

## CHAPTER 1

### OVERVIEW OF MANAGEMENT ACTIVITIES

HUD provides funds to Indian Housing Authorities (IHAs) to develop rental and homeownership housing. For rental housing, HUD also provides operating subsidies for managing and maintaining the units. The IHA's mission is to create housing opportunities offering rents and homeowner payments that are affordable to low-income families.

This chapter provides an overview of IHA management activities. It also provides guidance about key policies and procedures that IHAs must establish to effectively administer the programs.

### PART I: INTRODUCTION TO INDIAN HOUSING PROGRAMS

#### 1.1 THE BASICS

Where Do the Residents Come From? Indian Housing Programs are intended to serve low-income Native Americans. The programs offer eligible families the opportunity to live in affordable rental housing and, for some of those families, to become homeowners. To receive assistance, families must apply to the IHA for housing, be determined eligible by the IHA and, when housing is available, agree to the terms of the rental lease or homebuyer agreement they sign. Families living in IHA housing must continue to comply with program requirements, including paying a fair share of their income for housing.

Which families receive assistance is determined both by federal regulation and IHA policies. Chapter 2 of this guidebook provides detailed guidance about program eligibility and resident selection requirements.

Where Does the Housing Come From? HUD provides development funds to enable IHAs to build or purchase housing. When development funds are available. HUD uses a competitive process to select IHAs to receive development funds. HUD executes an Annual Contributions Contract (ACC) with the selected IHAs. The ACC specifies the rights and responsibilities of both HUD and the IHA.

The development process is challenging. From the planning stage to completion can take several years. The Indian Housing Development Guidebook, a companion to this guidebook, covers policies and procedures related to the development process.

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Where Does Money for Management Come From? In the rental program, HUD provides IHAs with operating subsidy which supplements the income the IHA receives from the tenant. In the Mutual Help (MH) program, the IHA		Funding for IHA Operations  IHA operating funds come from two sources: <ul style="list-style-type: none"><li>o resident payments (tenant rents and homebuyer payments),</li></ul>

uses the administration charge from the homebuyer for operating expenses.

and

- o HUD operating subsidy in the rental program.

- o The Performance Funding System: The Performance Funding System (PFS) is the system used for calculating the operating subsidy for IHA rental programs. PFS uses a formula that is based upon projected expenses of a typical, well-managed housing authority.
- o Budget-based operating subsidies (non-PFS): IHAs in Alaska are funded on a budget basis.
- o Funding for Mutual Help (MH) programs: HUD provides limited funding for certain specific costs, such as training, counseling and audit. However, the major source of funds for management of Mutual Help (MH) housing is homebuyer payments.
- o Limitations on operating subsidies: Operating subsidies are subject to Congressional appropriations and may be paid at less than 100 percent of the amounts determined under the PFS formula in an IHA's budget.

For additional information on IHA funding, see the Indian Housing Financial Management Guidebook.

What Are the IHA's Management Responsibilities? The IHA ultimately is responsible for planning, constructing or purchasing: leasing and managing all developments funded under the Indian Housing Programs. Key IHA management roles include:

- o Property management: As a property manager, the IHA is responsible for the physical condition of IHA properties. Through a strong maintenance program, the IHA helps preserve one of the tribe's primary sources of decent, safe and sanitary affordable housing. As does any landlord (for the rental program) and/or lender (for the homebuyer programs), the IHA collects payments from residents. These payments, plus operating subsidies provided by HUD for the rental program, generate the revenue needed to operate the IHA.
- o Program and subsidy administration: Because Indian Housing Programs receive federal funding, the IHA must comply with a variety of program and administrative requirements. Key

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program requirements address who is eligible for Indian housing, how much residents are required to pay, rules about tenant selection and lease enforcement. Administrative requirements affect the IHA's financial management practices, personnel policies and record-keeping.

- o Outreach and education: The IHA is responsible for assuring that families who may need housing know about Indian Housing Programs and how to receive assistance. Once families become program participants, the IHA's role becomes one of counselor,

to help families understand their rights and responsibilities, and what is required to be successful renters or homebuyers.

- o Planning: Because family needs and circumstances are ever-changing, planning is an ongoing process. From a management perspective, the IHA's planning must focus on physical, financial and social issues. The IHA must make plans that: (1) assure the long-term viability of the housing resource, (2) help the IHA maintain financial stability, and (3) anticipate the changing needs of program participants.
- o Budgeting and financial management: The budgeting process goes hand-in-hand with IHA planning. Each year, the IHA must develop an operating budget that estimates income and expenses. Throughout the year, the IHA must conduct operations consistent with the budget and keep financial records in auditable condition. Guidance on budgeting and financial management is provided in the Indian Housing Financial Management Guidebook.

## 1.2 INDIAN HOUSING PROGRAMS

Indian Housing Programs serve both eligible renters and homebuyers. The following descriptions highlight key aspects of each program.

Rental Housing: To live in IHA rental housing, eligible residents pay an affordable rent based upon a formula established by Congress. In some circumstances, tenant rents may be capped by a ceiling rent established by the IHA.

The IHA performs functions similar to those of a private owner, including: tenant selection, leasing, rent collection, maintenance and lease enforcement.

Mutual Help: The MH programs provide homeownership opportunities for qualified low-income families. Under MH, homebuyers purchase the property over time. They make an initial contribution valued at \$1,500 and make monthly payments that help them accumulate equity.

The IHA has three roles in the MH program: to select and provide counseling to applicants for homeownership, to collect and account for required homebuyer payments, and to ensure that the housing is adequately maintained by the homebuyers.

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IHAs administer three different MH homeownership programs.

- o Units developed under the MH program before March 9, 1976 are considered "old MH" units.
  - o Units developed after that date are considered "New MH" units. The New MH program differs from the "Old MH" in the calculations for homebuyer payments and noted,
- The Term "Mutual Help"  
The Term "Mutual Help" (or "MH") is used throughout this guidebook. Except where

the purchase price schedule. it refers to information  
Otherwise, the two programs applicable to any of the  
are similar. This guidebook MH program types.  
will highlight differences in =====  
managing the two programs when necessary.

- o Self-Help MH was authorized by the Indian Housing Act of 1988. It is a cooperative owner-built program which relies to a great extent on sweat equity provided by program participants. (For more information on Self-Help, see Chapter 12 of the Indian Housing Development Guidebook.)

Turnkey III Homeownership Program: Some IHAs administer units under the Turnkey III homeownership program, although no new units are being developed under this program. Turnkey III provides opportunities for homeownership through a lease-purchase arrangement.

### 1.3 HUD'S ROLE IN SUPPORT OF IHA MANAGEMENT

Three Roles: HUD is responsible for administering the federal government's participation in Indian Housing Programs. In addition to providing funding through its Office of Native American Programs (ONAP), HUD has three key responsibilities.

- o Developing the regulatory framework for Indian Housing Programs: Based on legislation enacted by Congress, HUD issues regulations that provide the foundation for the Indian Housing Programs [24 CFR Part 950].
- o Providing technical guidance and support: HUD provides tools to help IHAs run their programs effectively, including training programs, individual technical assistance and written guidance (such as this document).
- o Monitoring IHA operations: As administrators of federal funds, HUD is responsible for monitoring IHA operations to assure that IHAs are using program funds effectively and complying with legislative and regulatory requirements.

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### 1.4 OTHER PARTNERS IN THE PROCESS

Tribal Government: IHAs generally are established by the tribe. The IHA Board of Commissioners is appointed by the tribal council and delegated authority to operate IHA programs. The tribal government sets goals for the IHA and puts in place laws and ordinances that support IHA operations. The tribal government may also provide sites. Regarding management activities, the tribal government may enact landlord-tenant laws, eviction and foreclosure codes, and building and inspection standards to be followed by the IHA.

Bureau of Indian Affairs (BIA): The Bureau of Indian Affairs (BIA) carries out government-to-government functions for the federal government. It administers more than 46 million acres of tribally owned land and 10 million acres of individually owned land held in trust. Because of its role in administering trust lands,

particularly its role in approving leases, the BIA is a key actor in any housing development on trust land. BIA funds may be used to develop and maintain access roads for IHA developments.

Indian Health Service (IHS): Through its Sanitation Facilities Construction Program (SFC), the Indian Health Service (IHS) provides funding and technical assistance for providing systems and facilities for safe water, waste water and solid waste.

IHA Residents: As the primary beneficiaries of the IHA's programs, renters and homebuyers also have responsibilities. These responsibilities are detailed in the lease or agreement signed by the family at or before the time they move into the home. In general, residents are responsible for making monthly rental or homebuyer payments, occupying the home without being destructive, refraining from interfering with the rights and peaceful occupancy of their neighbors and complying with other conditions of occupancy.

#### 1-5 THE NEED FOR GOOD MANAGEMENT

Although new development activities are often more visible, the hard work of ongoing management is equally important. Good management assures that IHA housing resources are put to good use and that IHA residents -- the ultimate customers -- receive good service.

#### Success Generates Success

Good management does not just protect current IHA resources. It also can help the IHA obtain additional resources. Attractive, well-run housing encourages residents to pay for the services they receive. It also tends to encourage other housing investments.

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It takes many pieces fitting together just right  
to make management work!

[GRAPHIC IN THIS SPACE]

#### 1.6 DEVELOPING EFFECTIVE POLICIES AND PROCEDURES

Each IHA must develop policies, procedures and operating principles that implement HUD regulations and IHA discretionary policies. All policies must be approved by the IHA Board of Commissioners and be available to applicants and residents upon request. There are several policies that each IHA must develop as a minimum.

Admissions and Occupancy (A&O) Policy [24 CFR 950.30]: The Admissions and Occupancy (A&O) Policy specifies eligibility requirements, describes the IHA's procedures for selecting and

screening tenants and establishes basic management practices. Strong occupancy policies are one of the keys to successful management. By having good policies and following them consistently, IHAs can help staff perform effectively and ensure fair and equal treatment of applicants and participants. Appendix 1 provides a sample outline for an A&O Policy.

Grievance Procedures [24 CFR 950.340]: The IHA must adopt grievance procedures to inform applicants and residents of their rights and the procedures for making an appeal if they are adversely affected by IHA actions. These procedures must be appropriate to local circumstances and must comply with the Indian Civil Rights Act, if applicable. A copy of the grievance procedures must be posted prominently in IHA offices and must be provided to any resident or applicant upon request. Appendix 2 provides a sample outline for grievance procedures.

Payment and Collections Policy [24 CFR 950.335]: The IHA payment and collections policy provides instructions for making payments, specifies charges established by the IHA and describes actions the

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actions the IHA will take in the case of non-payment. Appendix 3 provides a sample outline for a payment and collections policy.

Maintenance Policy [24 CFR 950.345): Each IHA must develop a maintenance policy that explains the maintenance responsibilities of the IHA and program residents. A good maintenance policy sets standards and outlines procedures for performing all duties necessary to maintaining decent, safe and sanitary housing. Appendix 4 provides sample outlines for rental and homebuyer maintenance policies.

Personnel Policy [24 CFR 950.360]: IHAs must adopt a personnel policy to give employees a clear statement about their rights and responsibilities. The policy must incorporate all applicable local, tribal and federal requirements. It should include such elements as an organizational chart, job descriptions, conduct policy for employment and termination, benefits, vacation and leave policy, overtime and compensatory time, and performance evaluation. A sample policy outline is provided as Appendix 5.

Procurement Policy, [24 CFR 950.160]. Each IHA must adopt a procurement policy that describes how it will procure supplies, materials, services and equipment. The IHA's procurement policy is intended to assure that all IHA purchases are handled fairly and in a manner that encourages full and open competition. Additional guidance on procurement requirements is found in HUD Handbook 7460.8, Procurement Handbook for Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs). Although HUD approval is not required, a copy of the policy must be provided to HUD.

#### 1.7 STAFFING FOR EFFECTIVE MANAGEMENT

No two IHAs are exactly alike and, as a consequence, there is no one "right way" to organize or to staff a management operation. But one thing is true for all IHAs -- a capable, well-trained staff

with a sense of teamwork is essential to good management. Exhibit 1-1 summarizes the key skill areas that management functions require.

HUD looks to the IHA for good management performance. It is up to the IHA to decide how management functions should be assigned to staff and how much staff is needed, within the constraints of the operating budget. Because the area Office of Native American Programs (ONAP) works with many IHAs, ONAP staff members are a good source of information about organizational options and staffing.

#### 1-8 BUDGETING FOR MANAGEMENT [24 CFR 950.745]

Each year, the IHA must prepare an operating budget that estimates operating receipts and expenditures for the year. Budgets are prepared by the IHA and requests for subsidy should be submitted to HUD three months in advance of the beginning of the IHA's fiscal year. For most

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IHAs, the largest components of management costs are staffing, utilities, and maintenance equipment and supplies. To develop the estimate for management costs, IHAs should review the previous year's expenditures and determine whether costs will be similar, higher or lower. In addition to basing the budget on the IHA's previous experience, area ONAP staff may be able to provide information about management costs for other IHAs of similar size and in similar circumstances.

At the end of each year, the IHA must prepare a year-end statement that reports actual receipts and expenditures. The IHA must also obtain an independent annual audit at year-end. Detailed guidance on the development of budgets and reporting requirements can be found in the Indian Housing Financial Management Guidebook.

#### 1.9 EVALUATING PERFORMANCE AND PROGRESS [24 CFR 950.135]

Even after policies, procedures, budgets and staff are in place, IHA management operations require constant attention. HUD periodically assesses each IHA's performance, but there is no reason for the IHA to wait for HUD to evaluate its performance and progress. This section highlights HUD's review procedures but -- more importantly -- identifies ways in which an IHA can evaluate its own performance.

Tracking IHA Performance: Tracking management performance is a continuous process. Some things, like progress on maintenance work orders, should be reviewed by the front-line supervisor every day. Others, such as actual vs. budgeted expenditures and tenant payments, should be looked at monthly. Still others, such as trends in vacancies and utility consumption, need a longer view. Exhibit 1-2 provides key questions that will help IHAs assess their management performance.

HUD's Role in Determining IHA

Administrative Capability: IHAs

Administrative Capability

are expected to have the staff and systems to successfully run their housing programs in accordance with the ACC. To make sure IHAs are prepared and equipped to handle housing management administrative responsibilities, HUD periodically conducts evaluations of IHA administrative capability. The evaluations use on- and off-site performance reviews, audits, surveys and risk assessments.

HUD looks at IHA capabilities, including:

- o administration,
- o financial management,
- o occupancy, and
- o maintenance.

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HUD's evaluations look at an IHA's work in development, modernization and operations. If problems are identified, HUD may issue a written notice of deficiency or a corrective action order which identifies the problem and requires the IHA to take action to correct the problem.

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If a corrective action order is issued, HUD requires the IHA to submit a management improvement plan to address the deficiencies. If the deficiencies are not addressed, HUD may declare the IHA "high-risk." In that case HUD will either require the IHA to submit additional documentation or determine that the IHA is ineligible for future funding until the deficiencies are addressed.

Overall, an IHA that manages its programs effectively and in accordance with HUD requirements will have the flexibility to administer its programs in a way which benefits and addresses the needs of its community.

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Exhibit 1-1

#### Summary of IHA Management-Related Skill Areas

SKILL AREA	MAJOR ACTIVITIES
Maintenance	<p>Supervisory: Help develop maintenance policy, preventive maintenance program, work order system and budget; organize work; maintain necessary inventory to handle service requests and ensure quality control.</p> <p>Staff: Respond to maintenance work orders; prepare vacant units; maintain grounds and common areas; conduct periodic inspections.</p>
Occupancy	<p>Supervisory: Help develop A&amp;O, collections and grievance policies; organize work; execute quality control; monitor waiting lists and reexamination schedules.</p> <p>Staff: Conduct outreach and take applications; monitor waiting lists to</p>



ensure applications are up-to-date;  
determine eligibility and income; select  
tenants and assign units; conduct lease-up  
activities; participate in move-in and  
move-out inspections; conduct annual  
reexaminations; counsel residents;  
execute HUD-50058 reporting to HUD.

#### Financial Management

Collections: Collect rent and homebuyer  
payments, security deposits, fees and  
damage charges.

Budget Control: Monitor actual vs.  
budgeted management expenses; develop new  
budgets.

Record-keeping: Maintain and reconcile  
tenant and homebuyer accounts.

#### Property Management

Lease Enforcement and Resident Relations:  
Plan capital improvements; coordinate  
services.

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Exhibit 1-2

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### Key IHA Management Performance Questions

#### PROGRAM POLICIES AND PROCEDURES

- o Has the Board of Commissioners adopted all of the required HUD policies (A&O, maintenance, payments and collections, personnel, grievance and procurement)?
- o Are the policies correct in terms of HUD requirements and the way in which the IHA actually conducts these activities?

#### MAINTENANCE

- o Are IHA developments in good physical condition?
- o For units or developments that need work, has the IHA set priorities for correction and identified funding sources?
- o Is the IHA following its preventive maintenance procedures?
- o Are routine and emergency work order requests handled in a reasonable timeframe?
- o Are maintenance records kept current and in good order so that they provide: (1) a history of maintenance for particular units, (2) documentation of repair expenditures, and (3) data on maintenance expenses to help the budget process?
- o Are periodic inspections made of all units?

#### OCCUPANCY

- o What is the vacancy rate? (High vacancy rates can have many reasons, but a high rate is always cause for concern.)
- o Are eligible residents selected from the waiting lists in a fair and equitable manner following the A&O Policy?
- o Are tenant certifications complete and accurate? Are reexaminations timely?
- o What is the turnover rate? (High turnover may have many reasons, but is generally a cause for concern.)
- o How many residents selected for homeownership are successfully achieving homeownership?

(Continued)

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Exhibit 1-2 (Continued)

#### Key IHA Management Performance Questions

#### FINANCIAL MANAGEMENT

##### Collections

- o What is the rate of tenant accounts receivable (TAR) (High TARs may indicate a weak or inconsistent collection policy.)

##### Record-Keeping

- o Does the IHA have the paperwork to fully support its collections and expenditures?

##### Budget

- o How well do IHA actual expenses conform to the budget?
- o Is the budget prepared in a timely manner in coordination with different program areas (such as maintenance, occupancy and property management)?
- o Does the IHA have adequate operating reserves?

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