verif provided 3/28.	

CHAPTER 9 INDIVIDUAL COMPETENCY DEVELOPMENT PLAN

Identify at least one knowledge area or skill you plan to develop relevant to this chapter.

- **Knowledge:** Regarding the material covered in this chapter, what do you want to study or learn more about in order to gain knowledge?

- List some specific references you will study:

- **Skills:** What skills (what I know how to *do*) relevant to this chapter do I need to work on or develop? These could be technical or soft (behavior, attitude) skills.

- **Abilities:** What abilities relevant to this chapter do not come “naturally” or easily to me? How can I develop them? Be creative and don’t be afraid to think out of the box.

CHAPTER 9 REVIEW QUESTIONS

1. In deciding whether to grant a request for an accommodation, unless the requestor's disability is obvious and the nexus is clear or known, the PHA can require third-party verification from a competent professional that the accommodation will allow equal access to the program.
 - a. True
 - b. False
2. All requests for accommodation made by persons with disabilities must be granted.
 - a. True
 - b. False
3. A public housing director whose department is in full compliance with federal laws governing fair housing need not be concerned with state or local fair housing laws.
 - a. True
 - b. False
4. If a PHA determines that a tenant with a disability poses a threat to others, then the PHA:
 - a. Should terminate the lease because they are not entitled to any consideration under ADA
 - b. Must issue a 30-day notice to terminate the lease
 - c. Must refer the case to HUD
 - d. Should determine whether the behavior could be controlled if a reasonable accommodation were offered
5. The disability law that requires the removal of physical and programmatic barriers for persons with disabilities is:
 - a. Section 504
 - b. Single persons with children
 - c. Households in the low income range
 - d. QHWRA
6. When a PHA denies a request for an accommodation that is an undue financial and administrative burden, the PHA must:
 - a. Require the tenant to provide medical records
 - b. Pay the tenant a reasonable sum
 - c. Explore alternatives with the family and provide any other accommodation that is not a burden
 - d. Require the tenant to attend a hearing with a physician
7. When determining whether to grant a request for an accommodation, the PHA may:
 - a. Obtain medical records
 - b. Determine the nature of the disability
 - c. Verify that the disability presents a barrier to the housing program
 - d. Limit their inquiries to physicians only
8. In order to keep its units safe, a PHA may verify that an applicant is able to live independently.
 - a. True
 - b. False

Section 9: 504 Coordinator

9. The verification that a person has a disability (for purposes of reasonable accommodation) must be made by:
 - a. A doctor
 - b. A competent, knowledgeable third party
 - c. The PHA
 - d. All of above
10. A PHA could deny a request for an accommodation if granting the request would require the PHA to:
 - a. Eliminate statutory tenant obligations under the lease
 - b. Be flexible in any way
 - c. Provide for a transfer to another available public housing unit
 - d. Spend more money than they want to
11. The Violence Against Women Act (VAWA):
 - a. Protects women only
 - b. Protects victims of violence and sexual harassment
 - c. Is a gender-neutral law
 - d. Requires that the abuse be verified in order for the PHA to provide protection
 - e. Protects victims of domestic violence, dating violence, sexual assault stalking, and human trafficking
 - f. All the above
 - g. c and e
12. To protect victims of domestic violence, dating violence, sexual assault, stalking, or human trafficking, The Violence Against Women Act gives the PHA the authority to:
 - a. Develop two leases
 - b. Implement a conditional lease
 - c. Put the family into two public housing units
 - d. Bifurcate the lease
 - e. Issue the family a Voucher
13. A service animal is:
 - a. A companion animal
 - b. A dog that is trained to do work or tasks that assist a person with a disability
 - c. Any animal that is trained to assist a person with a disability
 - d. A pet
 - e. All the above
14. An assistance animal is considered:
 - a. A pet
 - b. A companion or emotional assistance animal only
 - c. Only if trained to assist a person with a disability
 - d. A reasonable accommodation
 - e. Limited to certain breeds, if the animal is a dog
15. The PHA may require verification that a service animal is trained or licensed.
 - a. True
 - b. False

Section 9: 504 Coordinator

16. Sexual or other harassment may result in personal and agency liability if:
- a. There is either quid pro quo harassment or hostile environment harassment
 - b. There is retaliation against anyone because they reported a discriminatory housing practice
 - c. A person knew or should have known of the discriminatory conduct, and had the power to correct it
 - d. There is harassment based on any of the protected classes
 - e. All the above

Exhibit 9-1: Federal Laws Prohibiting Housing Discrimination Against People With Disabilities

	Rehabilitation Act 29 USC 504 29 USC 794	Fair Housing Amendments Act 42 USC 3601	Title II of the Americans with Disabilities Act (ADA)
Prohibited or required practices	1. Cannot discriminate, exclude, or deny benefits solely because of disability. 2. Must provide reasonable modifications in all rules, policies, and procedures. 3. Program must be readily accessible and usable by individuals with disabilities.	1. Cannot discriminate. 2. Provide reasonable accommodation in rules, policies, and procedures. 3. Allow tenant to make reasonable physical accommodations.	1. Cannot discriminate, exclude, or deny benefits solely because of disability. 2. Must provide reasonable modifications in all rules, policies, and procedures. 3. Program must be readily accessible and usable by individuals with disabilities.
Housing covered	Any housing that receives federal funds, including public housing agencies and assisted-housing providers.	All housing except owner-occupied 4-, 3-, or 2-family housing	Housing provided by state and local governments and their entities, including public housing agencies.
Definition of a person with a disability	A person who 1. has a physical or mental impairment that substantially limits a major life activity, such as walking, thinking, speaking, breathing, hearing, learning, or working. 2. a record or history of an impairment that limits a major life activity, even if the person no longer has the disability or if the disability no longer limits a major life activity. 3. is regarded as having an impairment that limits a major life activity.	A person who 1. has a physical or mental impairment that substantially limits a major life activity, such as walking, thinking, speaking, breathing, hearing, learning, or working. 2. a record or history of an impairment that limits a major life activity, even if the person no longer has the disability or if the disability no longer limits a major life activity. 3. is regarded as having an impairment that limits a major life activity.	A person who 1. has a physical or mental impairment that substantially limits a major life activity, such as walking, thinking, speaking, breathing, hearing, learning, or working. 2. a record or history of an impairment that limits a major life activity, even if the person no longer has the disability or if the disability no longer limits a major life activity. 3. is regarded as having an impairment that limits a major life activity.

	Rehabilitation Act 29 USC 504 29 USC 794	Fair Housing Amendments Act 42 USC 3601	Title II of the Americans with Disabilities Act (ADA)
Are people with psychiatric disabilities covered?	Yes 1. if the psychiatric disability substantially limits a major life activity 2. or if a housing provider thinks the person's psychiatric disability or perceived psychiatric disability limits a major life activity 3. or if the person has a history of psychiatric disability that limits a major life activity, and the housing provider discriminates against the person because of the history.	Yes 1. if the psychiatric disability substantially limits a major life activity 2. or if a housing provider thinks the person's psychiatric disability or perceived psychiatric disability limits a major life activity 3. or if the person has a history of psychiatric disability that limits a major life activity, and the housing provider discriminates against the person because of the history.	Yes 1. if the psychiatric disability substantially limits a major life activity 2. or if a housing provider thinks the person's psychiatric disability or perceived psychiatric disability limits a major life activity 3. or if the person has a history of psychiatric disability that limits a major life activity, and the housing provider discriminates against the person because of the history.
Is current illegal drug use covered?	No If the illegal use of controlled substances occurred recently enough to justify a reasonable belief that a person's drug use is current or that continuing use is a real and ongoing problem.	No	No
Is a history of illegal drug use covered?	Yes 1. if recovered from addiction, i.e., successfully completed a rehabilitation program and not using, 2. or if participating in a treatment program or self-help group and not currently using drugs.	Yes 1. if recovered from addiction, i.e., successfully completed a rehabilitation program and not using, 2. or if participating in a treatment program or self-help group and not currently using drugs.	Yes 1. if recovered from addiction, i.e., successfully completed a rehabilitation program and not using, 2. or if participating in a treatment program or self-help group and not currently using drugs.
Are people who have alcoholism covered?	Yes	Yes	Yes
Are people with AIDS or who are HIV+ covered?	Yes	Yes	Yes

Exhibit 9-2: Reasonable Accommodation or Modification Request

SAMPLE PH RA OR MODIFICATION REQUEST

PUBLIC HOUSING OR OTHER PHA-OWNED PROPERTY

Request for Reasonable Accommodation or Physical Modification

(THIS FORM IS AVAILABLE IN LARGER FONT OR ALTERNATIVE FORMAT UPON REQUEST)

PLEASE PRINT CLEARLY

Head of Household: _____ TDD/Phone: _____

Address: _____ State/Zip: _____

Currently, I am:

- ☐ An applicant on the waiting list for
 ☐ Public Housing ☐ Other PHA-owned property
☐ Currently living in Public Housing or other PHA-owned property

Household member who needs accommodation: _____

The household member above has a disability because they have a physical, mental or emotional impairment that limits one or more major life activities or has a record of having such an impairment.

Please fill out all the following information regarding the individual who needs the accommodation(s). Please *DO NOT* submit medical records or tell us about the nature or severity of your disability.

The purpose of an accommodation is to remove or relieve a barrier posed by the disability-related limitation. As a result of this disability, I am requesting the following reasonable accommodation(s) from the PHA for the disabled household member listed above.

Please answer the following questions.

1. The person with a disability is requesting a **service or support animal**. Please answer the questions below.

1.a. **Service animal**. Is the animal (a dog) required because of a disability?

☐ Yes. If "Yes", answer question 1.b. below.

☐ No. If "No", skip to question #2.

1.b. Has the animal been trained to do work or tasks that assist or help you with the limitation(s) posed by your disability? Some examples include guiding an individual who is blind or has low vision, pulling a wheelchair, fetching items, or alerting persons to impending seizures, falls, or other medical crises.

☐ Yes. (If "Yes", go to question 1.c.)

☐ No. If "No", go to question #2.

1.c. What work or tasks has the animal been trained to do? Note that the PHA is not asking for proof or certification of training. **Do not provide medical information about the nature of your disability.**

2. ☐ **Support animal**. Is a result of this disability, the household member needs a support animal. *Please note that verification by a healthcare professional may be required.*

What type of support animal do you need? _____

3. ☐ The household member **needs a live-in aide**. *A live-in aide is needed because a daily in-home worker or rotating shifts are not equally effective or not available. Please note that verification may be required.*

4. As a result of this disability, the household member needs the following reasonable accommodation(s) from the PHA. Please check one or more boxes below.

☐ Special unit features ☐ Physical modifications to unit ☐ Physical modifications to common areas

☐ Transfer to another unit that meets my disability-related needs ☐ Other _____

☐ Extra bedroom for medical equipment. *Please note that, if necessary, a PHA inspector may view the equipment to confirm that all sleeping and living spaces are not adequate as an accommodation.*

If necessary, please explain what you need. **Do not provide information about the nature of your disability.**

5. ☐ The household member needs a change in a rule, policy or procedure. (Note that fundamental requirements must still be met). Please specify the necessary change.

I understand that the information obtained by the PHA will be kept completely confidential and used solely to make a determination on my reasonable accommodation request.

Under the lease and the PHA's Admissions & Occupancy Policy, the PHA requires that statements made and information provided by the tenant be true and accurate, to the best of the tenant's knowledge.

I certify by signing below that all the information provided above is true, accurate and complete to the best of my knowledge.

Signature

Date

For PHA Use ONLY: PHA Certification

☐ I certify that this individual's disability is obvious or otherwise known to the PHA and no further verification is required.

☐ I certify that this individual's need for the accommodation is readily apparent or known to the PHA and no further verification is required.

Signature of PHA Official

Date

Approval of PHA 504 Coordinator

Date

AUTHORIZATION

I/we authorize the PHA to verify that the above-referenced household member has a disability and that the accommodation(s) requested is necessary in order to remove or alleviate barriers to housing. To verify this information, the housing authority may contact the below-named knowledgeable professional (health care professional if the request is for a support animal) who is knowledgeable about my situation. I understand the information the housing authority obtains will be kept completely confidential and used solely to evaluate the request.

This authorization is requested because third-party verification may be needed.

Name of Professional: _____

Field of Practice: _____ Agency/Clinic/Facility: _____

Email: _____ Phone: (____) _____

Address: _____

X _____
Signature of household member needing the accommodation (only if 18 years of age or older) _____ Date _____

**** If the household member needing the accommodation(s) is under 18 years of age, are you the parent or guardian of household member needing the accommodation? ☐ Yes ☐ No**

X _____
Signature of head of household or authorized guardian ** _____ Date _____

Please return this form as promptly as possible so that the PHA can make a determination on this request.

Property Manager/PHA Representative	Date
Phone	Email

Exhibit 9-3: Verification of Need for Reasonable Accommodation or Modification

Address
Phone:
FAX:
TTY:
Website:

HOUSING AUTHORITY

VERIFICATION OF NEED FOR REASONABLE ACCOMMODATION

PUBLIC HOUSING PROGRAM

Please do not send or attach medical records

Individual Requesting Accommodation _____

Name of PHA Head of Household: _____

Dear Knowledgeable Professional:

Please read this form completely – the information provided here is very important. The individual listed above has identified themselves as being disabled under the Fair Housing Act and has asked for an accommodation from the PHA to meet housing-related needs necessary in order to remove, alleviate, or mitigate barriers to their housing or housing programs due to their disability-related limitations.

You have been authorized to release information to us regarding the individual's need for an accommodation. That authorization is attached.

The PHA grants reasonable accommodation requests based, if necessary, on verification of need from a professional who is knowledgeable about the individual's situation and competent to render an opinion. Such verification may be from a physician, other medical or non-medical service agency professional, or other knowledgeable professional. For verification of the need for a support animal, the verification is from a health care professional. Verification could include but not be limited to:

- Verification that the person is a qualifying person with disabilities.
- Verification that there is a relationship ("nexus") between the nature of the person's disabilities and the accommodation requested.
- Verification that the accommodation is necessary for the person to have equal opportunity to participate in or access the PHA's programs and services.

Please complete and return this form to the PHA. ***Confidential medical records will not be accepted.***

If you are not able to verify the information requested in this form, the PHA will notify the family and they may request verification from another professional or licensed practitioner.

If you have any questions, or would like further information, please feel free to contact me at:

PHA Representative

Date

Title

Email

Phone

Section I – Verification of Disability

☐ It is NOT necessary for you to fill out this Section. Please proceed to Section II.

☐ Please complete this Section before proceeding to Section II.

An “individual with a disability” is any person who has a physical, mental or emotional impairment that limits one or more life activities, such as caring for one’s self, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and working.

The term “physical or mental impairment” includes, but is not limited to, such diseases and conditions as orthopedic, visual, speech and hearing impairments, cerebral palsy, autism, epilepsy, muscular dystrophy, multiple sclerosis, cancer, heart disease, diabetes, mental retardation, emotional illness, drug addiction and alcoholism. The definition of an “individual with a disability” does *not* include a person whose current use of alcohol or drugs is the barrier that prevents the person from participating in PHA’s housing program and services. (A more detailed definition is provided in the Code of Federal Regulations at 24 CFR 8.3, which PHA staff would be glad to provide to you.)

Does the person named above qualify as an “individual with a disability,” according to this definition?

☐ Yes ☐ No ☐ Unable to verify Initials _____

Section II – Verification of Need for Requested Accommodation

Please do not include medical records

I am knowledgeable about this individual's situation.

☐ Yes ☐ No

Special Unit Features Due to Disability

IMPORTANT: Please fill out this section if the disabled household member needs a unit, facilities and/or common area with specific features due to his or her disability.

The following information is requested solely for the purposes of identifying the unit (size, type, and design) that most appropriately meets the needs of the disabled household member. The PHA will make every effort to make the appropriate modifications or identify an appropriate unit based on your professional opinion and assessment.

Please check only those accommodations that are necessary due to limitations posed by the disability.

In my professional assessment of the disabled individual's needs, I certify that:

- ☐ The disabled household member needs a **wheelchair-accessible unit**.
- ☐ The disabled household member needs features for the vision-impaired and/or hearing-impaired, as specified: _____
- ☐ The disabled household member **DOES NOT** need a wheelchair-accessible unit but needs a unit or common area with certain physical features. The features required are checked off below with an explanation given on the following page.

Maximum number of stairs to reach the unit: _____

Maximum distance to walk between the unit and nearest elevator: _____

A first floor unit or a unit located in an elevator-equipped building is required.

Single level unit Tub grab bars Toilet grab bars Handheld shower

Other _____

Extra bedroom for medical equipment. *Note: if necessary, a PHA inspector may view the equipment to confirm that all sleeping and living spaces are not adequate as an accommodation.*

- ☐ The disabled household member requires a unit in a specific or alternative location due to a disability. *Please explain what the alternative location is.*

Other

The disabled individual **requires a live-in aide**. A daily in-home worker or rotating shifts are not adequate to provide an opportunity equal to that afforded others.

Health care professional only: The household member **needs a support animal as an assistance animal**. An assistance animal alleviates or removes a disability-related limitation. An example of an assistance animal is providing emotional support to persons with disabilities who have a disability-related need for such support.

The household member **requires a change in a policy or procedure as a direct result of their disability** in order to be afforded an equal housing opportunity. Please explain what change in policy or procedure is being requested.

CERTIFICATION

Based on your professional opinion and assessment of needs, please **check only one** of the following:

- ☐ **I certify** that the enclosed request for an accommodation is necessary for the disabled household member, as a result of their disability-related limitations, in order to have an equal housing opportunity.

OR

- ☐ **I cannot certify** that the enclosed request is necessary for the disabled household member, as a result of their disability-related limitations, in order to have an equal housing opportunity.

Please certify below:

- ☐ This certification is true and accurate to the best of my professional judgment.

Professional's Signature

Date

Name (Please print clearly)

Title of professional

Agency or Clinic, if applicable

Complete Address

(_____) _____
Phone

(_____) _____
Fax

Email

Please return form to: [PHA] as soon as possible.

ATTN: _____

Title: _____

Address: _____

(_____) _____
Phone

(_____) _____
Fax

Email

Exhibit 9-4: Lease Addendum for Live-In Aide

_____ is employed as the live-in aide for

_____, the tenant of the contract unit at

The live-in aide will reside in the unit solely for the purpose of being essential to the care and well-being of a tenant who is elderly (62 years of age or older), or who is a person with disabilities under the Fair Housing Act. The live-in aide is not obligated for the support of the tenant and would not otherwise be living in the unit except for the essential care provided the tenant. The live-in aide must vacate the unit immediately upon termination of the live-in aide's employment by the tenant or termination of the tenant's tenancy. The live-in aide must abide by and is subject to all house rules, if any, and lease provisions (except rent provisions).

We the undersigned, understand and agree to the above terms and provisions.

Tenant

Print or type name _____

Signature _____ Date _____

Live-In Aide

Print or type name _____

Signature _____ Date _____

PHA

Print or type name _____

Signature _____ Date _____

Notes

CHAPTER 10 Procurement and Contract Management

LEARNING OUTCOMES

- Upon completion of this seminar, you should be able to:
 - Ensure the fundamentals of procuring goods and services are met at the properties
 - Ensure oversight of property managers as they procure goods and services at the property
 - Oversee the management of contracts using the basics of procurement laws, regulations, and PHA policies

OVERVIEW

- As the executive or asset manager, you will need to mentor property managers as they purchase supplies and equipment for their projects.
- You solicit contracts and decide or recommend award of contracts.
- Most property managers monitor contracts at their projects, so you need to be well versed in the contracts at the sites and ensure that property managers are diligently monitoring the work.

Notes

- Because of the public nature of a PHA's contract spending, PHAs must be mindful of the need to conduct all business in a manner that will withstand public scrutiny. The goal of the property manager should always be to obtain the best quality products and services for the best price, while promoting serviceability, efficiency, and stability of the project. You must ensure that property managers understand this goal.
- This chapter focuses on procurement processes, steps, and requirements to solicit goods and services for the project. Goods include equipment, materials, and supplies for the project. Services could include construction services, lease or rental of property, repairs, maintenance, replacements, and upgrades.

Section 1 Applicable Regulations and Guidance

- On December 19, 2014, the Office of Management and Budget (OMB) published in the Federal Register a joint interim final rule streamlining, consolidating, and clarifying uniform administrative requirements, cost principles, and audit requirements for all federal award-making agencies, including HUD.
 - The rule became effective on December 26, 2014.
- Procurement standards are among the myriad changes affected by the joint interim final rule applicable to PHAs.
- Under the final rule, many of the previous regulatory references such as those to 24 CFR parts 84 and 85 have been removed and cross-referenced to comply with 2 CFR Part 200. Several OMB circulars have also been codified at Part 200.
 - However, the rule stipulates that contracts executed prior to the effective date still apply to previous regulation.
 - Additionally, non-federal entities, such as PHAs, were allowed a grace period of one fiscal year to implement changes to their procurement policies and procedures, but this decision must be documented in their internal procurement policies.
- What follows is a summary of the regulations both as they stand under the joint interim final rule and prior to its implementation, in addition to an overview of other important guidance for PHAs to follow for procurement purposes.

2 CFR PART 200

- Part 200 is the section of the Code of Federal Regulations, Title 2, that includes the administrative requirements for grantees (including PHAs) receiving federal funds. This means that if the PHA receives public housing operating subsidy, Housing Choice Voucher rental assistance funds, HOME funds, Community Development Block Grant Funds (CDBG), Capital Funds, and any other federally funded program subsidy, the PHA is subject to the requirements of Part 200.
- Part 200 includes several parts: Acronyms and Definitions, General Provisions, Pre-Federal Award Requirements and Contents of Federal Awards, Post-Federal Award Requirements, Cost Principles, and Audit Requirements.
- Part 200 also provides guidance on a variety of tasks, including development of a procurement policy and system, important parts of a contract administration system, general guidance on the standard of conduct for PHA employees involved in procurement of goods and services, requirements for price and cost analysis.

HUD HANDBOOK 7460.8

- This handbook provides excellent instruction on all phases of procurement and contract management.
- The handbook was revised in March 2007 and includes several samples that PHAs may use in their entirety or modify to support the PHA procurement policy.
- The revised handbook incorporates changes in federal laws and regulations and was written to align HUD guidance on asset management and project-based management of public housing.

Section 1: Applicable Regulations and Guidance

Notes

- The handbook only applies to public housing agencies (PHAs) in their operation of public housing, including any development or capital improvement activities.
 - The handbook does not apply to the Section 8 Housing Choice Voucher program.
 - It also does not apply to fees earned by the Central Office Cost Center in relation to the oversight management of the public housing programs. The fee income is not considered federal program income and so is not subject to federal procurement regulations; however, if there are applicable state or local laws on procurement, PHAs should check to determine applicability at those levels.

Section 1: Applicable Regulations and Guidance

Notes

Section 2 Basics of Procurement

- The PHA's procurement policy must comply with Part 200 of Title 2 of the Code of Federal Regulations. 2 CFR Part 200 contains regulations also known as the "Common Rule" because they apply to all state and local government recipients of federal housing assistance grants. The HUD Handbook on Procurement, 7460.8, Rev. 2, and any other guidance issued by the Office of Management and Budget, should be taken into account in developing the procurement policy. This handbook includes many good examples of forms and policies that a PHA may use or revise for their use.
- In addition, if the PHA is located in a state or local jurisdiction that has procurement laws, the PHA must ensure that its policy complies with those laws as well.
- Besides the mandatory references cited above, a helpful resource is the Housing Manager's Procedures Manual PHA, Chapter 11, Procurement.
 - https://www.hud.gov/sites/documents/DOC_9211.PDF
- The PHA's procurement policies should be very specific about what decisions and actions the management staff and all levels, including the property manager, is authorized and/or required to take, and for what, when, and by whom approval is needed.
- An essential part of managing the procurement function at the property is to plan for upcoming needs. This may be as simple as:
 - Analyzing past year's portfolio and project performance against the budget
 - Checking the project's inventory of maintenance supplies, equipment, and appliances
 - Estimating the upcoming year's requirements
 - Budgeting for what is needed
 - Selecting the appropriate method of procurement.

Notes

- You must ensure that property managers understand that authorization to spend funds is subject not only to the PHA's procurement policies, but also to the availability of funds in the project's budget. Before you spend money, you need to make sure there is money to spend.
- The table below is an example of a PHA's procurement policy regarding purchase amount and procurement method.

Purchase Amount	Procurement Method
Less than \$50	Petty Cash. Require receipt from vendor. Receipt must be attached to completed petty cash log and request.
\$50 to \$10,000	Micropurchase. One reasonable price quote. Purchases of this nature should be equally distributed among qualified vendors, if practical, to assure competition.
\$10,000 to \$250,000	Three quotes (fax, written, or e-mail). Oral quotes may be obtained from building materials and supplies but not for services. Purchases of this nature should be equally distributed among qualified vendors, if practical, to assure competition.
Over \$250,000	Formal Advertisement and sealed bid.

- Once fees are paid by the projects to the COCC, these are no longer considered federal dollars. This means that these funds, once paid to the COCC, are no longer restricted to public housing; they are now considered local funds, which means the PHA can apply these dollars to any endeavor that furthers the mission.

CONTRACTOR LOGS

- PHAs should develop a contractor log that includes several contractors that have the capacity to successfully perform, and complete projects listed in the Request for Proposals. The contractor log broadens the number of contractors that the PHA can solicit proposals bidding on RFPs. This could result in more competitive proposals.
- Per 24 CFR 85.36(c)(4), PHAs must ensure that all pre-qualified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, PHAs will not preclude potential bidders from qualifying during the solicitation period.

Section 3 Small Purchases

- Property managers typically have authority to make small purchases.
- Small purchases procedures are a simplified method for purchasing supplies, materials and services (including professional and construction) that do not exceed the small purchase threshold. Small purchase procedures are the simplest method of procurement and will be used for most of the day-to-day purchases for the properties.
- Your PHA procurement policy should stipulate the dollar limit for small purchases at the project; this may be anywhere from a fairly minimal amount up to statutory limits.
- The federal statutory limit for “small purchases” is \$250,000. The PHA’s threshold cannot exceed the federal small purchase limit or any lower value established by the state or locality having jurisdiction over the PHA. In no case may a PHA adopt a state or locally approved small purchase limit that exceeds \$250,000.
- Common methods of small purchasing include petty cash and purchase orders.

MICROPURCHASES

- The revised HUD Procurement Handbook allows PHAs to establish a separate micropurchase threshold. The threshold for micropurchases is an amount up to \$10,000 per purchase. This means the PHA may make micropurchases without soliciting competitive quotations if the procurement officer considers the price to be reasonable. To the extent practicable, the PHA is encouraged to distribute micropurchases among qualified vendors.

Section 3: Small Purchases

Notes

- Below is a summary of the requirements for micropurchases:
 - No required HUD forms
 - No wage requirements (maintenance or construction)¹
 - No independent cost estimate (ICE)
 - No required competition
 - Signature signifies that cost is reasonable
 - Commonly awarded through purchase order (PO), petty cash, or purchasing card

PETTY CASH

- The board establishes petty cash fund limits. A sales ticket or receipt should always be used to support a petty cash voucher for each purchase made.
- Petty cash purchases should be kept to a minimum since purchasing in limited quantities does not provide the best price.

PURCHASE ORDERS

- In many cases, small purchase procedures (purchase orders) may be used to buy whatever is needed.
- You should use the PHA's small purchase procedures for items that are under the PHA's applicable dollar limit, as should property managers, as defined by the PHA's procurement policy. For small purchases below an established amount, a PHA may opt to obtain only one quote if the quote received is considered reasonable.
- Typically, small purchases involve obtaining oral or written quotes from at least three sources. After evaluating the quotes, the property manager would award a purchase order to the lowest acceptable quote.
- There is no HUD-required purchase order form.

1. The Davis-Bacon Act requires contractors and subcontractors to comply with Davis-Bacon prevailing wage provisions for federally-funded construction contracts in excess of \$2,000.

Section 3: Small Purchases

Notes

- The PHA's purchase order system ensures that all purchases are authorized and within budget. It also is an internal control system to discourage or prevent fraud, theft, and other unauthorized uses of the property's money.
- The purchase order system also aids in the preparation of budgets. Knowing how often certain items need to be purchased throughout the year and seeing any spike or drop in purchasing of certain items is helpful for monitoring the portfolio and properties' finances.

SMALL PURCHASE GUIDELINES (OTHER THAN MICROPURCHASES AND PETTY CASH)

- Requirements:
 - Reasonable number of quotes (generally three)
 - Independent Cost Estimate (ICE) required but minimum documentation
 - Quotes can be verbal, written, fax, etc.
 - Award based on "best value"
 - Effective competition should assure price is reasonable (no need for separate price or cost analysis)
 - Documentation should be commensurate with value of purchase
- Remember, the federal small purchase threshold is \$250,000. However, some PHAs must abide by a lower amount if required locally.

SMALL PURCHASE DECISIONS

- It is important to mentor property managers to identify commonly needed parts and determine average monthly use. Property managers should keep a supply of these items to avoid frequent trips to the store.
- Assess the availability of parts in the local market. Best practice is for property managers to keep a supply of parts that are time consuming to purchase, but first make sure there's enough space to store these quantities, and that there is adequate security to prevent pilferage.
- Explore resources for expensive parts and buy in quantity for a discount. Some suppliers will provide a discount on bulk purchases with deliveries staged over a one-year period. This would eliminate the need to inventory these items.

SUPPLIERS

- Part of your job as an asset manager is determining which supplier works best for your PHA's needs. Property managers should be given a role in identifying suppliers in the best interest of the properties.
 - Catalogs allow you to purchase supplies directly from the manufacturer, which can be cheaper. Merchandise ordered through catalogs (including online catalogs) can be shipped directly to the property, which saves you time. Delivery can take longer.
 - Specialty supply companies (e.g., plumbing, electrical) provide a wider selection and inventory of specialty items. This allows you to buy in bulk or set up an account to get better prices.
 - Discount/warehouse supply stores carry a wide variety of goods at competitive prices. Buying in bulk helps avoid extra purchasing trips and may help avoid the delay of ordering supplies.

Section 3: Small Purchases

Notes

APPROVING PAYMENT

- Before a vendor invoice is approved for payment, property managers should compare the invoice and delivery receipt against the purchase order. The important things to check when comparing the vendor invoice and delivery receipt to the purchase order are:
 - Did you receive the items you ordered and in the quantity ordered?
 - Was the price correct?
 - Does the delivery receipt indicate where the goods were received (such as the project office)?
 - Is the invoice coded to reflect the right expense account (remember the property's general ledger?)
 - Does the delivery receipt indicate whether the work or item was or wasn't accepted?
 - Were receiving documents forwarded to the accounting department so the invoice can be paid in a timely manner?
- Purchase order forms are often used to compile a log of purchases. The log makes it easy to track orders and can be compared with invoices to assure what was ordered was actually received. It can also provide a quick overview of how the property is spending its money day-to-day.

INVOICING PROCEDURES

- Each PHA decides how it wants to handle invoicing. In most cases, if the projects are ordering the goods/services, you will want the vendors to send their invoices to the housing manager directly for their approval. Property managers will forward to either the accounting department or to you.
 - Some bills, such as utilities, may go directly to the accounting department.

Section 3: Small Purchases

Notes

RECEIVING GOODS

- The PHA must establish a system for ensuring that the items required by contract are delivered to an appropriate location where the property manager or other responsible PHA agent can ensure that receipt of contracted items is properly handled and documented.
 - For example, a contract for supplies should indicate where (such as a property office or specific unit) delivery should be made, and how acknowledgment of receipt will be recorded and provided to the contractor.
- The PHA should use a standard receiving report to document receipt, inspection, and acceptance. The report should contain, as a minimum, the following information:
 - Contract number
 - Item number
 - Description of item
 - Date of receipt
 - Place received
 - Receiving official (printed name, signature, and date)
 - Date of inspection
 - Inspecting official (printed name, signature, and date)
 - Whether the work/item was or was not accepted
 - If not accepted, reasons for rejection
 - Accepting official (printed name, signature, and date)

Section 3: Small Purchases

Learning Activity 10-1 Comparing Purchasing Documents

- Below are several purchasing and procurement documents for needed supplies at Willow Run. Assume the PHA's procurement policy requires one reasonable price quote for purchases up to \$500.
- Compare the documents. Are there any problems? Is any information missing?

**HILLDALE HOUSING AUTHORITY**

1675 Main Street
Hilldale, GA 30307

PURCHASE ORDER REQUEST**Willow Run**

22 Maple Street
Hilldale, GA 30307

Purchase Order Number: 7250
Purchase Order Date: 8/17/2021
Ship Date:
Required Delivery Date: *ASAP*

Funding Source:

Willow Run Budget

Purpose/Justification of Request:

Need maintenance tools to bring down work order days and to enhance curb appeal, to fill all vacant units

Suggested Sources:

Tools R Us – sole source

Requested By:

Mary Hurley

Form of Payment

Bill to Accounting

Term

Immediate

Ship Via

Delivery by company

Line Item No.	Description	Quantity	Unit	Per Unit Price	Total Price
4420	<i>Drill</i>	<i>1</i>	<i>Each</i>	99.99	99.99
4420	<i>Ladder System</i>	<i>1</i>	<i>Each</i>	399.80	399.80
4420	<i>Paint Spray Gun</i>	<i>1</i>	<i>Each</i>	73.99	73.99
				\$	550.00

Mary Hurley

Property Manager Signature

Certification of Available Funds

9/17/2021

Date

Authorized Approval

Date

Section 3: Small Purchases

Delivery Receipt**Tools R Us**

1050 Pioneer Way

Any Town USA 38901

Date:

Customer: *Willow Run Apts*Deliver to: *Mary Hurley, 22 Maple St*Customer P.O: **7250**

Quantity	Description	No. of Pkgs.
1	Drill	1
1	Ladder	1
1	Spray Gun	1

☐ Partial ☐ Complete Order**X**

Date

RECEIVED

Tools R Us

1050 Pioneer Way

Any Town USA 38901

InvoiceDATE
8/19/2021INVOICE #
27922**BILL TO** Willow Run Apts
22 Maple Street
Hilldale, GA 30307**SHIP TO** Willow Run Apts
22 Maple Street
Hilldale, GA 30307**JOB NO****PO NO**
7249**TERMS**
5 days**SHIP VIA**
Best**QTY****DESCRIPTION****AMOUNT**

1

Saw

99.99

1

Spray Gun

399.80

1

Ladder

73.99

Total**\$620.50*****We appreciate your business!***

Section 4 Sealed Bidding

INVITATIONS FOR BID (IFB)

- For construction contracts and routine supplies above the limit for small purchases, the PHA needs to prepare an independent cost estimate and specifications, and publicize the upcoming procurement (e.g., in a local newspaper or trade journal).
- The next step is to prepare a solicitation known as an invitation for bid (IFB), which contains specifications, instructions to bidders, and required contract forms to be used.
 - The IFB is issued to all sources who responded to the public notice, as well as any other firms known by the PHA to be able to perform the work. The PHA's procurement policy should specify what is considered adequate time for potential contractors to submit bids.
- Housing agencies can use the internet to conduct public procurements as long as the procurements comply with 2 CFR Part 200 and the PHA's procurement policy.

PRE-BID CONFERENCE

- After the IFB, the PHA (PHA identifies who acts as the procurement agent) may hold a pre-bid conference with prospective contractors. Notice of any conference should be included in the IFB.
- The conference should be attended by supporting technical staff, so that questions can be answered.
- At the conference, the PHA should state that nothing at the conference will change the terms of the IFB unless an amendment is issued.
- A transcript or summary of the conference should be sent to all those on the solicitation mailing list, not just those who attended. Attendance, while desirable, should not be mandatory, and lack of attendance shouldn't be a basis for rejecting a bid.

Section 4: Sealed Bidding

Notes

BID OPENING

- Each bid must be date/time stamped upon receipt. Sealed bids should be stored in a locked bid box, cabinet, or safe until the bid opening.
- Sealed bidding is a public process. Any interested parties are permitted to attend the bid opening.
- At the time stated in the IFB, the PHA then conducts a public bid opening, reading aloud the names of the bidders and prices received.
- No commitment is made to any bidder at the bid opening.

ANALYZE BIDS AND AWARD CONTRACT

- After the bids have been publicly opened and read, all the bids are tabulated, showing the names of bidders and prices.
- The next step is to determine whether the low bid is responsive to the IFB (conforms to its requirements), and, if the bid is responsive, analyze the low bidder's capability to do the work.
 - The PHA should also perform a price analysis, which may be as simple as just comparing the prices received to the in-house cost estimate to ensure that the contract price will be reasonable.
 - A bid would not be considered responsive if it did not address the PHA's Section 3 requirements of the bidder.
 - In addition, the PHA should make sure that bidders have not imposed conditions or additional terms to the bids.
 - Documented previous unsatisfactory performance is grounds for determining that the bidder is not responsible.
 - Check HUD's list of debarred contractors

Section 4: Sealed Bidding

Notes

- After determining that the low bidder is both responsive to the IFB and responsible to perform the work, the contract is then awarded.
- Any bid rejection must be fully documented with all reasons for rejection clearly stated.

Section 4: Sealed Bidding

Notes

Section 5 Competitive Proposals (RFP)

- While sealed bidding is the preferred method for conventional construction contracting, contracting for professional services (including architect-engineer services) is done through competitive proposals.
- Under competitive proposals, both technical and price factors are considered in awarding the contract. The chief advantage of this approach is that it allows the PHA to hold discussions with each offeror to ensure there is a complete understanding of the work to be undertaken.
- The process begins with the PHA describing its needs in a statement of work, publicizing the upcoming procurement (such as advertising in local newspaper or trade journal), and preparing both an independent cost estimate and a technical evaluation plan for analyzing proposals received.
- The PHA then prepares a solicitation known as a request for proposals (RFP), which identifies the technical and price evaluation factors and the format for submitting technical and price proposals.
- The PHA issues the RFP to the respondents of the public notice and those on the PHA's mailing list.
- When proposals are received on the closing date stated in the RFP, proposals are not publicly opened, but instead are kept confidential.
 - The primary reason for not having a public opening is that there are multiple award factors as compared to sealed bidding where the bid price is the only selection factor, subject to the determination that the contractor is responsive and responsible.
 - Normally, it takes several hours (or even days depending on the complexity of the procurement) to evaluate proposals.
 - After selection is made, the basis for selection is subject to public inspection.

- After proposals are received, the PHA then evaluates the proposals from both a technical and price standpoint, documents the evaluation in a written report, and establishes a competitive range of offerors who have a reasonable chance of receiving the contract.
- The PHA notifies those offerors whose proposals are so deficient as to preclude their being considered for award.
- A separate negotiation session (in person or by phone) is then conducted with each offeror in the competitive range, to discuss both technical and price issues. At the conclusion of negotiations, the PHA establishes a cut-off date for receipt of best and final offers. Any offeror in the competitive range is permitted to change its offer at this time by submitting a revised proposal by the due date.
- The PHA then evaluates the best and final offers and awards the contract to the best evaluated offeror, based on the price and technical factors stated in the RFP.

SUMMARY OF SEALED BIDDING VS. COMPETITIVE PROPOSALS

- An important difference between sealed bidding and competitive proposals is the finality of initial offers. Under competitive proposals, changes in the nature and price of a proposal may be made after proposals are open. Such changes aren't allowed in sealed bidding.
- The competitive method also differs from sealed bidding in that it permits discussions with competing offerors and changes in their proposals (including price).

Section 6 Noncompetitive Proposals

- The standard for PHA procurement is to conduct all procurement by fair and open competition, to allow all responsible sources to compete. However, noncompetitive purchasing may be necessary, provided a written justification is prepared, HUD regulations are followed, and any required HUD approval is obtained.
- There are four types of non-competitive purchasing:
 1. Emergency
 2. Special market conditions
 3. Sole source
 4. Only one quote/bid received

Section 6: Noncompetitive Proposals

- Following are examples:

Type	Example
Emergency: Defined as a situation where time is of the essence in preventing serious injury to the Agency or threatening the public's health, welfare, or safety. All emergency purchases must be approved by the Regional Manager.	A car hits a post holding up a deck and the post needs immediate shoring to keep the deck from collapsing. Maintenance figures that \$3000 of lumber is needed to shore up the post before a contractor can come out and repair. Once getting approval that this situation is an "emergency", you may purchase the lumber from the hardware store without having to get three bids for lumber.
Special Market Conditions: Defined as a situation where a vendor can offer goods and/or services at reduced prices for a limited time that cannot be reasonably matched by another vendor; e.g., "fire sale."	Joe Hardwick is retiring, so Joe's Hardware is going out of business and every item is half-price for two days. You need \$2,000 (at normal pricing) of lawn and garden supplies and can obtain these items at Joe's for \$1,000, so you do not need to get three quotes.
Sole Source: Defined as goods and/or services of such a unique nature that only one vendor or company can provide the goods and/or services.	Some of the sod for the grounds at a community center is in need of replacement but in order to match the existing sod, only Schmidt's Sod carries the specific product that matches your specifications. You may purchase at Schmidt's without obtaining two other quotes for sod.
Only One Quote/Bid Received: The PHA can use the goods and/or services of the sole respondent if it is reasonably shown that a resolution is not in the best interests of the PHA.	You send out three vendor quote sheets to replace some fencing that was crushed by a PHA dump truck. Only Garcia Bros. responds with a quote. The fence is protecting the dumpsters and is needed to be replaced ASAP and to try to get other quotes would delay the installation of the fence—dumpsters are too tempting a target for vandalism. You can buy the fencing from Garcia Bros. because they can deliver and install the same day.

Section 7 Contracts

TYPES OF CONTRACTS

- As we mentioned at the beginning of this chapter, contracts can be for goods or services. Equipment, materials, and supplies are goods. Common services are construction services, landscaping, repairs, maintenance, replacements, and upgrades.
- One of the most important factors in successful procurement is the selection of an appropriate contract type.
- The contract type sets the pricing arrangement and incentive structure for the contractor and guides the performance of the contract.
- The contract type should give the contractor an incentive to perform the required work efficiently.
- The PHA's procurement policy specifies who is responsible for deciding which contract type to use.
- If the sealed bidding method is used, only a firm fixed price or fixed price with economic price adjustment contract type may be used. When contracting by competitive or noncompetitive proposals, the contract type is negotiable.
- There are many different types of contracts that may be used by PHAs; the types of contracts to be used by the PHA must be listed in the procurement policy. Some of the more common contract types include:

Fixed Price Contracts

- Under a fixed price contract, the contractor must deliver the product or perform the service for the price agreed on, regardless of the cost incurred.

Section 7: Contracts

Notes

Cost Reimbursement Contracts

- In a cost reimbursement contract, the contractor agrees to make best efforts to achieve the specified requirement, within the estimated amount in the contract. If the contract is not fully performed at the time the contractor spends the funds, then the contractor has no obligation for further performance unless the contract is modified to increase the funds.

Indefinite Delivery Contracts

- There are three types of indefinite delivery contracts: definite quantity contracts, requirements contracts and indefinite quantity contracts. These contracts are used to purchase goods or services when the exact time and/or the exact quantities for deliveries are not known at the time of contract award.

HUD GUIDANCE

- HUD recommends that in most cases, the PHA should use firm, fixed-price contracts, because this pricing arrangement poses the least risk to the PHA.
- Each solicitation must state clearly what contract type will be used.
- The most important factor influencing the choice of a contract type is what the PHA is buying. Requirements which are complex and unique to the PHA, and which have a likelihood of changes in the technical direction and performance uncertainties, normally place greater risk on the PHA.
- If the need is urgent, it may also require the PHA to assume a greater proportion of risk, or the contract should contain incentives to ensure timely performance.
- Contracts extending over a relatively long period of time may require a contract type that allows economic price adjustment.

Section 7: Contracts

Notes

- Unstable market conditions may also affect the type of contract selected, as unstable conditions may require the PHA to assume more risk.
- It's possible to use performance, delivery, or cost incentives to make the contract type spur the contractor to achieve realistic, measurable targets as set forth in the specifications, purchase description, or statement of work.

Section 8 Contract Management

Overview

- Receiving quality goods and services has an impact on the projects' operations as well as the lives of the residents. Failing to ensure the best value for money spent costs the project additional money, lost staff time, and delayed delivery of the product or service.
 - So it's a critical duty of the asset manager and project manager to make sure the project receives quality products and services.
- The property manager should be trained to continuously monitor contract performance. The amount of oversight and monitoring will vary with the type of work.
 - Relatively simple contracts may only require limited monitoring.
 - Typically for small purchases, the property manager will receive one invoice (not multiple invoices as with construction projects that have multiple phases).
 - For more complex contracts, however, the PHA should develop a formal, written contract administration plan before contract award. This document spells out the duties of PHA staff and PHA departments, and provides procedures for regular status reports and progress meetings.

WHAT YOU MUST MONITOR

- If the property manager has been given responsibility to monitor work at the project, in order to make sure the project gets what it's paying for, the property manager must inspect the contractor's work and enforce compliance with the contract specifications.

Section 8: Contract Management

Notes

- When monitoring a contract, you must keep an effective control on all unfilled orders and available obligated funds by maintaining files until deliveries are made.
 - Payment for supplies and services is made only after the delivered item is inspected and found to be satisfactory.
- The PHA is not obligated to pay for or accept goods or construction until it has had an opportunity to inspect them. This helps to eliminate disputes that arise when shortages or damages are not discovered until after the payment has been made.
 - The inspection must be within a reasonable time. If you fail to require the contractor to correct a particular defect because of failure to inspect when such defect could have been found by reasonable inspection, the PHA may have waived its rights to future rejection based on that particular defect.
- In addition, for construction and maintenance contracts, the PHA is also responsible for monitoring compliance with labor standards requirements as provided in HUD Handbook 1344.1 REV-3 or as applicable to maintenance contracts.

MONITORING THE WORK OF CONTRACTORS

- The heart of performance problems is in either the technical requirements of the contract or in the time for performance.
 - Much of the difficulty in the technical area is involved with the interpretation of specifications. There is no assurance that the articles delivered under a contract will meet those specifications.
 - Whether or not you inspect, accept, reject, or take some other actions with respect to work performed could seriously affect the PHA's rights against the contractor.
 - Monitoring the contractor's performance against the time when the performance is required is also an important part of contract administration.

How You Monitor

- The PHA should be clear who is responsible for making sure the contract is fulfilled properly, and who is responsible for monitoring progress. If property managers are given these responsibilities, you must ensure property managers are trained and mentored.
- In order to get started on the right foot, it's a good idea to meet the contractors at the site on the first day they're to begin work. You may want to do this jointly with the property manager when he or she is first monitoring a contract. It's important for a manager to make himself or herself visible early on and get to know who's working on the property.

Section 8: Contract Management

Notes

- Below are some other suggestions for monitoring a contractor's work:
 - For contractors who will provide services on a consistent basis, such as security, landscaping, etc., walk the property and discuss problem areas before they start. This will familiarize them with the situation and help prevent future problems.
 - Ask that workers not talk to residents about their work or about the facility. Clarify that residents should come to you with questions.
 - Conduct inspections as often as necessary to insure that the contractor is performing work to bid specifications. A specific schedule of work progress should be required in the contract and provided by the contractor.
 - Time inspections when you can best observe conditions. For example, conduct a roof inspection when old roofing material has been removed. Inspect a landscaper weekly. If a contractor is building a fence, monitor the work daily to make sure specifications are being followed.
 - Any contractor who digs—plumbers, telephone or electrical workers—should be given clear, written instructions about the type of barricades on the property, as well as the critical need for marking underground utilities.
 - Make sure there are no violations of local building and safety codes or Uniform Physical Condition standards.
 - Inspect work before making any interim or final payments.
 - Make sure contractors are aware of and comply with applicable federal, state, and local employment laws.

Documentation

- Thorough documentation is your proof that you have done everything right. The scope of work has been thought out and described accurately. The contract was awarded according to the PHA's procurement policy. The contract has been monitored diligently.
 - If follow-up work is required, getting a contractor to correct problems can be difficult. The PHA's written documentation will be an essential tool if follow-up is needed.

Section 8: Contract Management

Notes

- Type of documentation required depends on the contract and type of service. Below is a suggested contract checklist of required items from HUD's Procurement Handbook 7460.8 REV-1.
 - Advance procurement plan
 - Procurement request, funds certification, and independent estimate
 - Evidence of publicizing the requirement
 - Solicitation mailing list
 - Technical evaluation plan (competitive proposals only)
 - Solicitation, amendments, and approvals
 - Abstract of bids (sealed bidding only)
 - Bids or proposals
 - Technical evaluation (competitive or noncompetitive proposals only)
 - Cost or price analysis
 - Competitive range determination and negotiation objectives (competitive proposals only)
 - Memorandum of negotiations and selection decision (competitive or noncompetitive proposals only)
 - Pre-award survey, responsibility determination, verification of bid/proposal
 - Award document
 - Notice to unsuccessful offerors
 - Bonds or insurance certificates
 - Records of pre-bid/proposal and post-award conferences
 - Contract modifications and supporting documentation
 - Receiving reports
 - Completion certificate

Section 9 Section 3 of the HUD Act of 1968

BACKGROUND

- Section 3 is a provision of the HUD Act of 1968 that requires PHAs and their contractors must make their best efforts to meet HUD-established benchmarks specifying the ratios of the number of labor hours worked required for Section 3 workers and targeted Section 3 workers.
 - A *Section 3 worker* could be a person whose income for the previous calendar year is under the HUD-established income limit, a person who is employed by a Section 3 business concern, or a YouthBuild participant. A *targeted Section 3 worker* could be a worker employed by a Section 3 business concern, a public housing or Section 8 resident, a resident of other public housing projects or Section 8-assisted housing managed by the PHA providing the assistance, or a YouthBuild participant.
- Section 3 is applicable to public housing financial assistance and to Section 3 projects, which means housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs that provide housing and community development financial assistance when the total amount of assistance to the project exceeds a threshold of \$200,000 (\$100,000 in the case of Healthy Homes and Lead Hazard Control assistance).

COMPLIANCE AND ENFORCEMENT

- While Section 3 compliance was previously monitored under HUD's Office of Fair Housing and Equal Opportunity, Section 3 compliance is now monitored under the program office responsible for the financial assistance. Complaints alleging noncompliance should be directed to that specific program office as well.

Notes

- HUD establishes benchmarks for Section 3 workers or targeted Section 3 workers in the *Federal Register* not less than every three years. Benchmarks consist of the following two ratios:
 - The number of labor hours worked by **Section 3 workers** divided by the total number of labor hours worked by all workers funded by public housing financial assistance in the PHA's fiscal year
 - The number of labor hours worked by **targeted Section 3 workers** divided by the total number of labor hours worked by all workers funded by public housing financial assistance in the PHA's fiscal year
- ¹PHAs must report labor hours annually, and if benchmarks are not met, PHAs must report on the “qualitative nature” of its Section 3 compliance activities and those of its contractors or subcontractors, including but not limited to:
 - Engaging in outreach efforts to generate job applicants who are targeted Section 3 workers
 - Providing training or apprenticeship opportunities
 - Providing technical or other assistance to Section 3 workers to help them compete for jobs or in seeking employment
 - Providing assistance to apply for or attend community college, a four-year educational institution, or vocational or technical training
 - Engaging in outreach efforts to identify and secure bids from Section 3 business concerns

1. 24 CFR 75.15

Job Training and Employment Opportunities

- A Section 3 covered project involves the construction or rehabilitation of housing (including reduction of lead-based paint hazards), or other public construction such as street repair, sewage line repair or installation, updates to building facades, etc.
- Some examples of Section 3 training and hiring opportunities include accounting, architecture, appliance repair, bookkeeping, IT, payroll, photography, purchasing, transportation, and desktop publishing.
- Trades include bricklaying, carpentry, carpet installation, cement/concrete, demolition, drywall, electrical, elevator construction and repair, fencing, HVAC, janitorial, landscaping, machine operation, surveying, painting, plastering, plumbing, and tile setting.

PHA'S SECTION 3 RESPONSIBILITIES

- ¹Each PHA (and their contractors, subcontractors, or subrecipients) are required to make their best efforts to provide employment and training opportunities generated by the public housing financial assistance to Section 3 workers in the following order of priority:
 1. To residents of the public housing projects for which the public housing financial assistance is expended
 2. To residents of other public housing projects managed by the PHA that is providing the assistance or for residents of Section 8-assisted housing managed by the PHA
 3. To participants in YouthBuild programs
 4. To low and very low-income persons residing within the metropolitan area (or nonmetropolitan county)

1. 24 CFR 75.7

Contracting Opportunities

- PHAs (and their contractors, subcontractors, or subrecipients) are required to make their best efforts to award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 workers in the following order of priority:
 1. To Section 3 business concerns that provide economic opportunities for residents of the public housing projects for which assistance is provided
 2. To Section 3 business concerns that provide economic opportunities for residents of other public housing projects or Section 8-assisted housing managed by the PHA that is providing the assistance
 3. To YouthBuild programs
 4. To Section 3 business concerns that provide economic opportunities for Section 3 workers residing within the metropolitan area (or nonmetropolitan county) in which the assistance is provided
- A Section 3 business concern is a business for which:
 - At least 51 percent is owned and controlled by low or very low-income persons;
 - Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or
 - At least 51 percent is owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

Reporting Requirements

- For public housing financial assistance, PHAs and other recipients must report on an annual basis and in a manner consistent with program reporting requirements the total number of labor hours worked, the total number of labor hours worked by Section 3 workers, and the total number of labor hours worked by targeted Section 3 workers.
 - Section 3 workers' and targeted Section 3 workers' labor hours may be counted for five years from when their status as a Section 3 worker or targeted Section 3 worker is established.
 - Reported labor hours must include the total number of labor hours worked with public housing financial assistance in the PHA's fiscal year, including labor hours worked by any contractors and subcontractors that the PHA is required or elects to report.
- The PHA, contractors, and subcontractors may report labor hours by Section 3 workers and targeted Section 3 workers from professional services without including labor hours from professional services in the total number of labor hours worked.
 - If a contract covers both professional services and other work and the PHA, contractor, or subcontractor chooses not to report the professional services labor hours in the total, the labor hours not from professional services must still be reported.
- Labor hours may be reported based on the employer's good faith assessment of the labor hours of a full or part-time employee informed by the employer's existing salary or time and attendance-based payroll systems unless subject to other reporting requirements.
- If reporting indicates that Section 3 benchmarks are not being met, additional reporting requirements regarding the "qualitative nature" Section 3 compliance activities, as discussed under the Compliance and Enforcement section above.

Notes

- Small PHAs may also elect to sidestep primary Section 3 reporting requirements, but those who choose to do so are still subject to report on their qualitative efforts as discussed above as well.

HUD'S SECTION 3 WEBSITE

- For additional information visit HUD's Section 3 website at: <https://www.hudexchange.info/programs/section-3/>
- Some additional resources on the website include:
 - Section 3 Guidebook and Tools
 - Section 3 Trainings and Videos
 - HUD FAQs about Section 3

CHAPTER 10 REVIEW QUESTIONS

1. Under sealed bidding:
 - a. The PHA evaluates proposals from both a technical and price standpoint
 - b. Proposals are not publicly opened
 - c. Bids are opened publicly
2. In the sealed bidding process, the contract is awarded to the lowest responsive and responsible bidder.
 - a. True
 - b. False
3. The property manager's authorization to buy goods and services at the project is subject to:
 - a. The ACOP
 - b. The PHA's procurement policy
 - c. Availability of funds in the project's budget
 - d. All the above
 - e. b and c
4. Under the HUD asset management model, a centralized procurement supervisor can be a frontline allocated expense of the project.
 - a. True
 - b. False
5. The purchase order system does all the following except:
 - a. Aids in the preparation of budgets
 - b. Serves as an internal control system to discourage and prevent fraud and theft
 - c. Gives the property manager authorization to spend over the small purchase threshold without authorization
 - d. Ensures all purchases are authorized and within budget
6. The Requests for Proposals (RFP) process: (more than one correct answer)
 - a. Is usually for more technical proposals, such as consulting or design
 - b. Does not allow for a best and final bid after initial bidding
 - c. Allows the PHA to hold discussions with offerors
 - d. Requires contract to be awarded based solely on price
7. Which of the following statements is **not** true about the sealed bid process?
 - a. No commitment is made to any bidder at the bid opening
 - b. Bids are publicly opened, and the names of bidders are read aloud
 - c. Each bid is date/time stamped upon receipt
 - d. Bids may be accepted after the deadline

8. A bidder would not be considered responsive if the bidder did not adequately respond to the PHA's Section 3 requirements in the Invitation to Bid or the RFP.
 - a. True
 - b. False
9. A bidder would not be considered responsible if there is documented previous unsatisfactory performance.
 - a. True
 - b. False
10. An important area of ethics in procurement is conflict of interest.
 - a. True
 - b. False
11. You are overseeing the award of a contract for lawn services for your PHA. Your second cousin was one of the bidders. You rarely see this relative so do not believe it is a conflict of interest. You and your second cousin have different last names. Which of the following statements below is true?
 - a. There is no conflict of interest and thus no need to report it
 - b. There could be no perceived conflict of interest, since you and your second cousin are distantly related and have different last names.
 - c. You would report this to the appropriate official and follow their instructions
 - d. You would ask your second cousin to withdraw their bid

CHAPTER 11 Public Housing Assessment System

LEARNING OUTCOMES

- Upon completion of this chapter, you should be able to:
 - Identify the current PHAS indicators and documentation requirement
 - Discuss the subindicators and the consequences of acceptable and unacceptable performance
 - Identify indicators and subindicators to track performance at each project

HISTORY OF PHAS

- The Public Housing Assessment System (PHAS) is designed to institute a system of accountability to assist the Department of Housing and Urban Development (HUD) in monitoring and evaluating housing authority performance nationwide.
- It is applicable to entities managing public housing units.
- PHAS defines acceptable standards for key areas of public housing management.
- The original PHAS was effective beginning with PHAs having a fiscal year end of September 30, 2001.

REVIEW OF PURPOSE AND DEFINITION OF PHAS

- PHAS was designed by HUD to enhance public trust by creating a comprehensive oversight tool that effectively and fairly measures a PHA based on standards that are objective and uniform.
- PHAS is a strategic measure of a PHA's essential housing operations.
- PHAS rewards high performing PHAs.

Notes

- At the end of each PHA fiscal year, HUD uses PHAS to monitor how well a PHA succeeded at meeting its established goals and to determine if the PHA is well-managed and capable of providing structurally sound and functionally adequate housing to qualified residents.
- The PHA must post its scores and status in appropriate conspicuous and accessible locations in its offices within two weeks of receipt of its final score and status.
- Scores will be posted on HUD's website.
- PHAS is not meant to be the sole measure of a housing authority's overall performance. PHAS does not evaluate the compliance of a project or PHA with every HUD-wide or program-specific requirement or objective. Rather, PHAS is a management tool that can identify and address management problems.
 - For example, PHAS does not assess fair housing deficiencies. Only FHEO can issue fair housing findings. Although not specifically evaluated through PHAS, PHAs are responsible for complying with nondiscrimination and equal opportunity requirements.
- PHAS includes four performance indicators, which are used to assess the performance of projects and the PHA. PHAs receive a score for each of the indicators, then one overall score for the PHA, computed by using each of the indicator scores.

THE PHAS INTERIM RULE

- The Interim Rule, published in the *Federal Register* on February 23, 2011, was effective on March 25, 2011. This interim rule is titled *Public Housing Evaluation and Oversight: Changes to the Public Housing Assessment System (PHAS) and Determining and Remediating Substantial Default*.

Notes

- A new Part 902 of the *Code of Federal Regulations* was established for the PHAS rule (24 CFR Part 902). The interim rule removed 24 CFR Part 901, revised Part 902, and added Part 907, Substantial Default by a Public Housing Agency.
- HUD considerably streamlined the PHAS evaluation process by eliminating the resident satisfaction survey and the PHA management certification, and, in the interim rule, the management review as a scored element.

OVERVIEW OF PHAS

- The interim rule made effective the next step in a project-based PHAS model.
- The interim rule uses the term “projects”; a project, as indicated in PIC, may be a grouping of two or more properties.

Frequency of Assessment (3-2-1)***Small Deregulated PHAs***

- PHAs with fewer than 250 units will be assessed under PHAS every third year if they are high performers, every other year if they are standard or substandard performers, and every year if they are overall troubled or troubled under the capital fund indicator.

Frequency of Inspections (3-2-1)

- HUD states that all PHAs, other than small PHAs, “may” be assessed on an annual basis. This presumes HUD’s authority to, at HUD’s discretion, assess PHAs every year.

Notes

- The physical condition score for each project will determine the frequency of inspections of each project, (HUD refers to this as the 3-2-1 inspection schedule).
 - Projects that score 90 points or higher will be inspected every 3 years; projects that score less than 90 points but at least 80 points will be inspected every 2 years; and projects that score less than 80 points will be inspected annually.
 - Projects for any PHA designated as troubled will be inspected annually regardless of any project's individual score.
- In the baseline year, every PHA will receive an overall PHAS score in all four of the PHAS indicators. This will allow a baseline for the physical condition and the 3-2-1 inspection schedule, as well as a baseline year for the small deregulated PHAs.

PHAS SCORING

- Each PHA will receive an overall PHAS score, based on the four indicators:
 - Physical condition 40 points
 - Financial condition 25 points
 - Management operations 25 points
 - Capital fund program 10 points
- Each project will receive its own physical condition, financial condition, and management operations score. Individual project scores are used to determine a single score for the physical condition, financial condition, and management operations indicators. The capital fund program indicator score is entity-wide.
- The PHAS score will be issued by PIH-REAC for each PHA one month after the PHA submits its year-end financial data.

PHAS PERFORMANCE DESIGNATION

- The performance designation is based on the overall PHAS score and the four indicator scores.
- An agency's overall PHAS grade will be used to place it in one of the following categories:
 - High performer
 - Standard performer
 - Substandard performer
 - Troubled performer

High Performer

- The definition of a high performer remains the same.
- Overall PHAS score of 90 percent or greater.
 - *And* at least 60 percent of the points available under the physical condition, financial condition, and management operations indicators and at least 50 percent of the points available under the capital fund indicator.
 - Cannot be high performer if it scores below the threshold established above for any indicator.

Standard Performer

- Overall PHAS score of at least 60 percent
 - *And* at least 60 percent of the available points for the physical condition, financial condition, and management operations indicators, and at least 50 percent of the available points for the capital fund indicator.
- Standard performers may be required by the field office to submit, and operate under, a corrective action plan.

Substandard Performer

- Overall PHAS score of at least 60 percent and a score of less than 60 percent under one or more of the physical condition, financial condition, or management indicators.
- The PHA will be designated as substandard physical, substandard financial, or substandard management.
- The HUD office with jurisdiction over the PHA will require a corrective action plan if the deficiencies have not already been addressed in a current corrective action plan.

Troubled Performer

- Overall score less than 60% or if the PHA receives less than 50 percent under the capital fund program indicator.
- The interim rule adds Part 907 to 24 CFR addressing substantial default by a PHA.

Summary of Designations

- PHAs are graded as high, standard, substandard, or troubled performers, as follows:

SCORE	STATUS
90% to 100%	High performer
60% to 89%	Standard
At least 60% overall, but less than 60% under physical, financial or management indicators	Substandard
0% to 59%, or less than 50% under capital fund	Troubled

Basis of Scoring

- Under the interim rule, no scoring will be from PHA certifications.
- All data for PHAS scoring will be derived from four sources:
 - The HUD-contracted NSPIRE inspection for the physical condition indicator.
 - The PHA's electronically submitted financial data schedule (FDS) for the financial condition indicator
 - The FDS and IMS-PIC for occupancy rate under management operations and capital fund.
 - The electronic Line of Credit Control System (e-LOCCS) for the capital fund indicator.

MOVING TO WORK (MTW) AGENCIES

- PHAS does not apply to MTW agencies that are specifically exempted in their grant agreement.
- In most cases, however, the MTW agreements require MTW agencies to submit annual financial information and be subject to the same standards and protocols for physical inspections, management reviews, and obligation/expenditure deadlines as non-MTW agencies.

MIXED-FINANCE PROJECTS

- Mixed-finance projects will continue to be subject to the independent physical inspections.
- Mixed-finance projects will not receive a financial condition or management operations score.

Notes

Section 1 Physical Condition Indicator

- The purpose of this indicator is to evaluate whether projects are providing safe, habitable dwellings that are functionally adequate, operable, and free of health and safety hazards.
- Each project receives a physical condition indicator (PASS) score. All projects' physical condition scores roll up for an overall physical condition score for the PHA's public housing properties.
- As noted previously, there is a 3-2-1 inspection schedule for PHAs with 250 or more units.

ASSESSMENT

- The three inspectable areas are the unit, inside, and outside. HUD-contracted inspectors inspect a statistically valid sample of all public housing units.
 - The software selects units to inspect using a random unit generator.
- HUD suggests PHAs provide at least seven calendar days' advance notice from the inspector prior to the time of inspection to provide notification to residents.
 - Through multiple communication methods - paper or electronic and notices posted on community bulletin boards, halls, etc.
- Inspectors use hand-held computers using HUD-designed National Standards for the Physical Inspection of Real Estate (NSPIRE), effective July 1, 2023.
- PHAs are required to designate a representative to accompany the inspector during the entire inspection.
- Occupied units that are not dwelling units (such as units used for day care and self-sufficiency) are subject to physical inspection.

Notes

- Although accessibility problems do not affect the score, the inspector gathers information for problems with accessibility and refers to HUD's Office of Fair Housing and Equal Opportunity (FHEO).
- Deficiencies are scored on two factors: severity and location (unit, inside or outside)
 - Points are reduced based on the number and severity of observed deficiencies.
- Unit deficiencies are scored most heavily.

Following are the defect impact weights:

Defect Severity Level	Outside	Inside	Unit
Life-threatening	49.6	54.5	60.0
Severe	12.2	13.4	14.8
Moderate	4.5	5.0	5.5
Low	2.0	2.2	2.4

Types of Inspections

- PHA self-inspections - PHA must inspect all units annually.
- NSPIRE inspections - HUD-contracted REAC inspectors inspect sample of units.
- NSPIRE Plus inspections - Triggered by poor conditions; REAC inspectors inspect a higher sample rate. May or may not require onsite visit.

Repairs

- PHAs must repair life-threatening and severe deficiencies within 24 hours, moderate deficiencies within 30 days, and low deficiencies within 60 days.

The Score

- Observed deficiencies are converted into a 100-point number. Any score under 60 is failing.
 - However, regardless of the overall property score, if 30 or more points are deducted due to deficiencies in the unit area as a whole (not an individual unit) the property has failed, and inspection is scored at 59.
- The physical inspection score, a number between 0 and 100, gives an overall score for the basic physical condition of a property.
- Although HUD does not score smoke alarm or CO device defects, these are applied to the numerical score and must still be corrected within 24 hours.
 - An asterisk (*) is used for smoke alarms.
 - A plus sign (+) is used for CO devices.
- The full NSPIRE inspection report and score are provided electronically to the PHA and HUD field office within 15 business days. Inspection results must be made available to residents.
- The physical condition score is worth 40 points maximum in PHAS.
 - Passing score is at least 24 points, or 60% of the available points.

Technical Reviews

- There is a technical review process that allows PHAS to have points restored for verifiable reasons, including:
 - HUD or inspector error
 - Adverse conditions beyond the PHA's control
 - Modernization work in progress
 - Conflicts with state or local law

10/1/16

Notes

Section 2 Financial Condition Indicator

DESCRIPTION AND PURPOSE

- The objective of this indicator is to measure the financial condition of each project within the portfolio for the purpose of evaluating whether there are sufficient financial resources to support housing that is decent, safe, sanitary and in good repair.
 - Each program receives a financial condition (FASS) score. The PHA's financial condition is assessed by measuring the combined performance of all public housing projects on the basis of the annual financial report.

ASSESSMENT

- There are three financial condition subindicators that will examine the financial condition of each program.
 - Quick Ratio (QR)
 - Months Expendable Net Assets Ratio (MENAR)
 - Debt Service Coverage Ratio (DSCR)
- The values of the three subindicators are derived from the financial data schedule (FDS) submitted by the PHA.
- Unaudited financial information must be submitted to HUD annually, no later than 2 months after the PHA's fiscal year end (FYE).
- Audited financial information is required within 9 months after the PHA's FYE.
 - In addition, the PHA must submit one copy of the completed audit report package and the Management Letter issued by the independent auditor to the local HUD field office having jurisdiction over the PHA.

QUICK RATIO (QR)

- Measures the PHA's project's ability to cover its near term obligations.
- This is a measure of *liquidity*; it indicates whether a project could meet all current liabilities if they became immediately due and payable.
 - A project should have available current resources equal to or greater than its current liabilities in order to be considered financially liquid.
 - Maintaining sufficient liquidity is essential for the financial health of an individual project.
- The quick ratio compares quick assets to current liabilities
 - Quick assets are cash and assets that are easily convertible to cash and do not include inventory.
 - Current liabilities are those liabilities that are due within the next 12 months.
- QR is measured by dividing adjusted unrestricted current assets by current liabilities.

MONTHS EXPENDABLE NET ASSETS RATIO (MENAR)

- Measures a project's ability to operate using its net available unrestricted resources without relying on additional funding.
- This is a measure of viability, or adequacy of reserves at the project.
- This ratio compares the adjusted net available unrestricted resources to the average monthly operating expenses. The result of this calculation shows how many months of operating expenses can be covered with currently available unrestricted resources.

Notes

- To calculate MENAR:
 1. Calculate the project's unrestricted cash, cash equivalents, and current receivables (numerator).
 2. Calculate the project's average monthly operating and other expenses (denominator).
- This financial subindicator helps the PHA and HUD understand how vulnerable a project is to changes in income and expenses.

DEBT SERVICE COVERAGE RATIO (DSCR)

- This subindicator is a measure of a project's ability to meet its regular debt obligations.
- Indicates whether the project has generated enough income from operations to meet annual interest and principal payments on long-term debt service obligations.
- This subindicator is used if the PHA has taken on long-term debt.
- The DSCR is the ratio of net operating income available to make debt payments, to the amount of the debt payments.
- Calculated by dividing adjusted operating income by the project's annual debt service payments.

ADDITIONAL COMPONENTS

- Additional components may be used to identify possible higher risk of fraud and abuse.
- These components will be used to generate "flags" that will signal field staff, Enforcement Center staff, or fraud investigators.

OVERVIEW OF SCORING

- 25 points maximum.
- In order to receive a passing score under the financial condition indicator, the PHA's score must be at least 15 points or 60% of the available points.
- A PHA that receives fewer than 15 points under this indicator will be a substandard financial condition agency.

SUBINDICATOR #1: QUICK RATIO (QR)

- A project will receive zero points when its QR is less than 1.0.
- If its QR equals 1.0, the project will receive 7.2 points.
- If its QR is greater than 1.0 and less than 2.0, it will receive greater than 7.2 points but less than 12.0 points, on a proportional basis.
- A project will receive the maximum of 12.0 points when its QR is equal to or greater than 2.0.

SUBINDICATOR #2: MONTHS EXPENDABLE NET ASSETS RATIO (MENAR)

- A project will receive zero points when its MENAR is less than 1.0.
- If its MENAR equals 1.0, the project will receive 6.6 points.
- If its MENAR is greater than 1.0 and less than 4.0, it will receive greater than 6.6 points but less than 11.0 points, on a proportional basis.
- A project will receive the maximum of 11.0 points when its MENAR is equal to or greater than 4.0.

Notes

SUBINDICATOR #3: DEBT SERVICE COVERAGE RATIO (DSCR)

- A project will receive zero points when its DSCR ratio is less than 1.0.
- If its DSCR equals at least 1.0 but less than 1.25, it will receive 1 point.
- A project will receive the maximum of 2.0 points if its DSCR is equal to or greater than 1.25 or if it has no debt at all.

SUMMARY OF SCORING

#2 FINANCIAL CONDITION	25
Quick Ratio (liquidity)	12.0
Months Expendable Net Assets Ratio (adequacy of reserves)	11.0
Debt Service Coverage Ratio	2.0
Flags:	
No audit opinion (minus 25 pts)	
Going concern opinion(*)	
Disclaimer of opinion (minus 25 pts)	
Material weakness/internal control(*)	
Adverse opinion (minus 25 pts)	
Qualified opinion(*)	
Reportable conditions(*)	
Findings of non-compliance and questioned costs(*)	
Indicator outlier analyses(*)	
(*) Points will be deducted to the extent points remain after initial scoring for the sub-indicator affected by the flag	

Notes

Section 3 Management Operations Indicator

DESCRIPTION AND PURPOSE

- The objective of this indicator is to measure the PHA's performance of management operations through the management performance of each project.
- Each project receives a management operations (MASS) score. HUD calculates a score for each project, as well as for the overall management operations of a PHA.
- The management indicator does not assess utility consumption, turnaround time, work orders, security, unit inspection, adequacy of inspection program, economic self-sufficiency, or resident involvement in project administration, as proposed in the August 21, 2008, proposed rule.
- All public housing projects will be assessed under management operations, even if a PHA has not converted to asset management.
 - Mixed-finance projects are excluded from the management operations indicator.
- PHA certification on form HUD-50072 has been eliminated.
- The interim rule establishes the management review as a diagnostic and feedback tool.
 - HUD regards the onsite management review as "critical to its task of effective oversight of the public housing portfolio, as is the case in multifamily housing."
 - Management reviews will be used for both compliance (not scored, but could generate findings and required actions), and as a diagnostic instrument.
- Under the interim rule, the values of the indicators will be derived from the PHA's annual Financial Data Schedule (FDS).

ASSESSMENT

- The following subindicators will be used to assess the management operations of projects and PHAs. Individual project scores for management operations, as well as overall PHA management operations scores, will be issued for:
 - #1 Occupancy
 - #2 Tenant Accounts Receivable
 - #3 Accounts Payable

SUBINDICATOR #1 – OCCUPANCY

- This subindicator measures the occupancy for the project's fiscal year, adjusted for allowable vacancies.
- Occupancy rate is calculated by dividing unit months leased (UML) by unit months available (UMA).

EXEMPTED UNITS

- The project's occupancy rate is adjusted for allowable vacancies. These units are not considered available for occupancy during the assessment year. These dwelling units also receive operating subsidy.
- Vacant units are exempt for each unit month the units meet one of the following HUD-approved vacancies.

Vacant Units Undergoing Modernization

- Funded by Capital Fund, HOPE VI.
- Vacancies resulting from project modernization or unit modernization (such as work necessary to reoccupy vacant units) provided that one of the following conditions is met:
 - The unit is undergoing modernization (i.e., the modernization contract has been awarded or force account work has started) and must be vacant to perform the work, and the construction is on schedule according to a HUD-approved PHA Annual Plan; or
 - The unit must be vacant to perform the work and the treatment of the vacant unit is included in a HUD-approved PHA Annual Plan, but the time period for placing the unit under construction has not yet expired. The PHA must place the vacant unit under construction within two federal fiscal years (FFYs) after the FFY in which the capital funds are approved.
 - Days that units are kept vacant for use as a relocation resource are not eligible for exemption as vacancy days.
- The vacancy days accruing prior to the unit being included in the HUD-approved modernization budget and the days accruing after the unit has been turned over by the contractor are not exempted in the adjusted vacancy rate and turnaround time calculations.

Special Use Units

- Units approved and used for resident services, resident organization offices, and related activities, such as self-sufficiency and anti-crime initiatives.

Outside the Control of the PHA

- On a project-by-project basis, subject to prior HUD approval and for the time period agreed to by HUD, there are vacancies categorized as outside the control of the PHA. The project's occupancy rate is adjusted for allowable vacancies. The allowable vacancies for which a PHA receives operating subsidy and for which occupancy rate is adjusted are as follows.

Litigation

- Court order or settlement agreement that is legally enforceable.
 - Example: A judge has ruled that a unit is off limits due to a police investigation.
 - Example: A judge has ruled that a unit is off limits due to a pending estate dispute.
- Units that are vacant in order to meet regulatory and statutory requirements to avoid potential litigation (as covered in a HUD-approved PHA Annual Plan).
- Units under voluntary compliance agreements with HUD or other voluntary compliance agreements acceptable to HUD (e.g., units that are being held vacant as part of a court order, HUD-approved desegregation plan, or voluntary compliance agreement requiring modifications to the units to make them accessible per 24 CFR Part 8).

Disasters

- Units that are vacant due to a federally declared, state-declared, or other declared disaster.
 - Examples: Earthquakes, hurricanes, tornados, other declared natural disasters

Casualty Losses

- Damaged units that remain vacant due to delays in settling insurance claims.
 - The number of exempt days begins from the date of occurrence or the date the units were vacated (whichever is later) until the funds (in whole or part) are received to repair the unit(s).
 - Many PHAs choose to start repair work before the insurance settlement check is received.

SUBINDICATOR #2 – TENANT ACCOUNTS RECEIVABLE

- This subindicator measures the tenant accounts receivable of a project against the tenant charges for the project's fiscal year.
- Charges include rents and other charges to tenants, such as court costs, maintenance costs, etc.
- Measures PHA's ability to collect its tenant receivables in a timely manner.
- Assesses the average number of days receivables are outstanding.
- It is an "aging receivable indicator."
- It is recommended that PHAs establish an "Aging Receivables" tracking system to indicate past due periods of less than 90 days, 90-180 days, and 180+ days outstanding.
- Tenant accounts receivable is calculated by dividing accounts receivable by the net tenant revenue.

SUBINDICATOR #3 – ACCOUNTS PAYABLE

- This subindicator measures the money that a project owes to vendors at the end of the project's fiscal year for products and services purchased on credit against total operating expenses.
- HUD believes that the inclusion of accounts payable in the PHAS score properly reflects effective property management practices.
 - HUD stated in the interim rule that it is a management responsibility to arrange for vendor services, monitor the work, and make payment. These arrangements are fundamental to a multifamily real estate business.
 - A surplus of accounts payable is generally recognized in the property management industry as a prime indicator of a potentially or actually troubled property.
- A well-managed property or PHA should already be tracking accounts payable.
- Accounts payable calculation is the current accounts payable (less than 90 days) plus the past due accounts, divided by average monthly operating expenses.

MANAGEMENT OPERATIONS SCORING

Scoring of Occupancy Rate

- 16 points maximum.
- If the project has an occupancy rate of 98 percent or above, the project will receive 16 points.
- If the project has an occupancy rate of less than 98 percent, but equal to or greater than 96 percent, the project will receive 12 points.
- If the project has an occupancy rate of less than 96 percent, but equal to or greater than 94 percent, the project will receive 8 points.
- If the project has an occupancy rate of less than 94 percent, but equal to or greater than 92 percent, the project will receive 4 points.
- If the project has an occupancy rate of less than 92 percent, but equal to or greater than 90 percent, the project will receive 1 point.
- If the project has an occupancy rate of less than 90 percent, the project will receive zero points.

Scoring of Tenant Accounts Receivable

- 5 points maximum.
- If the project has tenant accounts receivable of less than 1.5, the project will receive 5 points.
- If the project has tenant accounts receivable of 1.5 or greater, but less than 2.5, the project will receive 2 points.
- If the project has tenant accounts receivable of equal to or greater than 2.5, the project will receive zero points.

Scoring of Accounts Payable

- 4 points maximum.
- If the project has accounts payable of less than 0.75, the project will receive 4 points.
- If the project has accounts payable of 0.75 or greater, but less than 1.5, the project will receive 2 points.
- If the project has accounts payable of equal to or greater than 1.5, the project will receive zero points.

OVERALL MANAGEMENT OPERATIONS SCORING

- 25 points maximum.
- In order to receive a passing score under the management operations indicator, the PHA's score must fall at or above 15 points, or 60% of the available points under Indicator #3.
- Subindicators:

Occupancy Rate	16 points
Tenant Accounts Receivable	5 points
Accounts Payable	4 points

Notes

Section 4 Capital Fund Indicator

DESCRIPTION AND PURPOSE

- The purpose of this indicator is to examine the period of time it takes a PHA to obligate capital fund program funds and to occupy units:
 - To ensure that the PHA obligates 90% or more of its funds as quickly as possible, but no later than 2 years after funds become available.
 - To modernize/develop public housing units and improve overall occupancy.
- Funds from the capital fund program under this section do not include HOPE VI program funds.
- Does not apply for PHAs that choose not to participate in the capital fund program of the 1937 Act.
- This indicator applies on a PHA-wide basis and not to individual projects.

SUBINDICATORS

- The two subindicators of the capital fund program indicator are:
 - Timeliness of fund obligation; and
 - The PHA's occupancy rate.

SUBINDICATOR #1: TIMELINESS OF FUND OBLIGATION

- Examines the period of time it takes for a PHA to obligate funds from the capital fund program under the 1937 Housing Act.
- The timeline for obligation of funds is statutory in the 1937 Act.
 - HUD may extend the period of time for the obligation of funds in accordance with the 1937 Act.
- Capital Fund Financing Program (CFFP) amounts are treated as “obligated” upon approval and closing of the financing.

SUBINDICATOR #2: OCCUPANCY RATE

- Measures the PHA’s occupancy rate at the end of the PHA’s fiscal year.
- HUD believes that success in addressing capital needs will be reflected in higher occupancy rates.
 - HUD stated in the interim rule that expenditure of capital funds is not necessarily a good measure of how well the funds are being used for capital expenditures, and thus the indicator now considers occupancy.
- Occupancy rate is calculated by dividing the total occupied assisted, HUD approved special use, and non-assisted units by the total ACC units less the total uninhabitable units as reflected in the Inventory Management System-PIC, or its successor.
 - This information will be calculated as of the end of the PHA’s fiscal year.

CAPITAL FUND PERFORMANCE STANDARDS**OVERVIEW**

- Maximum 10 points
 - Threshold score for this indicator must be at least 5 points, or 50% of maximum number of 10 points.
 - A PHA that receives less than 50 percent, or five points, under the capital fund program indicator *will be designated as a capital fund troubled performer.*
 - HUD awards capital fund program bonus funds according to the PHA's PHAS score. This procedure was not modified by the interim rule.

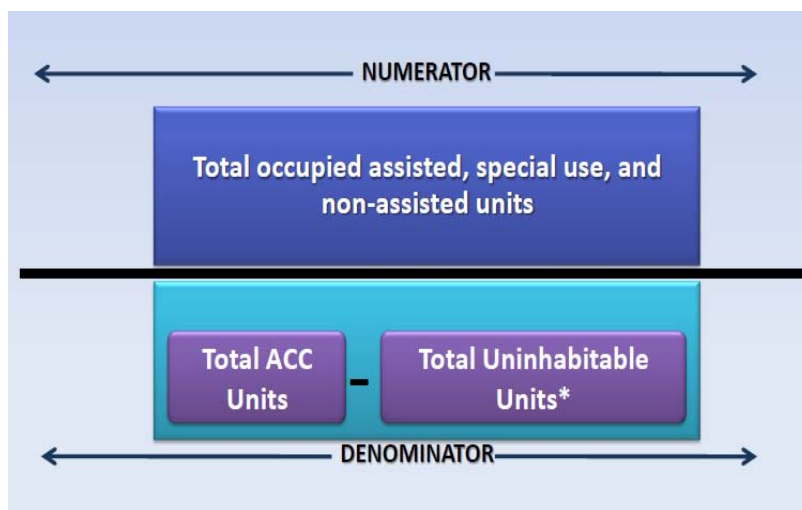
# CAPITAL FUND	10
Timeliness of Fund Obligation	5.0
Occupancy Rate	5.0

TIMELINESS OF FUND OBLIGATION

- The PHA will earn the full 5 points if it has obligated 90 percent or more of the grant amount for all of its grants on its obligation end date, or on the extended obligation end date, for all open capital fund program grants that have obligation end dates during the assessed fiscal year.
 - And does not have any grants that have been sanctioned during the assessed fiscal year.
- The PHA will earn 0 points if it has obligated less than 90 percent of the grant amount for any of its open grants on the obligation end date during the assessed fiscal year or is undergoing sanctions per the interim rule.
- If the PHA receives 0 points for this subindicator, it is not eligible for points under subindicator #2.

OCCUPANCY RATE

- A PHA will receive 5 points if it has an adjusted occupancy rate of 96 percent or more.
- The PHA will receive 2 points if it has an adjusted occupancy rate of at least 93 percent but less than 96 percent.
- Again, occupancy rate is scored only if a PHA scores 5 points on the first subindicator.
- **Note:** In June 2012, HUD published a notice in the *Federal Register* making a temporary change in the scoring of the Capital Fund indicator.
 - HUD awarded five points for the Occupancy subindicator to all PHAs for FYEs March 31, June 30, September 30, and December 31, 2011.
 - On December 16, 2013, HUD published in the Federal Register a notice extending the scoring adjustment for FYEs from March 31, 2014, through December 31, 2015. PHAs automatically received five points for the occupancy subindicator for those fiscal years.

Occupancy Rate Computation

- As reflected in IMS-PIC

ELEMENTS OF SCORING

Method of Assessment

- Uses data obtained through:
 - Analysis of obligated amounts in HUD's eLOCCS (or its successor) for all capital fund program grants that were open during the assessed fiscal year; and
 - eLOCCS is HUD's electronic Line of Credit Control System
 - IMS-PIC (or its successor) data as of the PHA's assessed FYE.
- Scores are first calculated in each subindicator. From the two subindicator scores, an indicator score is then calculated.
- Other aspects of the capital fund program will be monitored by HUD through other types of reviews.

Notes

Section 5 Summary of PHAS Indicators

Indicator Number	Indicator/Component Title	Points Possible
1	Physical Condition	40
2	Financial Condition	25
3	Management Operations	25
4	Capital Fund Program	10

Approximate Relative Weights/Points

Indicator/Sub-Indicator/Component	Indc. Pts.	Approx Pts.
#1 Physical Condition	40	
Site		6.0
Building Exterior		6.0
Building Systems		8.0
Dwelling Units		14.0
Common Areas		6.0
In addition, Health and Safety deficiencies will result in reductions to the total physical inspection score which takes into account the five areas, above, with their approximate relative weights/points		
#2 Financial Condition	25	
Quick Ratio (liquidity)		12.0
Months Expendable Net Assets Ratio (adequacy of reserves)		11.0
Debt Service Coverage Ratio		2.0
Flags:		
No audit opinion (minus 25 pts)		
Going concern opinion(*)		
Disclaimer of opinion (minus 25 pts)		
Material weakness/internal control(*)		
Adverse opinion (minus 25 pts)		
Qualified opinion(*)		
Reportable conditions(*)		
Findings of non-compliance and questioned costs(*)		
Indicator outlier analyses(*)		
(*) Points will be deducted to the extent points remain after initial scoring for the sub-indicator affected by the flag		

Public Housing Executive Management

Public Housing Assessment System

Section 5: Summary of PHAS Indicators

#3 Management Operations	25	
Occupancy		16.0
Tenant Accounts Receivable		5.0
Accounts Payable		4.0
#4 Capital Fund	10	
Timeliness of Fund Obligation		5.0
Occupancy Rate		5.0

CHAPTER 11 INDIVIDUAL COMPETENCY DEVELOPMENT PLAN

Identify at least one knowledge area or skill you plan to develop relevant to this chapter.

- **Knowledge:** Regarding the material covered in this chapter, what do you want to study or learn more about in order to gain knowledge?

- List some specific references you will study:

- **Skills:** What skills (what I know how to *do*) relevant to this chapter do I need to work on or develop? These could be technical or soft (behavior, attitude) skills.

- **Abilities:** What abilities relevant to this chapter do not come “naturally” or easily to me? How can I develop them? Be creative and don’t be afraid to think out of the box.

CHAPTER 11 REVIEW QUESTIONS

1. PHAS scores are confidential and are not made available to the public.
 - a. True
 - b. False
2. Quick Ratio is a measure of a project's:
 - a. Viability
 - b. Liquidity
 - c. Equity
 - d. Profit
3. Under the Physical Condition indicator, the project is issued a score:
 - a. Calculated by the PHA
 - b. Based on inspection done by the PHA
 - c. Based on inspection of 100% of the PHA's public housing stock
 - d. Based on the number and severity of deficiencies observed during the NSPIRE inspection
4. All are true of the NSPIRE inspection process except:
 - a. Although FHEO deficiencies are not scored, they will be reported to FHEO
 - b. The HUD-contracted inspection utilizes NSPIRE standards
 - c. The PHA is not obligated to perform its own inspection on those units inspected by the REAC NSPIRE inspector
 - d. The score begins with an assumption of a perfect score, and observed deficiencies carry point deductions
5. Of the following PHAS indicators and subindicators, which could be applied to the project?
 - a. Occupancy rate
 - b. Physical condition
 - c. Tenant accounts receivable
 - d. Quick ratio
 - e. All of the above
6. There is no "overall" PHAS score for each project.
 - a. True
 - b. False
7. Source information for the Capital Fund indicator comes from:
 - a. PHA certification on form HUD-50072
 - b. eLOCCS
 - c. Financial Data Schedule (FDS)
 - d. IMS-PIC
 - e. b and d
8. Under PHAS, average adjusted occupancy rate is measured. Which of the following category of units is not exempt from the computation of adjusted occupancy rate?
 - a. Units approved for special use such as self-sufficiency and anti-crime activities
 - b. Vacancy days due to litigation such as a court order or settlement agreement
 - c. The waiting list has been exhausted and no applicant family has accepted the unit
 - d. Units vacant due to a federally declared, state-declared, or other declared disaster

9. Under the interim PHAS, the management operations subindicators include vacant turnaround time.
- True
 - False
10. For a PHA with 250 public housing units or more, the PHAS 3-2-1 schedule means that:
- The PHA will be assessed under PHAS every three years, every other year, or every year, depending on if the PHA is a designated high performer, standard performer, or troubled performer
 - The PHA's projects will be inspected by HUD-contracted inspectors every three years, every other year, or every year, depending on the physical condition score of each project
 - All the PHA's projects will be inspected every year, regardless of physical condition score, if the PHA is designated as troubled
 - All of the above
 - b and c
11. PHAS is HUD's performance measure (report card) for both the public housing and Housing Choice Voucher programs.
- True
 - False
12. Under the interim PHAS, each project:
- Is designated a high, standard, or troubled performer
 - Receives an overall PHAS score
 - Receives a physical, financial, management, and capital fund score
 - Receives a physical, financial, and management score
13. Under the interim PHAS, the financial viability of the central office cost center (COCC) will be scored.
- True
 - False
14. Under the financial condition subindicator, which of the following is **not** true?
- PHAs report data to HUD electronically on the financial data schedule (FDS)
 - Unaudited financials must be submitted to HUD within two months after the PHA's fiscal year end
 - The PHA is not required to send audited financial reports to HUD unless the PHA was designated as troubled under the PHA's most recent PHAS score
 - Financial data of each project must be reported
 - Rent collection and occupancy have a significant impact on the project's financial condition score

Notes

CHAPTER 12 Overseeing Public Housing

INTRODUCTION

- We will explore directing and overseeing the management of some of the key functions in public housing. Some of the regulatory information in this chapter will be for your reference, since there are NMA seminars that cover this material in depth. Quality control systems and tools will be explored.

LEARNING OUTCOMES

- Upon completion of this chapter, you should be able to:
 - Describe the roles and responsibilities in managing and supervising staff
 - Identify the essential functions and reports in the oversight of the public housing program

Notes

Section 1 Directing the Management and Supervision of Staff

ROLES AND RESPONSIBILITIES

- As a director or manager, it is your job to make sure that your staff understands their roles and responsibilities. When employees are not sure where their responsibility ends and another's begins, chaos and conflict can result. PHA policies are a roadmap, guiding staff in what they will do (or not do). Procedures, protocols, forms, and practices are the “driving directions,” specifying the who, when, where, and how. The PHA needs to make sure these directions are clear so that staff knows what is expected of them.
- Fair, fact-based supervision of staff and the program should be expected at all levels. One of the hallmarks of an effective workplace is when everyone knows what is expected of them.
 - Accurate, on-time reports provide a fact-based assessment of whether expectations are being met or not.
 - The PHA's reporting and tracking systems should ensure that directors are effectively overseeing the work of managers, that managers are effectively overseeing the work of supervisors, and that supervisors are effectively overseeing the work of frontline staff.

Notes

RULES AND REGULATIONS

- Management of HUD-funded programs must be firmly based on laws, the Code of Federal Regulations (CFR), HUD handbooks, notices, FAQs, and guidance, and your agency's Admin Plan and ACOP.
- Whether the director fills the role of technical expert will depend on the size of the PHA and the nature of the program. In larger PHAs, executive and deputy directors might not work closely with HUD program regulations. Typically, program managers are the technical experts — your staff comes to you when they want answers. What is important is that someone is the technical resource to your employees — and that your employees have access to this person when they need it. In addition, the technical expert must help staff translate these references to the concrete situation with which they're dealing. Lastly, any changes in HUD regulations or guidance must be disseminated clearly to everyone who needs to know

NOTICES

- You must ensure that the PHA stays abreast of HUD requirements regarding notices. A missing or faulty notice may cause the PHA to lose a hearing or court case.

CUSTOMER SERVICE

- Service-directed professionals understand that the essence of customer service is how they communicate and establish a relationship with those they serve. The relationship is the quality of the interaction. No one is perfect, but the agency as a whole, and individual's commitment to do their best, every interaction and every day, sets the tone for staff and allows you as a director to insist on a high caliber of purpose and service to everyone.

Section 1: Directing the Management and Supervision of Staff

Notes

- Every interaction with an employee, no matter how informal, is an opportunity for you to exercise service leadership skills and model a customer-focused attitude. The messages you send to your employees by the way you manage and interact with them will — over time — begin to be carried forward by them into their interactions with customers..

<i>When the message you send to the employee is...</i>	<i>The employee's corresponding message to the customer is...</i>
"What are your problems and how can I help?"	"How can I help?"
"We want you to know what is happening in the program, so here is what is going on..."	"I am capable of helping you because I am 'in the know'."
"Each of us <i>is</i> the PHA, so we all share accountability for what happens here."	"I am empowered to help you and take pride in my ability to do so."
"We treat each other with professional respect."	"I have respect for you as the individual you are."
"We stand behind each other's decisions and support each other."	"You can count on me and the PHA to deliver on our promises."

RESIDENT PARTICIPATION

- Property managers should know the residents.
- Giving residents opportunities to participate in decision-making at the properties will enhance the sense of partnership between residents and the PHA.
- Enforcing the lease will ensure an environment at the developments that is livable and viable.
- Ensuring that property managers are trained in and evaluated on good customer service will enhance the properties' marketability.

Section 1: Directing the Management and Supervision of Staff

Notes

Section 2 Overseeing the Management of Key Program Elements through Timely and Accurate Reports

WAITING LIST

- It is essential that the waiting list be administered with utmost integrity. The PHA must self-audit this function. For example, the director should require that any time applications are “pulled” from the waiting list, a record is kept. If the PHA’s software does not retain these historical records, the PHA should manually retain and catalog, with dates, the list of applications pulled.

HUD’s Public Housing Waiting List Portal

- On November 14, 2024, HUD published a User Guide for the Public Housing Portal.
- On April 2, 2025, HUD notified PHAs that the Public Housing Waiting List module is open. PHAs must report the total number of families on the waiting list.
 - Agency-wide waiting list includes qualified applicants in the order in which housing offers will be made to any of the PHA’s PH units.
 - Site-based waiting lists include qualified applicants in the order in which housing offers will be made that request PH units in a specific project.
 - PHAs must count a single family only once. Families that are on both an agency-wide and one or more site-based waiting lists can only be reported once.

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Notes

UNIT OFFERS

- HUD requires PHAs to track unit offers to ensure accurate calculations of Operating Fund eligibility and to ensure compliance with fair housing and civil rights requirements.
 - The PHA must ensure that its practice matches the ACOP. For example, if the ACOP states that two offers will be made to each applicant, the PHA must ensure that if the applicant refuses the first offer, they receive a second offer, and that offers are counted unless they meet the PHA's definition of "good cause refusal." "I don't want to move right now," or "I don't like that neighborhood," are not good cause refusals.

OCCUPANCY RATE

- "As we have seen, occupancy is critical for a financially sound program. A vacant unit collects no rent, and if the project's occupancy rate (adjusted for HUD-allowable vacancies) for the year is below 97 percent, the PHA's operating subsidy the following year will be reduced correspondingly.
- "On December 31, 2024, HUD published PIH 2024-42, *Best Practice Guidance to Achieve Optimal Occupancy in Public Housing*.
- PHAs need to track not only how many units are vacant but should also track occupancy rate. Most PHA software systems track this information and produce monthly reports. Following is a sample report for one development:

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Notes

The Grove		Occupancy Rate Report				July 20__		
A	b	c	d	e	f	g	c/b%	c/(b-f)%
Unit Type	Total Units	Occupied Units	Capital Fund (Mod)	Other Exemptions	(d + e) Total Exemptions	Vacant Units	Gross Occupancy	Adjusted Occupancy
1 BR	40	40				0	100%	100%
2 BR	120	116		2	2	4	96.7%	98.3%
3 BR	69	57				3	95.0%	95.0%
Total	220	213		2	2	7	96.8%	97.7%

Vacant Unit Turnaround Time

- The vacant unit turnaround time report is an essential diagnostic tool if the occupancy rate is below 97 percent.
 - The report is essential for supervision of waiting list/occupancy staff and the maintenance team.
- The vacant unit turnaround time report looks at all the days between when the old tenant moves out and the new tenant moves in. Whereas the occupancy report is a snapshot in time - how many units are occupied at the end of the month - the vacant unit turnaround time report indicates how long it takes to fill units. Vacant unit turnaround time is broken into three categories:
 - Down time - how many days it takes to turn a unit to maintenance once the unit is vacant.
 - Make-ready time - how many days it takes for maintenance to make repairs and get the unit in a make-ready condition.
 - Lease-up time - how many days it takes to make unit offers to result in a move-in. This metric involves pulling enough applicants, determining eligibility, making unit offers and conducting the move-in.

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Notes

- Following is a sample vacant unit turnaround time report. Most PHA software systems provide this report based on the work order system and occupancy reporting. The PHA should track current month and YTD for each development and the aggregate public housing portfolio. A comparison to previous fiscal years enables the PHA to conduct trend analysis.

AMP 1	This Month	YTD
a. Move-ins	4	22
b. Move-outs	6	57
c. Down time for units leased	5	32
d. Make-ready time for units leased	35	212
e. Lease-up time for units leased	26	306
f. Total turnaround days (d+e+f)	66	550
g. Average turnaround time (f/a) days	16.5 days	25.0 days

Strategies to Improve Turnover

- Conduct thorough initial assessments of the vacant units to identify necessary repairs, maintenance, and upgrades and prioritize tasks based on urgency and amount of work needed.
- Preschedule move-out inspections and promptly assign a turnaround team.
- Streamline maintenance and management processes for a seamless unit turnover process team allowing managers to focus both on resident selection and vacancies.
- Engage a qualified maintenance team to assess structural, electrical, and plumbing systems comprehensively to ensure resident satisfaction at move-in and throughout tenancy.
- Employ contractors and vendors when a full maintenance staff is not available.

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Notes

- Maintain open communication channels with both outgoing and incoming residents and clearly communicate turnover timelines, expectations, and any necessary resident responsibilities.
- Establish a system for ongoing evaluation of turnover practices, incorporating feedback from staff, residents, and relevant stakeholders. Regularly review and update best practices.
- Effectively use data that provides and predicts voluntary and eviction move-outs to anticipate and pre-plan unit turnover to best prioritize units for turnover to reduce delays.
- Provide comprehensive training for staff involved in turnover processes, covering best practices, fair housing laws, and effective customer service. Regularly update training materials.

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Learning Activity 12-1: Vacant Unit Turnaround Time

- It is your first day on the job. One of the properties you oversee is Daybreak. Here is Daybreak's vacant unit report for March. Calculate the total number of turnaround days.

Unit	Move-out Date	Effective Date of New Lease	Turnaround Days
5	1/08/25	3/16/25	65
11	1/22/25	3/10/25	
7	2/22/25		
3	3/12/25	3/22/25	
Total Vacant Unit Turnaround Days			

- Following are the vacant unit turnaround reports for two developments, Daybreak and Maple Village. Calculate the average turnaround time for both developments and answer the questions at the end.

Daybreak	This Month
a. Move-ins	4
b. Move-outs	1
c. Down time for units leased	5
d. Make-ready time for units leased	97
e. Lease-up time for units leased	18
f. Total turnaround days (d+e+f)	120
g. Average turnaround time (f/a) days	

Maple Village	This Month
a. Move-ins	5
b. Move-outs	6
c. Down time for units leased	7
d. Make-ready time for units leased	34
e. Lease-up time for units leased	131
f. Total turnaround days (d+e+f)	172
g. Average turnaround time (f/a) days	

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

1. What would you start looking into at Daybreak and why? What further information would you gather?

2. What would you start looking into at Maple Village? What further information would you gather?

Rent Collection Rate Report

- The rent collection rate report expresses the percentage of rent paid. The number of occupied units fluctuates, whereas the rent collection rate is a continual analytic, regardless of how many units are occupied or vacant. Below is an example of a rent collection rate report.

The Dales	This Month
a. Rent owed. Do not include damage charges, late fees, excess utility charges, legal fees, or retroactive rent charges.	124,000
b. Rents Arrears, tenants in possession	7,000
c. Total charges (a + b)	131,000
d. Rent collected	124,998
e. Rent collection rate (d/c)	95.4%

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Notes

Learning Activity 12-2: Rent Collection Rate

- One of your properties, Creekview, has 192 units. One is offline for resident services. You are completing your monthly reports for the month of May.
- In July, tenants owed a total of \$37,824 in rent. Rent collected in May was \$35,988.
 - Rent collection rate for the month of May for Creekview was:

 %**ANNUAL REEXAMINATIONS**

- It is important to track the percentage of annual reexaminations completed on time, as in the following report.

Creekview	This Month
a. Due to be completed	129
b. Completed	127
c. Percent timely (b/a)	98.4%

- It is also essential to track accuracy of the rent calculation function, for each staff person who conducts annual and interim reexaminations in the public housing program. A sample of a monitoring report can be found in Section 3, Tracking Performance.

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Notes

RENT CALCULATION

- Notice PIH 2024-38, released 12/18/24, identifies HOTMA provisions that must be in place for annual and interim reexaminations effective by 7/1/25.
 - There are additional exclusions from annual income and additional inclusions to annual income.
 - Student financial assistance received by the student (other than that received under Title IV of the Higher Education Act (HEA)) that either by itself or in combination with HEA assistance exceeds the student's actual covered costs, is included in income.
 - Income received as a day laborer, seasonal worker or independent contractor is included in income.
 - Required HOTMA provisions include new definitions for:
 - Family - must include an otherwise eligible youth who has attained at least 18 years of age and not more than 24 years of age and who has left foster care, or will leave foster care within 90 days, in accordance with a transition plan described in section 475(5)(H) of the Social Security Act (42 U.S.C. 675(5)(H)), and is homeless or is at risk of becoming homeless at age 16 or older
 - Earned income and unearned income
 - Day laborer and independent contractor
 - Foster child and foster adults
 - Health and medical care expenses
- HOTMA provisions are optional for the following:
 - PHAs may choose not to use EIV for interim reexaminations
 - PHAs may use Safe Harbor income determinations from means-tested federal assistance programs
 - If PHA chooses to adopt this policy while still using IMS/PIC (before HUD implements new Housing Information Portal system), PHA must list annual income from other Safe Harbor means-tested federal assistance programs in Section 7 of the 50058 using the code other nonwage sources (N).

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Notes

7. Income

7a. Family member name	No.	7b. Income Code	7c. Calculation (PHA use)	7d. Dollars per year	7e. Income exclusions	7f. Income after exclusions (7d minus 7e)
HOH name	1	N		\$37,456	\$	\$ 37,456
				\$	\$	\$

- PIH 2024-38 states that third-party verification must be dated within 120 days of the date received by the PHA.
 - However, for fixed income sources, the PHA may accept a statement dated within the appropriate benefit year.

REPAYMENT AGREEMENTS AND OTHER DELINQUENCIES

- A financially healthy portfolio relies on amounts owed being collected in a timely manner. The director should ensure that repayment agreements are required per the ACOP. ACOP policies should be very clear about when the PHA will not enter into a repayment agreement (for example, if the family is already under a repayment agreement, or if the amount owed exceeds a certain threshold), how monthly payments are determined, and PHA termination for nonpayment. It is important that enforcement and termination actions are reported and tracked.

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Notes

- Below is a sample tracking report.

Total number of households with repayment agreements	12			
Total owed under all repayment agreements	\$2,234			
Aging receivables for repayment agreements	Current (1-30 Days)	Over 30 Days (list actions taken for each household)	Over 60 Days (list actions taken for each household)	Over 90 Days (list actions taken for each household)
	\$471	\$324	\$122	\$64

MANAGING THE MAINTENANCE FUNCTION

- Whether the maintenance function is centralized or decentralized (i.e., overseen at the property), the manager overseeing maintenance must communicate daily about maintenance priorities and schedules. The manager should carefully analyze the following reports at least monthly:
 - Work order report.
 - Vacant unit turnaround time report (make-readies). As discussed, if PHA maintenance staff is responsible for make-readies, the manager should carefully track this report. If make-readies are contracted out, the manager should inspect often and make expectations clear.
 - Emergency work orders are the top priority. The manager needs to carefully track and ensure that 100 percent of emergency work orders are completed, or emergency abated and then assigned as an urgent work order, within 24 hours

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Notes

Creekview	This Month	Year-to-Date
1. Total requested/issued	2	32
2. Completed/abated within 24 hours in <i>a</i> (above)	2	32
3. Percent completed within 24 hours (<i>b/a</i>)	100%	100%

- Average number of days to complete nonemergency work orders report is essential for the manager to assess the efficiency of the maintenance function.

Creekview	This Month	Year-to-Date
a. Beginning balance from previous month(s)	8	102
b. Number of non-emergency work orders received – include work orders from <i>a</i> (above)	57	534
c. Total number of calendar days to complete non-emergency work orders in <i>b</i> (above)	289	3216
d. Average number of calendar days to complete non-emergency work orders (<i>c/b</i>)	5.1 days	6.0 days

FLAT RENTS

- ¹Flat rents must be set at no less than 80 percent of the:
 - Applicable FMR or
 - Small Area Fair Market Rent (SAFMR)
 - Unadjusted rent (where HUD does not publish a SAFMR)
 - The unadjusted rent is the FMR estimated directly from source data that HUD uses to calculate FMRs in nonmetropolitan areas.
- Note: Always round up — the flat rent must be no less than 80 percent of the above amounts
- For areas where HUD has not determined a SAFMR or an unadjusted rent, PHAs must set flat rents at no less than 80 percent of the FMR or apply for an exception flat rent.

1. Notice PIH 2021-27

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Notes

- For low-income housing tax credit (LIHTC) public housing units, it is possible that the flat rent amount may exceed the LIHTC maximum gross rent limit. In the event that these amounts conflict, PHAs should set flat rents so as not to exceed the LIHTC maximum rent.

Flat Rents and the 50058

- If the Tenant chooses flat rent, there is no 10c, 10d or 10f. However, the PHA needs to show the UA (10r) on the 50058 per Notice PIH 2017-23, as below:

Head of household name		Social Security Number	Date modified (mm/dd/yyyy)
10. Public Housing and Turnkey III			
10a.	TTP: copy from 9j	\$ 2,646	10a.
10b.	Unit's flat rent (see Instruction Booklet for prorated flat rent calculation)	\$ 2,300	10b.
Income Based Rent Calculation (if prorated rent, skip to 10h)			
10c.	Income based ceiling rent, if any	\$	10c.
10d.	Lower of TTP or income based ceiling rent (if no income based ceiling rent, put 10a)	\$	10d.
10e.	Utility allowance, if any	\$	10e.
10f.	Tenant rent: 10d minus 10e		10f.
	If positive or 0, put tenant rent	\$	10f.
	If negative, credit tenant	\$	10f.
Income Based Prorated Rent Calculation (if not prorated, skip to 10u)			
10h.	Public Housing maximum rent	\$	10h.
10i.	Family maximum subsidy: 10h minus 10a	\$	10i.
10j.	Total number eligible		10j.
10k.	Total number in family		10k.
10n.	Eligible subsidy (10i + 10k) X 10j	\$	10n.
10p.	Mixed family TTP: 10h minus 10n	\$	10p.
10r.	Utility allowance, if any	\$ 58	10r.
10s.	Mixed family tenant rent: 10p minus 10r		10s.
	If positive or 0, put tenant rent	\$	10s.
	If negative, credit tenant	\$	10s.
Type of Rent			
10u.	Type of rent selected:		
	☐ Income based	☒ Flat	

Notes

Requesting Exception Flat Rents

- ¹From the effective date of the current fiscal year's FMRs, PHAs have 90 days to either implement new FMR-based flat rents or submit an exception request.
- PHAs may request an exception flat rent that is lower than either 80 percent of the FMR or SAFMR/unadjusted rent, if the PHA can demonstrate, through the submission of a market analysis, that current options do not reflect the unit's market value and HUD agrees with the PHA's analysis.
 - A market analysis must be submitted using form HUD-5880 "Flat Rent Market Analysis Summary", which may be accessed at <https://www.hud.gov/sites/dfiles/OCHCO/documents/5880.xlsx>.
 - Requests can be made by sending an email to flatrentexceptionrequests@hud.gov with the following information attached:
 - Form HUD-5880 "Flat Rent Market Analysis Summary"
 - If applicable, any local market related justifications
 - PHAs must receive written HUD approval before implementing exception flat rents.
 - PHAs with a previously approved flat rent exception request may submit a written request to extend the approved flat rents for up to two additional years by following the requirements outlined in Notice PIH 2021-27.
 - Detailed information on how to request exception flat rents can be found in Notice PIH 2021-27.
 - If a PHA has an approved flat rent exception request, the PHA must update flat rents immediately after approval and apply flat rents to new admissions and reexaminations within 60 days of the change.

1. Notice PIH 2021-27

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Notes

- Approved exception requests remain in effect until the end of the 90-day period commencing upon the effective date of HUD's Final Fiscal Year FMRs or the date on which a PHA updates and makes effective its flat rent schedule based on that fiscal year's FMRs, whichever comes first.
- If HUD denies an exception flat rent request, a PHA may appeal the decision in writing to their HUD field office no later than 30 days after receiving notification of the denial. If HUD denies the appeal, the PHA must immediately set flat rents at no less than the lower of 80 percent of the FMR or SAFMR.
- While awaiting HUD response for any exception request or the appeal for exception request, the PHA may continue to use its current flat rent schedule.

Utility Allowances and Flat Rents

- PHAs must apply a utility allowance to flat rents as necessary. For units where utilities are tenant paid, the PHA must adjust the flat rent downward by the amount of the utility allowance for the unit.
 - For example, if the PHA chose to use 80 percent of the current FMR as their flat rent and for a 1 bedroom unit in a PHA's area that amount is \$700:
 - If the PHA's utility allowance for a 1-bedroom is \$50, the flat rent is \$650.
 - If the PHA pays all utilities (the PHA's utility allowance for the 1-bedroom is \$0), the flat rent is \$700.
- In cases where UAs are applied, PHA should report the amount of the UA on line 10e of the form HUD-50058.

Section 2: Overseeing the Management of Key Program Elements through Timely and Accurate

Notes

Section 3 Terminations and Grievance Procedures

TERMINATIONS

- o HUD requires mandatory termination of the lease for certain actions or inactions of the family. There are other actions or inactions of the family that constitute grounds for lease termination, but the lease termination is not mandatory. The PHA must establish policies for termination of the lease in these cases where termination is optional for the PHA.

HUD Required Terminations

- Failure to document citizenship status
 - This does not apply to ineligible noncitizens already in the household where the family's assistance has been prorated.
- Failure to disclose and document Social Security numbers
- Failure to accept PHA's offer of lease revision
- Methamphetamine conviction
- Lifetime registered sex offenders
 - Should a PHA discover that a member of an assisted household was subject to a lifetime registration requirement at admission and was erroneously admitted after June 25, 2001, the PHA must immediately terminate assistance for the household member.
 - In this situation, the PHA must offer the family the opportunity to remove the ineligible family member from the household. If the family is unwilling to remove that individual from the household, the PHA must terminate assistance for the household.
- Noncompliance with community service requirements
- Death of a sole family member

Notes

- Over-income families - An over-income family is defined as a family whose annual income exceeds the over-income limit for 24 consecutive months. For over-income families, the PHA must make a policy decision to either:
 - Terminate the family's tenancy within six months of the PHA's final notification of the end of the 24-month grace period; or
 - Within 60 days of the PHA's final notification of the end of the 24-month grace period or the next lease renewal (whichever is sooner), have the family execute a new lease that is consistent with 24 CFR 960.509 and charge the family a monthly rent that is the higher of the applicable fair market rent (FMR) or the amount of monthly subsidy for the unit, including amounts from the operating and capital funds.

PHA Authorized Terminations

- There are other actions or inactions of the family that constitute grounds for lease termination (some of which are required by HUD to be in the lease), but the lease termination is not mandatory. The PHA must establish policies for termination of the lease in these cases where termination is optional for the PHA.
- It is important for PHAs to consider the circumstances when determining whether to terminate and evict a family for actions not required by HUD as mandated terminations. For example, nature of the lease violation, extent to which the family has tried to remedy the situation, ill or disabled family members not involved in the lease violation, and/or issues of reasonable accommodation for the family member involved in the lease violation, may be mitigating factors to be considered.

Notes

Notices

- Before terminating on the basis of a criminal record, the PHA must notify the household of the proposed action and must provide the tenant and the subject of record with a copy of the criminal record and an opportunity to dispute the accuracy and relevance of that record.
- Notices of lease termination must be in writing. The notice must state the specific grounds for termination, the date the termination will take place, the resident's right to reply to the termination notice, and their right to examine PHA documents directly relevant to the termination or eviction. If the PHA does not make the documents available for examination upon request by the tenant, the PHA may not proceed with the eviction [24 CFR 996.4(m)].
- Notices of lease termination must be provided in accessible formats to ensure effective communication for individuals with disabilities, and the notice must provide meaningful access for persons with LEP.
- All notices of lease termination due to a tenant's failure to pay rent must also include:
 - Instructions on how the tenant can cure the nonpayment of rent violation, including:
 - An itemized amount separated by month of alleged rent owed by the tenant;
 - Any other arrearages allowed by HUD and included in the lease separated by month; and
 - The date by which the tenant must pay the amount of rent owed before an eviction for nonpayment of rent can be filed;
 - Information on how the tenant may recertify their income, request a minimum rent hardship exemption, or a request to switch from flat rent to income-based rent; and
 - In the event of a Presidential declaration of a national emergency, information as required by HUD.

Notes

- For notices of lease termination due to a tenant's failure to pay rent, the PHA must not provide tenants with a termination notice prior to the day after the rent is due according to the lease. The PHA must not proceed with filing an eviction if the tenant pays the alleged amount of rent owed within the 30-day notification period [24 CFR 966.4(r)].
- If the tenant pays the full amount of the alleged rent owed but not the arrearages, the nonpayment will still be considered cured, and an eviction for nonpayment of rent cannot be filed. However, HUD emphasizes that the protections in this rule do not apply to other types of evictions that result from non-rent lease violations, such as nonpayment of arrearages if allowed under the lease.
- HUD also suggests the termination notice advise individuals of their right to request reasonable accommodations, include information on how individuals with disabilities can request a reasonable accommodation, and include a point of contact for reasonable accommodation requests.

GRIEVANCE PROCEDURES

- With the exception of decisions related to restrictions on noncitizens, an informal hearing is for applicants and a grievance hearing is for tenants.
 - Hearings may be conducted in person or remotely, depending on PHA policy. See Notice PIH 2020-32 for the requirements regarding conducting remote informal hearings.
- Generally, the party seeking to change the status quo has the burden of proof. The standard of proof in a hearing is preponderance of the evidence.

Section 3: Terminations and Grievance Procedures

Notes

- The PHA must also demonstrate that it followed all the basic steps in providing due process rights to tenants. The elements of due process in public housing, as determined by HUD, include the following safeguards:
 - Adequate notice to the tenant of the grounds for terminating the tenancy and for eviction;
 - Right of the tenant to be represented by counsel or anyone else of his or her choice;
 - Right to an impartial hearing officer;
 - Right to review and copy any documents the PHA intends to present, before the hearing;
 - Right to a private hearing unless the tenant requests a public hearing;
 - Opportunity for the tenant to refute the evidence presented by the PHA including the right to confront and cross-examine witnesses and to present any affirmative legal or equitable defense that the tenant may have; and
 - A decision on the merits, including due process and preponderance of the evidence.
- Before the grievance hearing there is an extra step, referred to as an “informal settlement,” a required element in due process, where a grievance may be informally settled. Informal settlements are typically conducted by property manager. Property managers should be trained in this process.
- If the PHA is in a HUD-declared due process state, the PHA may bypass the grievance procedures for a grievance concerning termination or eviction that involves:
 - Any criminal activity that threatens the health, safety or right to peaceful enjoyment of the premises or other residents or employees of the PHA;
 - Any violent or drug-related criminal activity on or off such premises; or
 - Any criminal activity that resulted in a felony conviction of a household member.

Section 3: Terminations and Grievance Procedures

Notes

- When the PHA is not required to offer the resident an opportunity for a grievance hearing because HUD has made a due process determination and the lease termination is for one of the criteria above, the notice of lease termination must state that the tenant is not entitled to a grievance hearing on the termination. It must specify the judicial eviction procedure to be used by the PHA for eviction of the tenant, and state that HUD has determined that the eviction procedure provides the opportunity for a hearing in court that contains the basic elements of due process as defined in HUD regulations.
- It is important for the hearing officer to check that all due process was followed when making their hearing decision. Following is a sample checklist that can assist in ensuring that the PHA followed all due process steps.

NOTE: This is not a HUD form or a legal form. State law may affect some of these categories; in addition, your PHA may have particular procedures that should be incorporated. Check with director or legal counsel before adopting this form. This form can be utilized to ensure the PHA has met all due process obligations.

GRIEVANCE HEARING CHECKLIST—PUBLIC HOUSING			
Applicability			
Yes ☐	No ☐	Was this adverse action subject to the grievance hearing process per the PHA's ACOP and HUD regulations? If "No" to the above, why not? Consult with hearing coordinator or legal counsel before discontinuing the hearing process.	
If PHA intends to terminate based on criminal records or sex offender records			
Yes ☐	No ☐	If PHA intends to terminate based on criminal or sex offender records other than obtained through public information, was notice of <i>intent</i> to terminate sent to head of household and subject of record <i>before</i> any notice of termination?	
Yes ☐	No ☐	With notice, was copy of criminal record sent, or notification that head of household and subject of record could view and copy such record at PHA office?	
Yes ☐	No ☐	Did notice include the right of family to dispute accuracy and relevance of criminal record, with a deadline in which to do so?	
Yes ☐	No ☐	Did PHA uphold decision to terminate after family disputed accuracy or relevance, or family did not invoke their right to dispute? If "Yes", continue.	
Due Process			
Yes ☐	No ☐	Is the PHA in a due process state? If "Yes", continue with this section. If "No", continue to "Informal Settlement"	
If the adverse action is a termination action, Is the termination action for one of the following? (check applicable)			
1	Yes ☐	No ☐	Any criminal activity that threatens the health, safety or right to peaceful enjoyment of the premises of other tenants or employees of the PHA
2	Yes ☐	No ☐	Any violent or drug-related criminal activity on or off such premises
3	Yes ☐	No ☐	Any criminal activity that resulted in felony conviction of a household member Any criminal activity that resulted in felony conviction of a household member
Yes ☐	No ☐	If "Yes" to #1, 2, or 3 above, did the notice of adverse action inform the tenant that the PHA is in a due process state and this issue is excluded from the PHA's grievance procedures, and how the tenant proceeds to judicial review?	
Adequate Notice			
Yes ☐	No ☐	If the notice is for termination, were VAWA forms HUD-5382 and 5380 sent with the notice? If "No", STOP. Resend the notice with forms HUD-5382 and 5380.	
Yes ☐	No ☐	Did notice state the reasons for the adverse action in sufficient detail to enable the tenant to prepare a defense? Did the notice contain citations (CFR, ACOP, lease)? If "No", STOP. Ensure the notice is adequate before moving forward.	
Yes ☐	No ☐	Did notice explain that the tenant had the right to request a grievance hearing and how the request should be made?	

Yes ☐	No ☐	Did the notice state the deadline for the family to request a hearing and was the deadline consistent with the PHA's ACOP (e.g., 10 business days)?	
Yes ☐	No ☐	Did notice include, or was notice accompanied with, the right to request a reasonable accommodation for a person with disabilities?	
Yes ☐	No ☐	Did notice include, or was notice accompanied with, the LEP right to request oral interpretation, free of charge?	
Informal Settlement			
Yes ☐	No ☐	Was an informal settlement held?	
Yes ☐	No ☐	Did the person who conducted the informal settlement produce a written summary within the required timeframe, per PHA policy? Did the written summary include information on how the tenant may request a grievance hearing if the tenant disagrees with the outcome of the informal settlement? If the answer to either of these questions is "No", consult director or legal counsel.	
Yes ☐	No ☐	Was the PHA's decision upheld? If "Yes", continue.	
Did family request hearing in timely manner?			
Yes ☐	No ☐	Did the tenant request a hearing within deadline set forth in the notice of adverse action?	
Yes ☐	No ☐	If "No" to the above, did the tenant have good cause for filing a late request for the hearing?	
PHA's response to request for a hearing			
Yes ☐	No ☐	Did the PHA provide the family with a copy of its grievance procedures, explaining the family's rights and responsibilities, and the PHA's responsibilities?	
Yes ☐	No ☐	Did the PHA's grievance procedures, provided to the family, explain the discovery process, including the family's right to view and copy all documents relevant to the hearing (that the PHA intends to produce at the hearing)? If the answer is "No", STOP. Do not move forward until family is given the right to view and copy PHA documents relevant to the hearing.	
Selection of Hearing Officer			
4	Yes ☐	No ☐	Did you, the hearing officer, make or approve the decision under review or are you a subordinate of the person who did make or approve the decision?
5	Yes ☐	No ☐	Is there any evidence suggesting that you, as the hearing officer, should be disqualified for bias, prejudice, conflict of interest, or because of ex parte contacts with one of the parties?
If "Yes" to questions #4 or 5 above, excuse yourself from the hearing and refer the case to the hearing coordinator or PHA legal counsel.			
Discovery			
	Yes ☐	No ☐	Did family ask for opportunity to examine relevant documents prior to hearing; if so, were they allowed to copy such documents (at their own expense or at no cost, as stated in ACOP)? OR, was PHA hearing packet sent to family and hearing officer before the hearing? If "No", STOP. Ensure this step has been fulfilled.
	Yes ☐	No ☐	Did PHA fail to make any documents available to the family, which should be excluded at the hearing?
Witnesses			
	Yes ☐	No ☐	Did tenant request that any household members or witnesses participate remotely (video or telephone)?
	Yes ☐	No ☐	If "Yes" to the above, did the PHA and tenant make arrangements needed so that household members or witnesses could participate remotely?

Reasonable Accommodation			
6	Yes ☐	No ☐	At any time before the hearing, did the participant indicate that a reasonable accommodation was needed for person with disabilities in order to participate in the hearing process?
7	Yes ☐	No ☐	If "Yes" to #6 above, was the request for an accommodation reviewed and considered?
8	Yes ☐	No ☐	If "Yes" to #6 above, was the request for an accommodation granted? If "Yes", what was provided?
If "No" to #8 above, on what basis was the request for an accommodation denied?			

Section 3: Terminations and Grievance Procedures

Notes

Section 4 Other Elements of Public Housing Oversight

MANAGING EIV

- Within the EIV system, the Income Validation Tool (IVT) provides a comparison between tenant-reported income and previously reported income on the form HUD-50058 and includes any discrepant income information from data sharing with HUD partners. The IVT replaces the income discrepancy report. Data in the tool is updated monthly.
- The EIV Income Report and Income Validation Tool (IVT) are mandatory for annual interim reexaminations.
 - Per Notice PIH 2024-38, EIV is no longer required for interim reexaminations.
 - They are not available for applicant families or new members added to a currently assisted household.
- EIV quarterly wages are not to be used to project annual income at an annual or interim reexamination since income information in EIV is up to six months old, but it can be used to calculate repayment agreements.
 - However, EIV is used as third-party verification and to calculate annual income for Social Security and SSI benefits.

EIV Access and Security

- HUD imposes additional security requirements for safeguarding EIV data. Administrators must ensure that:
 - Access to EIV is assigned to individual staff members according to their duties.
 - EIV access is revoked when staff members leave the agency or no longer require access.
 - Staff members receive mandatory EIV training before accessing the system and that they satisfy the required annual security awareness responsibility.
 - Staff members who will work with or handle EIV data receive EIV security training at the time of hire and annually thereafter.
 - The PHA is in compliance with HUD requirements for security of electronic and hardcopy EIV data.

TERMINATION OF ASSISTANCE

- The EIV system collects information about adverse terminations and debts owed to PHAs. Your PHA must review each termination to determine the reason for the termination and whether the family owes money to the agency for overpaid subsidy. Staff must then update the EIV debts and terminations module. This information will be available to other PHAs should the family apply for assistance elsewhere.

OTHER SECURITY CONCERNS

Criminal Records

- The records obtained for criminal background checks are especially sensitive. HUD regulations impose civil and criminal penalties for improper disclosure of these records. In order to prevent improper disclosure and to ensure confidentiality, many PHAs keep criminal background records in a separate secured location. These records must be destroyed promptly after the PHA has reviewed them and taken any appropriate action.

Disclosure to PHA Staff

- Confidential records may be disclosed to PHA staff members with a job-related need to know, such as supervisors or staff members responding to phone inquiries. Staff members should not otherwise discuss confidential client information. Files should not be left unattended in unsecured areas of the office.
- Records may also be disclosed to hearing officers and officers of the court in the case of legal action. Contractors who will work with confidential information should sign non-disclosure agreements.

Sensitive Personal Information

- In order to prevent identity theft and ensure confidentiality, PHAs should take extra steps to safeguard sensitive personal information. Sensitive information includes documentation of social security and driver license numbers, bank and credit card information, and other personally identifiable information.

Section 4: Other Elements of Public Housing Oversight

Notes

- In order to protect confidentiality, PHAs should limit the collection of sensitive information as much as possible. Such information should only be discussed with clients in private, secured areas. Confidential medical records should not be received and must be shredded if received. VAWA information must be kept in strict confidentiality and not entered into any shared database. Paper and electronic files containing sensitive data should be protected from unauthorized access. Sensitive information should not be removed from the PHA office.

CHAPTER 12 INDIVIDUAL COMPETENCY DEVELOPMENT PLAN

Identify at least one knowledge area or skill you plan to develop relevant to this chapter.

- **Knowledge:** Regarding the material covered in this chapter, what do you want to study or learn more about in order to gain knowledge?

- List some specific references you will study:

- **Skills:** What skills (what I know how to *do*) relevant to this chapter do I need to work on or develop? These could be technical or interpersonal or intrapersonal skills.

- **Abilities:** What abilities relevant to this chapter do not come “naturally” or easily to me? How can I develop them? Be creative and don’t be afraid to think out of the box.

CHAPTER 12 REVIEW QUESTIONS

1. In public housing, the first step in the grievance process is when tenants have the opportunity to informally settle a grievance with the PHA. This informal settlement is often conducted by the property manager.
 - a. True
 - b. False
2. The notice of termination for nonpayment of rent:
 - a. Requires a 14-day notice
 - b. Requires a 30-day notice
 - c. Is up to PHA policy and state law
3. PHAs do not need to track unit offers made to applicants..
 - a. True
 - b. False
4. PHAs' policies on denial and termination for criminal history must:
 - a. Establish a zero tolerance for drugs and other criminal history on or off the premises
 - b. Differentiate between criminal activity that poses a risk or threat and that which does not
 - c. List law enforcement's criminal code in order to deny or terminate for that criminal activity
 - d. Ensure denial and termination for all criminal conduct
5. HUD's EIV guidance is "safe harbor" guidance and therefore not required.
 - a. True
 - b. False
6. Overseeing the maintenance function at the property may require property managers to have competencies in all the following except:
 - a. Setting clear expectations and managing priorities
 - b. Knowing how to make all routine maintenance repairs
 - c. Communication and problem-solving
 - d. Understanding the function and elements of UPCS inspections and PHAS physical score
 - e. Prioritizing make-readies, health & safety repairs, routine maintenance, and preventive maintenance
 - f. Understanding the work order system
7. You are overseeing property managers' rent collection reports. Oakview is a project with 240 units. In the month being reviewed, tenants owed \$61,040 in rents. Rent collected for that month was \$59,980. The rent collection rate for that month was:
 - a. 100 percent
 - b. 61.0 percent
 - c. 98.3 percent
 - d. 1.1 percent

8. Periodic analysis of the effectiveness and efficiency of the waiting list should include: a. If units are being filled quickly b. If eligibility is determined accurately c. Adequate and fair screening for suitability, including history of drug and criminal activity d. Reasonableness of cost to the project(s) e. All the above	9. Maintenance costs are typically one of the largest expenses in the properties' budgets. a. True b. False

Exhibit 12-1: Example of Project and Portfolio Trend Analysis Reports

Project Performance – Current Fiscal Year YTD						
	Juniper Gardens	The Elms	Garden Glen	Daybreak	The Grove	TOTAL
PASS						
FASS	25	24	20	23	24	23
MASS	25	25	18	24	24	24
Occupancy	98%	97.9%	94.8%	97.1%	97.2%	97.2
Turnaround Time ¹	12 days	8 days	24 days	12 days	13 days	15 days
Rent Collection Rate	98%	98.2%	94.6%	96.8%	97.9%	97.3
Emergency WOs ²	100%	100%	100%	100%	100%	100%
Nonemergency WOs ³	4 days	6 days	28 days	18 days	16 days	15 days
Recertifications ⁴	98%	98%	94%	96%	97%	97%

Portfolio Analysis – Current Fiscal Year											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	TOTAL YTD
FASS											
MASS											
CAP FUND											
Occupancy	96%	96.4%	94.8%	96.3%	97.2%	98.1%	97.8%	98.1%	97.9%	97.4	97.2
Turnaround Time ¹	20	24	46	19	15	12	20	18	12	13	21 days
Rent Collection Rate	94%	94.8%	95.6%	97.8%	98.2%	98.1%	98.2%	97.9%	98.3%	98.2%	97.3%
Emergency WOs ²	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Nonemergency WOs ³	24	22	25	18	16	14	12	14	12	10	15 days
Recertifications ⁴	95%	96%	96%	96%	97%	96%	98%	97%	97%	96%	97%

Portfolio Trend Analysis				
	FY 2017	FY 2018	FY 2019	FY 2020 YTD
Overall PHAS Score	68	73	84	≈91
PASS	25	26	31	
FASS	18	19	21	23
MASS	15	18	22	24
CAP FUND	10	10	10	10
Occupancy	96.4%	94.8%	96.3%	97.2%
Turnaround Time ¹	24 days	46 days	19 days	15 days
Rent Collection Rate	94.8%	95.6%	96.8%	97.3%
Emergency Work Orders ²	100%	100%	100%	100%
Nonemergency Work Orders ³	29 days	22 days	18 days	15 days
Recertifications ⁴	96%	96%	96%	97%

¹ Average number of days between move-out and new lease-up. If turnaround time > 15 days, chart will indicate down time, make-ready time, and lease-up time

² Percentage of emergency work orders completed or abated within 24 hours

³ Average number of days to complete nonemergency work orders

⁴ Percentage completed by effective date

Exhibit 12-2: Management Review for Public Housing Projects

Management Review for Public Housing Projects

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. ____
Exp. ____

Public Reporting Burden for this collection is based on the size of the project and the level of compliance and is estimated to average .95 hours per respondent, and includes time required for public housing agencies to review and respond to information requests. The information is being collected for a management review of individual public housing projects and will be used to assess the management operations of projects under asset management. In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520), this agency may not collect this information and public housing agency program participants are not required to respond to this collection of information unless the collection displays a current valid OMB control number. OMB No. 2577-xxxx, expires xx/xx/xxxx.

PURPOSE: To assess management and oversight of public housing projects.

INSTRUCTIONS: This form is to be completed by HUD staff or contractors in accordance with the annual Management Plan, which will provide guidance regarding the portions of the form HUD-5834 that are required.

A. Conducting the On-Site Review

- Complete all applicable questions.
- Use additional sheets as necessary to complete applicable questions.
- Upon completion of the on-site review, hold a closeout session with the public housing property manager to discuss observations and conclusions.

B. After On-Site Review

- Record deficiencies, findings and corrective actions. The corrective action must include a requirement that the project manager correct identified errors and omissions. The project manager must also describe how systems, controls, policies and procedures were adjusted or changed to assure that the errors and omissions do not recur.
- Complete the Review Summary.
- Distribute the review report, with findings, concerns and corrective actions to the public housing agency.

C. Management Review Deficiency Follow up

- Conduct follow-up activity until all corrective actions as required in the Summary Report have been completed.

Form HUD-5834(XXXXX)
DRAFT FOR INTERNAL HUD USE ONLY

**Management Review for Public
Housing Projects**

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. ____
Exp. ____

Review Summary

PHA Name and Code:
PHA Address:
Executive Director:
PHA Phone:
Review Code:
Review Dates:
PHA email address:

Project Name and Number:
Project Address:
Project Manager:
Project Phone:
Number of Units:
Occupancy Type:
Project email address:
DOFA Date:

Categories	Review Results	Scoring Management Operations			
	No. of Findings	Grades	Grade Values	Maximum Points	Actual Points
1. General Appearance and Security					
1.1 Appearance and Market Appeal					
1.2 Security					
2. Follow-up and Monitoring of Project Inspections					
2.1. Exigent Health and Safety (EHS) Deficiencies					
2.2 Lead-Based Paint Inspection Deficiencies					
3. Maintenance and Modernization					
3.1 Unit Inspections					
3.2 Work Orders					
3.3 Preventive Maintenance					
3.4 Energy Conservation/Utility Consumption					
3.5 Modernization					
4. Financial Management					
4.1 Accounts Payable					
4.2 Rent Collection					
4.3 Budget Management					
4.4 Procurement					
5. Leasing and Occupancy					
5.1 Vacancy Rate					
5.2 Turnaround Time					
5.3 Occupancy Review					
6. Tenant/Management Relations					
6.1 Economic Self-Sufficiency					
6.2 Resident Involvement in Project Administration					
7. General Management Practices					
7.1. Management Review Findings					
7.2. Other Prior Review Findings					
7.3. Insurance					
Totals			Sub-Total:		
			Adjustment		
			Adjustment		
			Adjustment		
			Total Score:		

Name and Title of Person Preparing this Report: (Please type or print):

Signature:
Date:

Name and Title of Person Approving this Report: (Please type or print):

Signature:
Date:

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Management Review for Public Housing ProjectsU.S. Department of Housing and Urban Development
Office of Public and Indian HousingOMB Approval No. ____
Exp. ____**1. GENERAL APPEARANCE AND SECURITY****1.1 Appearance and Market Appeal**

Rate the project on curb appeal and marketability in the 12 categories listed below. Enter a "2" (highest rating), "1" (moderate rating), or "0" (lowest rating) for each category. Enter "EX" to exclude the category. Do not leave any boxes blank.

Category	Rating	Category	Rating
1. Project Entrance		7. Landscaping	
2. Building Exterior		8. Graffiti	
3. Paved Surfaces		9. Public Spaces and Amenities	
4. Fencing, Railing, Porches, Overhangs, Ramps		10. Windows	
5. Overall Project Appearance		11. Project Debris	
6. Trash		12. Units	

Overall Project Rating:

Comments:

1.2 Security

Please indicate if there is evidence of project crime, as indicated by the following (check all that apply):

☐ Crime statistics	☐ Discussions with law enforcement	☐ Discussions with residents
☐ Law enforcement certification	☐ Reviewer Observations	☐ Other

If any boxes above are checked, has the project developed, in coordination with the local government, an anti-crime security plan? Yes ☐ No ☐

Has the project formally adopted screening policies/procedures that deny admission based on the following criteria (all are required)? Yes ☐ No ☐

- Recent history of drug-related or violent criminal activity
- Evicted from federally assisted housing in last 3 years because of drug activity
- Currently engaging in the illegal use of controlled substance, or drug activity
- Convicted of manufacturing or producing methamphetamine on the premises of the project
- Sex offenders subject to a lifetime registration requirement
- Alcohol abuse or a pattern of drug or alcohol abuse that might threaten other residents

Has the project formally adopted policies/procedures to evict residents under the following circumstances (all are required)? Yes ☐ No ☐

- Drug-related criminal activity
- Alcohol abuse
- Criminal activity

Comments:

2. FOLLOW-UP AND MONITORING OF PROJECT INSPECTIONS**2.1 Follow-Up and Monitoring of Project Inspections and Observations (Sampling is at the reviewer's discretion.)**

Were all EHS deficiencies from the most recent PASS/REAC inspection repaired/abated in 24 hours or less? Yes ☐ No ☐ Unclear ☐ NA ☐

Comments:

2.2 Follow-Up and Monitoring of Lead-Based Paint Inspection – The following questions only apply to family properties, or elderly properties housing children under six years of age, that were constructed prior to 1978 or to properties with EIBLL reports.

Are required LBP inspections completed or revisions/augmentations of prior inspections completed, if necessary? Yes ☐ No ☐ Unclear ☐ NA ☐

Has a risk assessment been completed, if required? Yes ☐ No ☐ Unclear ☐ NA ☐

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Comments:

3. MAINTENANCE

What was the project's latest Physical Assessment Sub-System score based on a 100 point scale?

3.1 Unit InspectionsDoes the project have an adequate system to track annual unit inspections? Yes ☐ No ☐

For the 12-month period prior to the review, what percentage of required inspections was completed?

Comments:

3.2 Work OrdersDoes the project have an adequate system to track tenant-generated maintenance work orders? Yes ☐ No ☐

What was the average completion time for tenant-generated maintenance work orders during the review period?

If the property has made progress in the preceding three years to reduce the period of time required to complete maintenance work orders, what was the average completion time for maintenance work orders for the month ending 3 years prior to the management review?

Comments:

3.3 Preventive Maintenance

Complete the table below to identify systems included in the preventive maintenance plan.

PREVENTIVE MAINTENANCE PLAN					
Systems	Does it apply to the property?	Included in Plan?	System	Does it apply to the property?	Included in Plan?
☐ HVAC	Yes ☐ No ☐	Yes ☐ No ☐	☐ Boilers	Yes ☐ No ☐	Yes ☐ No ☐
☐ Security Systems	Yes ☐ No ☐	Yes ☐ No ☐	☐ Emergency generators	Yes ☐ No ☐	Yes ☐ No ☐
☐ Fire Safety	Yes ☐ No ☐	Yes ☐ No ☐	☐ Other (Specify)	Yes ☐ No ☐	Yes ☐ No ☐
☐ Roof	Yes ☐ No ☐	Yes ☐ No ☐	☐ Other (Specify)	Yes ☐ No ☐	Yes ☐ No ☐
☐ Flashing, gutters, downspouts	Yes ☐ No ☐	Yes ☐ No ☐	☐ Other (Specify)	Yes ☐ No ☐	Yes ☐ No ☐
☐ Intercoms /Doorbells	Yes ☐ No ☐	Yes ☐ No ☐	☐ Other (Specify)	Yes ☐ No ☐	Yes ☐ No ☐
☐ Accessibility	Yes ☐ No ☐	Yes ☐ No ☐	☐ Other (Specify)	Yes ☐ No ☐	Yes ☐ No ☐
☐ Elevators	Yes ☐ No ☐	Yes ☐ No ☐	☐ Other (Specify)	Yes ☐ No ☐	Yes ☐ No ☐
☐ Mechanical	Yes ☐ No ☐	Yes ☐ No ☐	☐ Other (Specify)	Yes ☐ No ☐	Yes ☐ No ☐

Has the preventive maintenance plan been implemented for all systems? Yes ☐ No ☐

If not, what percent of the elements in the preventive maintenance plan were implemented?

Is there an annual inspection of buildings, grounds, common areas, non-dwelling space and major systems? Yes ☐ No ☐

Comments:

3.4 Energy Conservation/Utility ConsumptionDoes the project have an energy audit completed or updated within the past 5 years? Yes ☐ No ☐Form HUD-5834(XXXX)
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Is the energy audit less than 1 year old? Yes ☐ No ☐

Does the energy audit contain cost-effective recommendations? Yes ☐ No ☐

Has the project implemented all cost-effective measures? Yes ☐ No ☐

If not, and if the audit is more than one year old, has the project developed an implementation plan that identifies, at a minimum, the items listed below?
Yes ☐ No ☐

- Cost effective items from the audit
- Estimated cost of each item
- Planned funding source for each item
- Anticipated date of completion for each item

Is the project on schedule with the implementation plan, based on available resources? Yes ☐ No ☐

Comments:

3.5 Modernization

Has a physical needs assessment been completed for the project? Yes ☐ No ☐

If so, has it been updated in the last five years? Yes ☐ No ☐

Does it estimate the useful life remaining and modernization cost for all major building systems? Yes ☐ No ☐

Is there a plan and budget for addressing the project's modernization need for any major building system that is projected to reach the end of its useful life in the coming PHA fiscal year? Yes ☐ No ☐

Is it consistent with the PHA's Annual Plan? Yes ☐ No ☐

Was there a plan to perform modernization work at the project during the previous PHA fiscal year? Yes ☐ No ☐

Was the planned modernization work completed? Yes ☐ No ☐

Comments:

4. FINANCIAL MANAGEMENT/PROCUREMENT

4.1 Accounts Payable

Does the project have an adequate system to track accounts payable? Yes ☐ No ☐

For the most recent accounting period, how many invoices not in dispute were more than 30 but less than 60 days outstanding from the billing date?

For the most recent accounting period, how many invoices not in dispute were more than or equal to 60 days outstanding from the billing date?

Comments:

4.2 Rent Collection

Does the project have an adequate system to track and document rents collected and rents charged? Yes ☐ No ☐

For the most recent review period, what was the percentage of rents collected to rents charged?

Comments:

4.3 Budget Management

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Does the project have a Board-approved budget for the assessed fiscal year? Yes ☐ No ☐

Does the project budget indicate a shortfall (negative net cash flow) for the fiscal year? Yes ☐ No ☐

If yes, does the project have a plan to address the budgeted shortfall? Yes ☐ No ☐

Does the project manager receive regular operating statements showing current project revenue and expenditures? Yes ☐ No ☐

Does the operating statement show a year-to-date shortfall (negative net cash flow) for the fiscal year? Yes ☐ No ☐

If yes, are these shortfalls due to periodic/seasonal fluctuations in revenue/expenditures that will be corrected by fiscal year-end? Yes ☐ No ☐

If not, does the project have a plan to address the year-to-date shortfalls? Yes ☐ No ☐

Comments:

4.4 Procurement

Is the project operating under a procurement policy that is current, complete, and consistent with 24 CFR 85.36 and HUD Handbook 7460.8 REV-2? Yes ☐ No ☐

Does the PHA maintain adequate files and documentation for its procurement actions? Yes ☐ No ☐

Based on a sample of procurement contracts, has the project:

- Complied with requirements to promote full and open competition? Yes ☐ No ☐
- Prepared independent cost estimates where needed? Yes ☐ No ☐
- Performed a cost or price analysis to determine price reasonableness where needed? Yes ☐ No ☐
- Awarded contracts to the lowest, most responsive bidder, where appropriate? Yes ☐ No ☐
- Maintained a system of effective contract enforcement to assure contractor compliance? Yes ☐ No ☐
- Obtained prior HUD approval when required? Yes ☐ No ☐
- Complied with Section 3 requirements where applicable? Yes ☐ No ☐
- At a minimum requirement, does the PHA's procurement of energy conservation measures specify Energy Star or Federal Energy Management Program (FEMP) products and appliances? Yes ☐ No ☐
- If not, is there a justification on record as to why Energy Star or FEMP products were not required? Yes ☐ No ☐

Comments:

5. LEASING AND OCCUPANCY

5.1 Vacancy Rate

Does the project have an adequate system to track vacancy days? Yes ☐ No ☐

For the review period, what was the vacancy rate?

If the property has made progress in the preceding three years to reduce the vacancy rate, what was the vacancy rate for the month ending 3 years prior to the management review?

Comments:

5.2 Turnaround Time

Does the project have an adequate system to track vacant unit turnaround time? Yes ☐ No ☐

For the review period, what was the average turnaround time?

Comments:

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G. Lease and Grievance

1. Dwelling lease in file, current and compliant, kept up-to-date with addendums as necessary?	Yes ☐	No ☐	Unclear ☐	N/A ☐	Comments:
2. Dwelling lease and addendums properly executed by PHA and adult family members?	Yes ☐	No ☐	Unclear ☐	N/A ☐	Comments:
3. Dwelling lease information consistent with other file information?	Yes ☐	No ☐	Unclear ☐	N/A ☐	Comments:
4. Dwelling lease contains community service and self-sufficiency program provisions?	Yes ☐	No ☐	Unclear ☐	N/A ☐	Comments:
5. PHA collected correct security deposit, if deposit required based on PHA policy?	Yes ☐	No ☐	Unclear ☐	N/A ☐	Comments:
5a. Security deposit amount collected: \$ _____					Comments:
6. Tenant owns common household pet?	Yes ☐	No ☐	Unclear ☐	N/A ☐	Comments:
6a. If YES, dwelling lease includes pet rules?	Yes ☐	No ☐	Unclear ☐	N/A ☐	Comments:
6b. If YES, pet deposit amount collected, if required: \$ _____					Comments:
6c. If YES, actions to enforce pet rules consistent with lease and policy?	Yes ☐	No ☐	Unclear ☐	N/A ☐	Comments:
7. File contains record of late fees assessed?	Yes ☐	No ☐	Unclear ☐	N/A ☐	Comments:
7a. If YES, late fees consistent with PHA policy?	Yes ☐	No ☐	Unclear ☐	N/A ☐	Comments:

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8. File contains record of maintenance and repair charges for tenant-caused damages? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

8a. If YES, charges consistent with PHA policy? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

9. File contains record of excess utility/energy consumption for PHA-paid utilities? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

9a. If YES, charges consistent with PHA policy? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

10. File contains record of PHA actions to enforce lease (e.g., requirement to cure lease violation)? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

10a. If YES, documentation that PHA actions complied with dwelling lease, PHA policy and HUD regulations? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

10b. If YES, PHA afforded tenant opportunity to file a grievance? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

11. File contains record of formal grievance(s)? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

11a. If YES, documentation that PHA actions complied with PHA grievance procedures and HUD regulations? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

11b. If a REGULAR grievance, informal settlement attempted? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

11c. If EXPEDITED grievance, informal settlement excluded? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

11d. If HUD issued Due Process Determination for PHA jurisdiction, family appropriately denied access to grievance procedure? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

H. Community Service

1. Family provided with written description of service requirements, including family members affected and process to claim exemption? Yes ☐ No ☐ Unclear ☐ Comments:

2. Family has any members subject to community service requirements? Yes ☐ No ☐ Unclear ☐ Comments:

2a. If YES, PHA reviews compliance annually, 30 days prior to end of lease term? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

2b. If YES, file contains documentation of compliance with service requirements or exemption? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

2c. If YES, PHA has determined any family member in NON-compliance? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

2c.1. If YES, PHA gave appropriate notice, including opportunity for written cure agreement and grievance hearing? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

2c.2. If YES, family cured non-compliance or entered into a written cure agreement? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

I. Applicant Rejection Only

1. Applicant notified of reasons for rejection? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

1a. If YES, rejection reasons are in accordance with PHA policy and HUD regulations? Yes ☐ No ☐ Unclear ☐ N/A ☐ Comments:

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Section 4: Other Elements of Public Housing Oversight

Notes

CHAPTER 13 Internal Controls and Program Integrity

LEARNING OUTCOMES

- Upon completion of this chapter, you should be able to:
 - Identify key elements of and apply internal controls to track and manage program integrity
 - Recognize what constitutes conflict of interest
 - List strategies to reduce and prevent unintentional errors
 - Recognize how to carefully audit and investigate program violations
 - Identify required submissions and audit reporting
 - Define *ethics* and how ethics are applied in the workplace

INTRODUCTION

- Program integrity refers to the responsibility of PHAs to protect the fiscal integrity of the Public Housing program and to maintain compliance with all statutes and regulations that govern the operation of the program. PHAs are responsible to adopt policies, procedures and practices to ensure that federal dollars are not wasted, are not obtained through fraudulent or other criminal activities, and are not mismanaged. Executives, senior leaders and staff must all be proactive, diligent, and educated in order to prevent and detect program abuse.
- HUD's Office of Inspector General (OIG) initiates investigations about possible violations of laws or regulations in the administration of HUD programs and activities, or misconduct on the part of HUD employees and/or the recipients of HUD funds. HUD OIG is obligated to detecting and deterring fraud and criminal activities throughout all of HUD's programs.

Notes

- The OIG performs a wide range of activities to protect the interest of HUD programs. The results of their good work demonstrate the vulnerability of HUD programs to fraud and abuse. The OIG issues a semi-annual report to congress that describes the results of its activities including audits, investigations and federal prosecutions for a wide range of criminal schemes and activities that include tenant fraud, owner fraud, theft, embezzlement and others. The subjects of the OIG investigations include contractors, owners, program recipients, PHA personnel and others.
- It is the responsibility of housing management and staff to operate the program with the highest ethical standards, to be proactive in the prevention of program fraud and abuse, and to take appropriate action when it is detected. Remember also that program integrity includes ensuring regulatory compliance and implementing system to ensure that federal dollars are not wasted or abused in the operation of the PHA. Program integrity also includes ensuring that all units meet Uniform Physical Condition Standards, and that income and rent determinations are accurate.
- The Office of Inspector General (OIG) issued a Federal Register notice addressing guidelines for PHAs in fraud prevention and detection. This document is included in the reference chapter of this Master Book.

Section 1 Governance

- The responsibilities of managing risks are shared throughout the PHA, from the highest levels of executive leadership to the service delivery staff.
- The executive director's responsibility, with board support, is to ensure that effective internal controls are established and maintained.
- Industry best practices suggest risk management functions generally have the following characteristics:
 - Helping senior management develop and implement core policies and procedures with respect to risk management, including developing a process to define how much risk is tolerated, and establish risk thresholds accordingly
 - Ensuring the current risk levels and processes are consistent with the established risk tolerance thresholds and policies
 - Supporting implementation of effective controls
 - Developing strong reporting systems and analysis that incorporate quantitative and qualitative information to provide effective portfolio views of risk
 - Identifying emerging risks, concentrations of risk, and other situations that could be properly assessed
 - Elevating critical issues to appropriate levels within the PHA in a timely fashion

Section 1: Governance

Notes

Section 2 Internal Controls

- Internal controls refer to the systems within a PHA that consist of its plan for organization, assignment of duties and responsibilities, design of accounts and reports, and all measures and methods employed to protect its assets, to encourage the accuracy and reliability of accounting and other operating data and reports, and to promote and judge the operational efficiency of all aspects of the PHA's activities.
- Internal control includes but is not limited to documenting procedures, separation of duties and maintaining adequate records. Internal controls are the plans, methods, and procedures adopted by management to help PHAs manage financial assets and adhere to an approved budget. They assure that the use of resources is consistent with laws, regulations, and policies.
- A PHA should consider the following:
 - Weighing the costs and benefits of each control
 - Limiting access to resources and records to authorized employees
 - Separating the duties of authorizing, processing, recording, and reviewing transactions, and assigning them to different employees
 - Verifying education and experience before hiring employees
 - Promoting the formal education and on-the-job training of employees
 - Disseminating up-to-date written policies and procedures
 - Maintaining consistency in the enforcement of internal controls.

MANAGEMENT CONTROLS

- To have reasonable assurance that federal and state regulations are being observed and that fraud by employees is prevented and discouraged, a PHA should establish internal controls.
- The elements of establishing an internal control system will be explored in Chapter 13. Following are some of the key internal controls the director needs to ensure are overseen rigorously.

KEY ELEMENTS IN INTERNAL CONTROL/RISK MANAGEMENT

An internal control/risk management model should address the following seven components:¹

1. Establish the context
 - Understanding and articulating the internal and external environments of the organization. Creating an ethical agency environment by setting the tone at the top is essential.
2. Initial risk identification
 - Using a structured and systematic approach to recognizing where the potential for undesired outcomes or opportunities can arise. All functions should have areas of monitoring. Define unacceptable actions and consequences in policy.
3. Analyze and evaluate risks
 - Considering the causes, sources, probability of the risk occurring, the potential positive or negative outcomes, and then prioritizing the results of the analysis.
4. Develop alternatives
 - Systematically identifying and assessing a range of risk response options guided by the impact of the risk-financially, legally, compliance, and morale.

1. Excerpted from OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control.

Section 2: Internal Controls

Notes

5. Respond to risks
 - Making decisions about the best option(s) among a number of alternatives and then preparing and executing the selected response strategy.
6. Monitor and review
 - Evaluating and monitoring performance to determine whether the implemented risk management options achieved the stated goals and objectives.
7. Continuous risk identification
 - Must be an iterative process, occurring throughout the year to include surveillance of leading indicators of future risk from internal and external environments.

Examples of Control Activities

- Examples of control activities include:
 - Periodic job rotation, cross-functional responsibilities, and mandatory vacations
 - Surveillance techniques
 - Reviewing monthly financial statements and monitoring reports in a timely manner
 - Separation of duties (e.g., rent collection, bank deposits, and monitoring financial records)
 - Access and authorization controls to safeguard assets, documents, and records
 - Independent checks of employees' work by supervisors, other employees, or computer validation routines
- Monitoring means developing an effective oversight process to verify that controls are in place and are being utilized.
- Monitoring activities must be ongoing and regular, occur both during normal hours of operations and “unscheduled” times, be adequately designed, be relevant to what's being monitored, and revised or re-evaluated if necessary.

Section 2: Internal Controls

Notes

- Some examples include ongoing tenant file reviews, establishing standards for acceptable documentation, reports posted on a monthly or quarterly basis, and additional training and monitoring where vulnerabilities are uncovered.
- Internal auditors must be impartial, with direct reporting to management.

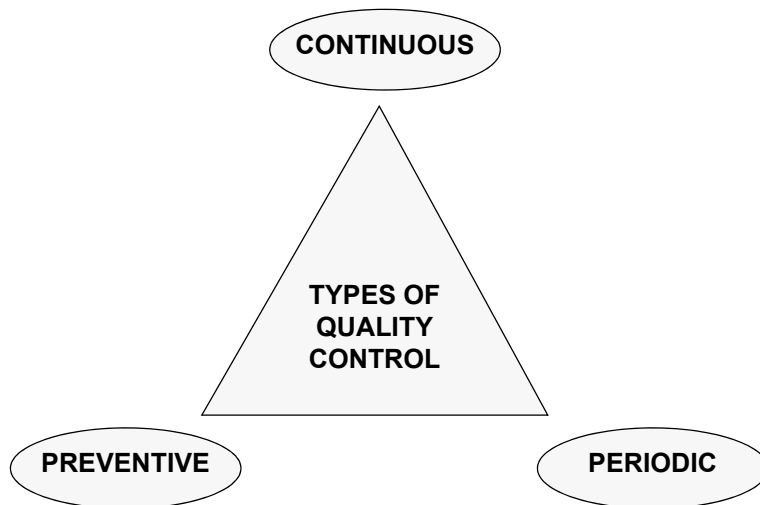
Communication

- Communication is critical to the internal control process. Management is responsible for and continually monitors information being communicated.
- Communication needs to be both vertical and horizontal. Executive team communication to supervisory staff is vertical. Easy flow of information between departments is horizontal, and includes both external and internal communication.
- When establishing a more rigorous internal control /risk management system, communication needs to be both written and in discussions with managers and staff.
- Reports should be determined ahead of time, identifying what levels of management see what information, rolling up to the board.

Notes

Section 3 An Effective Quality Control System

TYPES OF STAFF AND PROGRAM PERFORMANCE TRACKING (QUALITY CONTROL)



- As the chart above illustrates, there are three types of quality control:
 - Preventive quality control stops mistakes before they happen.
 - Periodic quality control is a basic checkup on an organization's performance, policies, and procedures that take place periodically (often annually).
 - Continuous quality control is the process of regularly collecting and analyzing information about key transactions.
- The important point is not classifying quality control efforts according to these definitions but making sure that your quality control program includes elements of each type.

Preventive Quality Control

- Preventive quality control should be used when:
 - The consequences of errors are high
 - An error is not recoverable (i.e., once made the damage is done)
- An example of preventive quality control would be double-checking notices of terminations for accuracy and whether due process has been applied before issuing the notice. Another example is checking that all alternatives have been explored before a PHA denies a request for reasonable accommodation. Preventive maintenance (Exhibit 3-2 is a sample template) is another example.
- Your organization probably does preventive quality control now-even if you call it something else.

Periodic Quality Control

- Periodic quality control is a picture-in-time assessment of PHA policies, procedures, and practices, and individual files.
- Some periodic quality control is external, for example, HUD's PHAS assessments, independent audits, and FHEO reviews.
- But, you don't want to wait for a HUD review or audit to have a periodic quality control assessment program. Annual review of the ACOP and other key policies is a periodic quality control strategy.

Continuous Quality Control

- Continuous quality control involves choosing a limited number of areas for regular (generally monthly) analysis. Continuous quality control enables managers to:
 - Take action on a continuing basis, not just in response to a point-in-time review
 - Look at trends and focus immediately on those areas in which the PHA is most vulnerable

Section 3: An Effective Quality Control System

Notes

- Continuous quality control is a do-it-yourself project.

HUD performs periodic reviews such as under PHAS, but only a PHA has the ability to implement a continuous quality control program.

- To remain manageable, continuous quality control can track only a limited number of issues.
- These few indicators can provide powerful feedback, but as part of its periodic review, a PHA should include additional functions that are at risk; i.e., there are systemic errors and/or performance is trending downward.

Financial Functions to Monitor

- Financial monitoring is divided into six basic functions. Each of these financial functions must be monitored to ensure adequate supervision of employees responsible for activities, safeguarding of PHA assets, and adequate separation of duties with regard to the financial functions. This is accomplished through implementation of PHA policies and procedures, monitoring of activities, and internal control reviews to ensure that the policies and procedures are practiced by PHA employees. The six basic functions are:
 - Payroll
 - Revenue
 - Expenditure
 - Property
 - Treasury/Cash Management
 - Financial Reporting

Cash receipts

- Monitoring cash receipts is essential in order to expedite the flow of work, to document accuracy, and to ensure accountability of cash received.

Section 3: An Effective Quality Control System

Notes

- Duties should be segregated so that no one person is in complete control of recording receipts and depositing receipts.
- Tracking and documenting disbursements is required to ensure disbursements are made only for legitimate purposes.
- The board should designate by resolution the personnel authorized to sign and countersign checks.
 - All checks should require at least two signatures.
 - All checks should be numbered, issued, and recorded in the cash disbursements register in numerical sequence and procedures reviewed to ensure compliance.

A PERFORMANCE TRACKING SYSTEM (QC) USING “BIG PICTURE” OUTCOMES

- Desired outcomes could be expressed in a variety of ways from very general to very specific.
- For the purpose of illustrating the design process, the following general outcomes should be considered:
 - Consistency in data collection, documentation, and reporting
 - Complete and accurate electronic information on accounts receivable and payable
 - Accuracy in enforcing the agency's collection policies and budgetary guidelines
 - Timeliness in collecting accounts receivable and prompt accounts payable
 - Current and accurate re-examinations of family incomes and tenant selection using income targeting requirements
 - Complete, accurate reporting.
- Continuous quality control begins at the frontline supervisory level. Each level of supervision/management must be accountable for holding its subordinate level responsible for on-time, accurate reports.

Section 3: An Effective Quality Control System

Notes

Quality control performance reports roll up to executive and board level. How much detail is retained in the roll-up reports depends on the level of scrutiny identified by the executive director and board. Sample QC Reexamination Reports

- Following are some sample reports the PHA could generate when establishing a QC system for reexaminations:

QC Monthly File Review Summary Report Annual Reexaminations			
June			
Status	Review Type	#	%
Completed		82	
	Fail (may be more than one reason)	38	46%
	Administrative Error	19	23%
	Income/Assets/Expenses	29	35%
	Delayed Recertifications > 60days	4	5%
	Verification Error	15	18%
	Pass	43	52%
	Pass w/Comments	1	1%

Public Housing Executive Management
Internal Controls and Program Integrity
Section 3: An Effective Quality Control System

Notes

Error Detail Report		
Error	Total Errors	Pass 0
Assets	9	11.00%
Child Care Expenses	0	100.00%
Data Entry	12	83.00%
Declaration 214	1	99.50%
Dependent Allowance	2	98.50%
Disability Status	0	100.00%
E/D Household Allowance	9	94.50%
Earned Income Disallowance	2	100.00%
Flat Rent	0	100.00%
Forms	8	95.00%
Full Time Student	1	98.50%
HUD-9886/PHA Consent	3	97.00%
Income	13	33.50%
Medical Expenses	7	84.50%
Minimum Rent	0	100.00%
Other	0	100.00%
Prorated Rent	0	100.00%
Rent Choice	0	100.00%
Rent Choice Letter	2	100.00%
Rent Notification	1	100.00%
Signatures	0	100.00%
Unit Offer Letter	0	100.00%
Utility Allowance	0	100.00%
Verification	15	94.50%
FAIL ERRORS:		
Administrative Error	19	23.00%
Income/Assets/Expenses	29	35.00%
Delayed Recertifications > 60days	4	5.00%
Verification Error	15	18.00%

TREND ANALYSIS

- Although identifying problems, discrepancies or variances is an important element of quality control, it's not the only aspect.
- Looking at performance and production over time (trend analysis) can provide important insights that lead to error reduction or problem resolution.
 - Is the program, key performance area, or situation being tracked improving, staying the same, or getting worse?
- Looking at performance over time can also provide data for benchmarking-the process of establishing standards.
- An example of a trend analysis report of portfolio and project performance can be found in Error! Reference source not found. at the end of this chapter.

Section 3: An Effective Quality Control System

Learning Activity 13-1: Reexamination Reports

- Look at the quality control reexamination report that follows. You supervise four employees who determine income and calculate rent.

How many files do you review monthly?

What do you know from looking at this report?

What doesn't this report tell you?

Jan	Case Load	Number of files		Files with Errors		Types of Errors					
		Completed	Reviewed	Number	%	Verif	Income	Allow	Data Entry	Policy	Late
G. Monroe	150	15	4	4	100%	3	0	1	0	0	2
T. Hill	164	38	4	0	0%	0	0	0	0	0	0
A. Summers	120	24	4	4	100%	4	0	0	0	0	2
K. Rosemary	140	42	4	3	75%	1	0	2	0	0	0
Feb											
G. Monroe	150	25	4	2	50%	2	0	0	0	0	1
T. Hill	164	32	4	0	0%	0	0	0	0	0	0
A. Summers	120	28	4	4	100%	0	1	3	0	0	3
K. Rosemary	140	22	4	3	75%	1	0	2	0	0	0
Mar											
G. Monroe	150	24	4	3	75%	0	1	3	0	0	1
T. Hill	164	30	4	0	0%	0	0	0	0	0	0
A. Summers	120	23	4	4	100%	1	1	2	0	0	3
K. Rosemary	140	25	4	3	75%	0	0	3	0	0	0

Section 3: An Effective Quality Control System

Notes

Section 4 Conflict of Interest

- Conflicts of interest arise when officials or staff stand to benefit—either directly or indirectly—through business partners or relatives.
- When conflicts arise, PHAs must identify, disclose, and manage them in compliance with rules and regulations.
- Neither the PHA nor any of its contractors or subcontractors may enter into any contract or arrangement in connection with the tenant-based programs in which any of the classes of persons has any interest, direct or indirect, during tenure or for one year thereafter.²
- Classes of persons include:
 - Any present or former member or officer of the PHA (except a participant commissioner);
 - Any employee of the PHA or any contractor, subcontractor or agent of the PHA, who formulates policy or who influences decisions with respect to the programs
 - Any public official, member of a governing body, or State or local legislator, who exercises functions or responsibilities with respect to the program
 - Any member of Congress of the United States
- Any member of these classes must disclose their interest or prospective interest to the PHA and HUD.
- The conflict of interest provision may be waived by the HUD field office for good cause.

2. 24 CFR 982.161; HUD Procurement Handbook

Section 5 Ethics in Behavior and Conduct of PHA Personnel

- Opportunities for abuse of power and position are present in all organizations but are especially damaging in organizations that serve the public. For this reason, integrity begins with PHA management and staff.
- The PHA's management and staff are accountable not only to HUD, but to program clients and the public as well. As public servants, everyone expects program administrators and staff to act with integrity, impartiality, and honesty.
- Some examples of misconduct and abuse by PHA personnel include, but are not limited to the follow:
 - Procurement scams such as bribery, kick-backs and bid-rigging
 - Accepting gratuities, services, or other benefits due to position or influence. Examples include accepting money from an applicant to bypass the waiting list or from an owner to approve rents higher than justified by rent reasonableness.
 - Improper or unauthorized use of PHA property, materials, or facilities, such as phones, computers, vehicles, postage, and stationery.
 - Abuse of office travel policies. Examples include expensing a hotel room for an extra night for personal purposes or falsifying expense reports.
 - Abuse of sick leave policies
 - Personal use of tools, maintenance equipment, or supplies.
 - Use of PHA personnel for personal projects
 - Creating fictitious owner-accounts
 - Conflict of interest
 - Disclosure of confidential or proprietary information to unauthorized persons

Section 5: Ethics in Behavior and Conduct of PHA Personnel

Notes

Section 6 Requirement to Track and Report

- As we've discussed, monitoring and tracking key program functions is fundamental to understanding how your program and staff are performing.
 - The PHA should produce, disseminate and analyze the following reports at least monthly:
 - Occupancy rates, vacant unit turnaround time, make-readies, unit offers, rent collection rates, tenant accounts receivable (including repayment agreements), timeliness and accuracy rate of annual reexaminations, repayment agreements, work order log, average number of days to complete nonemergency work orders, percentage of emergency work orders completed or abated within 24 hours, inspection results, reasonable accommodation/physical modification requests, security issues, unit inspections, and grievance hearings.
 - The PHA should produce, disseminate and analyze the following reports at least quarterly or semi-annually:
 - Quick ratio, reserves for each project, accounts payable by the projects, write-offs, adequacy of the waiting list, Capital Fund obligation and expenditure, preventive maintenance, and procurement.
 - Timely and accurate reports (continuous quality control), clear expectations and consistent supervision, and trend analysis enables the executive director and managers to ensure an effective organization.
- In addition to the reports discussed throughout this book, HUD requires submission of key reports. Monitoring required reporting is a key component of internal controls. Following is an excerpt of HUD's 2025 calendar of due dates for key reports.

DUE DATES

Date	FYE 3/31	FYE 6/30	FYE 9/30	FYE 12/31	Description	HCV	PH	Grants
January 2025								
1				X	Shortfall Budget Due			
15	X				MTW Annual Plan Due	X	X	
15	X				Annual PHA Plan Due (Non-Qualified PHAs)	X	X	
15	X				Civil Rights Certification (Qualified PHAs)	X	X	
30				X	Shortfall Grant SF-425			
31		X			Shortfall Budget First Half Actuals Due			
31	X				Maintenance Wage Rate Recommendation			
31	X				Maintenance Wage Rate Survey Summary			
31	X				Maintenance Wage Rate Survey			
February 2025								
11	X	X	X	X	PHA Operating Fund Forms 52723 and 52722 (QC) Submission		X	
13				X	PHA Financial Reporting Unaudited Extension Request	X	X	
15				X	Annual Energy and Performance Information Center (EPIC) Report			
28				X	Financial Reporting (Unaudited)	X	X	
March 2025								
31				X	MTW Annual Report Due			
31	X				Budget FYE			
31	X	X	X	X	Shortfall Improvement Plan	X	X	
31		X			Financial Report (Audited)	X	X	

Date	FYE 3/31	FYE 6/30	FYE 9/30	FYE 12/31	Description	HCV	PH	Grants
April 2025								
8	X	X	X	X	Semi-Annual Labor Standards Enforcement Report-Local Contracting Agencies (HUD Programs)	X	X	X
15		X			MTW Annual Plan Due	X	X	
17		X			Annual PHA Plan (Non-Qualified PHAs)	X	X	
17		X			Civil Rights Certification (Qualified PHAs)	X	X	
30		X			Shortfall First Half Actuals Due			
30	X				Grants – Quarter 2 Shortfall-425 reporting			
30	X	X	X	X	Energy Performance Contract Reports, including M & V Reports		X	
May 2025								
2		X			Maintenance Wage Rate Survey		X	
2		X			Maintenance Wage Rate Survey Summary Sheet			
2		X			Maintenance Wage Rate Recommendation			
15	X				Annual EPIC Report			
16	X				PHA Financial Reporting (Unaudited Extension Request)			
30	X				YE Actuals Due	X	X	
31	X				PHA Financial Reporting (Unaudited)	X	X	
June 2025								
30	X				MTW Annual Report Due	X	X	
30		X			Budget FYE			
30			X		PHA Financial Report (Audited)			

Date	FYE 3/31	FYE 6/30	FYE 9/30	FYE 12/31	Description	HCV	PH	Grants
July 2025								
1		X			Shortfall Budget Due		X	
2			X		Maintenance Wage Rate Survey		X	
2			X		Maintenance Wage Rate Survey Summary Sheet			
2			X		Maintenance Wage Rate Recommendation			
15			X		MTW Annual Plan Due	X	X	
18			X		Annual PHA Plan (Non-Qualified PHAs)	X	X	
18			X		Civil Rights Certification (Qualified PHAs)	X	X	
30		X			Grants – Quarter 3 SF-425 reporting			
31				X	Shortfall First Half Actuals Due			
August 2025								
15		X			Annual EPIC Report			
16		X			PHA Financial Reporting (Unaudited Extension Request)			
29		X			YE Actuals Due			
31		X			PHA Financial Reporting (Unaudited)			
September 2025								
30		X			MTW Annual Report Due		X	
30				X	PHA Financial Report (Audited)	X	X	
30			X		Shortfall Budget Due	X	X	

Date	FYE 3/31	FYE 6/30	FYE 9/30	FYE 12/31	Description	HCV	PH	Grants
October 2025								
8	X	X	X	X	Semi-Annual Labor Standards Enforcement Report-Local Contracting Agencies (HUD Programs)	X	X	X
8	X	X	X	X	Grants – Semi-Annual Labor Standards Enforcement Report for Local Contracting Agencies (HUD Programs)			
15				X	MTW Annual Plan Due			
18				X	Civil Rights Certification (Qualified PHAs)	X	X	X
18				X	Annual Plans Due (Non-Qualified PHAs)	X	X	
30				X	Grants – Quarter 4 SF-425 reporting	X	X	
31	X				Shortfall First Half Actuals Due	X	X	
November 2025								
2				X	Maintenance Wage Rate Survey	X		
2				X	Maintenance Wage Rate Survey Summary Sheet			
2				X	Maintenance Wage Rate Recommendation			
15			X		PHA Financial Reporting (Unaudited Extension Request)	X	X	
15			X		Annual EPIC Report			
30			X		PHA Financial Reporting (Unaudited)	X	X	
December 2025								
1			X		YE Actuals Due	X	X	
31			X		MTW Annual Report Due	X	X	
31	X				PHA Financial Report (Audited)	X	X	
31				X	Budget FYE		X	

ALLOWABLE COSTS/COST PRINCIPLES

- The amount of salary, including bonuses, of PHA chief executive officers, other officers, and employees paid with Section 8 Housing Choice Voucher administrative fees and Section 9 Capital and Operating funds may not exceed the annual rate of basic pay payable for a federal position at Level IV of the Executive Schedule. Implementing guidance has been issued in Notice PIH 2016-14, Guidance on the Public Housing Agency (PHA) salary restriction in HUD's annual appropriations. (http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/publications/notices).

FINANCIAL REPORTING

- A PHA is required to submit its financial statement in the electronic format specific by HUD. The unaudited financial statement is due two months after the PHA's fiscal year end and the audited financial statement is due nine months after its fiscal year end.

HUD-50058 REPORTING (FAMILY REPORT)

- The PHA is required to submit this form electronically to HUD each time the PHA completes an admission, annual reexamination, interim reexamination, portability move-in (for the voucher program), or other change of unit for a family. The PHA must also submit the 50058 when a family moves out.

HUD-52723, OPERATING FUND CALCULATION OF OPERATING SUBSIDY

- PHAs must prepare a separate form HUD-52723 for each of their projects. This form is prepared and submitted on a calendar-year basis and is used by HUD to calculate funding for the upcoming calendar year. The form's data is based on historical information.

HUD-52722, OPERATING FUND CALCULATION OF UTILITIES EXPENSE LEVEL

- PHAs must prepare a separate form HUD-52722 for each project.

HUD-52725, SCHEDULE OF POSITION AND COMPENSATION

- PHAs must prepare a form HUD-52725 for each of their five highest compensated employees, which will then be posted on HUD's website with job titles but without employee names. This form is intended to provide a point of comparison for local PHA boards in determining appropriate compensation levels.

SPECIAL TESTS AND PROVISIONS

Public Housing Waiting List

- The PHA must establish and adopt written policies for admission of tenants. The PHA tenant selection policies must include requirements for applications and waiting lists, descriptions of the policies for selection of applicants from the waiting lists, and policies for verification and documentation of information relevant to acceptance or rejections of an applicant (24 CFR 960.202 through 960.206).

Public Housing Waiting List Data Collection

- PHAs are required to report the total number of families on waiting lists for public housing on the Public Housing Waiting List Data Collection Tool in the Public Housing Portal.

Over-Income Rent Report

- PHAs should review the most recent CY Per Units Subsidy Report on the HOTMA 103 webpage, which reflects accounts for final Capital Fund allocations. This report is necessary for PHAs to set alternative rents for non-public housing over-income (NPHOI) families, if the PHA has set policy to retain over-income families as NPHOI families.

Wage Rate Requirements

- The wage rate requirements apply to construction activities for public housing. However, the requirements do not apply to volunteer work where the volunteer does not receive compensation, or is paid expenses, reasonable benefits, or a nominal fee for such services, and is not otherwise employed at any time in construction work (42 USC 1437j(a) and (b)). HUD's Factors of Applicability for these requirements can be found at:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/labor_standards_enforcement/olr_foa.

Tenant Participation Funds

- When tenant participation funds are provided to a PHA, the PHA must provide those funds to duly elected resident councils. Funding provided by a PHA to a duly elected resident council may be made only under a written agreement between the PHA and the resident council that includes a resident council budget. PHAs are permitted to fund \$25 per unit per year for units represented by duly elected resident councils for resident services. Of this \$25, \$15 per unit per year is provided to fund tenant participation activities. The agreement must require the local resident council to account to the PHA for the use of the funds and permit the PHA to inspect and audit the resident council's financial records related to the agreement (24 CFR section 964.150).
- Further details regarding the agreement and the financial management aspects of tenant participation funds can be found in Notice PIH 2021-16.

Project-Based Budgeting and Accounting

- For PHAs implementing asset management, the board is required to review and approve the budget by resolution. The PHA is not required to submit the budget to HUD unless specifically requested to do so under special circumstances. The approved board resolution must be submitted to HUD.

Section 6: Requirement to Track and Report

Notes

Section 7 Ethics

WHAT IS ETHICS?

- Ethics include the fundamental ground rules by which we live our lives. Ethics serve as a moral compass in turbulent times.
- Simply put, ethics involve learning what is right or wrong, and then doing the right thing.
 - But “the right thing” is not always straightforward.

THE IMPORTANCE OF STRONG ETHICS POLICIES AND PRACTICES

- Continuing attention to ethics in the workplace sensitizes leaders and staff to how they want to act consistently. Ethics programs cultivate strong teamwork and productivity.
- An organization sometimes finds surprising disparity between its preferred values and the actual behaviors in the workplace.
- Ongoing attention and dialogue regarding values in the workplace builds openness, integrity, and community. Attention to ethics in the workplace helps employees face reality, both good and bad, in the agency and themselves.
- Employees feel full confidence they can admit and deal with whatever comes their way.
- Ethics programs help manage quality control, strategic planning, and diversity management.
- Recording the values, developing policies and procedures, and then training all personnel, is inherent in quality control and planning.
- Recognizing and promoting a diverse workforce—different races, religions, national origins, ages, disabilities, etc. is a strong ethical responsibility that leads to a smarter and richer tapestry of talent.

Section 7: Ethics

Notes

- Finally, an organization known for its ethics promotes a strong public image. People see these organizations as valuing people more than profit, as striving to operate with the utmost of integrity and honor.

PRINCIPLES OF PERSONAL ETHICS

- Ethics are personal because it all comes down to you, your conscience, and your behaviors and decisions.
- The crucial principles include:
 - Willing compliance with the law
 - Basic justice – being fair and refusing to take unfair advantage
 - Impartiality – objectivity
 - Openness – full disclosure
 - Confidentiality
 - Due diligence – duty of care
 - Fidelity to personal responsibilities
 - Avoiding potential or apparent conflict of interest
 - Concern for the wellbeing of others
 - Respect for the autonomy of others
 - Trustworthiness and honesty
- In short, doing good and preventing harm is the essence of ethical behavior.

THE ETHICAL CHALLENGES

- Being ethical is challenging. The first challenge is knowing the right thing to do.
- People are very different, with differing ideas of right and wrong.
 - Ignorance of the law is not an excuse. You must consider not only the letter, but the spirit of the law.
 - Often, there is no law or rule to guide you except your own inner common sense. If something feels wrong, there's a good chance it is!
- The second, and often more difficult challenge, is doing what's right.
- Doing the right thing is sometimes the harder thing to do.
 - Everyone faces personal temptations. It's the big stuff that makes the news, but sometimes the "little" stuff is what shows ethics and character.
- Day to day behaviors represent the largest arena for breach in ethics:
 - Telling "little white lies"
 - What employees put on their timesheet
 - The office supplies that end up at home
 - Quality of what employees put into what they do
 - The credit that's shared—or isn't shared
- But how are ethical dilemmas resolved? Some of the best actions are preventive.
- PHAs should develop and document a procedure for dealing with ethical dilemmas as they arise.
 - Ideally, these should be resolved by a group within the organization (e.g., an ethics committee comprised of top leaders, managers, and/or members of the board). All participants should sign and adhere to a confidentiality statement.

CODE OF ETHICS AND TRAINING

- Defining ethical standards and providing training to staff are the responsibilities of management. Many PHAs have developed written standards for ethical and professional conduct and performance. These standards should be distributed and explained to all staff members and reinforced by management.
- New and existing staff should also be trained on the importance of ethical conduct. Staff should know the types of information that is confidential. Casual or social discussion of file information should be treated as a breach of ethics. Accepting gifts from families or owners is not appropriate for any PHA employee, and staff should know how to respond to such offers, even though the offer may be innocent in nature. Some PHAs' conflict of interest policies stipulate that staff may receive a gift valued at less than \$20 as long as it is shared with all staff (such as a holiday gift basket). Management should adopt a policy that addresses these issues.
- The chart below is a sample of "Standards of Conduct" for employees. PHAs that use such standards often require that employees sign a copy.

Section 7: Ethics

Sample Employee Standards of Conduct

All employees are responsible for honesty and professional conduct in carrying out assigned duties and responsibilities. Examples of prohibited behavior are:

Bribery	Do not accept any money, gifts, services, loans, entertainment or anything else of value from applicants, participants, vendors, or landlords.
Extortion	Do not request, coerce, or threaten any person to do something for you as a condition of participating in or receiving benefits under the program.
Conflict of Interest	Do not approve or permit to be approved the leasing of a unit owned by an immediate family member to a voucher holder
Malfeasance	Do not encourage or coach applicants, tenants or landlords to ignore or violate any rule or policy.
Nonfeasance	Do not ignore or fail to pursue questionable responses from applicants, tenants, or landlords, or fail to report illegal behavior that you have observed.
False Statements	Do not utter or falsely create, forge, or otherwise alter any documents that are used to determine eligibility or level of benefits.
Conspiracy	Do not consort with others or engage in plans or activities with the intent of violating a PHA rule, HUD regulations and state or federal law.
Profiteering	Do not accept payments in exchange for disregarding program requirements for owners or tenants, or accept kickbacks or other remuneration from vendors in exchange for continued purchases.

Appropriate disciplinary actions will be taken when violations are discovered.

Employee's Certification

I have read the Standards of Conduct and understand them. I will not violate these prohibitions. I know there are administrative and criminal penalties for doing so.

Employee's Signature _____

Date _____

BOTTOM LINE: EVERYTHING COUNTS

- It's both the little things and the big things. Everything counts.
- Managing ethics is a process. An important aspect of an ethics program is the process of thinking and dialogue.
- The most important outcome of an ethics program is fair behaviors in the workplace. Codes of ethics or policies have to be followed by how-to instructions and training.
- The best way to handle ethical dilemmas is to keep them from happening in the first place. That is why codes of ethics and conduct are so important--they sensitize employees to ethical considerations and reduce the chances of unethical behavior happening.
- It's important to integrate ethics with other management practices.
 - For example, when developing personnel policies, ethical values, behaviors, and consequences should be included.
- People make mistakes. It's important for the agency to help people recognize and address their mistakes and then support them to continue to try to operate ethically.

How to Create an Ethical Work Environment

- How do you get people to act ethically in the workplace?
It starts at the top.
 - People want a leader who treats everyone with respect, is fully inclusive, respects differences, and is willing to build trust inside the agency and across political, economic, social and cultural boundaries.
 - Those who lead ethically improve their business and culture by focusing on what's right and exemplifying to their employees that they are there to help, and not to exploit the vulnerabilities of others. Employees typically respond to their example.
- Some crucial actions recommended for leaders include:
 - 1. Face the complexity involved in making ethical choices. Don't oversimplify decisions.**
 - Openly discuss the ethical grey areas and acknowledge the complexity of work life. Involve others in more of the ethical decisions. Be a leader who talks about the difficult ethical choices, and help others learn to take responsibility for making ethical decisions carefully.
 - 2. Talk about the right thing to do in the context of your daily challenges. Don't separate ethics from day-to-day business.**
 - Make it clear to your people that ethics is “the way we operate” and not a training program or reference manual. Every activity, whether it is a training program, a client meeting, or an important top management strategy session, should include conversations about ethics.
 - 3. Demonstrate respect for everyone all the time. Don't allow negative interpersonal behaviors to erode trust.**
 - Make respect a load-bearing beam in your culture. Be an ethical leader who expects it and practices it. Cultivate a respectful environment where people can speak up about ethics and share the responsibility for living it. Build trust, demand and demonstrate open communication, and share the ownership of organizational values.

Section 7: Ethics

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4. Take responsibility broadly and reach for the highest level of ethical leadership. Don't think about ethics as just following laws and regulations.

- Take action and show employees, participants, residents, community agencies, and other stakeholders that you are actively engaged with ethical issues that matter. Recognize how ethics influences their reasons to work with you, and demonstrate your commitment to go beyond mere compliance with laws and regulations. Prove that you are committed to ethical issues, including human rights, social justice, and sustainability.

5. Hold everyone accountable and expect leaders to model the standards. Don't exempt anyone from meeting ethical expectations.

- Allow no excuses. Make sure that no one is exempted from meeting the ethical standards you adopt. Maintain the status of ethics as a total, absolute, “must do” in the PHA. Hold everyone, particularly senior leaders and managers, accountable. No exceptions!

6. When you talk about ethics, don't just talk about the negative. Celebrate positive ethical moments.

- Be a proactive ethical leader, championing high ethical conduct, and emphasizing prevention. Talk about what positive ethics looks like in practice as often as you talk about what to avoid. Take time to celebrate positive ethical choices.

7. Don't ever stop. Talk about ethics as an ongoing learning journey, not a once-a-year training program.

- Integrate ethics into every action of your organization—everything people do, touch, or influence. Talk about ethics as an ongoing learning journey, not something you have or don't have. Recognize that the world changes constantly, and that ethical conduct requires that everyone remain vigilant. Ethics has an important and permanent role in our work lives for as long as we live.

CHAPTER 13 INDIVIDUAL COMPETENCY DEVELOPMENT PLAN

Identify at least one knowledge area or skill you plan to develop relevant to this chapter.

- **Knowledge:** Regarding the material covered in this chapter, what do you want to study or learn more about in order to gain knowledge?

- List some specific references you will study:

- **Skills:** What skills (what I know how to *do*) relevant to this chapter do I need to work on or develop? These could be technical or soft (behavior, attitude) skills.

- **Abilities:** What abilities relevant to this chapter do not come “naturally” or easily to me? How can I develop them? Be creative and don’t be afraid to think out of the box.

CHAPTER 13 REVIEW QUESTIONS

1. Internal controls include all of the following except:
 - a. Documenting procedures
 - b. Punishing unintentional mistakes
 - c. Separation of duties
 - d. Maintaining adequate records
2. One of the best ways to prevent ethical dilemmas is by addressing them preventively through comprehensive ethics and professional policies.
 - a. True
 - b. False
3. Creating an ethical agency environment means commitment from the top.
 - a. True
 - b. False
4. Which of the following statements is *not* true about investigation of PHAs' possible violations?
 - a. HUD's Office of Inspector General (OIG) initiates investigations
 - b. OIG investigates possible violations of laws or regulations
 - c. OIG does not investigate possible misconduct by PHA employees
 - d. PHAs should conduct self-audits in an internal control system
 - e. All of the above are true
5. Periodic job rotation, cross-functional responsibilities, and mandatory vacations are some examples of internal control measures.
 - a. True
 - b. False
6. Staff's knowledge, skills, and abilities to interview effectively are unrelated to program integrity.
 - a. True
 - b. False
7. Knowing the right thing to do:
 - a. Is always easier than doing the wrong thing
 - b. May be both more simple and more difficult than an unethical course
 - c. Is always obvious
 - d. Is regulated in detail in HUD regulations for all PHAs
8. A principle of personal ethics is:
 - a. Pleasing as many people as possible
 - b. Never making a mistake
 - c. Let someone else make the ethical decisions
 - d. Remembering that everything counts

9. The largest arena for breaches in ethics is:
 - a. Day-to-day behaviors
 - b. New employees
 - c. PHA accounting staff
 - d. Financing for new development
 - e. Income and rent calculations
10. Internal controls refer to the systems within a PHA that plan for:
 - a. Assignment of duties and responsibilities
 - b. Design of accounts and reports
 - c. Measures and methods employed to protect the PHA's assets
 - d. Accuracy and reliability of accounting and other operating data and reports
 - e. All of the above

Section 7: Ethics

Notes

CHAPTER 14 Managing Change

LEARNING OUTCOMES

- Upon completion of this chapter, you should be able to:
 - Identify the principles and strategies of managing change
 - Recognize the characteristics, benefits, and process of strategic thinking in an organization
 - Identify the steps necessary in beginning the strategic planning process
 - Explore models for succession planning
 - Discuss managing a multigenerational workforce
 - List the principles and elements of a comprehensive strategic plan

Section 1 Introduction

- Many PHAs spend most of their time “fighting fires”—time is mostly spent realizing and reacting to problems. It can be very difficult to stand back and take a hard look at what we want to accomplish and how we want to accomplish it. We’re too busy doing what we think is making progress.
- One of the major differences between a “fighting fires” organization and a strategic organization is the skill to see the broad perspective and take the long view. And sometimes drastic changes are needed in how we do business every day; Covid-19 taught us all about being more flexible and strategic.

Notes

Section 2 Your Attitude

- A leader's attitude is contagious—for better or worse. Some of the greatest gifts a leader can bring to a team are self-awareness and an understanding of their attitude and the impact it plays on relationships, the performance of their team, and everyone around them.
- One's attitude can be both positive and negative about change. It's important to be tolerant of our own and others' feelings of ambiguity. We all fear change at times. However, the director's role is to lead the ship steadily through choppy waters. Being self-aware about one's own attitude helps the leader be that steady captain.
- The greatest thing about attitude is that it is the one thing about which we all have a choice. According to Viktor E. Frankl, "Our greatest freedom is the freedom to choose our attitude." Emotional intelligence is the ability to understand that it's not what happens to you that determines your attitude, but your choice in attitude.
- Being aware of our attitude doesn't mean we beat ourselves over the head or constantly try to change it—just an inner honesty and a little willingness and patience to look at the negativity when it arises. And it will pass. As a Zen master said, "Allow your thoughts to come and go. Just don't invite them in for tea."
- What do you do with negative attitudes around you? You watch your own attitude. You recognize the resistance and move through it to the needed change. The best thing you can do is not get defensive or confrontational—this will only make people afraid, and the resistance to change is a form of fear. Behaviorally you may need to take firm action. But your behavior will be the right action if your attitude is right. Think back on our earlier discussion about resilience. Consider your DiSC profile and ways you could flex your style and work with others as you navigate changes.

Section 2: Your Attitude

Notes

Section 3 Navigating Resistance to Change

- Why do people resist change?
 - Change requires a change of habits. Habits are automated forms of action, creating action without conscious thought. Habits allow people to make their way through the day with a minimum of mental effort.
 - People want life to continue as “normal.” Change introduces uncertainty. Remember that resistance is a form of fear.
- People’s reactions to each stage of change can range from “shock and denial,” when business as usual is first disrupted, to “acceptance” and “commitment,” as the change is implemented.
- Many people need time to adjust and accept the change, so levels of performance may fall as they learn how to use new systems and processes. You need to build sufficient time into the process for people to adjust and provide a lot of consultation with those affected by the change.
- You can navigate through resistance by communicating effectively. Talk about why change is necessary and share your vision of change with everyone. This includes talking to all stakeholders and getting their support early in the process. These early discussions can help you assess the various barriers to change and then plan how to manage stakeholders as you move the project forward.

Section 3: Navigating Resistance to Change

Notes

Section 4 Inclusionary Strategies in Managing Change

- Measuring and tracking your programs' baseline performance may be something your PHA is already good at—financials, tracking property and portfolio performance, establishing clear performance standards for staff, etc. But what about your PHA's relationships and communication channels with staff, residents, and the community?
- Hopefully your PHA has active resident groups, receives important input from the resident advisory body (RAB), values its resident board members, and holds regular meetings at the properties. The PHA, of course, is required to hold a public hearing each year for the annual and Capital Fund plans.
- It may be necessary, however, for the PHA to repair or strengthen its relationships, particularly after Covid-19. Here's the formula: communication, communication, communication!

Section 4: Inclusionary Strategies in Managing Change

Notes

STAFF

- If you're not sure, ask. Staff will tell you what they believe is needed if there is a safe way for them to communicate and they see it's making a difference. A hallmark of any effective organization is open communication channels from the top down, bottom up, and horizontally.
 - Does staff know the big picture and the new directions in which the PHA is embarking? Does the executive team have a strategic planning retreat and make important decisions, but just assumes each manager (some or many of whom were not at the retreat) imparts this information to line staff? Does line staff feel "out of the loop"?
 - It may be time for more all-staff meetings (remote meetings enable your PHA to gather all employees fairly quickly). An agency newsletter is also a powerful communication tool. Monthly "brown bag" lunches invite any staff to bring their lunch (or sign in remotely) for informal discussions with the executive director and other top level directors.
- What about horizontal communication? Do departments operate like silos? Do department directors not understand how all departments support each other for the mission of the PHA? Is it difficult for managers and staff to communicate to another department? The PHA has work to do then. Management meetings and cross-department task groups and committee meetings should happen monthly.
- These best practices are ongoing and take real commitment from the top. If staff see these approaches come and go, they will get cynical.

RESIDENTS

- Does your PHA encourage input from residents and participants, or just go through the motions? Resident groups and the RAB are important partnerships for the PHA, and as with any partnership, must be nurtured. Regular meetings and valuing input are how these relationships thrive. Are property managers conducting monthly or quarterly meetings at the properties?
- When embarking on big strategic changes, communicate to residents! Let them know before and throughout the process what's going on. Of course there will be information you can't share, but residents will trust that the PHA is communicating what concerns them.
- Is your PHA strategically handling complaints? Is there a complaint process? Your PHA could consider a feature on your website where anyone could submit a complaint (have an anonymous option), so the PHA can respond and track complaints.

THE COMMUNITY

- Healthy community partnerships and collaboration throughout the year likewise position the PHA to give and receive support while navigating fundamental change, such as in Covid-19, or going into a strategic planning process. A principle of any good organization: Work with the people doing the work!

Section 4: Inclusionary Strategies in Managing Change

Notes

Section 5 Planning for Change

- Strategic planning is the process by which leaders of an organization determine what it intends to be in the future and how it will get there.

PLANNING TO BEGIN THE STRATEGIC PLANNING PROCESS

- Beyond the PHA 5-Year Plan and the Annual Plan, the PHA may decide to develop a strategic plan for a number of reasons: to explore more innovative directions, to go beyond five years, or to establish a system of accountability for major improvement strategies.
- Consider the costs associated with strategic planning in terms of staff and/or board time, and what might need to be sacrificed in order to develop a plan.
- Consider whether the organization is ready for a long-range plan or whether it may best focus on a short-term plan (one year), using the agency plan as a tool, and then undertaking the longer-term planning at the end of that first year.
 - If strategic planning is appropriate, what steps or procedures will be used to establish and implement a strategic plan.
 - How many meetings you will need depends on whether your PHA has done planning before, how many strategic issues and goals your PHA faces, whether your PHA is heading into a lot of change, and how much time your PHA is willing to commit.
 - Attempt to complete your strategic planning in (at most) two to three months, or momentum will be lost. Have each meeting at least two to three weeks apart.

Notes

- Before we begin planning the strategic planning process, it is important to note that there are times that are *not* conducive to undertaking strategic planning:
 - When the PHA is in crisis, the focus must be on the resolution of the urgent issues.
 - When the board is choosing a new executive director, strategic planning should wait until the new leader comes on board. The new executive director will need to lend his or her own thinking and vision to the process.
 - When the environment is very turbulent, it makes better sense to wait until outside factors develop further. Examples might be a major election or new legislation coming soon.
 - There are times when issues are not truly strategy issues. Poor executive leadership, poor working conditions, poor supervision, and board conflict are some examples.
 - Although these issues are important, they should be addressed for what they are.
- In strategic planning, the process is as important as the document itself, so plan how to plan before you begin. Agree on a strategic planning process. This may be done at a board meeting with key staff present and some external stakeholders.
- Consider your timeline, which will entail the complexity of your plan and the urgency of the need. Again, a timeline that is too accelerated may not be realistic if it would drastically distract managers from day-to-day business. A timeline that is too prolonged can result in lost momentum and interest.

Notes

- Define how the PHA will plan and who will participate.
 - Define the number of meetings and length of time to plan.
 - Define who will participate in the strategic planning process, and who will provide key information. Determine if there will be teams or committees.
 - While you want to reasonably plan, your planning process should be evolving and flexible. The strategic planning process should be part of a continuous improvement philosophy.
- The PHA should consider whether an outside facilitator or consultant should assist in the strategic planning process-in the initial stage or throughout. This decision will be based on the PHA's experience and competence in the strategic planning process and the importance of having an impartial party.
- Is strategic planning being championed and supported by the board and the executive director? If not, this support is critical before the PHA attempts agency-wide strategic planning.
- One additional note before the steps in strategic planning are explored: documentation throughout the process, at every step, is stressed.
 - Documentation will leave a record of not only what decisions were made, but who made the decisions, why, and how (consensus, brainstorming, formal adoption by the board, etc.)
 - When you're planning how to plan, decide how and by whom this historical narrative will be maintained and saved.

A NOTE OF THE STRATEGIC PLAN MODEL

- There is no one right strategic plan model or template. The PHA should choose the model or template. For purposes of this section, we will use the following model:
 - A **goal** is a broad primary outcome or a strategic direction of the PHA.
 - A **strategy** is the approach the PHA will take to achieve a goal.
 - An **objective** is a measurable step to take to achieve a strategy.
 - An **action plan** assigns timelines and responsibilities to ensure the plan is implemented, expectations and responsibilities are clear, and the plan can be effectively monitored.

STEPS IN THE STRATEGIC PLANNING PROCESS

1. MISSION STATEMENT

- Purpose is everything. Everything you do should proceed from your mission statement; it is your anchor.
 - If you aren't totally behind your mission statement, this is the time to change it.

2. ESTABLISH A BASELINE

- Once your purpose or mission is clear, you have a picture of where you want to go. The next step is to understand where you are now. This is the process of taking stock and involves thorough examination of both the internal status of your PHA and the environment in which it is situated.
 - If the PHA doesn't have a clear picture of how well it is really doing, the PHA may decide, as part of its strategic plan, to set up a quality control system—measuring and tracking key areas of performance.

3. SWOT ANALYSIS

- The SWOT analysis is at the heart of the strategic planning process.
- SWOT analysis is a tool for auditing an organization and its environment. SWOT stands for strengths, weaknesses, opportunities and threats.
- The SWOT analysis will help:
 - Indicate where opportunities and risks should be pursued and where avoided
 - Determine if resources are allocated properly
 - Planners assess PHAS, SEMAP, financial strengths and weaknesses, community reputation, and community partners
- Surveys may be a useful tool in conducting the SWOT analysis.
- Strengths and weaknesses are internal factors. For example, strengths could be:
 - The location of your properties and PHA in a desirable location
 - Well performing properties
 - Integrity in measuring and tracking performance
 - Competency and longevity of directors and staff
 - Other aspects of your PHA that add value to your developments or services
- Weaknesses could include:
 - Overstaffed central office—a top-heavy organizational chart
 - Understaffed functions (such as maintenance) or lack of competency in staff
 - Staff turnover
 - Poor-performing properties

Notes

- Opportunities and threats are external factors. For example, opportunities could be:
 - Converting to RAD
 - Applying to be an MTW agency
 - Public/private partnerships/investors or strategic alliances
 - Developing a non-profit to create non-federally subsidized affordable housing
 - Managing privately owned rental real estate
- Threats could include:
 - Decreased HUD funding
 - Changes in federal regulations governing public and assisted housing
 - Natural disasters, climate change, public health crises
 - NIMBY
- The role of the SWOT analysis is to take the information from the environmental scan and separate it into internal issues (strengths and weaknesses) and external issues (opportunities and threats). Once this is completed, SWOT analysis determines if the information indicates something that will assist the PHA establishing its goals, strategies, and objectives.

How to Do the SWOT Analysis

- The SWOT analysis is a brainstorming exercise.
- Do the SWOTs with your key groups. Explain that strengths and weaknesses are internal and opportunities and threats are external. The SWOTs should be done with key stakeholders, such as:
 - The board
 - The executive team
 - Directors/managers of all departments
 - Some supervisors and staff
 - Resident Advisory Board and residents
 - Community partners and advocates
- Try to have no more than 12-20 people in a group.
- For each group, brainstorm by going through each category and have someone write every strength, weakness, opportunity and threat articulated—write all ideas on big paper posted to a wall. Do not filter or judge ideas—just write down all the thoughts and ideas that come up.
 - Brainstorming will deepen understanding and help the group explore relationships between factors.

Notes

- Make sure everyone has “sticky dots” and make sure everyone understands their color code (e.g., red for most important, blue for important). Once all ideas are written for strengths, have everyone go up to the board and post the “sticky dots” for the three or four most important ideas, and 2-3 “sticky dots” for important ideas.
 - Go through this exercise for strengths, opportunities, weaknesses and threats. The “sticky dots” will reveal what the group considers most important.
- Record results. If the SWOT ideas and “sticky dots” are on large butcher paper posted on the wall, take digital photos of each group’s SWOT analysis and make sure the pictures are labeled for the appropriate group and category (i.e., strengths, weaknesses, opportunities or threats).

Learning Activity 14-1: SWOT Analysis

- Task: Complete a SWOT analysis for your PHA. Be open and honest as you think of the strengths, weaknesses, opportunities, and threats your PHA may be experiencing.

Strengths	Weaknesses
Opportunities	Threats

Notes

- As you engage in the brainstorming, drafting, and the finalizing process, be alert to the following vision killers:
 - Tradition
 - Fear of ridicule
 - Stereotypes of people, conditions, roles and governance
 - Complacency of some customers
 - Fatigued leaders
 - Short-term thinking
 - “Naysayers”

4. PRIORITIZE AND AGREE ON MAJOR GOALS

- The strategic planning team then reviews and agrees on top strengths, weaknesses, opportunities, and threats identified by the stakeholder groups. The SWOTS of all stakeholder groups that participated in the SWOT analysis must be considered.
- From this analysis, the team identifies major strategic goals. From these, strategies are agreed upon, and then measurable objectives are identified. This may take several meetings.

Notes

- The purpose of goals, strategies, and objectives work together:
 - Goals are high level and broad. Strategies are the approaches the PHA uses to achieve each of its goals. Objectives are measurable steps the PHA takes to achieve strategies
 - Goals are intentions. Objectives are precise.
 - Goals are more abstract. Objectives are concrete and can be measured.
 - Goals cannot be validated as is. Objectives can be validated.
 - Stretch goals to drive strategic out-of-the-box thinking. Best practice agencies set targets that require a shift from business as usual.
- Decide on your top strategic goals, Limit the number. Twenty strategic goals will look good on paper, but you're better off actually articulating seven goals or so, with corresponding objectives.

5. PRIORITIZE AND AGREE ON STRATEGIES TO ACHIEVE GOALS

- Once you've identified goals, decide on strategies. Strategies are approaches; objectives measure these approaches.
- Consider budget resources to achieve goals and strategies. Here's where your budget becomes a crucial element of the plan. Annual budget approval should be consistent with timelines of identified goals and strategies.
- Not all assets are financial—the knowledge, skills and abilities of staff and managers are critical assets to be considered.
- Remember, your other plans and policies should work together with your strategic plan.

6. DRAFT THE PLAN AND SUBMIT TO THE TEAM, THE BOARD AND STAKEHOLDERS

- Review and feedback are universal elements in any strategic plan. The more participatory the process has been, the caliber of ongoing vertical and horizontal communication, and the more diverse the competencies going into drafting the plan, will affect the amount of “buy in” the draft plan will encounter.
- It’s usually a good idea to have a small number of people write the first draft. Don’t worry about having every detail in the first draft. The draft should be presented to the board and upper management for review and approval.
 - Employees often provide input to the action planning portion.
- Once the draft plan has been developed, it’s wise to distribute copies of the plan to major stakeholders. The format of the plan might include:
 - Executive summary
 - Agency description may include the history of the PHA, its major programs and services, highlights, accomplishments and challenges during the history of the PHA.
 - Mission, vision and values statements describe the strategic “philosophy” of the PHA.
 - Goals and strategies are where you list all the major strategic goals and associated strategy.
 - There may be a number of appendices; for example, your action planning document may be an appendix since it may change if there are shifts in human resources. Strategic analysis data may be contained in an appendix.
- A time period should be established for comment, review, and revision.

7. DEVELOP AN ACTION PLAN TO IMPLEMENT THE STRATEGIC PLAN

- One of the biggest problems in strategic planning is that the plan isn't implemented. The PHA must complete action plans to reach each goal. The plan should also include numerous methods for verifying and evaluating the actual extent of implementation. The action plan is an internal document and wouldn't be disseminated externally with the strategic plan.
- Guidelines for developing action plans:
 - Specify the actions needed to address each of the top organizational issues and to reach each of the associated goals, who will complete each action, and the timeline for each action.
 - Develop an action plan for each major department/function in the organization.
 - Ensure each manager has an action plan that contributes to the overall plan.
 - The format of the action plan isn't important, as that it gets done.
- A good format would include financial pro-formas, goals, how each strategy contributes to the overall strategic goals, what specific results must be accomplished, how those results will be achieved, and timeline.

8. PLAN THE IMPLEMENTATION, DISSEMINATION AND TRAINING

- The implementation of a major strategic plan may be in phases. In addition, there should be departmental strategic plans that support the overall plan.

Notes

- Communication of the strategic plan should be a formal and significant element of the process and viewed as a measure of quality planning. Make sure everyone in the agency sees and understands the strategic plan. Verbally discuss the plan with and train staff.
- Every board member and manager should get a copy. Remember, you've kept the board in the loop from the beginning.
- Consider distributing all (or highlights from) the plan to all employees.
 - Even new employees can gain quick context, appreciation, and meaning from review of the strategic plan.
 - Train board members and staff on portions of the plan during orientations and staff meetings.
- Executive leadership implements the plan as approved by the board.

9. PERIODIC REVIEW AND RECALIBRATION

- Plans are guidelines. They aren't rules. It's acceptable to deviate from a plan, but the board and managers should understand the reason for any changes and update the plan to reflect the new direction.
- The plan document should specify who is responsible for the overall implementation of the plan, and who is responsible to monitor implementation.
- Monitor implementation and track trends through the measurable objectives in the action plan. A monthly report to stakeholders, management and the board (and ideally to all staff) should be a progress report of strategic goals. An annual report should include an overall status report of all strategies.

Notes

- Frequency of reviews depends on the PHA and how much change the PHA is experiencing. Board members should see the status of implementation at least quarterly.
- Plans may need to be amended if:
 - There are unexpected environmental events
 - There are unanticipated changes in planned resources, financial or human.
 - Strategies shift due to foreseen circumstances.
 - There is a change in leadership at the agency.
 - There is a significant delay (or advancement) of timelines.

Section 5: Planning for Change

Notes

Section 6 Issues that May Emerge in the Strategic Planning Process

SUCCESSION PLANNING

- PHAs are realizing, as they develop long-range and strategic plans, that they need to plan for new leadership. As current leaders and content experts prepare to retire, the PHA needs to make sure that historical and critical information is not lost.
- Succession planning is a process for identifying and developing internal personnel with the potential to fill key or critical organizational positions. Planning strategically to move the PHA into the next generation ensures the availability of experienced and capable employees prepared to assume these roles as they become available.
- The transition of qualified employees from individual contributors to managers and leaders is thus systemic and accelerated. Succession planning:
 - Prepares current employees to undertake key roles
 - Develops talent and long-term growth
 - Improves workforce capabilities and overall performance
 - Improves employee commitment and therefore retention
 - Meets the career development requirements of existing employees
 - Improves support to employees throughout their employment

Section 6: Issues that May Emerge in the Strategic Planning Process

Notes

- Counters the increasing difficulty of recruiting employees externally
- Focuses on leadership continuity and improved knowledge sharing
- Provides more effective monitoring and tracking of employee proficiency levels and skill gaps.
- Succession planning is a necessary part of an organization's ability to reduce risk, create a proven leadership model, improve staff morale, and ensure business continuity.
- If the PHA fails to conduct succession planning, you may end up with an empty executive team—or worse, underqualified people in roles when the PHA is unable to recruit and interest competent employees.
- The only way to reduce the effect of lost leadership is through a strong succession planning program that identifies and fosters the next generation of leaders through mentoring, training, and stretch assignments, so they are ready to take the helm when the time comes.
- Research supports sound succession planning.

Section 6: Issues that May Emerge in the Strategic Planning Process

Notes

- As PHAs begin to develop a succession planning process, they should consider these fundamental issues:
 - **High potential vs. everyone:** Some companies focus all of their succession planning efforts on “high potential individuals,” whereas others create a succession plan for everyone from the moment they are on board.
 - The benefit of focusing on high-potential workers is you can channel more re-sources and coaching toward those employees with the greatest promise. The risk is that you overlook great people and alienate and frustrate the rest of the employees, which can impact morale and turnover. Most successful organizations focus on everyone.
 - **Hiring from within vs. bringing in someone new:** Developing leaders internally takes time and effort. However, a study some years ago from consulting firm Booz Allen Hamilton concluded that “over their entire tenures, CEOs appointed from the inside tend to outperform outsiders” when it comes to returns to shareholders.
 - Sometimes a position needs to be recruited externally. Internal candidates are also not always the best choice. If an agency wants to move in a dramatically different direction, or its current leaders leave before the next generation is ready, agencies need to be open to bringing in someone from the outside.
 - **Factoring diversity into decision-making:** Managers often seek people who are like them for mentoring and promotion, which often leads to a lack of diversity.
 - Succession planning should include steps that actively promote a diverse set of potential applicants for leadership opportunities, and train managers on how to encourage diversity on their teams.

Section 6: Issues that May Emerge in the Strategic Planning Process

Notes

- **Making sure you have support from the top:** HR can build a great talent development plan, but without active support from leadership, it won't have the desired impact.

SUCCESSION PLANNING MODELS

- There are numerous and helpful schools of thought and models for succession planning. Most of these, including succession planning software, are available on the internet. Following are a few suggestions.
- Talent management efforts should be directly aligned with long-term strategic goals.
- Executives can be viewed as corporate talent scouts.
 - Part of every executive's job is to identify high-performing employees and help them build their skills and experiences so they can move up the corporate ranks. Leaders can be held accountable for the development of their people even if it means moving them to another division.
- One model suggests a 70-20-10 model of talent development with:
 - 70 percent of the development coming from experience
 - 20 percent from coaching
 - 10 percent from classroom or other training
- Again, leaders are expected to look for support and coaching to be successful.

THE MULTIGENERATION WORKPLACE

- Managers are increasingly grappling with generational differences in their work forces. Working with multiple generations can be both a weakness and an opportunity as you undertake strategic planning. If your PHA is losing its younger next-generation talent, the PHA should address strategically how it is managing multigenerationally.
- Problems can arise from differing mindsets and communication styles of workers born in different eras. The frictions may be aggravated by new technology and work patterns that mix workers of different ages in ever-changing teams.
- Baby Boomers, born between 1946 and 1964, are competitive and think workers should pay their dues. Gen Xers, born between 1965 and 1977, are more likely to be skeptical and independent-minded. Gen Ys—also known as Millennials—were born in 1978 or later and like teamwork, work flexibility, and technology.
- The key is to be able to effectively address and take advantage of the differences in values and expectations of each generation. But experts say managers must be careful not to follow blanket stereotypes. Managers must also take care not to disadvantage older workers, even inadvertently, or risk retention problems and legal headaches.

Strategies for Managing Multigenerationally

- Send your managers to class so they can learn to recognize generational differences and adapt. It's important that managers change rather than trying to change the staff.

Section 6: Issues that May Emerge in the Strategic Planning Process

Notes

- Facilitate mentoring between different aged employees to encourage more cross-generational interaction.
 - Younger employees should learn to seek the experience and wisdom offered by senior employees.
 - Older employees should learn to be open to the fresh perspectives offered by younger employees.
- Offer different working options like telecommuting and working offsite.
- Focus on the results employees produce rather than on how they get it done.
 - This will give employees some flexibility on how they want to work and put everybody, regardless of where they spent most of their time working, on the same scale to measure success.
 - Telecommuting can also encourage Boomers nearing retirement to stay on staff longer since the option allows them to 'gear down' their workloads.
- Keep employees engaged. Provide regular educational and training opportunities as well as career advice to keep all workers interested in the company.
 - Fuel the high expectations of ambitious Millennials with special assignments that are outside of their job descriptions. Consider putting them on a task force to solve a problem or establishing a regular presence on social networking sites for the company.

Section 6: Issues that May Emerge in the Strategic Planning Process

Notes

- Open up the office.
 - Millennials generally don't work well under rigid management structure. They prefer open collaborations that allow employees to share information and for everybody to contribute to decision-making.
 - Assign work to teams of employees and have them present finished product to the entire department. The idea is to take advantage of the Millennials' preference for teamwork and to encourage more solidarity throughout the workplace.
- Limit meetings to when there's a real need.
 - Toss the routines. Experts say Millennials and Gen Xers dislike the formality of regular meetings, especially when there's nothing to discuss.
- Create recognition programs.
 - Even simple gestures like a pat on the back or positive email congratulations can help boost productivity with Gen Xers.
 - Boomers may seek status so may respond best to an office-wide memo that announces that they are meeting or exceeding their goals.
 - Millennials may seek validation and approval so will appreciate increased responsibility and additional training opportunities. To this end, Millennials may also prefer more frequent feedback.

Section 6: Issues that May Emerge in the Strategic Planning Process

Notes

- Accommodate personal employee needs. Different generations of employees will be in different stages of life and may require that employers offer some scheduling flexibility to manage their personal time. But maintain parity so other employees don't feel alienated.
 - Boomers who are thinking of retirement, for example, may want to cut the number of hours they work in exchange for reduced pay.
 - Gen Xers who need to leave work early to attend a parent-teacher function can agree to make up lost time in a specified way.
 - Support Millennials who may want to pursue another degree part time and extend the same educational opportunities to other employees.
- Give all employees a voice. Regardless of age and tenure, give all employees a forum in which to present ideas, concerns, and complaints. Department heads should facilitate open communication throughout the office and set aside time to provide honest feedback.
- Don't confuse character issues like immaturity, laziness, or poor performance with generational traits.
 - Whereas Boomers may see a 60-hour work week as a prerequisite to achieving success, many hard-working Millennials may prefer a more balanced life that includes reasonable working hours-with occasional bouts of overtime-and weekends off. The latter may also voluntarily choose to make up the time in unstructured settings like working at a Starbucks on weekends.

Section 6: Issues that May Emerge in the Strategic Planning Process

Notes

**BOTTOM LINE: RESOLVING OR ACCEPTING
GENERATIONAL DIFFERENCES?**

- Business necessity:
 - Anything that will make you lose your foot, customer, money, or funding
- Generational preference:
 - Anything that is not a business necessity
- If it's not a business necessity, it's a preference and should be flexed to accommodate different generational approaches!
- Two approaches:
 - **Different**, therefore **wrong**
 - **Not wrong**, just **different**

Section 6: Issues that May Emerge in the Strategic Planning Process

Notes

Section 7 Managing Change When There is Little or No Time to Plan

- “*Change is the one constant*”—Heraclitus, Greek philosopher (born approx. 535 BC)
- Whether a small change must be made immediately to one or two processes, or some fundamental changes to how you do business are needed (as we experienced with Covid-19), it’s common to feel uneasy and intimidated by the scale of the challenge.
- John Kotter, a professor at Harvard Business School and renowned change expert, introduced this eight-step change process.

STEP 1: ACKNOWLEDGE URGENCY

- This is the spark to get things moving. Kotter suggests that for change to be successful, 75 percent of an agency's management needs to “buy into” the change. In other words, you have to work really hard on Step 1. If you have time, don’t jump in too fast; if you act without proper preparation, there may not be the “buy in” needed.
- Open an honest and convincing dialogue about what’s happening.
- What you can do:
 - Identify potential **threats** and **develop scenarios** showing what could happen in the future.
 - Examine **opportunities** that should be, or could be, exploited.
 - Start honest discussions, and give dynamic and convincing reasons to get people talking and thinking.
 - Survey (either formally or informally) outside stakeholders and collaborators.

STEP 2: FORM A STRONG COALITION

- Championing change takes strong leadership and visible support from key people within your organization. You have to lead change, but this doesn't mean you do it alone
- There are effective change leaders throughout your organization—they don't necessarily follow the traditional company hierarchy. To lead change, you need to bring together a coalition, or team, of influential people whose power comes from a variety of sources, including job title, status, expertise, trust, and political importance.
- Once formed, the “change coalition” needs to work as a team, continuing to build urgency and momentum around the need for change.
- What you can do:
 - Identify the true leaders in your organization, as well as your key stakeholders.
 - Ask for an emotional commitment from these key people.
 - Work on team building within your change coalition.
 - Check your team for weak areas, and ensure that you have a good mix of people from different departments and different levels within your company.

STEP 3: CREATE A VISION FOR CHANGE

- When you first start thinking about change, there will probably be many great ideas and solutions floating around. Link these concepts to an overall vision that people can grasp easily and remember.

Notes

- A clear vision can help everyone understand why they're being asked to do something. When people see for themselves what the agency is trying to achieve and why, then the directives they're given tend to make more sense.
- What you can do:
 - Determine the values that are central to the change.
 - Develop a short summary (one or two sentences) that captures what leaders "see" as the agency's purpose through this change.
 - Create a strategy to execute that vision.
 - Ensure that your agency's change coalition can describe the vision in five minutes or less. Everyone involved in the change coalition should practice the "vision speech" often enough to remember it in a natural way.

STEP 4: COMMUNICATE THE VISION

- What you do with your vision after you create it will determine your success. The change message will probably have strong competition from day-to-day communications and distractions within the agency, so you need to communicate it frequently and powerfully, and embed it within everything that you do.
- Don't just call special meetings to communicate the vision. Instead, talk about it frequently. Use the strategic vision daily to make decisions and solve problems. When you keep it fresh on everyone's minds, they'll remember it and respond to it.
- It's also important to "walk the talk." What you do is far more important – and believable – than what you say. Demonstrate the kind of behavior that you want from others.

Section 7: Managing Change When There is Little or No Time to Plan

Notes

- What you can do:
 - Talk often about your strategic change vision.
 - Address people's concerns and anxieties, openly and honestly.
 - Apply the vision to all aspects of operations—from training to performance reviews. Tie everything back to the vision.
 - Lead by example. Be as honest with yourself as you can be. Monitor your own attitude.

STEP 5: REMOVE OBSTACLES

- As the agency follows these steps and reaches this point in the change process, you and your change coalition have been talking about the vision for change and building buy-in from all levels of the organization. Hopefully, your staff wants to get busy and achieve the benefits that you've been promoting.
- But is anyone resisting the change? And are there processes or structures that are getting in its way?
- Put in place the structure for change, and continually check for barriers to it. Removing obstacles can empower the people you need to execute your vision, and it can help the change move forward.

Section 7: Managing Change When There is Little or No Time to Plan

Notes

- What you can do:
 - Identify, or hire, change leaders whose main roles are to deliver the change.
 - Look at your organizational structure, job descriptions, and performance and compensation systems to ensure they're in line with your vision.
 - Recognize and reward people for making change happen.
 - Identify people who are resisting the change, and help them see what's needed. Acknowledge resistance but don't let others' fear derail progress.
 - Take action to quickly remove barriers (human or otherwise).

STEP 6: CREATE SHORT-TERM WINS

- Nothing motivates more than success. Give your agency a taste of victory early in the change process. Within a short time frame you'll want to have some "quick wins" that your staff can see. Without this, critics and negative thinkers might hurt your progress.
- Create short-term targets—not just one long-term goal. You want each smaller target to be achievable, with little room for failure. Your change team may have to work very hard to come up with these targets, but each "win" that you produce can further motivate the entire staff.
- What you can do:
 - Look for sure-fire projects that you can implement without help from any strong critics of the change.
 - Don't choose early targets that are overly expensive. You want to be able to justify the investment in each project.
 - Thoroughly analyze the potential pros and cons of your targets. If you don't succeed with an early goal, it can hurt your entire change initiative.
 - Reward the people who help you meet the targets.

STEP 7: BUILD ON THE CHANGE

- Kotter argues that many change projects fail because victory is declared too early. Real change runs deep. Quick wins are only the beginning of what needs to be done to achieve long-term change.
- Launching one new project is great. But if you can launch 10 projects, that means the new system is working. To reach that 10th success, you need to keep looking for improvements.
- Each success provides an opportunity to build on what went right and identify what you can improve.
- What you can do:
 - After every win, analyze what went right, and what needs improving.
 - Set goals to continue building on the momentum you've achieved.
 - Embrace the idea of continuous improvement.
 - Keep ideas fresh by bringing in new change agents and leaders for your change coalition.

STEP 8: ANCHOR THE CHANGES IN CORPORATE CULTURE

- Finally, to make any change stick, it should become part of the core of your organization. Your corporate culture often determines what gets done, so the values behind your vision must show in day-to-day work.
- Make continuous efforts to ensure that the change is seen in every aspect of your organization. This will help give that change a solid place in your organization's culture.
- It's also important that your agency's leaders continue to support the change. This includes existing staff and new leaders who are brought in. If you lose the support of these people, you might end up back where you started.

Section 7: Managing Change When There is Little or No Time to Plan

Notes

- What you can do:
 - Talk about progress every chance you get. Tell success stories about the change process, and repeat other stories that you hear.
 - Include the change ideals and values when hiring and training new staff.
 - Publicly recognize key members of your original change coalition, and make sure the rest of the staff—new and old—remembers their contributions.
 - Create plans to replace key leaders of change as they move on. This will help ensure that their legacy is not lost or forgotten.

Section 7: Managing Change When There is Little or No Time to Plan

Learning Activity 14-2: Self-Assessment: How Innovation Adept are You?

- Below are the 15 dimensions that will help you assess your Innovation Quotient (IQ). But unlike intelligence quotient, the skills of the innovator can be learned. Print out this assessment and rate yourself on your I-Skills. If you strongly agree with the statement, give yourself a 10. If you strongly disagree, give yourself a 1 or 2. And remember to consider not only your self-perception, but also your coworkers, customers, and your boss.
1. ☐ I approach my job and my contribution with an opportunity mindset, showing initiative and solving problems with a can-do attitude.
 2. ☐ I see the “big picture” in the work that I do.
 3. ☐ I constantly coax myself to think big.
 4. ☐ I volunteer to lead new initiatives and to get involved in projects having to do with the future of my organization.
 5. ☐ I try to align myself with the strategic goals of my organization's senior leadership.
 6. ☐ I engage deeply with people in my company and work to improve my collaboration skills.
 7. ☐ I have a genuine passion for serving the end user (internal or external customer).'
 8. ☐ I look for ways to take on the customer’s problem.
 9. ☐ I often take calculated risks.
 10. ☐ I collaborate effectively in cross-functional teams.
 11. ☐ I see through barriers and hurdles to achieving my goals.
 12. ☐ I welcome feedback and use it to grow.
 13. ☐ I am idea-oriented and constantly gather ideas to build new opportunities.
 14. ☐ I work to build a network of people who I create value for, and receive value from.
 15. ☐ I sell my ideas effectively and work hard at enrolling and converting others to my vision.

MY TOTAL SCORE:

Notes

- As you completed the survey, did you consider your coworkers' perception of you, or did you answer the questions based on your self-perception? Bear in mind that it's not only about how you see yourself. It's about what you have done and what you're recognized as being capable of doing in the future.
- If you scored yourself 120 or higher, congratulations. You've developed quite a few of the I-Skills already. If you scored yourself in the 90 to 119 range, you're still ahead of most of your peers, but you've got some skill building to do. If you scored below 90, take heart. These are new skills for the vast majority of people, ones they haven't had to use to be successful in the past. Once you learn more about what they are and how to master them, you can use them in your daily work to move your career forward and have more fun in the process.

Section 7: Managing Change When There is Little or No Time to Plan

Notes

Section 8 In Conclusion: As We Change and the World Changes

- In conclusion, we would like to suggest five truly essential questions, delivered in a 2016 graduation speech to Harvard graduate students by Dr. James Ryan, Dean of Harvard Graduate School of Education. He suggests that if you get in the habit of regularly asking these questions of yourself and others, you will very likely be both successful and happy. And you will be likely to answer, “I did” to the bonus sixth question.
- **“Wait, what?”** is the first question. It is a very effective way of asking for clarification, which is crucial to understanding. It’s a question you should ask before jumping to conclusions or making a decision.
 - And the “wait” before the “what” is a good reminder that it pays to slow down to make sure you truly understand.
- **“I wonder...?”** is the second question, which can be followed by “why” (“I wonder why...”) or “if” (“I wonder if...”).
 - Asking “I wonder why” is a way to remain curious about the world. Asking “I wonder if” is a way to start thinking in new ways about what might be effective. It’s a way to join with others’ thinking without opposing it.
- **“Couldn’t we at least...?”** is the third question, which enables you to get unstuck, to get past disagreements. It’s a way to get started when you’re not sure where you’ll finish or how to get there.
- **“How can I help?”** is the fourth question. We want to help others but need to beware of “savior” complex, of the stance where we are the expert, the hero who swoops in to save others. If we ask how we can help, we’re asking with humility, recognizing that others are the experts in their own lives.

Section 8: In Conclusion: As We Change and the World Changes

Notes

- ***“What truly matters?”*** is the fifth question (you can add “to me” as appropriate). This question forces you to get to the heart of issues and your own beliefs and convictions. Another way to ask this is, “Would I rather be right or happy?”
- ***“Wait, what?”*** is at the root of all understanding.
- ***“I wonder...?”*** is at the heart of all curiosity.
- ***“Couldn’t we at least...?”*** is the beginning of all progress.
- ***“How can I help”*** is at the base of all good relationships.
- ***“What really matters?”*** gets you to the heart of life.
- If you ask all these questions regularly, especially the last one, you’ll be in a great position to answer the bonus question, which is, ***“And did you get what you wanted out of life, even so?”***
 - “I did.”

CHAPTER 14 REVIEW QUESTIONS

1. When a PHA must institute wide-reaching changes with little or no time to plan, there are principles that will help the leadership team.
 - a. True
 - b. False
2. When writing and communicating a strategic plan, the leadership team should:
 - a. Have the board and ED write the first draft
 - b. Consider every detail in the first draft
 - c. Always use a consultant
 - d. Identify who will write the first draft and who will comment/edit
3. An environmental scan is conducted to:
 - a. Enable the PHA to look at the “big picture”
 - b. Collect data to answer questions about the present and future of the PHA
 - c. a and b
 - d. None of the above
4. SWOT analysis is best done by:
 - a. Conducting formal surveys
 - b. Compiling demographic data
 - c. Consulting an outside expert
 - d. Brainstorming
5. Developing an action plan is an essential outcome of strategic planning.
 - a. True
 - b. False
6. Strategic planning should only be undertaken if all the PHA’s problems are resolved.
 - a. True
 - b. False
7. There are times that may not be the best time to embark on strategic planning.
 - a. True
 - b. False
8. The SWOT analysis may reveal that succession planning is both a weakness and an opportunity.
 - a. True
 - b. False

Section 8: In Conclusion: As We Change and the World Changes

9. Budgeting, or allocating resources, is not an inherent part of the strategic planning process, as that is a function for the financial director. a. True b. False	11. When a PHA decides to explore embarking on new entrepreneurial strategies, strategic planning is important. a. True b. False
10. A strategic plan is identical to the PHA 5-Year Plan. a. True b. False	12. The strategic planning process is as important as the document itself. a. True b. False

STRATEGIC PLAN EXCERPT

Note: Objectives and a category of actions and measurements have been added as example in strategic direction 1.

Strategic Direction 1 – Maintain PHA as a High Performer

The purpose of this strategic direction is to ensure that the PHA's standing as a high-performing agency remains a solid base in which to move to more innovative and creative models of doing business.

Goal: Maintain high performer status under PHAS

Objective: Maintain overall REAC PASS score of 90 or above for public housing portfolio

Objective: Train on NSPIRE (National Standards for the Physical Inspection of Real Estate) as HUD finalizes beta-testing

Objective: Maintain high performer status under PHAS financial indicator (FASS)

Objective: Maintain high performing PHAS management indicator (MASS)

Actions & Measurements

1.	Track MASS scores for each development monthly, with reports distributed to executive team and property managers
2.	Ensure an overall occupancy rate of 98%
3.	Track vacant unit turnaround time (down time, make-ready time, and lease-up time) monthly
4.	Property managers and VP of Housing Management submit improvement plan for any occupancy rate below 98%
5.	If make-ready days for a development are average overall more than 5 days, the property manager and VP of Housing Management will analyze maintenance priorities and staffing. Outsourcing make-readies as needed are considered
6.	If lease-up days for a project are average overall more than 5 days, the property manager and VP of Housing Management will analyze waiting list eligibility processing and unit offers
7.	Track tenants accounts receivables (TARS) to ensure 90% of receivables are collected from tenants within 1.5 months
8.	Track lease enforcement actions instituted for tenant failure to pay amounts owed
9.	Review lease and ACOP for policies related to nonpayment of rent and other payments due
10.	Track to ensure documents (invoices, inventory, purchase orders, etc.) are transferred to and from the property and VP of Housing Management to accounting according to clear and written protocols
11.	Establish a standard for occupancy rate of property for property managers' performance evaluation

Objective: Maintain high performing Capital Fund score

Objective: Ensure that staff is knowledgeable about PHAS

STRATEGIC PLAN EXCERPT

Goal: Maintain high performer status under SEMAP

Goal: Maintain fiscal compliance and accountability

Goal: Affirmatively further fair housing laws and HUD regulations

Goal: Maintain, monitor, and track regulatory compliance

Strategic Direction 2 – Drive Entrepreneurial Directions

The purpose of this strategic direction is to use the PHA's solid position to expand into new entrepreneurial directions, seeking new funding, new models of providing housing, and transformed housing.

Goal: Apply for Moving to Work (MTW) status

Goal: Continue assessment for participation in the Rental Assistance Demonstration (RAD) program

Goal: Continue to explore new funding sources (public/private partnerships) to revitalize public housing into mixed-funding (combined funding) properties

Goal: Establish the PHA as the regional leader

Goal: Position the PHA to manage other agencies' Housing Choice Voucher programs

Goal: Obtain status as a third-party property manager

Goal: Consider the PHA as an outsource resource for other agencies' HQS inspections

Goal: Continue to update the PHA website and outreach materials to position the PHA as the regional leader

Strategic Direction 3 – Expand Housing Access and Choice

The purpose of this strategic direction is to expand housing programs and properties for low-income residents throughout the jurisdictions and beyond.

Goal: Consider submitting Choice Neighborhood planning grant to continue revitalization of PHA properties

Goal: Continue to explore homeownership/selling public housing scattered single-family homes

Goal: Increase ACC rental assistance units by continuing to apply for additional vouchers upon availability

Goal: Seek new and emerging partnerships and funding to create new housing options

STRATEGIC PLAN EXCERPT

Strategic Direction 4 – Do Business More Efficiently and Effectively

The purpose of this strategic direction is to enable the PHA to manage people, policies, processes and priorities to do business innovatively, cost effectively, efficiently, and in concert.

Goal: Continue to fully utilize and implement Yardi capability

Goal: Continue to update and improve existing technology

Goal: Implement new technologies to go paperless

Goal: Assess systems in key public housing functions for time, cost and quality cost efficiency and staff effectiveness

Strategic Direction 5 – Achieve ever stronger commitment to self-sufficiency

The purpose of this strategic direction is to assist public housing residents and housing choice voucher (HCV) (Section 8) participants in gaining access to education, employment, and other self-sufficiency opportunities and supportive services, so they can achieve economic stability, independence, and improve the quality of their lives.

Goal: Establish, monitor, and achieve clear outcomes and goals for the resident initiatives and self-sufficiency programs

Goal: Reduce the digital divide and enable PHA families to access and navigate online resources

Goal: Identify resources in the community

Goal: Strengthen communication regarding the PHA's resident initiatives and self-sufficiency programs

Goal: Continue to aggressively strengthen and promote the PHA's Section 3 program

Goal: Ensure accurate calculation of FSS escrow account and submit to finance on a timely basis

Goal: Ensure best-practice case management

Goal: Continue to aggressively seek new funding and grants that partner with community providers, HUD, and other resources

Goal: Continue to highlight success of the PHA's residents, grants/programs and Section 3 initiatives

STRATEGIC PLAN EXCERPT

Strategic Direction 6 – Promote and insist on highest level of customer service

The purpose of this strategic direction is to ensure that the PHA is a service-directed agency that values best-practice customer service, both internally and externally.

Goal: Establish customer service policy and protocols

Goal: Conduct ongoing evaluation of the PHA's customer service delivery

Goal: Develop complaint tracking system

Goal: Institute investigative and resolution team

Strategic Direction 7 – Promote a healthy, engaged and productive workforce

The purpose of this strategic direction is to ensure that the PHA's human resources department is a strategically driven leader by providing effective solutions to PHA employees through innovation, collaboration, and exceptional service, advancing a workplace where expectations are clear, and personal and professional growth is valued and systemic.

Goal: Ensure up-to-date, clear and comprehensive employment policies and procedures

Goal: Implement talent and performance management model that maximizes the potential for PHA employee development, leadership development, and succession planning

Goal: Aggressively strengthen the PHA's Section 3 training and hiring program (see Goal 5.5)

Goal: Ensure a highly trained staff for professional competence and personal growth and to ensure succession of skills and talent

Goal: Ensure that managers' and staff achievements are celebrated

CHAPTER 15 Common Housing Terms and Acronyms

Acronym	Definition
ACC	Annual Contributions Contract. Annual Contracts with Public Housing Authorities for payments towards rents, financing debt service, and financing for modernization.
ACOP	Admissions and Continued Occupancy Policy
ADA	Americans With Disabilities Act (Section 504)
AFFH	Affirmatively Furthering Fair Housing
AFS	Annual Audited Financial Statements
AHAP	Agreement to Enter into Housing Assistance Payment Contract
AMI	Area Median Income
AMP	Asset Management Project
APPS	Active Partners Performance System
ARRA	American Recovery and Reinvestment Act
CA	Contract Administrator
CDBG	Community Development Block Grant (CPD program)
CFP	Capital Fund Program
CFR	Code of Federal Regulations
CHAP	Commitment to enter into a HAP contract
CHDO	Community and Housing Development Organization. Non-profit housing provider receiving minimum of 15% of HOME Investment Partnership funds.
CLPHA	Council of Large Public Housing Authorities
CNA	Capital Needs Assessment
CoC	Continuum of Care approach to assistance to the homeless
COCC	Central Office Cost Center
Continuum of Care	Federal program stressing permanent solutions to homelessness
CPD	HUD Community Planning and Development
DHAP	Disaster Housing Assistance Program (HCV Program)
ED	Executive Director
EV	Enhanced Voucher
EIV	Enterprise Income Verification

Public Housing Executive Management

Common Housing Terms and Acronyms

Acronym	Definition
Fair Housing Act	1968 act (amended in 1974 and 1988) providing HUD Secretary with fair housing enforcement and investigation responsibilities
FFY	Federal Fiscal Year
FHA	Federal Housing Administration (HUD Office of Housing)
FHAP	Fair Housing Assistance Program (FHEO program). Program assisting State/local govt with process fair housing complaints.
FHEO	Fair Housing and Equal Opportunity (HUD Office of)
FMC	Financial Management Center (Section 8; under PIH)
FMD	Financial Management Division (Public Housing)
FMR	Fair Market Rent (maximum rent for Section 8 rental assistance)
FSS	Family Self Sufficiency program
FUP	Family Unification Program
HAP	Housing Assistance Payments
HCV	Housing Choice Voucher
HERA	Housing and Economic Recovery Act of 2008
HFA	Housing Finance Agency. State or local agencies responsible for financing and preserving low/mod housing within a state.
HOME	Home Investment Partnerships (CPD program)
HOPE VI	Program for Revitalization of Severely Distressed Public Housing (PIH program)
HOPWA	Housing Opportunities for Persons with AIDS (CPD program)
HQS	Housing Quality Standards
HUD	U.S. Department of Housing and Urban Development
HUDCLIPS	HUD Client Information and Policy Systems
HUDstat	Internal Reporting System
HUD-VASH	HUD-Veterans Affairs Supportive Housing Program
IMS or (IMS-PIC)	Inventory Management System
IRS	Internal Revenue Service
LGBT	Collectively refers to the lesbian, gay, bisexual, and transgender community
LIHTC	Low Income Housing Tax Credit
LDP	Limited Denial of Participation
LOCCS	Line of Credit Control System

Public Housing Executive Management

Common Housing Terms and Acronyms

Acronym	Definition
LURA	Land Use Restriction Agreement
MAHRA	Multifamily Assisted Housing Reform and Affordability Act of 1997
MDDR	Multifamily Delinquency and Default Reporting System
MFHRHIIP	Multifamily Housing Rental Housing Integrity Improvement Project
MSA	Metropolitan Statistical Area
MSA	Minimum Set-Aside
MTSP	Multifamily Tax Subsidy Project
MTW	Moving to Work
NAHRO	National Association of Housing and Redevelopment Officials
NAUR	Next Available Unit Rule
NCSHA	National Council of State Housing Agencies
NED	Non-Elderly Disabled
NOFA	(HUD) Notice of Funding Availability
NPV	Net Present Value
NRA	Net Restricted Assets (Current Assets - Current Liabilities - Program Income)
NTO	National Tenant's Organization
OCAF	Operating Cost Adjustment Factor
OFFP	Operating Fund Financing Program
OFND	Operating Fund Program
OGC	(HUD) Office of General Counsel
OHHLHC	(HUD) Office of Healthy Homes and Lead Hazard Control
OIG	Office of Inspector General
OMB	U.S. Office of Management and Budget
Operating Subsidies	Payments authorized by the U.S. Housing Act of 1937 for operating costs of low-rent public housing projects.
PASS	Physical Inspection Assessment Subsystem
PBCA	Performance Based Contract Administrator
PBRA	Project-Based Rental Assistance
PBV	Project-Based Voucher
PD&R	Policy Development and Research (HUD Office of)
PH	Public Housing

Acronym	Definition
PHA	Public Housing Authority
PHAS	Public Housing Assessment System (under REAC)
PHMAP	Public Housing Management Assessment Program (under PIH)
PIC	Public and Indian Housing Information Center
PIH	Public and Indian Housing (HUD Office of)
PILOT	Payment in Lieu of Taxes
PJs	Participating Jurisdictions (in HOME program)
PUM	Per Unit Month
QHWRA	Quality Housing and Work Responsibility Act
RAD	Rental Assistance Demonstration
RCC	RAD Conversion Commitment
REAC	(HUD) Real Estate Assessment Center
RHIIP	Rental Housing Integrity Improvement Project
ROSS	Resident Opportunity and Supportive Services
SAVE	Systematic Alien Verification for Entitlements Program
Section 3	Obligates PHAs to afford resident access to jobs and contracting opportunities created by federal funding
Section 8	Housing Assistance Payment Program (Housing and Community Development Act of 1974)
Section 8	Housing Choice Voucher Program (Housing and Community Development Act of 1974)
Section 8 FMC	Section 8 Financial Management Center (under PIH)
Section 184	Loan Guarantee Program
Section 202	Loans for construction/rehab of housing for the elderly or handicapped
Section 203	Basic FHA Single Family mortgage insurance program.
Section 108	Section 108 Loan Guarantee Program (under CPD)
Section 202/811	Programs for housing assistance to the elderly and people with disabilities
Section 207	Basic FHA multifamily insurance program
Section 221(d)(2)	FHA Single Family Mortgage insurance for low/moderate income families
Section 221(d)(3)	FHA mortgage insurance for Multifamily housing for low/moderate income families.
Section 223(e)	FHA mortgage insurance with housing in older declining neighborhoods

Acronym	Definition
Section 223(f)	FHA mortgage insurance to refinance existing multifamily housing
Section 231	Mortgage insurance for housing constructed or rehabilitated primarily for elderly persons
Section 235	FHA single family mortgage insurance with subsidies on interest for low/moderate income families
Section 236	FHA multifamily mortgage insurance with subsidies on interest for low/moderate income projects
SEMAP	Section 8 Management Assessment Program
SRO	Single-Room Occupancy. Mortgage insurance under Section 221(d) for single room apartments.
SWICA	State Wage Information Collection Agency
TANF	Temporary Assistance to Needy Families
TARC	Troubled Agency Recovery Center (under PIH)
TEAPOTS	Title VIII Paperless Office and Tracking System (FHEO system)
TIC	Tenant Income Certification
TPV	Tenant Protection Vouchers
TRACS	Tenant Rental Assistance Certification System
TSP	Tenant Selection Plan
TTP	Total Tenant Payment
UFAS	Uniform Federal Accessibility Standards
UMA	Unit Months Available
UML	Unit Months Leased
UNA	Unrestricted Net Assets
UPCS	Uniform Physical Condition Standards
USCIS	United States Citizenship and Immigration Services
VA	Veterans Affairs (U.S. Department of)
VASH	HUD-Veterans Affairs Supportive Housing Program
VAWA	Violence Against Women Act
VCA	Voluntary Compliance Agreement. Conciliation agreement signed by a complainant to resolve a complaint.
VMS	Voucher Management System
WASS	Web Access Security Subsystem

Notes