

ASSET MANAGEMENT E-NEWSLETTER

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Improved Asset Management Website

HUD recently revised its [Asset Management website](#) to improve navigation of asset management topics.

The website features an overview page and separate pages for each key component or building block of asset management. These key subject areas include: Project-Based Funding, Project-Based Budgeting, Project-Based Accounting, Project-Based Management, Project-Based Oversight and Project-Based Performance Assessment. Each page features important items, additional resources and links to related websites.

The website also adds a new feature, found on the home page, which includes a chronological list of new items posted to the site. This feature will enable PHAs to keep up-to-date with new events. ♦

Now Available! ARI Report on Streamlining Recommendations



In June 2007, the Office of Public and Indian Housing (PIH) established the Administrative Reform Initiative (ARI) to seek recommendations for streamlining program requirements to facilitate the transition to asset management. 13 committees were created, covering ten different study areas, such as Occupancy and Financial Reporting.

Following a July 12, 2007 ARI kick-off event, each committee convened several times to share ideas. Recommendations were submitted to HUD on September 15, 2007.

On September 27, 2007, HUD organized a meeting to present preliminary feedback on the recommendations received from each committee. The ARI Report expands on the initial feedback provided.

Click [here](#) for a copy of the report. ♦

A Message from the Assistant Secretary...



The cost of PHA-purchased utilities (e.g., oil, gas, electric, water, etc.) runs about \$1.6 billion, or nearly one quarter of total PHA expenditures. Reducing these costs is both good for a project's bottom line and good for the environment.

The Final Rule on the Operating Fund program provides a number of incentives for PHAs to reduce utility consumption. Among these incentives is the ability of a PHA to finance conservation measures through traditional loans, paid through an "add-on" to the PHA's Operating Subsidy. The PHA must demonstrate that the improvements are sufficient to cover loan payments.

In this month's Spotlight, we look at the experience of one small PHA, Batavia, NY, that used the Operating Subsidy add-on to address various conservation measures at its high-rise project. It's a perfect example of the connection between asset management, with its focus on the performance of each project, and energy conservation.

Under the Administrative Reform Initiative (ARI), PHAs have identified energy performance contracting (EPCs) as an area for streamlining. Indeed, the Department is examining ways that it can simplify EPCs. In the meantime, PHAs are encouraged to explore, as did Batavia, the

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feasibility of some of the existing incentives for utility conservation. Through the use of EPCs, PHAs can maximize the use of their Capital Fund grants.

For more information on energy conservation, please visit the Department's [Public Housing Energy Conservation Clearinghouse](#) and read our [October 2007 EcoWise Newsletter](#).

– Orlando Cabrera, Assistant Secretary ♦

HUD Submits Revised PHA Plan Template to OMB Review



In accordance with Federal Register Notice FR-5117-N-95, issued November 20, 2007, HUD has submitted to OMB for review the Five-Year and Annual PHA Plan template.

A proposed Five-Year and Annual Plan template was posted for public comment on August 15, 2007. In response to prior public comments, HUD has made certain revisions to the template. Prior to publication of any form, HUD must obtain OMB review. At the same time, OMB seeks public comment on the associated paperwork burden, the importance of the information collected, and the accuracy of HUD's paperwork burden estimate.

In consideration of the time for OMB review, the new PHA plan template is anticipated to be available for PHAs with fiscal years beginning July 1, 2008.

A copy of FR-5117-N-95 is available [here](#). ♦

HUD Announces New Energy Star Notice

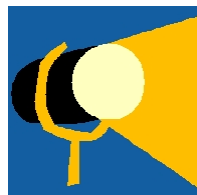
On October 24, HUD issued Notice 2007-30, Using Energy Star to Promote Energy Efficiency in Public Housing. The Notice reminds and encourages PHAs to use Energy Star equipment, where feasible, to increase energy efficiency and to decrease operating costs. This policy is in accordance with the President's [National Energy Policy](#), the [Energy Policy Act of 2005](#) and HUD's [Energy Action Plan](#).

A PHA that uses Energy Star to increase future efficiency may recognize significant cost savings. Under the new Operating Subsidy formula, a project's utility expense level (UEL) is calculated based on a *historical* three-year rolling basis, so *future* efficiency gains mean that excess UEL savings can be used for other operating costs.

PHAs should only install Energy Star equipment when it is cost effective to do so. Energy Star products are labeled with information on energy savings, and the Department of Energy's [Quantity Quotes](#) website is available to PHAs for bulk or larger purchases. Quantity Quotes is a clearinghouse that vendors use to arrange bulk purchases of Energy Star equipment, often with significant savings to the purchaser.

Please review the full [Notice](#) for additional information on this important program. ♦

PHA Spotlight: Batavia Housing Authority, Batavia, NY



This month's PHA Spotlight shares the experience of the Batavia, NY, Housing Authority (BHA) with using the Operating Subsidy add-on to finance various energy improvements. The Spotlight spoke with Ms. Frances McNulty, BHA's Executive Director.

BHA Facts

- ❖ BHA is a small PHA with 198 units
- ❖ Two AMPs, one with 149 senior units and the other with 49 family units
- ❖ Nine staff spread across the AMPs and COCC
- ❖ Located in upstate New York in the jurisdiction of the Buffalo Field Office

What drove you to begin thinking about energy use in the first place?

Energy has always been a significant cost at BHA. One of the conclusions from our most recent energy audit was that BHA could generate a lot of efficiency savings if we converted the heating system in our senior high-rise AMP from electricity to natural gas and if we replaced project windows. Although the cost savings would have been substantial, the up front costs were also significant. This made us think about other ways to fund these efficiency improvements.

What was the "basic math?"

Essentially, the audit identified that we could generate about \$77,980 annually in total savings by making a \$760,000 investment. We calculated if we financed these improvements with a 12-

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year loan, we'd have payments of about \$77,841 annually. In other words, the improvements really paid off.

It sounds like this was a "no brainer?"

Yes. Without the subsidy add-on, we'd have to pay for these improvements with our Capital Fund grant. But as a small PHA (198 units), we get only about \$250,000 a year in Capital Fund grants. Hence, it would take us three years to pay for these improvements if we used 100% of our Capital Fund for this and nothing else.



What was the role of your local field office?

They were great. They provided us technical assistance in understanding how this add-on program works. But more importantly, they gave

us the encouragement that we could do it. After updating our energy audit, the Board, the staff and I believed that reducing energy costs and consumption was a conscientious and ethical initiative, so we knew we had to implement the audit recommendations. It was simply a question of "how." Through various meetings, the media, utility companies, and via other sources we were beginning to hear more and more about the Energy Performance Contract (EPC) concept and we became aware of the New York State Energy Research and Development Agency, or NYSERDA and its programs. We eventually received an EPC loan from NYSERDA for upgrades to our senior high-rise. We began discussions with our local Field Office about the idea and, with their extremely valuable assistance, we proceeded from there.

What types of activities did the EPC cover?

The components of the EPC included architectural/engineering and design services, demolition/removal of existing electric baseboard heaters, core drilling and installation of gas service throughout the building's eight stories, drilling through the masonry walls for installation of vents, installation of new furnaces in every apartment, asbestos abatement, removal of existing windows, replacement windows installed, new rooftop heating units serving public and common areas of the building, and new replacement lighting throughout the building.

How did you inform and update your residents about this work?

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Residents were apprised of the work and kept informed of the progress through notices posted and distributed throughout the AMP, at resident meetings, etc. There was a high level of interest and enthusiasm among our residents - the idea of something new was somewhat exciting. Residents were slightly inconvenienced by the construction, but we experienced few, if any, complaints from them.

EPCs can involve some very complicated financial transactions. Do you have energy financing specialists on your staff?

BHA does not have staff dedicated to energy financing. We simply do not have the resources. I doubt we would have been able to put together the EPC without assistance from other parties. We were very lucky to work with an extremely supportive HUD Field Office staff, and we also received significant assistance from NYSERDA and another company that does some consulting for us. Every step of the process was a collaborative one. The key is being willing and able to work with other stakeholders.

As a small PHA, were there any special challenges you faced in setting up and implementing the EPC?

Honestly, with the assistance and support we received, setting up and implementing the EPC did not involve any extremely burdensome challenges. Setting up and reviewing the contract did of course take some time and added a little to our workload, but the additional work was not insurmountable, and it really paid off in the end.

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What suggestions do you have for other PHAs considering EPC?

PHAs, regardless of their size, would be wise to consider EPCs as an option. With some of the changes we are experiencing with asset management, it is prudent for us to be vigilant and creative in seeking alternate funding opportunities. PHAs that are interested in pursuing an EPC should start with their local Field Office. They should also work to identify an Energy Service Company (ESCO) or state-level energy development agency like NYSERDA for assistance. ♦

BHA's EPC

What is included in the EPC?

- ❖ A \$760,848 twelve year low-interest loan from NYSERDA's Assisted Multifamily Program to cover equipment costs.
- ❖ A grant of approximately \$72,000 from NYSERDA to help defray design and construction management costs.
- ❖ A twelve year, \$77,841 yearly operating subsidy add-on from HUD (subject to proration) to service the NYSERDA loan.

How does BHA benefit?

- ❖ Receives non-Capital Fund financing to significantly upgrade critical project systems, including new heating units and windows.
- ❖ Saves an estimated \$77,980 yearly in energy costs, money that can be used for other operating expenses.

How does HUD benefit?

- ❖ HUD recaptures its Operating Subsidy add-on because the three-year utility consumption rolling base is not frozen, meaning that as utility costs decline the savings are split between BHA and HUD.
- ❖ Cost savings in the long-term to HUD are estimated to exceed the Operating Subsidy add-on, making the EPC a win-win for both BHA and HUD.

Newsbyte: CY2008 Operating Fund Interim Obligation Update

Previously, HUD had announced it would provide PHAs with an initial three-month interim obligation of Operating Subsidy for CY 2008. To allow more time for PHAs to submit subsidy worksheets through the Subsidy and Grants Information System (SAGIS), the initial interim obligation for Operating Subsidy will cover the first four months of CY 2008. The updated letter, Initial Funding for Fiscal Year 2008 and Timing of SAGIS Funding Data Submissions, is available [here](#).

Revised Schedule for CY2008 Operating Subsidy Submissions

The Subsidy and Grants Information System (SAGIS) module for CY 2008 Operating Subsidy submissions was opened for all PHAs on October 22, 2007. Due to various issues preventing some PHAs from accessing the system, the submission schedules have been extended by one month, as shown in the below table. The full schedule can be found [here](#).

PHAs with...	Previous Deadline	One-Month Extension Deadline
1 AMP	12/7/07	1/9/08
2 – 10 AMPs	12/21/07	1/23/08
11+ AMPs	1/9/08	2/13/08

On November 19 – 20, 2007 SAGIS hosted a conference call for users with open Technical Assistance Center (TAC) tickets. Over 300 people participated. The following are examples of

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common SAGIS technical issues that were discussed during the call:

1. The Office Personnel File (OPF) role in Secure Systems must be assigned through WASS in order for users to log in to SAGIS. Those without the OPF role are prevented from accessing the system.
2. Once logged into SAGIS, some users are encountering the following problems:
 - ❖ “Create a Project” does not appear in the drop down menu;
 - ❖ When trying to create a project, PHA codes are absent in the “Applicant Name” drop down menu;
 - ❖ AMP numbers do not appear in the drop down menu selection under “AMP Number and Funding Year” for the project created; and
 - ❖ After selecting a PHA code in the “PHA Selection” drop down menu, the “Save” function is not working properly.

The SAGIS Team is working to resolve these issues. Users are encouraged to visit the [SAGIS training page](#) to access the latest [PHA User Set-Up Guide](#) and the [Helpful Hints](#) document for successful submission tips, troubleshooting and technical assistance. The Operating Fund website has also been updated with [SAGIS Help Contacts](#) and information on the latest [AMP groupings](#) in SAGIS. If you experience problems, please contact your local HUD Field Office, or the Technical Assistance Center (TAC).

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Remember to keep up-to-date with the latest SAGIS training web casts. The next web cast is planned for December 12, 2007. ♦

Newsbyte: Secure Systems Access to Expire After 90 Days of Inactivity

The Real Estate Assessment Center (REAC) would like to remind PHAs and other Secure Systems users that User IDs will be disabled after 90 days of inactivity beginning on November 1, 2007. This procedure will implement policy described in [HUD Information Security Handbook 2400.25, REV-1](#). If your account is inactive please contact the PIH Technical Assistance Center at 1-888-245-4860 and select option 2.

Asset Management Help Desk – A List of This Month’s Common Questions

Thanks again to our readers for continuing to use the Helpdesk. The following are among the questions of general interest received this past month.

My PHA has a fiscal year that ends June 30. We are a large PHA, with multiple AMPs. I am planning ahead for the year-end submission of the Financial Data Schedule (FDS). When will HUD make available the new FDS?

A draft version of the new FDS was posted on the Asset Management website (click [here](#) for a copy). As a result of recommendations made by the Financial Reporting Committee of the

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Administrative Reform Initiative (ARI), as well as other internal reviews, the Department will slightly modify and simplify this draft form. A final version of the FDS is expected to be posted by late December 2007. The Department will notify all PHAs when the new FDS is posted, along with a listing of all changes from the previously released draft version.

For the first compliance year of project-based budgeting/accounting, PHAs will be issued a “transition” score under the new Public Housing Assessment System (PHAS). Will HUD also issue PHAS scores under the “old” or “current” PHAS?

No. For the purposes of scoring, especially in relation to the Capital Fund bonus program, HUD will carry over the PHAs previous score under the “old” PHAS. HUD will not issue a new score under the “old” PHAS.

Is HUD approval required for non-competitive procurements?

*In accordance with Section 12.5 of HUD Handbook 7460.8, Rev-2, dated February 2007, noncompetitive procurements are **not** subject to prior HUD approval provided the PHA either: (a) requests, and HUD subsequently certifies, that its procurement system be reviewed by the Field Office to determine if its systems meet the standards under 24 CFR 85.36 and the essential requirements of this Handbook and HUD Handbook 7485.1; or (b) self-certifies that its procurement system meets the standards under 24 CFR 85.36 and the essential requirements of this Handbook and HUD Handbook 7485.1.*

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My PHA is interested in developing new public housing. Over the years, we have increased our Public Housing Operating reserves to such a level that we would like to use some portion of those reserves for new development. Can we use our reserves for development of public housing?

In accordance with the statute, Operating Funds can only be used for the operations and management of Public Housing or for the payment of debt service. Hence, a PHA could not use Public Housing Operating reserves to pay for, say, the acquisition of new housing but could use such funds to pay for debt service related to loan payments associated with the acquisition of new housing.

A community organization is interested in leasing non-dwelling space on the ground floor of one of our high rise projects for various supportive services. How is that rental income treated for subsidy purposes?

Non-dwelling rental income is excluded from Operating Subsidy calculations. The new Operating Fund formula only includes dwelling rental income (including charges for excess utilities) in subsidy calculations. Hence, any revenue a project receives from laundry receipts, vending machines, non-dwelling space, etc., is not factored into subsidy calculations. ♦

What's New on the Website?

- ❖ [Asset Management Webpage](#) – New and Updated!
- ❖ [PIH 2007-30 – Using ENERGY STAR to Promote Energy Efficiency in Public Housing](#)
- ❖ [ARI Report on Asset Management Responsibilities](#)
- ❖ [SAGIS User Setup Guide](#)
- ❖ [SAGIS Help Contact Information](#)
- ❖ [AMP Groupings in SAGIS Updates](#)

Important Dates

Wednesday, December 12, 2007 – SAGIS Training Webcast

Tuesday, January 1, 2008 – Board-approved project budgets for all PHAs with fiscal years ending December 31, 2008

Wednesday, January 9, 2008 – SAGIS Submission Deadline for PHAs (one AMP)

Wednesday, January 23, 2008 – SAGIS Submission Deadline for PHAs (two to ten AMPs)

Wednesday, February 13, 2008 – SAGIS Submission Deadline for PHAs (eleven or more AMPs)

Tuesday, April 1, 2008 – Board-approved project budgets for all PHAs with fiscal years ending March 31, 2009

Tuesday, April 15, 2008 – Year 2 Stop-Loss application due date

Resources and Useful Links

For more information, please visit the HUD-PIH Asset Management website [here](#). Click on the following hyperlinks for detailed information about specific topics of interest:

- ❖ [AMP Groupings](#)
- ❖ [Financial Management](#)
- ❖ [Operating Fund Program](#)
- ❖ [Stop-Loss](#)
- ❖ [PIH Notices](#)
- ❖ [Subsidy and Grants Information System \(SAGIS\)](#)

Give Us Your Ideas

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 AssetManagementNewsletter@hud.gov. ♦