PUBLIC HOUSING ADMINISTRATIVE REFORM INITIATIVE:
Interim Report on Recommendations

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The transition to asset management is one of the most important, but also challenging, tasks facing both Public Housing Agencies (PHAs) and the Department. To support this transition, the Administrative Reform Initiative, or ARI, was implemented as a joint effort with industry partners to identify opportunities to lessen administrative requirements while maintaining the Department's essential oversight responsibilities, within statutory parameters.

The study groups have taken a hard look at the types of data we collect, how we collect it, the frequency of collection and what we do with the data. They have also examined the different program requirements and HUD review procedures.

I am pleased to report that, as captured in this report, there are a number of meaningful reforms that will result from the work of the ARI study groups. I want to express my appreciation for the time, energy, and critical thinking that each of the ARI study group members devoted to this effort.

Our work on streamlining does not end with this report. The Department looks forward to continued discussions with industry partners on this important aspect of the conversion to asset management.

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Introduction

This document provides an interim report on the recommendations made pursuant to public housing's Administrative Reform Initiative, or ARI.

The Department encourages additional public comment on this document. Readers may respond by sending their comments to PHARI@hud.gov.

Background

In late 2006, the Office of Public and Indian Housing (PIH) began active discussions with public housing agencies (PHAs) and industry representatives to identify, within the public housing program, areas for administrative streamlining. Operating subsidies paid to PHAs are now tied to the operating costs in HUD's assisted housing programs, which make the goal of substantial equivalency in regulatory requirements compelling. Additionally, as part of the conversion to asset management, including project-based budgeting, accounting, and management, PHAs are undergoing major, internal organizational changes. Administrative streamlining could ease the transition.

To support the broader effort of administrative reform, the Department undertook two separate tasks:

- First, it created a process of expedited regulatory waivers[1]. PHAs could identify waivers of program rules that (1) were non-statutory in nature and (2) would facilitate the transition to asset management. The notion was that many of the waivers sought might later be incorporated into new rulemaking efforts. Examples are included throughout the report.

- Second, it established ARI as an accelerated method to obtain input from various stakeholders regarding possible streamlining efforts. As with the program waiver notice, the Department sought, in particular, ideas for streamlining that (1) were non-statutory, (2) would facilitate the transition to asset management, and (3) would not undermine the Department's oversight responsibilities.

ARI Structure

To help focus discussions, the Department established 10 separate study areas, listed below:

- General Monitoring
- Annual Plan and Capital Fund Program

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[1] "Regulatory Waivers for Public Housing Programs To Assist With Transition to Asset Management, Federal Register, Vol. 72, No. 40, Thursday, March 1, 2007.

- Homeownership
- Development and Asset Repositioning
- Systems
- Occupancy
- General Management
- Resident Self-Sufficiency and Programs
- Financial Reporting
- Structure

Through a general announcement to all PHAs, and through notification on its Administrative Reform Initiative (ARI) web site (http://www.hud.gov/offices/pih/programs/ph/phari.cfm), the Department sought volunteers for each of the study areas (not more than one area per participant). More than 350 individuals responded, and 285 participated in the study groups, representing 110 PHAs as well as various industry groups, residents, resident organizations, consultants and other interested parties. Because of the large response, HUD created two study groups for three of the study areas (for a total of 13 study groups). Participants had to agree to attend an initial kick-off meeting, held in Washington, D.C., on July 12, 2007. For each study group, HUD provided a HUD "facilitator" with relevant program experience, and several additional HUD staff participated as resources to each of the study groups. Study groups were free to select their own study group chairs, as desired. Attachment A includes a list of participants and their respective organizations, by study group.

Study groups were not expected to prepare "consensus" recommendations. Study group members were encouraged to submit individual recommendations. Most study groups, however, presented a "group" report of recommendations. No uniform report format was required.

To assist with intra- and inter-study group communication, the Department created an ARI website where participants could post suggestions and other relevant information. After the initial kick-off meeting, all study groups met on their own schedule, either in person or through a series of conference calls.

Study groups were to submit their recommendations (joint or individual) by September 15, 2007. These reports are posted on the ARI website. HUD then convened a meeting in Washington, D.C., on September 27, 2007, to present preliminary feedback on the major proposals. This document expands upon the feedback presented at that meeting.

Classifying Administrative Requirements

Administrative requirements, whether statutory, regulatory, or both, can take three basic forms:

- First are requirements involving submission of PHA data. These requests can range from program performance reports (for example, the status of obligations/expenditures of the Capital Fund program) to subsidy calculation worksheets. Some information is supplied manually; more information is now submitted electronically. (See Attachment B for a list of required "submissions" under the Operating Fund and Capital Fund programs.)

- Second are requirements for prior HUD review and approval of PHA actions. For example, PHAs must receive HUD approval of their Tenant Selection and Assignment Plans (TSAPs).

- Third are requirements that dictate the content of policies and procedures that a PHA must adopt. For example, a PHA, per statute, must allow for pets in family public housing. A PHA does not need approval of HUD to establish a pet policy, but its pet policy must comply with applicable regulations.

In general, there are few routine management activities that require prior HUD approval.[2] PHAs implement and manage their programs in accordance with program requirements with periodic HUD reviews of PHA performance and compliance. Consequently, most of the opportunities for administrative streamlining fall into the areas of reporting and program directives. Further, a great many of the requirements governing PHA policies are statutory.

As indicated, the Department has certain "essential oversight responsibilities." The question is how best to administer those responsibilities to afford maximum PHA flexibility and minimum PHA paperwork.

Options

To the extent that a particular process or requirement is non-statutory, and to the extent that modification does not weaken the Department's essential oversight responsibilities, a number of events could occur:

- One, the Department could modify a form or data collection instrument, reduce the frequency of collection, allow for (improved) electronic transmission, or eliminate the form/data collection in its entirety.

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[2] Following award of a PHA's operating subsidy or Capital Fund grant, there are only a limited number of instances where the PHA needs prior HUD approval to spend the funds. For example, prior HUD approval is required for any contract that exceeds five years. (See Section 12.5, Procurement Handbook for Public Housing Agencies, HUD 7460.8, Rev-2, 2/2007). Additionally, a PHA needs prior HUD approval for certain vacant units to be treated as eligible for operating subsidy or for entering into non-dwelling leases that exceed one year.

- Two, the Department could modify the policy or procedure that the PHA must follow. It could, for example, eliminate certain PHA requirements relating to the purchase of goods and services (or increase the threshold for application).

Changes in data collection practices are governed by the Paperwork Reduction Act. Changes in mandated policies and procedures are subject to notice-and-comment rulemaking.

250 Unit Threshold for Asset Management

A number of the study groups included recommendations for increasing the threshold for asset management, as stipulated under 24 CFR 990.285, from 250 units to 500 units. The threshold was a key provision of the negotiated rulemaking on the Operating Fund program. The Department believes strongly that PHAs should be governed by essentially the same asset management requirements, including project-based budgeting, accounting, and management, as other non-profit operators, to whom their funding is now benchmarked. The Department has established various transition provisions that help small and large PHAs convert to asset management.

Reasonable Management Fees

Similarly, a number of study groups included recommendations relating to the allowable fees that PHAs can charge projects and programs under asset management, including management fees, bookkeeping fees, and asset management fees. Extensive comments on fees were received in response to PIH Notice 2006-33[3] and were addressed through the publication of PIH Notice 2007-9[4]. Many of the same issues were raised through ARI. The Department has chosen not to respond to the setting of fees in this document. The Department recognizes that additional dialogue is desired on the setting of fees, and it will address this subject in a separate action.

Study Group Recommendations

The Department is currently examining all recommendations presented by the different ARI study groups. This section includes a discussion of many, but not all, major issues and recommendations within each of the study areas, along with an indication of the Department's planned actions. The Department will soon publish responses to all recommendations. Of course, implementing any recommendations will require formal notice-and-comment rulemaking.

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[3] PIH Notice 2006-33, "Changes in Financial Management and Reporting Requirements for Public Housing Agencies Under the New Operating Fund Rule (24 CFR Part 990): Interim Instructions, September 6, 2006
[4] PIH Notice 2007-9, "Updated Changes in Financial Management and Reporting Requirements for Public Housing Agencies Under the New Operating Fund Rule (24 CFR Part 990), April 10, 2007

Attachment C includes a list of anticipated regulatory actions over the next year directly related to the subjects covered in this report; however, additional actions could also occur.

General Monitoring

As a result of the move to asset management, particularly with the emphasis on project-level performance, HUD must revamp the Public Housing Assessment System (PHAS), which is the primary instrument for evaluating PHA performance. The methods by which HUD conducts its overall monitoring and evaluation can have major implications in terms of the demands these structures place on PHAs. In developing this "new" PHAS, the General Monitoring study group recommended that HUD:

- Eliminate entity-wide scoring. Under the current PHAS, certain indictors, including occupancy loss and various financial ratios, are "entity-wide", meaning that the PHA is scored on its performance across all programs and business activities, i.e., the scoring is not specific to public housing;
- Streamline management and occupancy reviews;
- Limit on-site review work to one day;
- Send review report results to PHAs within 45 days;
- Reduce the multiplicity and frequency of reviews; and
- Make PHAS generally consistent with assessment systems in multifamily housing.

The Department supports these major recommendations and themes. The "new" PHAS will eliminate the scoring of entity-wide programs. Instead, it will apply only to public housing. As indicated elsewhere, and consistent with multifamily housing, the Department also plans to develop a management review for on-site public housing projects. These management reviews are expected to consolidate reviews that HUD currently conducts of PHAs. For example, there would not be a separate procurement review, RIM review, or PHAS confirmatory review. Instead, both tenant and procurement files would be reviewed as part of the on-site review. The performance on these reviews would then determine the frequency of future reviews. The on-site review will also assess resident self-sufficiency and resident involvement in project administration.

The Department is examining the HUD-Form 9834, Management Review of Multifamily Projects, for adaptation to public housing. The Department expects to post for public comment in late 2007 a proposed management review form for public housing, in keeping with another of the study group's recommendations. In the development of this form, the Department is attempting to make clear distinctions between performance (e.g., property appearance) and compliance (e.g., rent calculations).

The study group also recommended that HUD adopt the multifamily physical inspection model with respect to allowing (1) a re-inspection of properties that receive a physical assessment score between 31 and 60 and (2) high performing projects to be inspected every three years (currently two years for public housing). The Department will consider these recommendations and conduct additional research on their effectiveness.

The study group further recommended that HUD not "score" or "evaluate" the Central Office Cost Center (COCC). The Department reiterates here the fact that the COCC will not be part of any scoring system under PHAS.

In all, the Department anticipates that with the changes in PHAS, especially the move to on-site management reviews, will result in both a streamlined process and a more effective monitoring system.
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Annual Plan/Capital Fund

These two subjects – the Annual Plan and the Capital Fund program – were combined into one study area because they are linked administratively in terms of submissions and approvals.

The Department recently posted for public comment a streamlined Annual Plan template. The Department believes that the revised template significantly reduces the administrative burden associated with preparing annual Plans (within statutory limits), while also balancing the need for public access. A final template is anticipated to be published in early 2008, which PHAs could begin to use for July 2008 fiscal years and thereafter.[5]

With respect to the administration of the Capital Fund program, the study group recommended the following "package" of reforms that would result in substantial streamlining.

- Change the Capital Fund portion of the PHA Plan to a narrative description of the needs for each project, eliminating the submission of the detailed Capital Fund budgets and forms currently required with the PHA Plan. This change would meet the statute's requirement for a "plan describing" the necessary capital improvements. The public would be given an opportunity to review this Capital Fund Program narrative during public hearing and public comment on the PHA Plan.

- The appropriate Capital Fund budget forms would be completed by the PHA and approved by the PHA Board of Commissioners. These budget

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[5] The streamlining of the PHA Plan Template began approximately 18 months ago and preceded the ARI meetings. Therefore, the Department anticipates further changes to the PHA Plan template in the future to incorporate changes recommended by the ARI committees.

forms would be available to residents and the public by the PHA in a manner prescribed by the PHA. Prior HUD review and approval of the PHA Capital Fund budget would be eliminated.

- Reduce the number of budget line items (BLIs) in the Line of Credit Control System (LOCCS) as well as the Capital Fund Budget forms. The BLIs could be reduced from approximately 28 to the minimum number necessary to manage the program and monitor compliance, particularly relating to obligation and expenditure requirements.

- Reform Capital Fund program accounting procedures to Generally Accepted Accounting Principles (GAAP). The resulting conversion to GAAP would significantly simplify and reduce the administrative burden associated with the Capital Fund program budget preparation and accounting.

- Design a system with a single portal for on-line submission of PHA Plans and Capital Fund program submissions, including budgets and reports timed to coincide with PHAS submissions.

- Expand the use of existing statutory authorities, which allow exemptions for submission and review under the PHA Plan regulation.

The Department supports the entire "package" of recommended reforms. Many of these changes are intertwined and must be implemented at one time. Some will require changes to existing regulations, including the PHA Plan regulation (24 CFR Part 903) and the Capital Fund regulations (24 CFR Parts 905, 941, and 968). Equally critical, the recommendations will require changes in HUD's data and information systems, e.g., FDS and LOCCS, necessitating an increase in PIH's IT budget, as well as changes to processing guidance and forms.

It is important to note that the procedure for revising forms and amending information collection requires OMB approval and publication in the Federal Register. The Department will be required to conduct training for PHA and HUD field staff prior to implementation of some of these recommendations. As a result, implementation of these recommendations will be in stages and is expected to begin in 2009.

Public Housing Homeownership Programs

Currently, there are six different homeownership initiatives for public housing, including: Section 5(h), Section 9, Section 24, Section 32, Turnkey III, and HOPE VI. In terms of current administrative requirements, the Homeownership study group felt that existing processes/requirements are quite flexible and allow for enormous latitude for PHAs to shape homeownership efforts to meet local needs. Five major recommendations were:

- Combine all programs into one rulemaking effort;
- Allow public housing units converted to homeownership to be eligible for Replacement Housing Factor (RHF) funds;
- Establish new incentives to support homeownership (similar to the $1,000 incentive bonus under the Section 8 Housing Choice Voucher Program);
- Increase HUD promotion of homeownership; and
- Expand HUD efforts to "build the buyer" and "build the seller."

The Department supports the development of a unified homeownership rule, which it will begin preparing in 2008. It also recognizes that, while units demolished are eligible for RHF funds, homeownership units included in Section 32 proposals are not. As such, it is willing to review the treatment of Section 32 units for RHF funding in the upcoming rulemaking. The Department also supports increased efforts to promote homeownership. However, with respect to HUD's role in "building the buyer" or "building the seller", HUD believes that these are responsibilities best implemented at the local level.

Development and Asset Repositioning

One of the more strategic goals of asset management is to facilitate investment in public housing by public and private sector entities. The two Development and Asset Repositioning study groups were asked to examine ways to streamline existing requirements related to the development or financing of public housing.

It should be understood that, prior to ARI, the Department recently undertook three actions directly related to this subject: a proposed Streamlined Mixed-Finance Application proposed rule, a proposed Capital Fund/Operating Fund Financing Rule, and a notice on the use of "affiliates" in mixed-finance projects.

The main recommendations of the two Development and Asset Repositioning study groups were:

- Create a consolidated processing system ("one-stop shop") for financing proposals under the Capital Fund, Operating Fund, and Development programs.

- Make changes to the Section 8 Project-Based Voucher program to support mixed-finance projects, including the selection procedures, site and neighborhood standards, and subsidy layering process.

- Allow for subordination of interest in the Declaration of Trust to better enable the PHA to leverage private investment.

- Strengthen the capacity of field staff to support development and asset repositioning through continued training and communication regarding

development policies, procedures, legal interpretations, regulatory or statutory issues.

- Create a Field Office development center to provide support and assistance in conventional development matters to all Field Offices.

- Revise the FY 2008 Total Development Cost Limits to include a new structure type for elderly elevator buildings.

- Develop and distribute safe harbor standards for Capital Fund Financing Program (CFFP).

The Department supports the recommendation for consolidated processing and, during the coming year, will begin planning for its implementation. Additionally, the Department supports greater flexibility in the use of project-based Section 8 in connection with mixed-finance projects, and may address the recommendations through rulemaking or other HUD guidance, as appropriate. Issues related to the Declaration of Trust are reviewed under the Structure study group, below. Finally, the Department will continue to strengthen the capacity of field staff through training and improved communication.

The Department will also look into recommendations regarding AMP transition plans for older, obsolete and distressed properties and subsidy layering reviews.

Systems

The Systems study group was asked to examine ways that the Department could improve electronic communication between PHAs and HUD. There are eight major systems that are used to transmit data or disburse grants and subsidies to PHAs, which are described below.

- **SAGIS, Subsidy and Grant Information System** - PIH's newest system, will award and obligate all grants and subsidies. SAGIS will be introduced over the next several years in phases, beginning this fall with the Operating Fund program.
- **LOCCS, Line of Credit Control System -** disburses PIH grants.
- **IMS/PIC, Inventory Management System/Public and Indian Housing Information Center -** tracks tenant, building, and unit data, as well as PHA contact information. Included with this system is the HUD-50058, which PHAs transmit to HUD through PIC. PIC is the most extensively used system by PHAs.
- **FASPHA Financial Assessment Submission PHA -** is used to submit year-end financial statements, and associated audits.
- **MASS-PH, Management Assessment Subsystem** - is used to transmit management assessment data and related certifications. This system will go away once the Department moves to on-site reviews.

- **WASS**, Web Access Security System – provides authentication and authorization of user access to all systems.
- **MAPS, Monitoring and Planning System** - another new system, will allow HUD to track all reviews of PHAs and to automate correspondence. Mostly, it is a system for internal (HUD only) use.
- **VMS, Voucher Management System** – is used to award and track utilization in the voucher program. It does not impact on asset management, although it, too, will be revamped in 2008 and 2009.

The long-term goal of the Department is to migrate to electronic submission of nearly all forms, program applications, and performance reports.

The Department generally plans for two "system releases" each year. Program and business offices work with the Department's IT staff to plan/prioritize system upgrades and enhancements within these release schedules.

The Systems study group made three overarching proposals;

- Establish a permanent systems advisory group,
- Improve the quality and quantity of training to PHAs and HUD staff, and
- Improve the quality of communications.

The Department supports these broader proposals. The Department is moving towards establishing a permanent systems advisory study group, with whom it will share planned system releases.

In addition to the broader proposals, the Systems study group had 60 specific recommendations for system modifications. The Department is pleased to report that, while it expects most of these proposals to be adopted, it is planning to implement four of the highest priority system fixes in the May 2008 system release, including;

- Default a unit to vacant status after uploading a 50058 end of participation (EOP),
- Unmask social security numbers for public housing staff to facilitate 50058 troubleshooting,
- Provide more help with correction of name mismatches with the Social Security Administration (SSA) database, and
- Provide more information on 50058 error reports (not just PHA code but PHA name, ED, phone number).

Occupancy

The two Occupancy study groups examined the administrative requirements associated with the *occupancy cycle*, from applicant outreach through move-out.

Overall, the study groups offered numerous changes aimed at providing PHAs with greater flexibility in setting rents, determining eligibility, maintaining waiting lists, etc. The Department supports greater local flexibility; however, a considerable number of current occupancy requirements is statutory. Specifically, the following is a list of recommendations that cannot be addressed under ARI because they would require a change in legislation:

- The establishment of limits on the length of occupancy by public housing families (i.e., term limits),
- Bi-annual (as opposed to annual) reexaminations of household incomes,
- Changes in rent structure (e.g., minimum rents),
- Changes in utility allowances,
- Elimination of the requirement to allow pets in public housing,
- Elimination of the requirement for residents to participate in community service, and
- More flexibility (than permitted under current statute) in establishing site-based waiting lists.

The Department will maintain a list of the recommendations for statutory amendments and will consider them for inclusion in current research, legislative proposals, and demonstration efforts. In particular, the Department agrees that simplifying the rent structure will both greatly ease the administration of the program and encourage self-sufficiency and has supported legislation to that effect.

Within statutory parameters, the Department believes it can substantially streamline current requirements related to formal grievance procedures, deconcentration, and the processes for designating housing as elderly-only. Initiatives in these areas will be included in upcoming rulemaking.

Additionally, while the Department does not believe that the statute allows for bi-annual reexaminations, it seeks to find ways to simplify the tenant reexamination process, particularly through the use of upfront income verification (UIV). Toward that end, the Department will soon issue a formal clarification that, as long as a PHA consults with the Enterprise Income Verification (EIV) system, and obtains current documentation from the tenant, no additional verification is necessary when an EIV print out or control number (generated by the EIV) is in the file. Additional third-party verification would only be needed if the tenant disputes the EIV information or the PHA needs additional information not available in EIV or from the tenant. This clarification will also be incorporated into the final rule on third-party verifications.

Within the framework of ARI, the Department has initiated several projects that will support greater flexibility and or improve guidance in the occupancy area, including those listed below.

- Revised Occupancy Guidebook. The Department looks to update the current occupancy guidebook, particularly in light of the conversion to asset management and the introduction of EIV/UIV.

- Rent Reform Demonstration. PIH has just initiated an 18-month rent reform study and demonstration.

- Moving to Work (MTW). The Department is developing baseline data and outcome measures to assess the effectiveness of rent initiatives of MTW agencies.

- Single Point of Entry System. The Office of Public and Indian Housing already has a one-call center for general occupancy questions and will be initiating in December 2007 a one-call center for occupancy and management questions that require interpretive guidance.

- Improper Payments. PIH will be expanding the report capacity of EIV system, will continue training on the system, and will work to improve the tracking and recertification of improper payment errors through various technological mechanisms as well as increased Department workforce hours.

Finally, the study groups included certain recommendations to streamline lease and admissions policies that might not require legislation. These subject areas were not originally contemplated as part of the above-mentioned rulemaking that is soon to be published. It would not be feasible to amend that action with these additional provisions. As a result, the Department will consider these recommendations as part of future rulemaking.

General Management

While there are many requirements governing the occupancy cycle (who PHAs can admit to public housing, how rents are calculated, mandatory lease provisions, etc.), there are far fewer rules surrounding general management of public housing. HUD does not, for example, dictate to PHAs how they should collect rent or prepare units for occupancy.

The General Management study group focused on seven issues:

- **Insurance**. Under the ACC, PHAs must ensure "adequate insurance to protect the [P]HA against financial loss from various hazards…" PHAs are also permitted to enter into certain risk-retention pools without competitive procurement. Prior HUD approval is not required in either instance. Other than improved guidance, the study group did not find reason for streamlining.

- **HUD-determined wages**. Under Section 12 of the Housing Act of 1937, PHAs must pay wages that prevail in the marketplace for all maintenance laborers and mechanics.[6] The study group recommended increasing the threshold for application of maintenance wage rate provisions to contracts in excess of $100,000.

- **Section 3**. PHAs must provide economic opportunities to low-income residents and businesses. The study group recommended that the Department formally establish a contract threshold of $100,000, similar to the recommendation for HUD-determined wage rates.

- **Energy performance contracting**. Under the Operating Fund program, PHAs are provided various incentives for energy conservation. The use of energy performance contracting is one method for taking advantage of those incentives. While voluntary, energy contracting is a highly technical subject. The study group recommended that the Department identify ways to simplify the process of energy performance contracting.

- **Air conditioning in public housing**. For years, air conditioning in public housing was not permitted. In 1993, HUD allowed PHAs to install air conditioning with development and capital funds[7], but PHAs would be required to pay for any related consumption. The study group requested clarification that, indeed, air conditioning is an eligible use of funds. The study group further recommended that air conditioning be included in a PHA's allowable utility expense levels.

- **Procurement**. The Department recently issued a new procurement handbook for PHAs, streamlining a number of processes. It included, for example, a new "micro-purchase" threshold of $2,000. The study group recommended increasing the micro-purchase threshold to $25,000.

- **Unit Inspections**. PHAs are currently required to conduct annual inspections, in accordance with UPCS, for all units. The study group recommended eliminating this requirement.

The Department is in the process drafting revisions to the Part 965 rule, which includes all of the above subjects, with the exception of unit inspections and Section 3. This proposed rulemaking will seek to streamline applicable requirements, to the extent permissible by statute. The Department does not believe that the statute allows for a $100,000 threshold for HUD-determined wages, although the Department is examining ways to streamline the administration of this requirement. Additionally, while the Department does not believe that a $25,000 micro-purchase threshold is either practical or necessary, it

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[6] Davis-Bacon wage rates are also required for any construction contract of $2,000 or more.
[7] Notice PIH 93-40, "Air -Conditioning in Public and Indian Housing, August 10, 1993.

believes that additional streamlining in the area of procurement can be accomplished through rulemaking.

With respect to the payment of air conditioning in public housing, while not included in allowable expense levels for purposes of subsidy eligibility, the Department affirms that the energy costs related to air conditioning is an eligible program expense. With respect to including the cost of air conditioning in allowable utility expense levels, the Department is attempting to estimate the fiscal impact of this provision.

Regarding unit inspections, Section 6(f) of the Housing Act of 1937 requires each PHA to make an annual inspection of each public housing project to determine whether units in the project are maintained in accordance with federal standards. Further research will be undertaken to examine if this language would permit something other than 100% unit inspections.

Resident Involvement and Self Sufficiency

The purpose of this study group was to identify ways to streamline PHA requirements in the area of resident participation and self-sufficiency. As was true for all study groups, participants were self-selected and not appointed by the Department. In this case, representation on the study group was almost exclusively residents, resident groups, and other resident advocacy organizations. Primarily, the study group recommended retaining all current program requirements associated with resident participation and self-sufficiency, with the exception of updating the regulation to remove references to obsolete programs. In some cases, the study group also recommended new requirements for resident participation. For example, the study group recommended requirements for resident council review of project budgets.

The Department strongly supports resident participation in PHA management and encourages PHA activities that promote resident self-sufficiency. Generally, the Department believes that the methods used to promote resident participation and self-sufficiency are best determined locally. In particular, it believes that current regulations governing the establishment and recognition of resident councils are too prescriptive and anticipates streamlining these requirements in upcoming rulemaking. The more detailed information currently provided in the rule will be incorporated into guidance for PHAs.

The study group did not specifically address current regulations dealing with Resident Management Corporations (24 CFR 964.135), Resident Owned Businesses (24 CFR 135), or Family Self-Sufficiency (24 CFR 984). However, these are all voluntary programs and the Department has no indication that revisions are necessary from a streamlining perspective.

HUD will continue to work with the study group and other resident representatives and PHAs in developing guidance and best practices for resident involvement under the asset management model.

Financial Reporting

In the Operating Fund Program, the only financial reports that PHAs are required to submit to HUD are year-end financial statements. While PHAs are required to prepare project-level operating budgets prior to the start of the year, they do not submit those budgets to HUD for approval, unless the PHA is designated as troubled. Un-audited financial statements are due to HUD within two months of the close of a PHA's fiscal year and audited statements are due within nine months of the close of the fiscal year.[8] These financial statements are submitted on a particular template, called the Financial Data Schedule, or FDS.

HUD created this FDS template in 1999 as part of public housing's conversion to Generally Accepted Accounting Principles (GAAP). This FDS Chart of Accounts largely mirrors the Chart of Accounts in multifamily housing programs.

The Department is modifying the FDS for asset management. Mostly, the Department will add new "supplemental schedules" to capture the financial activity of each project. The Department has posted draft versions of the new FDS and has also conducted regional training sessions. (The first PHAs to use the new FDS are those with fiscal years ending June 30, 2008.)

The two Financial Reporting study groups made various recommendations for revisions to the FDS but also urged that the Department convene regular meetings on financial reporting with industry representatives. The Department recognizes that additional discussions would be beneficial before it finalizes the FDS for asset management. As a consequence, the Department has drafted a series of illustrated financial reporting case studies and related materials that it is reviewing with the Financial Reporting study groups, prior to public dissemination, and prior to finalizing the new FDS under asset management.[9] This information will be published by the end of 2007.

The study groups included many recommendations related to allowable fees and the handling of certain centralized activities. As indicated earlier, the Department has chosen not to address the issue of fees, or the treatment of centralized costs, in this document. The study groups also made specific recommendations for changes to the Operating Fund final rule. HUD does not anticipate making changes to

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[8] Under the Single Audit Act, only if a recipient of Federal assistance receives more than $500,000 in Federal assistance annually must it submit an independent audit.

[9] Additionally, the study group suggested that there be AICPA/GASB input into the accounting treatment of certain "special" transactions (e.g., reporting of mixed-finance projects), which the Department will facilitate.

agreements reached under negotiated rulemaking. HUD is amenable to study group recommendations regarding an update of permissible investments and additional guidance regarding the defederalization of funds.

Structure

The Structure study group was tasked with examining the basic legal structure between PHAs and HUD, with a particular focus on the following contractual documents -- the General Depository Agreement (GDA), the Declaration of Trust (DOT), and the Annual Contributions Contract (ACC).

- **GDA**. As recipients of Federal assistance, PHAs are required to execute a General Depository Agreement (GDA) with any and all financial institutions (depository) where the PHA deposits HUD funds. The GDA is a HUD form, and is signed by both the PHA and the depository. It provides HUD the ability, upon written notice to the depository, to freeze all activity on the PHA's account, including the depository's ability to honor checks, orders to pay or any other directives. The main issue the study group raised had to do with HUD's access to COCC funds, in contrast to "program" income on deposit. While not required, the Department has strongly encouraged PHAs to establish a separate bank account for COCC activities, which would not need to be covered by a GDA.

- **DOT**. The DOT is, essentially, a use restriction. For properties financed with HUD grant assistance, the PHA is obligated to retain the property for use in accordance with the ACC and the statute, and may not convey the property without HUD approval. The study group had several recommendations. First, it recommended that the name of the form be changed to something like "Use Agreement", a term more familiar in private industry. Second, it recommended that HUD streamline the document to reflect more up-to-date language using a model similar to the extended use agreement in tax credit deals. Third, to remove perceived obstacles to financing/leveraging, it recommended that the DOT allow for HUD to keep its use restriction in first position, but to subordinate the financing to the lender (second position). Fourth, the group recommended removing the use restriction by paying off capital and operating fund contributions over time, so that the PHA can obtain a release.

  The Department has recently used modified versions of the DOT in connection with different mixed-finance projects. As such, it is willing to look at changes to the name of the form and will consider specific changes as they are proposed. However, while the Department wants to encourage more private investment in public housing, it does not

believe that the statute will allow for HUD to subordinate its interest on public housing property.

- **ACC**. The ACC was last revised in 1995. In its current form, it does not attempt to describe all requirements under the Operating Fund program. For the most part, it simply references the fact that PHAs must abide by all applicable HUD requirements. The study group had several recommendations. First, the study group recommended that there be individual, free standing, ACCs for each public housing project. The Department is not opposed to this concept and will give it more exploration. Second, the group recommended a mutuality of obligations and remedies, both of which related to instances in which HUD does not fund PHAs at their full eligibility. In such cases, the group recommended that PHAs be relieved of regulatory requirements, or that HUD provide remedies to allow the PHA to operate within its funding level. The Department does not believe that the statute permits such action. Third, the study group recommended changes regarding due process and contract enforcement. The Department has not fully reviewed these recommendations.

The study group also made recommendations regarding PHA consortiums. First, it recommended that the ACC be revised to allow for a master ACC for consortia. Second, it recommended that HUD review the applicable PHA consortia regulations in light of asset management. The Department also has not fully explored these recommendations.

The Department plans to continue to hold discussions with the Structure study group to further explore the proposals, particularly with respect to the DOT and the ACC.

Attachment A
Administrative Reform Initiative Study Groups

First Name	Last Name	Organization
CAPITAL FUND/AGENCY PLANS		
Bill	**Thorson**	**HUD-Headquarters**
David	Aldrich	Harrietstown Housing Authority
DeeAnna	Bakken	Jackson Housing and Redevelopment Authority
Diane	Burns	Canton Housing Authority
Jackson	Chan	HUD-Portland
Linda	Couch	National Low Income Housing Coalition
Barbara	Demming	Ashland Housing Authority
Joy	Edgar	Marceline Housing Authority
Wes	Edwards	Quadel
Ronnie	Faison	Englewood Housing Authority
Jennifer	Guthart-Powers	HUD - Headquarters
Denise	Hancsak	HUD - Cleveland
Steve	Holmquist	Reno and Cavanaugh
Virginia	Mathis	HUD - Headquarters
Larry	Maxwell	HUD - Kansas City
Andrea	Schmidt	HUD - Greensboro
Mary	Schulhof	HUD - Headquarters
Sara	Shortt	Housing Rights Committee of SF
Morris	Simon	Ventura Group

First Name	Last Name	Organization
DEVELOPMENT AND ASSET REPOSITIONING I		
Susan	**Wilson**	**HUD - Headquarters**
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Marcie	Cohen	DCHousing Authority
Sharon	Elliot	NAHRO
Michael	Flores	HUD - Hawai
Richard	Franco	Corpus Christi Housing Authority
Matt	Gahm	HUD-Headquarters
Major	Galloway	HUD - Headquarters
Nehemiah	Johnson	HUD - Columbia
Carlos	Laboy	Puerto Rico Public Housing Administration
Ann-marie	Lindboe	Seattle Housing Authority
Maria	Maffei	Recap Advisors LLC
Julie	McGovern	Reno and Cavanaugh
Simon	Morris	The Venture Group
Ed	Moses	HA of the City of San Buenaventura
Robert	Nelson	HUD - Detroit
Thomas	Shelton	HUD - Headquarters
Ruth	Simpkins	Peoria Housing Authority
Diane	Thompson	HUD - Headquarters
Angel	Tua	Sanford Housing Authority
Martin	Walsh	Reno and Cavanaugh
Kathi	Whalen	PHADA
Sharon	Wilson Geno	Ballard Spahr Andrews and Ingersoll

First Name	Last Name	Organization
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Dominique	Blom	HUD - Headquarters
Eric	Brown	Annapolis Housing Authority
Vivian	Bryant	Orlando Housing Authority

First Name	Last Name	Organization
Carolyn	Clayton	HUD-Headquarters
Carrie	Dobbins	HUD-Fort Worth
Holly	Edwards	PHAR Charlottesville, Va.
Leroy	Ferguson	HUD - Headquarters
Kathleen	Foster	Charlotte Housing Authority
Dale	Gravett	Millville Housing Authority
Alanda	Jackson	Hickory Housing Authority
Jennifer	Lavorel	Stewards of Affordable Housing for the Future
Maria	Maio	Jersey City Housing Authority
Maria	Marquez	Camden Housing Authority
James	McCreight	Greater Boston Legal Services, Inc.
Satinder	Munjal	HUD - Headquarters
Tara	O'Neill	CLPHA
Gary	Rosen	Del Ray Beach Housing Authority
Blair	Schiff	Pepper Hamilton LLP
Joe	Schiff	Schiff Group
Marcel	Slag	Legal Aid Justice Center
John	Wilson	TAG Associates, Inc

FINANCIAL MANAGEMENT I		
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Ron	Cianciosi	HUD - Buffalo
Dennis	Albright	Akron Metro Housing Authority
Steve	Bolden	HUD - Headquarters
Robert	Cobler	Peoria Housing Authority
Stan	Dulaney	Gladewater Housing Authority
Daniel	Frydberg	NYCHA
Kevin	Gallagher	HUD - Headquarters
Jose	Gomez	HA of the City of San Buenaventura
Will	Jones	HUD-Headquarters
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Efrem	Levy	Reno and Cavanaugh
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Raana	Raza	HUD-Headquarters
G. Craig	Robbins	HUD - Little Rock
Reema	Ruberg	Cincinnati Metro Housing Authority
Paul	Rusnak	Housing Opportunities Commission of Montgomery County, MD
Fred	Tomaino	Boston Housing Authority
Bernice	Unland	HUD - Headquarters
Ted	Van Dyke	PHADA
Alfonzo	Verduzco	Housing Authority of the City of Los Angeles

FINANCIAL MANAGEMENT II		
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William	Harris	Wildwood Housing Authority
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Karen	Laviner	Maxton Housing Authority
Rainbow	Lin	Baltimore City Housing Authority
Andrew	Lofton	Seattle Housing Authority
Aaron	Osborne	Fresno City and County Housing Authority
Adrian	Peterson-Fields	HUD - Birmingham
Ivan	Pour	HUD - Headquarters
Tim	Sandor	Sandor Consulting LLC
Christine	Siksa	National Association of Housing & Redevelopment Officials
Roma	Suller	HUD - Headquarters
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Richard	Wankel	Town Of Islip HA
Earl	Weeks	Columbus HA-Columbus, MS

First Name	Last Name	Organization
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Mark	Courtney	HUD - Buffalo
Andrew	Daniels	Mapplan Associates
Telissa	Dowling	Hudson County Housing Resource Center
Joyce	Floyd	Knoxville's Community Development Corporation
Mary Grace	Folwell	Ballard Spahr Andrews and Ingersoll
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Louise	Hunt	HUD - Headquarters
Cecelia	Livingston	HUD - Headquarters
Randy	Martin	Wytheville R & Housing Authority
Regina	McGill	HUD - Headquarters
Frank	McNeil, Jr.	HUD - Louisville
Tara	Motley	HUD - Headquarters
William	Radau	HUD - Jackson
William	Simmons	Syracuse Housing Authority
Mitzie	Smith	Ballard Spahr Andrews and Ingersoll
Carrol	Vaughan	San Diego Housing Commission
Nancy	Walker	Laurinburg Housing Authority
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John	Wright	Saint Paul Housing Authority

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Ed	Gramlich	National Low Income Housing Coalition
Deb	Guyot	Keene Housing Authority
Al	Hester	Saint Paul Housing Authority
Ed	Hinojosa	San Antonio Housing Authority
Shawn	Jacobson	HUD-Headquarters
Regina	Jenkins	HUD - Headquarters
Tim	Kaiser	PHADA
Keith	Kinard	Newark Housing Authority
Bill	Maher	NAHRO
Rochelle	McKinney	HUD- Headquarters
David	Morton	Reno Housing Authority
Merrie	Nichols-Dixon	HUD-Headquarters
Anthony	O'Leary	Akron Metro Housing Authority
Jacquelyn	Proctor	HUD - Headquarters
Ann	Roman	HUD - Denver
Renee	Rooker	Walla Walla Housing Authority
Terri	Ross	Bryan Housing Authority
Carol	Spencer	HUD-Louisville
Alan	Spera	HUD - Boston
Gail	Templeton	HUD - Headquarters
Larry	Tipton	HUD - Headquarters
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Alice	Green	HUD-Headquarters

First Name	Last Name	Organization
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Bennett	Lerner	Neighborhood Legal Services Program
David	Lopez	El Paso Housing Authority
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Arnold	Mullgrav	HUD New York
Ainars	Rodins	HUD-Headquarters
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OCCUPANCY I		
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James	Armstrong	PHADA
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Sylvia	Blanco	Austin Housing Authority
Celia	Bobisud	HUD - FHEO- Headquarters
Jacqueline	Burger	Community Service Society
Marsha	Cayford	Quadel Consulting
Beverly	Childs	Dallas Housing Authority
Ben	Gilmore	DC Housing Authority
Amy	Glassman	Ballard Spahr
Tory	Gunsolley	Newark Housing Authority
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Paula	Rouse	HUD - Headquarters
William	Russell	Sarasota Housing Authority-Sarasota, FL
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David	Smythe	Los Angeles Housing Authority
Bob	Sullivan	Chesapeake Redevelopment & Housing Authority
Debra	Wells	Grapevine Housing Authority
Dorinda	Wider	Legal Aid Society of Minneapolis
Shawn	Willams	Richmond Housing Authority

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Suhail	Gomez	Puerto Rico Public Housing Administration
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Karen	Mathis	HUD-Headquarters
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MaryLiz	Paulson	Sacramento Housing Authority
Doug	Ryan	Housing Opportunities Commission of Montgomery County, MD
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Phyllis	Smelkinson	HUD - Headquarters
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Lisa	Walker	HOUSING AND DEVELOPMENT LAW INSTITUTE
Troy	White	Charlotte Housing Authority
Louise	Williams	Neighborhood Legal Services

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Victor	Bach	Community Service Society
Melosan	Bell	HUD - Headquarters

First Name	Last Name	Organization
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Valerie	Buchand	Janie Poe Resident Council
Jack	Cooper	Massachusetts Union of Public Housing Tenants
Deb	Crockett	Muskegon Housing Commission
Joe	Feuerherd	CLPHA
Sam	Finkelstein	National Training & Information Center
Kathryn	Greenspan	HUD - Headquarters
Joy	Johnson	Public Housing Residents Association
Marianne	Nazarro	HUD - Headquarters
Crystal	Palmer	Central Advisory Council/CHA
Mary	Rone	N.J. Association of Public & Subsidized Housing
Lillian	Scales	Englewood Housing Authority
Margaret	Skiffer	HUD-Phoenix
Lorriane	Walls	HUD - Houston
Mary	Wiggins	Central Advisory Council
Glenda	Wright	N.J. Association of Public & Subsidized Housing

STRUCTURE		
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Megan	Glasheen	Reno and Cavanaugh
Mary	Kuhn	HUD - Headquarters
Sharon	Pitts	HUD-Headquarters - OGC
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SYSTEMS		
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Lloyd	Darasaw	HUD - Headquarters
Charles	Eldridge	HUD - Headquarters
Anne Marie	Flatley	New York City Housing Authority
Douglas	Gager	HUD - Greensboro
Lar	Gnessin	HUD - Headquarters
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Bryan	Hoffman	Lebanon County Housing Authority
Rahul	Jain	HUD - Contractor
Diane	Kiles	HUD - Denver
Gail	Livingston	Boston Housing Authority
Floyd	May	HUD-Headquarters
Christopher	Stevens	HUD - Headquarters
Mark	Watson	Jessup Housing Authority
Jonathan	Zimmerman	NAHRO
John	Zuber	HUD-Headquarters

Attachment B
Required Submissions under Operating Fund and Capital Fund Programs

While there are many "requirements" that PHAs must follow in the administration of their public housing program, there are relatively few "submissions." Under the Operating and Capital Fund programs, regular PHA submissions are limited to the following[10]:

- Annual Request for Operating Subsidy. Each year, a PHA must complete HUD-Form 52723, Operating Fund Calculation of Operating Subsidy, and related documents. The PHA may also amend its subsidy request, under certain conditions.

- Annual Statement/Performance and Evaluation Report. A PHA must submit for HUD approval an Annual Plan Statement/Performance and Evaluation Report for each new Capital Fund grant along with the appropriate forms and certifications including (form HUD 50075.1).

    - Five Year Action Plan. PHAs participating in the Capital Fund Program must submit for HUD approval once every 5 years and update annually (form HUD 50075.2). PHAs must have an approved Five Year Action Plan to receive Capital Funds.

    - Annual Performance and Evaluation Reports – PHAs participating in the Capital Fund Program must submit a P&E Report for all open Capital Fund grants. P&E Reports are to be submitted to the HUD Field Offices annually. (form HUD 50075.1). The PHA must conduct a Physical Needs Assessment (PNA) is of the projects in its inventory at least every 5 years.)[11]

  - Monthly Line Of Credit Control System (LOCCS) Reporting – PHAs participating in the Capital Fund Program must report obligation and expenditures for all Capital Fund grants in LOCCS on a monthly basis. PHAs also submit vouchers in LOCCS to request reimbursement on an as needed basis.

  - Annual Contributions Contract (ACC) Amendment A PHA signs an ACC Amendment for each Capital Fund grant received including formula, RHF, emergency and disaster grants. ACC Amendments must be signed and dated by the PHA and executed by the local HUD Field Office (form HUD 52840-A). Signature of the ACC is a prerequisite to receiving Capital Fund monies.

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[10] Excluded from this list are troubled PHAs, whose actions are subject to greater HUD review. Also excluded in this analysis is any "appeal" of an existing rule or requirement, which can require a PHA to submit supporting documentation for the appeal. Finally, this analysis excludes any special grant programs, e.g., ROSS.
[11] Physical Needs Assessment (PNA) – A PHA is required to conduct a PNA of the projects in its inventory at least every 5 years. The PNA does not have to be submitted to HUD.

- Development Proposal – Required for PHAs that propose development with Capital Funds. Requirements are found in 24 CFR Part 941 and include an Environmental Assessment form HUD 4128.

- Actual Development Cost Certificate (ADCC) form HUD 52427 and Actual Modernization Cost Certificate (AMCC) form HUD 53001 – PHAs are to complete an ADCC or AMCC when the Capital Fund grant is fully expended and/ or the work is completed. Completion of the ADCC and AMCC is a prerequisite to close out.

- PIC/50058. A PHA must maintain in PIC up-to-date information on the status of units and buildings as well as PHA contact information. Additionally, a PHA must electronically submit HUD-50058 forms (Family Report) for all new records (move-ins and reexaminations) and move-outs.

- Public Housing Assessment System (PHAS). Under PHAS, a PHA must submit an annual MASS certification and it must submit an annual Financial Data Schedule, along with its independent audit. Additionally, a PHA must report on the correction of any EHS deficiencies detected through REAC inspections, and prepare an improvement plan when the results of a section of the resident survey falls below 75% in any category.

- Tenant Selection and Assignment Plans (TSAPs) and Designated Housing Plans. Both plans must be submitted for HUD review/approval. Generally, these plans change infrequently.

- Annual Section 3 (Form HUD-60002) and MBE Utilization (Form HUD-2516-A Reports.

- HUD-Determined Wage Rates. PHAs must submit to HUD recommended wage rates (Form HUD 4750 "Maintenance Wage Rate Recommendation" and related schedules) for maintenance laborers and mechanics once annually.

Attachment C
Upcoming Rulemaking Actions Related to Asset Management

Proposed Rules	Anticipated Publication Date	Notes/Comments
Streamlining Public Housing Programs	Early 2008	Streamline requirements related to: Tenant Participation, Grievance Procedures, Deconcentration, Annual Plans, Designated Housing, and Admissions
Energy Performance Contracts	Winter 2008	Modify 24 CFR 990 to allow PHAs to enter into 20-year energy performance contracts.
Revisions to the Public Housing Assessment System (PHAS)	Late Winter/Early Spring 2008	Updates PHAS, including revisions necessary as a result of conversion by PHAs to asset management.
Capital Fund Program	Summer 2008	The proposed rulemaking combines and streamlines the former legacy public housing modernization programs, the Comprehensive Grant Program (CGP) and Comprehensive Improvement Assistance Program (CIAP) at 24 CFR Part 968 and Public Housing Development Program, including mixed finance development, at 24 CFR Part 941 into the Capital Fund Program. The proposed rule will be incorporated into the existing formula rule found at 24 CFR Part 905.
Revisions to PHA-Owned or Leased Projects – General Provisions (Part 965)	Late 2008	Updates 24 CFR 965 as a result of conversion to asset management, including provisions related to: insurance, wage rates, energy audits, and procurement.
Homeownership	Late 2008	Consolidates public housing homeownership requirements into one rulemaking.
Streamlined Application Process in Public/Private Partnerships for the Mixed-Finance Development of Public Housing Units	Spring 2008	Proposed rule published December 27, 2006.
Use of Public Housing Capital and Operating Funds for Financing Activities (CFFP) – Part 905	Summer 2008	Final Rule implementing Capital Fund Financing Program which allows PHAs to take out loans or bonds for modernization or development of public housing using the PHA assets as collateral, and repaying with Capital Funds.

Proposed Rules	Anticipated Publication Date	Notes/Comments
Use of Public Housing Operating Funds for Financing Activities (OFFP) – Part 990	Winter 2008	Final Rule implementing a new financing program for modernization or development of Public Housing. PHAs undertake financing secured by public housing assets and use Operating Funds to repay. This new financing program will currently be implemented on a limited case-by-case basis. Our experience will inform us of any needed changes to the draft rule prior to making it final.
Refinement of Income and Rent Determinations in Public and Assisted Housing Programs	Spring 2008	Proposed rule published June 19, 2007.