

Frequently Asked Questions (FAQs) Stop-Loss Submission

General Questions

1. When the inspectors come to the Authority for an on-site visit, do you know what they will be using to evaluate whether the Authority is in compliance or not? Is there a checklist?

Answer: The Department is in the process of developing a “protocol” for the on-site assessments, which will be made available to PHAs prior to the visits.

2. PIH Notice 2006-14 mentions “abbreviated requirements” in the first year of stop-loss. What will be the requirements for the second year of stop-loss?

Answer: Requirements for year two are still under development.

3. We are concerned that the current Public Housing Assessment System (PHAS) will remain in place even after PHAs convert to asset management. How can PHAs be required to operate under one system and evaluated under another?

Answer: As previously indicated, the Department will revise PHAS to reflect a project-based monitoring system.

4. To the extent that a PHA is providing a centralized maintenance service – say, landscaping – and the PHA has unionized employees, will those union wages be considered “reasonable”?

Answer: Because a PHA has a collective bargaining agreement, it does not necessarily mean that the wages are reasonable or comparable. The on-site reviewer will examine the services provided centrally to a project within the context of what is common in that market for similar services.

5. If a PHA did not submit all of the 14 items required in the submission package, will the PHA be able to submit the required material at a later date?

Answer: No. PHAs that do not submit a complete package will not be reviewed for stop-loss.

6. Operating Statements are due 15 days after the quarter ending 12/31/06. This seems too short a time to prepare statements.

Answer: Management companies routinely provide financial statements for properties by the 10th of the month.

7. For the required organizational chart, particularly as it pertains to small PHAs, should it include positions or functions (for example, the executive director may also serve as director of property management)?

Answer: The PHA should submit a table of organization that shows distinct organizational units. If there is no separate management department because the executive director also directly supervises the housing managers, there would be no need to show the “box” called “Property Management.”

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Project-based Budgets Template

8. Must the project-based budgets be approved by the PHA's board?

Answer: For this initial stop-loss submission, a PHA does not need these budgets to be approved by the PHA board.

9. For this initial stop-loss submission, if a PHA maintains a central warehouse, and desires to charge that cost to each project, can the PHA do so? If yes, does it also need HUD approval?

Answer: Yes, the PHA can do so. No HUD approval is necessary as long as the costs charged are reasonable.

10. On the example of project-based budgets, there is a line for "Scattered Sites" in the header. However, this header information was not previously mentioned in the on page 3 of the submission kit. Should this information be included?

Answer: Yes. Please indicate if the project is a Scattered Site.

11. Also for the project-based budget template, it requests information on whether the project was recently renovated. How recently?

Answer: Please indicate year of last major modernization.

12. The project budget template also asks for information on the project's occupancy percentage. What time period should be used?

Answer: Indicate the occupancy percentage at the time the budgets are prepared, using either the first or last day of the month.

13. For the number of turnovers, what period is intended?

Answer: Please indicate the number of turnovers for the previous twelve months from the time the budgets were prepared.

14. A PHA is requested to provide information on the age of each project. For scattered sites, would this be the average age?

Answer: Yes.

PHA Data Form or Cover Letter

15. In the stop-loss kit, page 3, the required information for the cover letter includes a statement regarding the central office cost center (COCC). For small PHAs that choose not to operate a COCC, should they delete this language?

Answer: Yes. This language does not apply to small PHAs that choose not to establish a separate COCC.

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16. On the PHA data form, it requests information on the number of leased housing vouchers. Is this the first day of the month on which the form is prepared?

Answer: The PHA may use either first or last day of the month.

17. On the PHA data form, it requests information on 2-brm FMR. Is that the most recent FMR?

Answer: Yes.

18. On the PHA data form, it requests information on the number of public housing units. Should that be the number of ACC units?

Answer: Yes.

Criteria for Successful Conversion to Asset Management

The following questions are related to the seven criteria established in Notice 2006-14 for determining successful conversion to asset management.

19. If a project is considered “non-performing” under the standards listed in Notice 2006-14, is my PHA still eligible for stop-loss?

Answer: Yes. A PHA with one or more non-performing properties, as defined under the notice, is still eligible for stop-loss. The standards for non-performing properties are used merely to assure that PHAs have a process for reviewing the performance of their properties and, once problems/issues are identified, the PHAs are responding to those situations.

20. These standards for non-performing properties are higher than (and even different from) the standards under the Public Housing Assessment System. Why is HUD introducing higher/different standards?

Answer: Because asset management involves a process of reviewing the performance of projects, the Department wants to see evidence that a PHA is, first, identifying potential problem areas and, second, addressing those problems when they are identified. Hence, while the PHAS system identifies a failing property as one with a score of under 60 for its Physical Inspection score, it would be inappropriate in an effective asset management organization if the owner only “flagged” a property for management response if the property scored under 60.

21. Is it required that a PHA submit, as part of its stop-loss package, a balanced budget for each project and for the entire agency? Would a PHA be prohibited from using reserves to balance the budget to cover necessary expenses?

Answer: Consistent with sound management practice, a PHA should identify appropriate sources of income/revenues to cover projected expenses. To the extent that a particular project requires additional funding from reserves or other authorized sources, the PHA would not be prohibited from using reserves.

22. Given the changes incorporated in project-based budgeting and accounting, and the need for HUD to re-tool the Financial Data Schedule (FDS), will implementation dates be delayed?

Answer: The Department does not anticipate any delays in submission dates for the first project-level financial statements (due for PHAs with fiscal years ending June 30, 2008).

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23. HUD said community centers would be an eligible project expense. Yet, when we submitted our project groupings, HUD's system had no place to enter these at the project in which located. What do we do?

Answer: PHAs should reasonably prorate these costs across the projects that benefit from the service.

24. Can an indirect cost rate plan substitute for the management, asset and bookkeeping fees?

Answer: For the first year of stop-loss, a PHA could continue to maintain internally these cost allocation systems, provided the amounts allocated do not exceed the collective project management, bookkeeping, and asset management fees that the Department has established.

25. Criteria # 7 in PIH Notice 2006-14 for successful conversion to asset management refers to a number of items related to regulatory compliance. Are the statements being asked in the Agency-wide context?

Answer: Yes, since today PHAs are only assessed on an agency-wide basis.

26. Item 5.a. (1) of Table 6 in Notice PIH 2006-14 refers to the REAC physical Inspection score. Is this based on the current ACC groupings or on the new Asset management property groupings?

Answer: Yes. REAC scores are today based on the current ACC groupings. The Department anticipates conducting REAC physical inspection based on the new AMP groupings for PHAs with fiscal years that begin July 1, 2007.

27. Under asset management, authorities are eligible for an asset management fee if the projects show excess cash. Because of subsidy proration levels, if authorities use reserves to make up the difference will that make them ineligible for the asset management fee?

Answer: As previously indicated, PHAs are not restricted from using operating reserves to meet operating needs. Further, for the first-year of stop-loss, there is no excess cash requirement for payment of the asset management fee.

28. Criterion 5 for compliance with asset management states that a non-performing property is one that "has tenant accounts receivable that exceed 7% of monthly rent roll." How are tenant accounts receivable to be calculated – for example, does it include charges in addition to rent? Also, what is the reporting period?

Answer: For the purposes of stop-loss, PHAs should use rental charges only in the calculation of tenant accounts receivable. Moreover, PHAs should measure rents uncollected over the past twelve months divided by the rents charged during that same period.

29. If it appears most appropriate for a PHA to stay with a centralized work order system, should permission be attained from HUD and is there a procedure to apply in advance to justify this decision or can it be part of the cost allocation structure devised in the stop loss plan to be submitted in October?

Answer: To the extent that a PHA decides to maintain a centralized work order system, the PHA will not be required under this first year of stop-loss to obtain prior HUD approval. The on-site reviewer, however, will review, together with other central office charges, the reasonableness of those charges.

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30. Is the administration of the Capital Fund and Section 8 going to be incorporated in the Central Office Cost Center?

Answer: The budget for the COCC should reflect the oversight/planning activities of the Section 8 and Capital Fund programs. Please see example of COCC budget for West Ridge Housing Authority in the Stop Loss Submission Kit.

31. When will HUD give guidance on how to determine allocation of reserves among properties and the COCC?

Answer: The Department will shortly provide guidance on the assignment of balance sheet items between projects and the COCC. A PHA does not need to assign balance sheet items for the first-year of stop-loss.

32. Where the notice indicates that fees must be “reasonable”, can a PHA’s fees be “equal” to the applicable schedule or must they be “less than?”

Answer: They can be equal to.

33. Should PHAs compute fee amounts based on ACC units or occupied units?

Answer: PHAs shall earn management and bookkeeping fees based on occupied units and allowable vacancies (but not including “limited” vacancies, as defined under Section 990.150 of the final rule). Asset management fees are earned based on total ACC units.

34. For both crime and utilities, when HUD asks PHAs to determine where the project’s utilities (or crime) exceeds the benchmark by 120%, does it mean that utilities (or crime) are 0.2 times higher or 1.2 times higher?

Answer: 0.2 times higher.

35. For work order and unit turnaround times, should the PHA combine these two indicators (for purposes of determining if they would receive a “D” under PHAS) or should they be evaluated separately?

Answer: They are to be evaluated separately.

36. With respect to utility consumption, PIH Notice 2006-13 identifies a non-performing project as one where utility consumption exceeds 120% of the agency average. However, projects vary with respect to utility arrangements (tenant-paid versus project-paid), heating systems, building envelopes, etc. A project may exceed 120% of the agency average but not actually be a non-performing property. Will HUD allow variations greater than 120%?

Answer: Utilities are one of the largest, and fastest growing, expense categories in PHA budgets. Under successful asset management, PHAs should be monitoring the utility consumption at each project, both in an historical context and in relation to peer groups. In lieu of the standard established in the notice, a PHA may demonstrate that it actively monitors utility consumption data at individual projects and makes comparisons with like-kind projects, either against other projects owned by the PHA or some other reasonable third-party source. PHAs with just one project, or several projects of

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different type, need only demonstrate monthly monitoring of utility consumption data. At a minimum, a PHA should demonstrate utility consumption monitoring over a 12-month period.

37. For the crime statistics, what is meant by “in the surrounding neighborhood?”

Answer: If a PHA cannot reasonably obtain crime statistics for the neighborhood in which the project is located, the PHA can compare the project’s crime rate with the municipal average or some other readily obtainable measure of crime in the locality.

38. As far as the physical needs assessment for each project goes, am I correct in assuming this can be done internally and does not have to be contracted out? Also, how frequently must this asset be completed?

Answer: Yes, a PHA can perform a physical needs assessment in-house. Additionally, while PHAs are required to prepared updated Capital Plans on an annual basis, the need for a more formal physical needs assessment is required only once every five years.

39. What is the period of time one should use to measure Unit Turnaround and Work Order success? July 1 to June 30, the housing authority’s last fiscal year, or some other period?

Answer: The measurement should be for the most recent 12 month period.

40. What’s the list of management services?

Answer: PHAs can use the sample chart for West Ridge PHA contained in the submission kit.

41. Can a Troubled PHA submit for stop-loss?

Answer: Yes; however, the PHA must demonstrate reasonable progress in addressing its compliance issues, particularly as it relates to its Memorandum of Agreement with HUD.

42. PHAs with less than 250 units can show that administrative costs are reasonable. HUD will compare a PHA’s total administrative costs with the amounts in Attachment E. Will HUD be comparing prior fiscal years or the current budget submissions?

Answer: The comparison will be for the budgets that are prepared as part of the submission package. HUD will then review actual financial data for the three-month reporting period.

43. How will vacancies be measured?

Answer: Vacancies will be measured based on the number of total number of vacant units, excluding approved vacancies per 990.145, divided by the number of eligible unit months. PHAs may either use a “snap-shot” for the August or September of 2005 or for the most recent 12-month period.

44. For criteria 6, Central Office Cost Center, it indicates that, solely for the purposes of stop-loss, a PHA cannot use the “Management Improvements” or “Operations” line items under the Capital Fund to support the COCC. Under current regulations, PHAs under 250 units can transfer all Capital Funds to Operations to fund operating costs. Can a small PHA still take advantage of this transfer to Operations?

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Answer: Yes. A small PHA that chooses not to operate a separate COCC will have its total administrative costs compared with the amounts in Attachment E of the stop-loss kit.

Staffing

45. The Authority has two projects, each with about 40 units. The authority feels that the best way to staff those projects is to have a one full-time manager split evenly between both projects. Under Asset Management, is that reasonable and permissible?

Answer: Yes. There is nothing in the Operating Fund rule, or the stop-loss notice, that requires that each project have only full-time staff. PHAs should assign staffing to each project in accordance with the needs of each project and in the best interests of each project, considering the revenue available to each project.

46. Assuming that the Authority only needed a groundskeeper and/or a mechanic part-time, can they work and be charged to each property on a part-time basis?

Answer: Yes.

47. At a small PHA, can the Executive Director also serve as the housing manager?

Answer: Yes. In many small PHAs, the Executive Director also performs front-line functions. For small PHAs that are applying for stop-loss, and that also choose to establish a COCC, the PHA must not charge the project(s), in terms of the Executive Director's salary/benefits, more than what would be normal and necessary to manage that project. For example, if the PHA owned only one 40 unit project, and it would be customary to have a half-time housing manager for such a project, the PHA could not charge the project more than half of the Executive Director's salary/benefits if he/she was performing that function.

48. Is it reasonable to believe that one person (the ED) can run the central office?

Answer: Yes. However, it will depend on the size (number of units under management) of the PHA and other business activities/programs administered by the PHA.

Miscellaneous

49. The Authority is experiencing high utility bills due to the rising costs of utilities. Requests have been made to Congress to appropriate additional funds to cover the increased costs. HUD is saying to use Authority reserves. Is the Authority going to be penalized under Asset Management if reserve funds are used to cover higher utility costs?

Answer: No. See answer to question No. 21.

50. Will the Asset Management requirements limit a PHA's ability to use the Energy Savings from one project to address the capital needs for other public housing project?

Answer: No.

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51. An agency had an energy performance contract since 1998 and has completed 5 different phases. As part of those phases, the energy contractor provides the agency with a performance report outlining energy cost and cost savings at each property and by phase. Almost the entire inventory, except for 100 units of scattered sites and 10 newly revitalized sites, have been included in this energy contract. The 10 newly revitalized sites all have energy star equipment. The agency reviews each year its need for additional phases, to the point that they are moving towards a phase 6 that will focus on water conservation. Additionally, the agency has an active energy committee that meets at least once a month to go over utility usage, energy conservation efforts, tenant education and various other cost reduction efforts. The committee includes various department directors, but most important it has maintenance staff that work in the field on the equipment as active members. As a note, adding field staff has allowed the committee to move to a much higher level. To this regard, the agency feels it meets the stop loss requirements with this third-party energy contract and its energy committee. To spend additionally limited resources would not provide the agency with any additional knowledge and would not be in the best interest of the taxpayer. Would the above qualify for this criterion under stop-loss re: monitoring utility consumption?

Answer: Such efforts would appear to satisfy this criterion.

52. What portion, if any, of the energy savings as a result of an energy performance contract can fund the COCC?

Answer: For this initial year of stop-loss, 50% of the savings that a PHA may retain (the portion not used to fund the contractor and/or debt service payments) may be used to support the COCC.

53. A COCC is allowed to charge a 10% fee from grants to cover all costs to run a program. Are CDBG and HOME included in appropriate grants for these charges and do these grants have any provisions that require a PHA to report the detail of their costs back to the program and/or will simply showing the fee for service suffice for support of expenditures?

Answer: PHAs should comply with the administrative requirements established under these other programs. To the extent that these other grant programs are Federal and subject to OMB Circular A-87, fee-for-service is permissible.

54. Criterion 7(g) mentions that the 95 percent must be reached at the time of their most recent assessment period. There is some confusion out there whether this assessment period is Sept 30 for all PHAs or the individual PHA's fiscal year ending date. Could you clear this up for me?

Answer: For first year of stop-loss submission deadline of October 15, 2006, the September 30th Delinquency Report must show a reporting rate of at least 95 percent.

55. A potential stop-loss housing authority has been approved to make a CFFP loan within the last year. As part of this transaction it was required to submit a needs assessment for its entire housing inventory. Will this same document suffice for the one required of stop-loss agencies in Criteria 6 of 2006-14?

Answer: Yes.

56. When will HUD post the HUD Multifamily fee jurisdictions on the web and are these HUD Multifamily jurisdictions very different from the PIH offices?

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Answer: Soon the Department anticipates posting the cross-walk between HUD multifamily and HUD PIH office jurisdictions. In most cases, the jurisdictions are the same. In the meantime, PHAs can call the local offices for advice.

57. If my application is approved, how will the stop-loss be approved? On a PHA-wide basis? On a project-basis?

Answer: HUD has issued to each PHA their “transition funding amount”, which is based on a PUM amount. If a PHA qualifies for stop-loss, the PHA’s PUM transition funding amount will be capped at the appropriate stop-loss percentage. For example, if a PHA has a negative \$10 PUM transition funding amount (meaning the PHA is estimated to lose \$10 PUM from the old to the new formula), and if the PHA qualifies for stop-loss the first year, \$9.50 PUM will be added to the PHA’s subsidy calculation each year

58. For small PHAs that choose not to establish a separate COCC, how should the expenses related to the administration of the Capital Fund be treated if the PHA uses the flexibility to transfer 100% of the Capital Fund for Operations. Will these administrative costs be included with other administrative costs when comparing with administrative costs in FHA housing?

Answer: If a small PHA transfers funds from Capital Fund to Operations, it is using those funds to operate public housing. A PHA that needs funds to administer its Capital Fund program should record those expenses in the Capital Fund, which should not be transferred.