

QUESTIONS AND ANSWERS FROM REGIONAL PIH FIELD OFFICE TRAINING ON ASSET MANAGEMENT

This document includes answers to various questions raised by HUD/PIH Field Staff during regional trainings held in August and September of 2007 on Asset Management.

Because of its general applicability, this document is being made available both to HUD and PHA staff. As a result, questions have been revised for broader readership. Additionally, while some of the questions are similar to ones previously addressed either through the Asset Management Help Desk or the Frequently Asked Questions (FAQs) posted on the REAC website, the document nonetheless serves as a compilation of the subject material.

Table of Contents

I. Financial Management.....	2
<i>A. Fee for Service, Program Income, and Front-Line vs. Management Fee Expenses.....</i>	<i>2</i>
<i>B. Capital Fund.....</i>	<i>6</i>
<i>C. Excess Cash.....</i>	<i>7</i>
<i>D. Assignment of Assets and Liabilities and other Balance Sheet Questions....</i>	<i>8</i>
<i>E. Other FDS Reporting Questions.....</i>	<i>8</i>
<i>F. Mixed Financed Projects and Component Units.....</i>	<i>9</i>
<i>G. Project-Based Budgeting.....</i>	<i>10</i>
<i>H. Fungibility.....</i>	<i>11</i>
II. Project-Based Management.....	11
III. Operating Subsidy.....	13
IV. General Questions.....	15

I. Financial Management

A. Fee for Service, Program Income, and Front-Line vs. Management Fee Expenses

1. Can a COCC charge different fees to different AMPs?

With respect to, say, the management fee, the answer is “yes.” A PHA cannot charge more than the allowable fee, but could charge less at some projects, if desired. The same would be true for centralized maintenance performed under fee-for-service. A PHA could decide to charge different rates, provided the rate did not exceed market standards. The fee rate must be documented as “reasonable”.

2. At what point during the year and how often does the COCC charge the management fee to the AMPs?

Generally, a COCC would charge management and bookkeeping fees to the AMPs on a monthly basis, to be reflected in each month’s financial statements. However, a COCC could make adjustments throughout the year, with appropriate documentation.

3. Can a COCC charge a different fee-for-service to an AMP when there is an “after-hours” emergency?

Yes. For example, a COCC could charge a higher fee for emergency work orders than it would for routine work. As always, the fees must be in the best interests of the project and not cost more than if performed by on-site staff, if appropriate.

4. Will the management fee schedules in the Supplement to PIH Notice 2007-9 be updated?

Yes. See the following link for the 2008 management fee schedules:
<http://www.hud.gov/offices/pih/programs/ph/am/docs/tablefees08.pdf>

5. Can one AMP charge another AMP for services?

Yes. For example, if the service provided between two AMPs is a specialized maintenance technician, such as a plumber, the PHA has two viable options. One option would be for the PHA to designate this specialist as a shared resource and charge the direct costs of this employee (salary, benefits, etc.) to each of the AMPs

where the work is performed.

A shared resource is a resource used over a small number of projects. The guidance associated with the use of a shared resource appears in the Supplement to PIH Notice 2007-9. The guidance calls for the use of a "reasonable methodology" to separate "the amount of time spent on providing services to AMPs..."

6. Are management fees earned in the Housing Choice Voucher program (HCV) considered non-federal?

Yes. HCVP management fees, along with the bookkeeping fee, are non-federal funds. As stated in the Supplement attached to PIH Notice 2007-09, "any reasonable fees earned by the COCC will be treated as local revenue subject only to the controls and limitations imposed by the PHA's Board or other authorized governing body."

7. When fees go to the COCC, are they de-federalized at that point?

Yes. As stated in the Supplement to PIH notice 2007-9, "any reasonable fees earned by the PHA/COCC will be treated as local revenue subject only to the controls and limitations imposed by the PHA's management, Board, or other authorized governing body." PHAs opting for "phase-in" to fee reasonableness must consider HUD's guidance regarding reasonable phase-in amounts, or adequately document fees which the PHA asserts are required to sustain operations, in order for these fees to be deemed de-federalized.

8. Will HUD require PHAs to explain how the fees earned by the COCC were spent?

No. A PHA will not be required to explain or justify to HUD the expenditure of fee income. However, as a requirement under GAAP, a PHA will be required to include the financial statement of the COCC along with the PHA's annual financial submission to REAC.

9. Regarding the first year of implementation of project-based budgeting and accounting, will all fee income be "de-federalized" including the six months of working capital?

If a PHA is operating under the fee-for-service model, where the fees charged are reasonable, all fee income, including the COCC working capital, is de-federalized. Where a PHA requires an extension of one or more years to achieve fee reasonableness, the PHA should document fees required to sustain central operating activities. HUD will issue guidance to prescribe reasonable "phase-in" levels, which, when complied with, results in de-federalized resources to the COCC. Consideration may be given to A-87 during the first year of implementation of project-based accounting. This first year establishes a "baseline" for overhead costs.

Provided the PHA includes an acceptable plan for achieving fee reasonableness in its Annual Plan, the stepped-down fees that the PHA will charge through 2011 are considered de-federalized.

10. Do the fee schedules for property management fees account for both small and large PHAs in a specific locality?

The fee schedules are based on the management fees paid, by locale, in HUD's Multifamily Housing programs. There is not a different fee schedule for large/small PHAs (just as there is not a different schedule for "small" and "large" owners in FHA), so these schedules are to be used for all small and large PHAs that adopt a COCC.

11. How should a PHA account for travel time in fee-for-service charges for maintenance work?

A project should only be charged for the hours worked. In establishing the hourly rate to charge, overhead costs, such as down time lost to travel, should be factored into the rate charged. For example, a plumber would not bill for the hours traveled to and from the job, but the costs associated with the travel would be part of the hourly rate that is charged.

12. How are ROSS Grants treated under asset management?

The nature of the ROSS grants does not change; however, the PHA may now charge the ROSS program a management fee for recovery of overhead. Additionally, the ROSS grant will continue to be reported as a separate program on the FDS.

13. What form of documentation is required to validate reasonable market rates for fee-for-service maintenance charges?

HUD does not require any specific type of documentation to determine and prove cost reasonableness, but the PHA must ensure that documentation is complete and available. Formal bid documents or documents related to similar, previous work performed at the PHA are two examples of documentation that will be considered reasonable market rates for fee-for-service arrangements. The PHA should consider guidance as set forth in OMB Circular A-87 which relates to Cost Principles.

14. How can a COCC be profitable if on-site costs are cheaper?

If performing a front-line service on-site is more cost-effective than performing it centrally, the services should be performed on-site. Under these circumstances, the PHA presumably would not utilize fee-for-service for this activity. In terms of COCC "profitability", PHAs are permitted to charge "reasonable" fees, again which requires reasonable documentation.

15. Is the Capital Fund Management Fee (earned by the COCC for administering the Capital Fund Program) considered de-federalized fee income?

Yes. As stated in the Supplement to PIH Notice 2007-9, “any reasonable fees earned by the PHA/COCC will be treated as local revenue subject only to the controls and limitations imposed by the PHA’s management, Board, or other authorized governing body.”

16. Are property management and bookkeeping fees based on occupancy?

Yes. Both the property management and bookkeeping fees will be based on occupied units and HUD-approved vacancies. The only fee not based on occupancy is the Asset Management Fee, which is based on the total number of ACC units.

17. Why are “reasonable” Board training costs allowed as a front-line expense?

This policy is consistent with HUD’s treatment of resident-owned/co-op housing.

18. What will an agency in Louisville’s jurisdiction be able to use for their property management fee if their cost structure is actually closer to Cincinnati’s?

Each jurisdiction should use the fee schedules for the market where they are located. However, if PHAs feel that those fees do not reflect the local market, they may use compelling local market data as support and justification that the fees they would like to charge are reasonable.

19. Are PHAs required to have “reasonable” management fees in Year One of project-based budgeting and accounting?

No. PHAs are not required to achieve fee reasonableness in Year One. Furthermore, if a PHA cannot operate under the guidelines of fee reasonableness during their second year of implementation, PHAs can, with appropriate documentation, extend their phase-in period for an additional two years. The phase-in levels should be reasonable, and HUD will post guidance on for phase-in requests on the Asset Management website.

20. How does cost reasonableness factor in for a small PHA of 12 units?

Small PHAs utilizing a COCC and converting to asset management follow the same fee-for-service guidance as larger PHAs. Small PHAs opting for no COCC are bound to administrative fee reasonableness standards, again for the local market, as per **Table 9.1 of the Supplement to the HUD Handbook 7475.1, “80th**

Percentile Administrative Costs in FHA Housing by Multifamily Field Office (2005 Data).”

Hence, if a small PHA decides to convert to asset management under one of the four options granted to them in the Supplement to PIH Notice 2007-9, that agency must abide by the cost reasonableness standards included in the option selected.

21. What is considered a “reasonable” methodology for prorating central office staff that is performing allowable front-line activities?

A PHA could prorate these costs based on percentage of units, bedroom distribution, turnover, or other reasonable method.

22. Are there any rules/regulations for how the COCC may use de-federalized fee income? Are there any sanctions if the COCC does not use the revenue generated from fee income in the best interest of the AMPs?

As stated in the Supplement to PIH notice 2007-9, “any reasonable fees earned by the PHA/COCC will be treated as local revenue subject only to the controls and limitations imposed by the PHA’s management, Board, or other authorized governing body

B. Capital Fund

23. With regard to Budget Line Item 1406 (Operations) of the Capital Fund, can these funds be used for the COCC?

With respect to PHAs implementing the fee-for-service model of asset management, BLI 1406 (Operations), as well as BLI 1408 (Management Improvements), may only be used to support project operations, not the COCC. The only instance where Capital Fund proceeds may be used to support the COCC, other than the Capital Fund management fee, is when a PHA uses the Capital Fund to construct/modernize a COCC building that is still a public housing program asset. Small PHAs that do not convert to asset management do not have a COCC and, therefore, have no restrictions on the amount of Capital Funds that can be transferred to operations. Larger (i.e., not designated “small) PHAs who wish to fund the COCC through transfers to operations may do so under Section 226 of the 2008 Appropriations Act. However, they must realize any such proceeds through Allocation of Overhead and are therefore restricted from fee-for-service (since they may not recover overhead costs through fees, they do not qualify for defederalization of funds to the COCC.)

24. Can small PHAs converting to asset management use 10 percent of the Capital Fund for the management fee?

Yes. A small PHA that converts to asset management and creates a COCC can

charge 10% of the Capital Fund for a “management fee”. A small PHA that does not convert to asset management or does not establish a separate COCC can spend 10% of the Capital Fund on “Administration.” The difference is that a PHA that establishes a COCC does not need to document actual costs (it can charge 10% without documentation). Additionally, the income received from the fee by a COCC is not considered Program income.

25. With respect to capital budgets and FDS reporting, will PHAs have to report each budget line item (BLI) by AMP? If so, how detailed will this report have to be?

HUD is still examining the best way to modify the BLI structure in order to be more consistent with the FDS and also to reflect “project-level” expenditures. HUD is also exploring ways to streamline the requisitioning process.

26. For small PHAs converting to asset management with no COCC, can the Capital Fund dollars in BLI 1406 be used to fund non-site specific costs? Or are front-line and administrative costs at a small PHA considered the same for this example?

Small PHAs can transfer 100% of the Capital Fund for operations. However, in reviewing a PHA’s stop-loss application, HUD will examine total administrative costs of the PHA’s Operating Fund program.

27. For Capital Fund Grants for 2007 and future years, if the PHA’s 2007 Annual Plan has already been approved, but the plans were based on “old” developments, will the PHA need to revise the plans accordingly (i.e., based on AMPs)?

More guidance will be provided in early 2008 regarding changes to the Annual Plan and required Capital Fund reporting by the AMPs. PHAs should continue to use the old development numbers in their Annual Plans until further guidance is issued.

C. Excess Cash

28. If a PHA assesses a project for the asset management fee based on un-audited statements, and, later, the audited statements show that the PHA did not have sufficient excess cash to pay the full asset management fee, would the COCC have to return the excess charge?

Yes. If the amount of excess cash as determined on the previous year’s audited financial statement is less than that on the un-audited version, the COCC would be able to keep the asset management fee up to the amount of excess cash held by the AMP. If there was no excess cash available, the COCC would not be able to keep any of the asset management fee collected. In essence, the COCC may retain only asset management fee revenue to the extent of excess cash available based on

audited financial data.

29. If an AMP does not have sufficient excess cash to pay the asset management fee, could another AMP cover this shortage?

No. The availability of excess cash is determinable at the project level. The maximum level of an asset management fee payable by a particular AMP may not be influenced by the capacity of another AMP to pay, or not pay, an asset management fee. So, each AMP is limited to paying a maximum per unit amount which is based on its respective number of ACC units

Payment of an asset management fee to the COCC can be made throughout the PHA's fiscal year, but only up to a project's excess cash, as calculated from the prior year's FDS (Supplement to PIH Notice 2007-9, page 37). The excess cash calculation is performed once the PHA's books are closed.

30. Do PHAs have to send excess cash calculations to the Field Office?

No.

31. Do PHAs have to get the Field Office's approval for transfers between AMPs and the COCC if there is excess cash?

No. PHAs do not need to receive HUD approval for transfers between AMPs or from the COCC to an AMP. PHAs may not "transfer" funds from the AMPs to the COCC, *except* within the first year of project-based budgeting and accounting.

32. Can excess cash be used for non-Public Housing purposes?

Only qualified asset management fees may be paid with excess cash, which is defederalized revenue to the COCC.

33. With regards to transferring excess cash, if a PHA has two ACCs, can funds be transferred between AMPs of the two ACCs?

No. The Operating Fund Rule permits transfer of funds only between projects within the same ACC.

D. Assignment of Assets and Liabilities and other Balance Sheet Questions

34. How often can PHAs change their allocations of assets/liabilities, after the initial assignments?

There is no specific program limitation in assigning non- real property assets and liabilities. However, a PHA: (1) is generally limited to six months of working capital to the COCC, (2) has the ability to transfer funds from one project to another

subject to fungibility provisions, , and (3) may want to seek advice from its auditor when changing allocations. Any such re-allocation must be reasonable, necessary, and not cause undue burden to a particular project (i.e. reallocation of liabilities must be reasonable and documented). Regarding real property, the PHA should assess relevant guidance including Notice 2007-28 at <http://www.hud.gov/offices/pih/publications/notices/07/pih2007-28.pdf>

E. Other FDS Reporting

35. Does income from the sale of home ownership units belong to the COCC or is it split between AMPs?

The PHA must assess the Use Agreement with respect to sales proceeds, which likely remain federalized. In this case, these proceeds should be reported as Program resources, not de-federalized COCC assets. Use of the proceeds is governed by the specific terms of the approved disposition. Page 30 of the Supplement to PIH Notice 2007-9 reads: “proceeds from asset disposals of an AMP – i.e. the sale of a project’s maintenance vehicle – are considered to be assets of the AMP and not of the COCC. With HUD approval, certain proceeds may be transferred to the COCC but may still be restricted.”

36. If an AMP is sold, where do these proceeds go?

While the use of the sales proceeds is determined by the disposition application, the proceeds, generally, are first recognized as a “gain on sale of asset” at the AMP level. The asset may be transferred to an Other AMP category, whereby the proceeds remain Program in nature.

37. On the proposed new FDS, why are the Operating Fund and Capital Fund rolled up for reporting purposes? Doesn’t this give an inaccurate representation of the AMP’s financial state?

This method provides a consolidated picture of the financial state of an AMP. However, if a PHA wants to know an AMP’s operational performance, the PHA may assess the Operating Fund column for that AMP

F. Mixed Financed Projects and Component Units

38. What if there is a development with 120 floating, mixed finance units that the PHA wants to place within three separate AMPs. Would this be permitted?

If the units are all contained within one legal entity, they should be maintained under one AMP. However, if there are multiple phases to the mixed-finance project, with separate legal entities, there would be multiple AMPs.

39. A mixed-finance development has Public Housing Operating Subsidy pledged as part of a financing commitment. Can the PHA revise its commitment to reflect allowable higher amounts? How will funds be distributed and allocated?

A PHA is bound by its regulatory and operating (R/O) agreement with its mixed-finance developer. If that agreement allows for revisions in the pledge of Operating Subsidy, the PHA can make an adjustment. Otherwise, the PHA is bound by the R/O.

40. If a development company in a mixed-finance project hires a private management company, how are funds assigned to the project?

The use of a third-party management company does not change the PEL assigned to the project, the operating subsidy eligibility for that project, or the agency's pledged amount under the R/O agreement.

41. What about mixed-finance projects where the management company is a PHA affiliate/instrumentality? Does that change how funds are assigned between the PHA and the project?

If the PHA manages the project directly or through an affiliate/instrumentality, it receives the management fee that the owner has negotiated for that project. If the PHA does not manage the properties, the PHA receives the difference between the allowable fee established under the guidelines and the actual fee paid to the management company.

42. How will HUD staff conduct reviews of Public Housing units in mixed-finance developments?

The Field Office review will mostly be concerned with the public housing units and not the market rate units. HUD recognizes that mixed-finance projects present unique challenges that may require an alternative approach to monitoring (including the fact that these projects often have multiple entities conducting reviews). All ACC units remain subject to HUD's physical condition quality inspections.

43. How are excess cash and residual receipts handled in mixed-finance public housing units?

For mixed-finance projects, the excess cash calculations do not include the one-month of operating expenses.

44. How are PHAs to fund mixed-finance projects where the R/O agreements commit to more in subsidy than the project earns?

As with any other contract, the PHA must honor any such agreements. To the

extent that a mixed-finance project receives more in subsidy under its R/O agreement than it gets under the Operating Fund formula, the PHA would either need to fund the difference with project reserves or with excess cash from another project or business activity.

G. Project-Based Budgeting

45. Will resident councils be involved in approving budgets, or will it just be PHA Boards who give approval?

There is no specific approval needed from resident councils for project budgets; the only budgetary approval a PHA must receive is from the PHA Board through the use of Form HUD-52574. However, PHAs may find it useful to involve residents in the budgeting process.

46. Does HUD maintain a prescribed AMP-level budget format for troubled AMPs or AMPs managed by troubled PHAs?

No. HUD does not require PHAs to follow a specific budgetary format, but the PHA's budget must readily reconcile with the AMP-level FDS. To assist PHAs in the budget creation process, HUD has created the Project Based Budget Tool, which can be found at the following site:

<http://www.hud.gov/offices/pih/programs/ph/am/docs/pbt.xls>

The format in this tool is optional.

47. Is the COCC required to have a budget?

If a PHA is applying for Stop-Loss, it will need to create and submit a Board-approved COCC budget with its submission package. However, a PHA that is not applying for Stop-Loss will not be required, but is strongly encouraged, to create a COCC budget.

H. Fungibility

48. The West Ridge Housing Authority completed the Year 2 Stop-Loss Kit Submission. Since the PHA is applying for Year 2 Stop-Loss, would the PHA be able to transfer funds to the COCC in Year 1 if they are applying for Stop Loss in Year 2?

Yes. If the PHA is only applying for Year 2, it does not need to demonstrate cost reasonableness in Year 1 and has complete fungibility between projects and the COCC.

49. During the first 6 months of a year, can a PHA that is not applying for Stop-Loss transfer funds from an AMP to the COCC?

Yes. During the first year of implementation, all Operating Funds are completely fungible between projects and the COCC. After the first year of project-based budgeting/accounting, no PHA may transfer (permanently or temporarily) funds from a project to a COCC.

50. Can Housing Choice Voucher (HCV) funds be transferred to AMPs to help with operations?

No. HCV funds cannot be transferred to AMPs to help with operating costs. A PHA may only use its management fee income from the HCV program to subsidize AMPs.

II. Project-Based Management

51. Under the new system of on-site management reviews, how much time will be permitted for the Field Office to send the results of its reviews to PHAs?

Field Office staff will likely have between 30-60 days to complete the results of the on-site management review and submit to the PHA.

III. Operating Subsidy

52. Regarding Project Expense Levels (PELs), is the age of a property based on the Date of Funding Availability (DOFA)?

Yes. The age of a project is determined by the difference between the DOFA and December 31, 2000. When different projects are combined or buildings from different projects are combined to form a new project, the age of the property will be the weighted average age of the different buildings in the new project based on their number of units (Federal Register, Docket No. FR-5016-N-02).

53. Will Project-Expense Levels (PELs) be adjusted each year for inflation?

Yes. Also, if a PHA determines that an AMP's PEL does not reflect the local market conditions, the PHA may file for an appeal, as outlined in PIH Notice 2007-7.

54. How does the formula account for wide swings in the market each year (e.g., the ups and downs of insurance due to coastal storms)?

PHAs are encouraged to proactively plan for changes in market conditions as part of project-based budgeting, consistent with norms of the broader multifamily industry. Furthermore, as described in PIH 2007-7, Guidance on Appeals under Subpart G of the Revisions to the Public Housing Operating Fund Program, HUD has instituted an appeals process under which PHAs can appeal their PELs.

55. The public housing stock can be different than multifamily housing. How does its location or other variables differ from private housing and how is that accounted for in the PEL formula?

The PEL formula takes into account 10 variables, including geographical area and bedroom mix. Since public housing is typically older, contains larger units, and is located in more impacted neighborhoods than multifamily housing, PELs for public housing are higher than what would be assigned for private multifamily housing. The PEL formula also includes the “Ownership Type” coefficient, wherein PHAs are treated as “non-profits”, which results in 10% higher costs than for-profit (unlimited dividend) projects. For more information regarding the PEL calculation, please refer to the Federal Register, Docket No. FR-5016-N-02, which can be accessed through the following site:

<http://www.hud.gov/offices/pih/programs/ph/am/of/index.cfm#pel>

56. Does the Operating Fund formula take into account residents who have \$0 rents?

Yes. The formula takes into account zero-renters, as well as “negative” renters, in that subsidy eligibility is determined based on the difference between Formula Expenses and Formula Income. However, for the first three years of the new Operating Fund formula (2007-2009), a PHA’s Formula Income is based on its dwelling rental income from 2004. Thus, if a PHA had zero-renters in 2004, those amounts are reflected in the PHAs “frozen” Formula Income.

57. Are add-ons available for different economic situations?

No. There is no add-on for any economic situations. However, PHAs can appeal their PELs if they feel that the operating model’s predictions are not accurate.

58. Does the PEL formula take into account any extra amenities like common spaces, pools, and other community spaces?

The PEL is benchmarked to the operating costs in HUD’s Multifamily Housing programs. Thus, to the extent that private housing has amenities, the cost to maintain those amenities is reflected in the database and, therefore, a project’s PEL.

59. Does the formula take into account natural disasters for areas like Miami/New Orleans, which had some of its public housing stock destroyed?

While the Formula does not take into account natural disasters, a unit vacant due to disaster is an “allowable” vacancy. Moreover, PHAs in disaster areas can apply for waivers or can appeal their PELs per the guidance in PIH Notice 2007-7.

60. How will HUD calculate rental income beginning in FFY 2010?

The Operating Fund rule does not specify how the Department shall determine formula income in 2010. Thus, no decision has been made with respect to how formula income will be determined in 2010.

61. Formula income, for subsidy purposes, is based on the rental income a PHA earned in 2004. However, this information was maintained at the agency-level. How will PHAs now calculate frozen rental income at the project level when they prepare project-level subsidy requests for CY 2008?

PHAs will have to break out the total formula income per AMP from 2004. The total amount of formula income for each AMP should equal the PHA-level formula income from 2004. HUD has created the Project Level Frozen Formula Income Worksheet in order to assist PHAs with this calculation, which can be found at <http://www.hud.gov/offices/pih/programs/ph/am/of/formulaincometool.xls>.

62. Does a PHA with more than 250 units, but just one AMP, receive the \$4 PUM asset management fee?

Yes. Any PHA with 250 or more units receives the \$4 PUM asset management fee, regardless of the number of AMPs. Please refer to CFR 990 part 190 (f) for more information.

63. Are mixed-finance projects subject to proration?

HOPE VI projects are treated the same as non-HOPE VI projects for purposes of proration.

64. How will approved changes to AMP groupings in 2007 affect AMP-level operating subsidy calculations for the 2008 funding year? Is there a cut-off date for changes to AMP groupings as a result of the operating subsidy calculation?

Please refer to PIH Notice 2007-28 for specific deadlines for the submission of AMP changes.

IV. General Questions

65. Can a national management company obtain a contract with a PHA for property management and then subcontract that work to a local firm?

Yes. A PHA may hire a private management company if it feels it would be in the best interest of the AMPs. That management company may subcontract for all or a portion of its work. Some PHAs, however, have clauses in their management contracts requiring PHA approval of any subcontracting activity.

66. Can you give an example of an AMP renting space to a COCC and vice-

versa?

If an AMP has ground floor commercial space, the AMP could lease that space to the COCC, and the revenue would be recognized in the AMP's financial statements. On the other hand, if a COCC is assigned an asset purchased/developed with public housing funds (say, a central administrative building), the COCC cannot charge an AMP rent for that space.

67. Could a COCC “close down” and retain all their federal and non-federal funds?

Under Section 18 of the 1937 Housing Act, a PHA may request to dispose of a public housing asset and use the proceeds for low-income housing, defined earlier in the statute as housing assisted under Section 8 or Section 9 (Public Housing). If a PHA closes entirely its public housing program, any public housing operating reserves would need to be returned to HUD because the statute only permits operating funds to pay for the operation and maintenance of public housing. Further, PHA assets funded through Section 9 would likely remain federalized assets, subject to return to the federal government and/or utilized for Public Housing objectives.

68. Are there any measures to ensure that PHAs are in compliance with asset management before fees are de-federalized?

No. HUD does not require prior HUD approval for PHAs to begin the fee-for-service model, including the use of fee income for non-program purposes. However, the financial reporting requirement will disclose this status, and HUD requirements apply.

69. Why would a tenant who pays no rent to the PHA also receive a utility reimbursement check?

This type of tenant is considered a “negative renter.” This situation occurs when 30% of the tenant's household income (their contribution towards shelter) is less than the utility allowance.

For example, if a family has an adjusted income of \$200/month, 30% of this income would be \$60. If the family lives in a unit where the utility allowance is \$80, the family would pay no rent to the PHA but would receive a check for \$20 to assist with its utility bill.

70. Are PHAs allowed to have net income even though they are non-profit entities?

Yes. Similar to other non-profits, PHAs can generate net assets, which should be used to support their public missions.

71. Under site-based management, must projects abide by HUD procurement requirements?

PHAs must still abide by 24 CFR 85.36 and associated instructions. Most “project” purchases, however, are below the small purchase threshold.

72. Have there been conversations on obtaining national blanket contracts available to PHAs for large dollar purchases – for example, a blanket contract for Energy STAR for energy-efficient washers and dryers, stoves and refrigerators?

No. HUD has not considered obtaining national blanket contracts for large purchases. The only approved blanket contract accessible to PHAs is the Department of Energy’s (DOE) bulk purchase program. If a PHA can find three quotes for a product on the DOE website, it can use DOE’s system for purchasing E-products. However, if the system does not yield at least three quotes, the PHA will be required to use the conventional procurement process.

73. Are there privately managed projects that have no maintenance staff and where the project manager would call contractors for all needed services?

HUD has not had experience with this type of situation. HUD believes that it would be unusual, but possible, for all maintenance services to be contracted out. Generally, the routine maintenance is handled by someone on-site or, in the case of small PHA’s, a maintenance worker is shared across projects.

74. A small PHA is eligible for a \$2 PUM asset management fee if it converts to asset management and has more than one AMP. Should a PHA with a total of 220 units and two adjacent sites (100 units and 120 units) that are very similar divide the sites among two AMPs to receive the extra Asset Management Fee?

Many local factors would determine the best course of action in this case.

75. How can PHAs arrange services in the best interests of the AMPs if they are required to pay prevailing wages for maintenance?

Prevailing wages are required for maintenance work performed in-house and by contractors.

76. Will PHAs be required to submit the Multifamily Tenant Characteristics Systems (MTCS) reports by AMP?

No. MTCS was the old system used prior to the introduction of PIC and is no longer used. PHAs will continue to transmit their form HUD-50058 to PIC. Most PHAs transmit 50058s in batches. It is the PHA’s discretion whether to submit

50058s from the AMP or from the central office.

77. What sanctioning mechanisms will HUD employ for troubled AMPs and troubled PHAs?

The sanctions for troubled/poor performing PHAs and projects will remain the same HUD can require various corrective actions, including, for serious breaches of the ACC, it can require a change in management or ownership. These remedies can be applied at either the project or the PHA level.

78. What will be the process for PHAs to dispose of or demolish non-performing projects?

The process for demolition or disposition activities has not been modified. PHAs are still required to follow the guidance as published in the revision to 24 CFR 970 - Demolition or Disposition of Public Housing Projects; Final Rule.

79. How is the flow of funds going to work for small PHAs that are not converting to asset management?

For small PHAs that have decided not to convert to asset management, the Operating Fund subsidy will still be awarded and accounted for at the PHA-level. For these PHAs will be that the subsidy amount will be based on the new formula. In effect, the “agency” becomes the “project.”

80. What method will PHAs use to determine the property management fees if the provided table in the Supplement to PIH Notice 2007-9 does not have their exact city?

A PHA should use the fee schedule for the local HUD Multifamily Office that oversees HUD subsidized projects in its jurisdiction.

81. The SAGIS training indicated that the formula income would be pre-populated. Is this true?

Yes.

82. Can a PHA have different admissions policies for different AMPs?

Yes. Different admissions policies for residency at each property can apply (e.g. elderly versus family).

83. Are shared resources required to maintain timesheets?

With shared resources, one must either maintain time sheets or have a reasonable method for determining how the shared resources are prorated. The guidance

associated with the use of a shared resource appears in the Supplement to 2007-09, Financial Management Handbook, page 41. The guidance calls for the use of a "reasonable methodology" to separate "the amount of time spent on providing services to AMPs..." For example, a PHA could develop a fee-for-service billing structure between and among AMPs. This would be similar to the structure that would be put in place if the PHA adopted central maintenance. A PHA could also prorate the costs of resources based on the number of units at each project where the service is shared. The PHA must demonstrate that the fees charged to the AMPs were reasonable, necessary, and in the best interest of the project.

84. How will PILOT be applied at the project level? Could a PHA ask for a waiver from the local government for a specific AMP?

For purposes of determining Operating Subsidy, the add-on for PILOT will be calculated at the project level. PHAs will be paid this add-on regardless of whether the local government actually waives the PILOT payment.

85. If small PHAs that have opted to convert to asset management are reviewed and are found to not have successfully converted, is HUD going to take back the \$2 PUM asset management fee add-on that they received?

No. A small PHA only needs to be actively engaged in the conversion to asset management to be eligible for the fee.

86. Has the Office of Fair Housing and Equal Opportunity (FHEO) commented on the regulations regarding PHAs having site-based waiting lists? Will PHAs still have to request a waiver through the Field Office FHEO staff?

The current requirements regarding site-based waiting lists have not changed as a result of the conversion to asset management. PHAs have been permitted for several years to establish site-based waiting lists.

87. What is the largest AMP allowed?

There is no limit on the size of an AMP, but all AMP groupings must be "reasonable." For example, in New York City, there are many cases where there are more than 1,000 units on a contiguous site and, therefore, the units are grouped as one AMP. However, in another PHA with 1,000 units contained in smaller clusters throughout the city, it might be reasonable to have five to ten AMPs.

88. How does the Declaration of Trust (DOT) change under asset management?

The DOT does not change. As with current requirements, all public housing assets must be under a DOT, which, in effect, is a use restriction.

89. How will asset management affect the annual audit?

The Department recognizes that the conversion to asset management may affect audit coverage. As a result, more guidance on this subject will be issued shortly, including changes to the A-133 Compliance Supplement.

90. Will PHAs be permitted to use de-federalized fee income earned by the COCC to pay for Independent Public Audit (IPA) or Inspector General (IG) audit findings?

Yes. PHAs may use their fee income in any way they deem necessary, as long as it is in accordance with all state and local laws.

91. How should small PHAs with only one or two employees comply with audit findings regarding segregation of duties?

Often times in very small agencies, it is difficult to maintain segregation of duties and, therefore, the PHA must implement other means of compensating controls.