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Extension of Comment Period for Proposed PHAS Rule

As reported in a previous e-newsletter, the Department recently published a proposed rule to revise the Public Housing Assessment System Rule, or PHAS (click [here](#) for proposed rule). The proposed rule seeks to align the PHAS with Public Housing's conversion to asset management and, in particular, it places an emphasis on project-level performance assessment. On November 24, 2008, a notice was published in the Federal Register extending the comment period for the proposed PHAS to January 8, 2009. ♦

Proposed PHAS Rule Scoring Tool Now Available

On November 24, 2008, the Department posted a tool that public housing agencies (PHAs) can use to estimate how their agency/projects

will score under the proposed rule. This scoring tool is for informational purposes only and any scores generated do not represent official scores released by the Department. The scoring tool can be downloaded [here](#). ♦

Guidance on Year 1 Financial Submissions

On November 20, 2008, the Department posted its plans for the submission of financial statements for the first year of conversion to asset management, i.e., PHA fiscal years ending June 30, 2008 through March 31, 2009.

Unaudited Submission: PHAs will use an Excel template to submit their unaudited Financial Data Schedule (FDS). This Excel template will be available later this month, along with an accompanying User Guide. PHAs will then submit the Excel version of the FDS to HUD using the "Comments" link contained in the FASS-PH on-line system. The Department anticipates that the FASS-PH system will be open to receive these Excel FDS submissions in January 2009. PHAs will have three months from their fiscal year end date or three months from the date the system is available to complete their submissions.

Audited Submissions: PHAs will also use the FDS Excel tool to submit the audited FDS. Specific instructions will be provided by the Department in the first calendar quarter of 2009.

PHAs can obtain a demonstration of the new FASS-PH system that is under development [here](#). For more information about the Excel version of the FDS, please click [here](#). ♦

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PHA Spotlight: Hampton Redevelopment and Housing Authority, Virginia



This edition's Spotlight features a medium-sized PHA that has just completed its first full year of project-based budgeting and accounting

– Hampton Redevelopment and Housing Authority (HRHA) in Hampton, Virginia. The Spotlight spoke with HRHA's Executive Director, Frank Lofurno and Nancy Bureson, HRHA's Director of Finance, about HRHA's experience with the conversion to asset management.

What is the size and make-up of the HRHA's portfolio?

We have 541 Public Housing units in three AMPs and 2,403 Housing Choice Vouchers (HCVs). We also have 128 units in other projects/programs.

Please tell us about HRHA's process of converting to asset management.

Using a team approach, we began the conversion process in 2005. Existing asset management HUD guidelines were reviewed to determine our scope of work. Task plans were developed along with a timeline. Changes were incorporated prior to the deadlines so that adjustments could be made as needed. The team met monthly to evaluate our successes and discuss our need for improvement. We communicated with the Board of Commissioners, resident councils and employees on a continual basis throughout the conversion. We quickly realized that asset management would bring new



expectations of existing staff. Training in procurement, supervisory skills, property management and project based accounting became a necessity. During the process, we converted to a new computer system and implemented the project-based applications simultaneously. A new management office was set-up in one AMP.

Does HRHA use any fee-for-service?

The HVAC Mechanical Specialist is our only centralized fee-for-service position. We researched industry norms and contacted local vendors and based on this information, a reasonable service rate was determined.

Your COCC been operating under a fee-for-service for more than a year. What has that experience been like?

It is much easier than using the old allocation of overhead approach; however, this has been a very challenging part of asset management. Housing authorities are not like private industry. We are so heavily regulated that it requires a large amount of overhead to operate. HUD also regulates the amount of fees that can be charged to a project. It is difficult for midsized agencies, like ours, to cover their overhead costs.

How are maintenance services organized at HRHA?

Changes to maintenance services were the most significant of those that we made during the conversion process. This was a centralized department with all maintenance staff reporting to a Director of Maintenance. Work order requests were received at this central location and assigned to staff. This department is no longer in existence. Maintenance staff are now assigned to specific properties and report directly to the property manager. This change included developing warehouse space, assigning maintenance staff ensuring adequate skills at each property, providing supervisory training for managers and developing a decentralized work order system at each property. The former Director of

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Maintenance is now a property manager which has enabled the authority to keep the maintenance expertise.

How did the results of the first year of project-based budgeting affect the following year's results?

The results from the first year of project-based budgeting helped to simplify the process for the second year. This made it easier for managers to look at the expenses for their specific property. It was easier to discuss what happened during the previous year and make decisions for the second year budget. Analyzing one property at a time, as opposed to Public Housing as a whole, enabled managers to identify what was working and determine where the opportunities for improvement existed. This enabled managers to be much more involved during the second year of project-based budgeting.

What level of involvement did the property managers have in developing the first year of project-based budgets? Did the level of involvement of HRHA staff increase in the second year of project-based budgeting?

The transition to asset management has been a learning process for everyone. The finance department was instrumental in developing the structure of the project-based budgets for the first year. Managers were involved with determining the expenses for each property. During the second year, managers and management were able to utilize the budget reports for their specific property or program to develop the following year's budget.

What other transition activities did HRHA go through in the first year of asset management?

Property specific operating statements also had to be developed. The statements are produced monthly and saved electronically in a new shared drive with designated folders for the individual property managers and management staff. The Executive Director has a designated folder that

contains the same operating statements in a summarized format. If needed, he has access to the more detailed reports. Finance meets with the property managers quarterly and the Executive Director monthly to review the financial statements and provide training where needed.

Did the agency make any changes to its original conversion "plan."

We started our asset management conversion process having both occupancy and protective services as allocated services, based on turnover rate and number of units. Although we continue to allocate our protective services coordinator, we decided to decentralize the occupancy function, which is now handled by each property.

What has been the most significant challenge encountered by HRHA during the first year of asset management?

The most significant challenge we encountered was the steep learning curve associated with the first year of Asset Management. With the decentralization of many functions, staff needed training in procurement regulations, budget preparation, understanding how to read financial reports, and supervising skilled staff such as maintenance personnel. It wasn't easy but our staff stepped up to the challenge. This training is an on-going process.

If you knew then what you know now about asset management, what would you have changed? What would you have kept the same?

We are pleased with the management process that was implemented. However, additional training for staff would have been beneficial earlier in the conversion process. The conversion process identified additional training needs.

What are your overall thoughts about asset management?



The concept of Asset Management is a good change for the Public Housing program. It makes good business sense to have data and information on a property basis. While it has been a difficult learning year, this has helped the agency to move in a positive direction.

To learn more about the Hampton Redevelopment and Housing Authority, visit their website at <http://www.hrha.org/> or contact Frank Lofurno, HRHA's Executive Director, at flofurno@hampton.gov . ♦

New Asset Management Help Desk Contact Information

Effective Monday, December 15, 2008, the Asset Management Help Desk will have a new phone number and e-mail address. The new phone number is 1-800-955-2232 and the new e-mail address is pihirc@deval.us Please use this phone number and email address to send inquiries regarding asset management. ♦

CY 2008 Operating Fund Annual Report

On December 5, 2008, the Department posted the Operating Fund Annual Report for Calendar Year 2008. The report contains information on eligibility levels, add-ons, eligible unit months, and the consolidated balance sheet for the Public Housing program. For additional details, click [here](#). ♦

Additional Guidance on Phased-In Management Fee

On November 24, 2008, the Department posted additional guidance clarifying the request submission process for PHAs that wish to

implement a phased-in approach to their management fees. Previous guidance instructed PHAs to include requests for phase-in management fees in their Annual Plans. However, the 2008 Housing and Economic Recovery Act (HERA) exempted "qualified PHAs" from submitting an Annual Plan. "Qualified PHAs" are defined as PHAs that operate 550 or fewer combined Public Housing and Section 8 units. Due to the 2008 HERA, PHAs now only have to include the phase-in fees as part of the board-approved operating budget(s). The board approval must include a certification from the PHA that the phase-in fees conform to the [safe harbor guidance](#) issued by the Department. Click [here](#) to read [Clarification on Phase-In Fees for all PHAs](#). ♦

Asset Management Help Desk: A List of Questions

Question: If a PHA has a mixed-finance project and the transfer payment (negotiated with the development entity) is less than the subsidy the project earns, where does the excess subsidy get reported?

Answer: With respect to mixed finance projects, the excess subsidy (the amount the project earns that exceeds the transfer payment to the development entity) is recorded at the project level. It can be used for any direct project expense, to pay the COCC an asset management fee, or it can be transferred to another project subject to "fungibility" rules.

Question: On the FDS, where should a PHA report maintenance work that is performed by the COCC as a fee-for-service?

Answer: Work performed as a fee-for-service is treated like any other "contract." Therefore, if a project pays the COCC, say, \$1,000 for unit

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painting, that cost would be reported under "maintenance contracts."

Question: Will the current portion of Long Term Debt (a current liability) be excluded from the excess cash calculation? The debt is serviced by the Capital Fund, and this current liability will not be serviced from the current assets of the project, but instead by future Capital Fund revenue. Unless excluded, this short term liability will be a drain on the excess cash calculation and could prevent a project from paying its asset management fee.

Answer: The current portion of the CFFP loan will be excluded from the excess cash calculation.

Question: Can vending machine and laundry receipts be used to support tenant associations?

Answer: Section 9(l) of the Housing Act of 1937 (the Act), governing non-rental income, provides that such receipts may be used only for low-income housing or to benefit the residents assisted by the public housing agency. "Low-income housing" is defined by the Act as Public Housing or Section 8 housing. Laundry receipts would be covered by this provision and, therefore, the use of these receipts for tenant associations would be a permissible expenditure. Please note that the revenue from the laundry machines should be recognized at the projects where the receipts were generated.

Question: A PHA with 250-400 units elected not to implement asset management and therefore combined all units into one project; however, there are two projects in PIC. How will this PHA report year-end financial information for its Public Housing program?

Answer: The PHA will submit only one "combined" financial statement for its Public Housing program, i.e., for financial reporting purposes, it will be treated as if it has just one project. Specific instructions will be included with the User Guide that will accompany the FDS Excel tool that will be posted later this month.

Question: A PHA with 250-400 units elects to implement asset management. Will it receive a \$2 PUM asset management fee or a \$4 PUM asset management fee?

Answer: The PHA will receive a \$4 PUM asset management fee (to be adjusted by the Field Office). ♦

Upcoming Dates on the Asset Management Calendar

❖ **January 8, 2009:** Comment period ends on proposed PHAS rule.

What's New on the Website?

- ❖ [Operating Fund Annual Report Calendar Year 2008](#)
- ❖ [Public Housing Assessment Scoring Tool for Proposed PHAS Rule](#)
- ❖ [Guidance on Funding of New Projects/Units](#)

Resources and Useful Links

For more information, please visit the HUD-PIH Asset Management Website [here](#). Click on the following hyperlinks for detailed information surrounding the key building blocks of asset management:

- ❖ [Project-Based Funding](#)
- ❖ [Project-Based Budgeting](#)
- ❖ [Project-Based Accounting](#)
- ❖ [Project-Based Management](#)
- ❖ [Project-Based Oversight](#)

Within each building block you may find specific topics of interest, including: [AMP Groupings](#), [Stop-Loss](#), [Subsidy and Grants Information System \(SAGIS\)](#), etc. ♦

Contact the Editor

Do you have an article idea, question, or comment for the editor? The Office of Public and Indian Housing (PIH) is the editor of this monthly e-Newsletter. Please send all inquiries by email to pihirc@deval.us, with the subject line "Question/Comment for the Editor.

ASSET MANAGEMENT HELP DESK

NEW CONTACT INFORMATION

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