



**U.S. Department of Housing and Urban Development
Office of Public and Indian Housing**

Special Attention of:
Public Housing Agencies
Public Housing Hub Office Directors
Public Housing Program Center Directors
Regional Directors
Field Office Directors
Resident Management Corporations

Notice PIH 2006-14 (HA)

Issued: March 22, 2006

Expires: March 31, 2007

Cross Reference:

Subject: Operating Fund Program Final Rule: Transition Funding and Guidance on Demonstration of Successful Conversion to Asset Management to Discontinue the Reduction of Operating Subsidy

1. Purpose

This notice provides information for Public Housing Agencies (PHAs) regarding the calculation of transition funding under the Operating Fund Program final rule. It also provides instructions to PHAs that wish to submit documentation of successful conversion to asset management in order to discontinue their reduction in operating subsidy under the Operating Fund Program final rule, commonly referred to as the “stop-loss” provision. The stop-loss portion of this notice applies only to PHAs that: (1) lose funding under the new formula; and (2) wish to submit documentation in accordance with the requirements for the first stop-loss deadline of October 1, 2006, so they may limit their losses to 5 percent.

In order to provide PHAs with sufficient time to prepare for this first stop-loss deadline, HUD has developed the abbreviated requirements set forth in this notice. HUD will issue expanded requirements for the subsequent deadline dates for stop-loss.

2. Regulatory Citation and Text

HUD published a final rule, Revisions to the Public Housing Operating Fund Program (79 FR 54983), in the Federal Register on September 19, 2005, revising the Department’s Public Housing Operating Fund Program regulation at 24 CFR part 990 and adopting a final Operating Fund Program formula for determining the payment of operating subsidy to PHAs. A technical correction notice, revising certain implementation dates, was published in the Federal Register on October 24, 2005 (70 FR 61366).

Subpart F of the Operating Fund Program final rule describes the different transition provisions. Section 990.225 of Subpart F states:

The determination of the amount and period of the transition funding shall be based on the difference in subsidy levels between the formula set forth in this part and the formula in effect prior to November 18, 2005. The difference in subsidy levels will be calculated

using FY 2004 data. When actual data are not available for one of the formula components needed to calculate the formula of this part for FY 2004, HUD will use alternate data as a substitute...[.]

Section 990.230(d) of Subpart F states:

If a PHA can demonstrate a successful conversion to the asset management requirements of subpart H of this part, as determined under paragraph (f) of this section, HUD will discontinue the reduction at the PHA's next subsidy calculation following such demonstration...[.]

3. Determination of Transition Amount

In accordance with § 990.225, for each PHA HUD will calculate the per unit month (PUM) difference in operating subsidy levels between the Operating Fund Program final rule published on September 19, 2005 (hereafter referred to as the "final rule"), and the interim Operating Fund Program rule published on March 29, 2001 (hereafter referred to as the "interim rule"), using FY 2004 data. The difference between the two operating subsidy levels will determine if the PHA will have a reduction or an increase in operating subsidy as a result of the formula prescribed in the final rule. PHAs that will experience a reduction in subsidy will have their reduction phased in over a five-year period (§ 990.230), while PHAs that will experience an increase will have their increase phased in over a two-year period (§ 990.235).

A PHA's operating subsidy level under the interim rule will equal the amount on Part E, Line 3, Eligibility Before Adjustments, of the PHA's Federal Fiscal Year (FFY) 2004 form HUD-52723, Operating Fund Calculation of Operating Subsidy. HUD will calculate a PHA's operating subsidy level under the final rule as described in Table 1, below. HUD will then compare these two operating subsidy levels in order to determine the whole dollar difference. Next, HUD will convert this whole dollar difference to a PUM difference by dividing by a PHA's FFY 2004 eligible unit months (EUMs). During each year of the transition, a percentage will be applied to this difference to determine the PUM transition amount. Lastly, the PUM transition amount for a particular year will be multiplied by that year's EUMs.

The main elements of the new formula and the corresponding data source that HUD will use to calculate what the PHA would have been eligible to receive in FFY 2004 under the final rule are shown in Table 1.

Table 1: Data Crosswalk for Calculating FFY 2004 Subsidy Eligibility under New Formula

New Formula Element	Data Source/Method of Calculation for Determining FFY 2004 Subsidy Under New Formula (All line items unless otherwise stated refer to the FFY 2004 form HUD 52723 and all dollar amounts are converted to annual figures.)
1. Eligible Unit Months (EUMs)	Section 1(e), Unit Months Available.
2. Project Expense Level	As per new Operating Fund Program formula, multiplied by the PHA's EUMs.
3. Utility Expense Level	Part A, Line 11, Allowable Utilities Expense Level, multiplied by the PHA's EUMs.

New Formula Element	Data Source/Method of Calculation for Determining FFY 2004 Subsidy Under New Formula (All line items unless otherwise stated refer to the FFY 2004 form HUD 52723 and all dollar amounts are converted to annual figures.)
4. Formula Income	Part B, Line 05, Average monthly dwelling rental charges per unit for budget year 2 years ago, multiplied by the PHA's EUMs.
5. Self-Sufficiency	Part D, Line 03, Family Self-Sufficiency.
6. Energy Loan Amortization	Part D, Line 04, Energy Add-On for Loan Amortization.
7. Payments in Lieu of Taxes (PILOT)	10% of the difference of the Financial Assessment Subsystem (FASS-PH) Net Tenant Rental Revenue minus the Total Utility Expenses, for PHA fiscal years that ended 03/31/04, 06/30/04, 09/30/04, and 12/31/04 for the Catalogue of Federal Domestic Awards (CFDA) program number 14.850a. (10% of FASS-PH data Line 703 minus the total of Lines 931, 932, 933, 934, and 938.) If the result is a negative number, then PILOT will be zero.
8. Costs of Independent Audits	Part A, Line 12, Actual PUM Cost of Independent Audit, multiplied by the PHA's EUMs.
9. Funding for Resident Participation	Part D, Line 13, Funding for Resident Participation.
10. Asset Management Fee	<ul style="list-style-type: none"> • For PHAs with less than 250 units: \$2 multiplied by Section 1(d), No. of HA Units, and then multiplied by 12. • For PHAs with 250 or more units: \$4 multiplied by Section 1(d), No. of HA Units, and then multiplied by 12.
11. Information Technology Fee	\$2 multiplied by Section 1(d), No. of HA Units, and then multiplied by 12.
12. Asset Repositioning Fee	Part A, Line 13, Costs Attributable to Deprogrammed Units, multiplied by EUMs, plus Part D, Line 08, Phase Down funding for Demolitions.
Costs attributable to changes in federal law, regulation, or economy do not apply.	

PHAs experiencing an operating subsidy reduction or increase will have their operating subsidy adjusted as shown in Tables 2 and 3.

Table 2: Subsidy Reduction

Effective For	Reduction Limited To
Calendar Year 2007	24% of the PUM difference between the two subsidy amounts.
Calendar Year 2008	43% of the PUM difference.
Calendar Year 2009	62% of the PUM difference.
Calendar Year 2010	81% of the PUM difference.
Calendar Year 2011	100% of the PUM difference.

Table 3: Subsidy Increase

Effective For	Increase Limited To
Calendar Year 2007	50% of the PUM difference between the two subsidy amounts.
Calendar Year 2008	100% of the PUM difference.

Below are two examples that show the effect of transition funding on a PHA's operating subsidy eligibility.

Example 1: Operating Subsidy Reduction. A PHA's operating subsidy level in FFY 2004 under the interim rule was \$255,000. Its operating subsidy level in FFY 2004, had the final rule been in place, calculated as described above, would have been \$200,000. EUMs in FFY 2004 were 1,000. This PHA would have received \$55,000 less in FFY 2004 under the final rule than it received under the interim rule – a reduction in operating subsidy. Converted to a PUM amount, the difference in operating subsidy levels is \$55.00 PUM (the \$55,000 whole dollar difference divided by 1,000 EUMs). This reduction of \$55.00 PUM will be phased in over a five-year period.

Because the PHA will submit its operating subsidy calculation forms under the final rule, the forms will reflect the lower operating subsidy level under the final rule. Accordingly, HUD will add a transition amount each year to the lower operating subsidy level under the final rule. In calendar year 2007, assume EUMs are 1,100. Therefore, in calendar year 2007, HUD will multiply 76 percent (100 percent minus 24 percent) of the PUM difference in the two funding levels (\$41.80 PUM) by calendar year 2007 EUMs (1,100) and then will add this amount (\$45,980) to the PHA's calendar year 2007 operating subsidy eligibility under the new formula (reducing the PHA's operating subsidy eligibility by only 24 percent, or \$13.20 PUM). For this PHA, the PUM amounts shown in Table 4 will be multiplied by EUMs for that year, and this amount will be added each year to the operating subsidy calculation during the five-year phase-in of the reduction in subsidy.

Table 4: Example of Five-Year Transition Funding

Difference in Operating Subsidy Levels	2007 Transition Amount (76% of the difference)	2008 Transition Amount (57% of the difference)	2009 Transition Amount (38% of the difference)	2010 Transition Amount (19% of the difference)	2011 Transition Amount (phased-out)
\$55.00 PUM	\$41.80 PUM	\$31.35 PUM	\$20.90 PUM	\$10.45 PUM	\$0 PUM

Example 2: Operating Subsidy Increase. A PHA's operating subsidy level in FFY 2004 under the interim rule was \$200,000. Its operating subsidy level in FFY 2004, had the final rule been in place, would have been \$255,000. EUMs in FFY 2004 were 1,000. This PHA would have received \$55,000 more in FFY 2004 under the final rule than it received under the interim rule – an increase in operating subsidy. Converted to a PUM amount, the difference in operating subsidy levels is \$55.00 PUM (the \$55,000 whole dollar difference divided by 1,000 EUMs). This increase of \$55.00 PUM will be phased in over a two-year period.

Because the PHA will submit its operating subsidy calculation forms under the final rule, the forms will reflect the higher operating subsidy level under the final rule. Accordingly, HUD will deduct a transition amount in 2007 from the higher operating subsidy level under the final rule. In calendar year 2007, assume EUMs are 1,100. Therefore, in calendar year 2007, HUD will multiply 50 percent (100 percent minus 50 percent) of the PUM difference between the two operating subsidy levels (\$27.50 PUM) by calendar year 2007 EUMs (1,100) and then will deduct this amount (\$30,250) from the PHA's calendar year 2007 operating subsidy eligibility calculation. In 2008, no transition amount will be deducted from the PHA's operating subsidy eligibility calculation because the formula will be fully phased-in.

4. Deadlines for Successful Conversion to Asset Management and Stopping Losses of Operating Subsidy

To “stop” the losses described in item 3, above, PHAs can apply to HUD and demonstrate that they have successfully converted to asset management. For PHAs that elect to apply for “stop loss,” Table 5 shows the deadline dates by which PHAs must demonstrate to HUD that they have successfully converted to asset management in order to have their losses stopped; the corresponding percent at which the losses will be stopped; and the calendar year in which that stop in the losses will take effect.

Table 5: Stop-Loss Demonstration Time Line and Effective Dates

Demonstration Date By	Reduction Stopped At	Reduction Effective For
October 1, 2006	5% of the PUM difference between the interim and final rule operating subsidy levels.	Calendar Year 2007
October 1, 2007	24% of the PUM difference.	Calendar Year 2008
October 1, 2008	43% of the PUM difference.	Calendar Year 2009
October 1, 2009	62% of the PUM difference.	Calendar Year 2010
October 1, 2010	81% of the PUM difference.	Calendar Year 2011

As an example, assume that a PHA would have received \$55.00 PUM less in FFY 2004 under the final rule than it received under the interim rule. If this PHA demonstrates successful conversion by October 1, 2006, then beginning in calendar year 2007, the amount of its reduction in subsidy will be stopped at just 5 percent of the difference between the two operating subsidy levels. Therefore, 95 percent (100 percent minus 5 percent) of the PUM difference between the two levels, or a transition amount of \$52.25 PUM, will be multiplied by EUMs and this amount will then be added to the lower operating subsidy level under the final rule. This computation will occur each calendar year that the PHA remains in compliance with the asset management requirements after 2007.

If HUD determines that a PHA has successfully demonstrated conversion to asset management by any of the dates in Table 5, it will adjust the PHA’s operating subsidy payments as soon as possible in the following year to reflect an entire year’s funding at the respective stop-loss level.

5. Criteria for Successful Conversion

Asset management involves the continuous and on-going review of the physical, fiscal, and management performance of each property. As such, a PHA that has not developed the supporting systems to monitor project-level performance and/or has not regularly incorporated the use of that performance data into executive decision-making is not practicing proper asset management.

For purposes of the first stop loss deadline of October 1, 2006, HUD has established abbreviated requirements for PHAs to demonstrate successful conversion to asset management. By October 1, 2006, PHAs must fully meet all of the seven criteria in Table 6 except for the requirement to produce monthly operating statements for each project (project-based accounting statements) and for the central office cost center, which PHAs may meet on October 1, 2006, by simply demonstrating that they have substantially developed the systems required to produce the project-based statements. PHAs then will have until January 15, 2007, to demonstrate to HUD

that they have implemented the project-based accounting systems and have produced project-based accounting statements as well as the statements for the central office cost center. It is at this time that HUD will review the most recent operating statements (October through December 2006) for each project for determining substantial compliance with asset management.

The abbreviated requirements will apply only for this first stop-loss deadline of **October 1, 2006**. (Additional requirements for subsequent years will be contained in appropriate notices, but may include such items as Board-approved budgets for each project, with supporting line-item narratives; project-specific and central office cost center balance sheets; at least nine months of financial statements by the submission deadline; and longer-term asset plans and strategies.)

Although § 990.260(b) permits PHAs that have less than 250 units to combine all developments into one project, if these PHAs want to apply for stop-loss they must group their projects in accordance with the criteria under item 4, Guidelines for Determining Projects, in PIH Notice 2006-10, Identification of Projects for Asset Management. For example, if a PHA has only two 100-unit buildings at different ends of town, in order to qualify for stop loss the PHA would have to group the two buildings as at least two projects. Combining the two buildings into one project as permitted under § 990.260(b) would preclude qualification for stop loss. However, a PHA that has only one 200-unit building may qualify for stop-loss with a single project because the PHA has no alternative but to operate as one project.

Table 6: Criteria for Successful Conversion Under First Deadline Date

Criteria	Elements
1. Project-Based Accounting	<ul style="list-style-type: none"> a. The PHA (or its management agent) produces monthly operating statements for each project that contain the revenues and expenses of each project compared against budgeted levels, including all fees and charges from the central office cost center. For this initial stop-loss deadline, project-specific balance sheets are not required. b. Proceeds from the Capital Fund Program, energy performance contracts, and other sources to support project operations must also be reflected in the operating statements for each project. (Capital items funded from the Capital Fund Program are not required to be included in these project-specific operating statements.) c. The operating statements must reasonably represent the financial performance of each project. d. The sum of the operating statements for each public housing project must equal the total for the PHA's public housing program, i.e., they must be inclusive of all central office charges, including management fees, fees for centralized services, etc. e. The PHA maintains all records to support financial transactions.
2. Project-Based Management	Property management services are arranged or provided in the best interest of the project, considering such factors as needs, cost, and responsiveness, relative to local market standards.
3. Central Office Cost Center	<ul style="list-style-type: none"> a. All central office fees (property management, asset management, bookkeeping, etc.) must be reasonable, as defined under Section 7 of this notice. b. The central office cost center must operate on the allowable fees and other permitted reimbursements from its public housing and voucher programs as well as revenue generated from non-public housing programs. c. Solely for the purposes of stop-loss, a PHA may not fund the operation of the central office cost center with: (1) proceeds from the sale of assets acquired with public housing funds; (2) amounts from the Capital Fund Program other than those permitted for administration/planning. For example, an agency requesting stop-loss cannot use "Management Improvement" funds to pay for general accounting staff; or (3) funds received from state or local governments for the purpose of supporting operations of the center office cost center, i.e., non fee-income.
4. Centralized Services	a. Centralized functions that directly support projects are funded using a fee-for-

Criteria	Elements
	<p>service approach or through other allowable charge-backs.</p> <ul style="list-style-type: none"> b. Each project is charged for actual services received. c. Centralized services are consistent with the needs of, and are in the best interests of, the project. d. Centralized service charges must be reasonable based on demonstrated data from the local market.
5. Review of Project Performance	<ul style="list-style-type: none"> a. The PHA systematically reviews information regarding the financial, physical, and management performance of each project, including utility consumption, and identifies non-performing properties. For the purposes of this initial stop-loss deadline, a non-performing property is one that: (1) receives a REAC Physical Inspection score of less than 70; (2) has significant crime and drug problems (defined as incidence of Part I and Part II Crimes, in accordance with Uniform Crime Reporting, that exceed the surrounding community by 120%); (3) is below 95% occupancy; (4) has tenant accounts receivable that exceed 7% of monthly rent roll; (5) would receive a “D” or lower score under the Public Housing Assessment System (PHAS) for the Management Operations sub-indicators related to Unit Turnaround and Work Orders (emergency and non-emergency); (6) has utility consumption exceeding 120% of the agency average; or (6) has other major management problems. . b. For any projects identified as non-performing, the PHA shall have a management plan that includes a set of recommendations and measurable goals that effectively address the area(s) of non-performance.
6. Capital Planning	<ul style="list-style-type: none"> a. The PHA has a physical needs assessment for each project. b. The PHA has a five-year capital plan for each project that is realistic in terms of expected revenue sources, market, tenancy, and project needs. c. The PHA has demonstrated a commitment to long-term reduction in energy and utility consumption through a plan, the use of HUD’s incentives, or the use of Energy Star equipment for retrofits.
7. Risk Management Responsibilities Related to Regulatory Compliance	<p>In accordance with § 990.270, asset management includes risk management responsibilities related to regulatory compliance. A PHA is not properly carrying out its risk management responsibilities related to regulatory compliance if it:</p> <ul style="list-style-type: none"> a. Is designated troubled under PHAS for physical (PASS), financial (FASS), management operations (MASS), or Capital Fund; b. Has any outstanding FHEO compliance findings or a Voluntary Compliance Agreement (VCA) that have not been implemented; c. Does not have a current energy audit; d. Has any outstanding IG audit findings greater than six months old without demonstrated progress being made; e. Is not in compliance with Admissions and Continued Occupancy Policies (ACOP) and other related occupancy directives; f. Is not making satisfactory progress under Rental Housing Integrity Improvement Project/Rental Integrity Monitoring (RHIIPS/RIM) Corrective Action Plans (e.g., RIM review findings with open improper rent collections/payment findings); g. Is not in compliance with PIH Notice 2005-17, Reporting Requirements for the Family Report (Form HUD-50058) to the Public Housing Information Center (PIC). PHAs are considered in compliance with form HUD-50058 reporting requirements if their public housing reporting rate, as measured by the PIC Delinquency Report, is at or above 95 percent at the time of their most recent assessment period; h. Is not meeting the statutory Capital Fund Program obligation and expenditure deadlines; or i. Has any other major compliance deficiency. <p>HUD may consider a PHA’s progress in addressing the above compliance issues and other extenuating circumstances.</p>

6. Independent Assessor

Pursuant to § 990.230(f), PHAs must select from a list of HUD-approved professionals to conduct an independent assessment of compliance with the conversion to asset management. In the event that HUD is unable to produce a list of independent assessors on a timely basis, pursuant to § 990.230(f), the PHA may submit its own demonstration of successful conversion directly to HUD. Later in 2006, HUD will notify PHAs if a list of assessors will be available to them on a timely basis.

7. Determination of Fee Reasonableness

Section 990.280(a)(4) of the final rule requires that project-specific operating expenses shall include a “reasonable” management fee that is used to fund operations of the central office. For a PHA to demonstrate successful conversion to asset management, a PHA must show that its fees are reasonable (as defined by the standards below) and that it can operate its central office cost centers based on its fee income and other allowable charge-backs.

For the initial stop-loss deadline, PHAs shall use the following schedules for their management fees, bookkeeping fees, and asset management fees.

- a. **Management Fee.** PHAs may charge a management fee based on any of the following:
 - (1) The management fee schedules established for each HUD Multifamily Field Office. Generally, the Office of Multifamily Housing establishes fee ranges for federally subsidized properties that reflect 120 percent of the mean management fee for profit-motivated properties that are well managed, in good physical condition, and are managed by independent agents with no identity of interest with the owners.
 - (2) The amounts included in Attachment A to this notice. Attachment A lists the 80th percentile management fee paid by all for-profit and unlimited dividend FHA properties, by field office, excluding such programs as cooperatives and nursing homes. Information is based on 2004 Annual Financial Statements (the most recent available data).
 - (3) Other compelling data reflecting management fees in the local market. Such data might include fees established by state Housing Finance Agencies for Low-Income Housing Tax Credit programs or fees paid by the PHA for private management of public housing through effective competition.

The management fee under the HUD Multifamily management fee schedule or in Attachment A that each PHA may charge is the fee determined by the HUD Office of Multifamily Housing for the geographic area where the PHA is located. For example, a PHA in St. Petersburg, FL, serviced by the Miami, FL, Office of Public Housing, would use the management fees that the HUD Multifamily Office has established for the Tampa area because St. Petersburg, FL, is within the geographic jurisdiction of that area. To assist PHAs in making the determination of the applicable fees, HUD will post a listing on the FMD website at www.hud.gov/offices/pih/divisions/ffmd of the multifamily fee jurisdiction in which each PHA is located.

Management fees are to be earned monthly for each occupied unit or approved vacancy, pursuant to § 990.145.

- b. **Bookkeeping Fee.** The mean bookkeeping fee in 2004 for FHA properties was \$3.61 PUM. PHAs may charge a bookkeeping fee of no more than \$7.50 PUM. This higher fee for public housing relates to the higher costs of IT and Human Resources incurred by PHAs. Bookkeeping fees are also earned monthly for each occupied unit or approved vacancy.
- c. **Asset Management Fee.** PHAs may charge no more than \$10 PUM as a reasonable asset management fee for all units under an Annual Contributions Contract.

The above three fees shall be incorporated into the budgets of the projects and the central office cost center. Alternately, project based operating statements may contain an overhead charge that is developed through a cost allocation system. However, to qualify for stop-loss, the overhead charge developed through a cost allocation system must not exceed the above permitted fees.

In the near future, the Department will issue guidance with respect to costs that are to be charged as front-line expenses and those that are to be paid from fee income. In the meantime, PHAs can refer to the HUD Management Agent Handbook, 4381.5, REV-2, Chapter 6. The Department will issue new fee schedules for subsequent stop-loss deadline dates.

8. Continued Eligibility

PHAs must maintain their compliance with the asset management requirements of the Operating Fund Program final rule to continue to have their losses stopped. Any PHA found not to be in on-going compliance with these and future requirements will have its subsidy returned to pre-stop loss levels the next calendar year. The way in which any such adjustments are to be made will be covered in future guidance.

9. Submission Requirement

A PHA that wants to qualify for the first **stop-loss deadline of October 1, 2006**, must submit an original and one copy of the following to its respective field office by October 15, 2006:

- Cover letter from the Executive Director: (1) requesting that HUD review the PHA's request to have its losses stopped as a result of demonstration of successful conversion to asset management; and (2) certifying to the accuracy of the data included with the submission;
- Supporting evidence for each of the seven criteria listed under Section 5 of this notice;
- An operating statement for the central office cost center, showing all revenues and expenses; and
- A list of all central office fees for front-line services, e.g., centralized extermination, and documentation of cost-reasonableness.

A detailed submission package will soon be made available on the Operating Fund Program web site at www.hud.gov/offices/pih/divisions/ffmd.

The PHA's field office must receive all stop-loss submission packages for the October 1, 2006, deadline by October 15, 2006. A PHA may submit its package at any time prior to this date, but HUD will accept and process only one submission package for each PHA requesting that stop loss be applied in calendar year 2007. The one submission package per PHA per year also will be applicable for all future stop loss periods.

Because for the first stop loss deadline PHAs have until January 15, 2007, to demonstrate effective implementation of project-based accounting systems, as stated above, HUD will not review the monthly project-based operating statements (and the central office cost center operating statements) for the period October 2006 through December 2006 until after January 15, 2007. Accordingly, for HUD's review, PHAs must provide a written certification that all such operating statements were generated on or before January 15, 2007.

10. Process

Upon receipt of a stop-loss submission package, HUD will determine if sufficient information exists to make a determination of successful conversion to asset management without the need for an on-site assessment. In such circumstances, the PHA will be provided with a written justification of HUD's determination, e.g., incomplete submission package.

When an on-site assessment is deemed to be required, the independent assessors (or, in the event that independent assessors are not available, HUD) will complete their assessments by April 15, 2007. The assessor will provide an exit conference to each PHA.

The Assistant Secretary for Public and Indian Housing (or designee) shall consider all information submitted by the PHA and respond with a final determination of compliance by June 15, 2007. If, after review, the Assistant Secretary (or designee) determines that the PHA has not demonstrated a successful conversion, the PHA may not submit another package until the following year as listed in Table 5 of this Notice.

A PHA's failure to satisfy any one of the seven criteria is sufficient grounds to deny compliance with a successful conversion to asset management. When it is apparent to the assessors that the PHA will fail one or more criteria, the assessor can proceed with a limited review of the remaining criteria.

/s/

Orlando J. Cabrera, Assistant Secretary for
Public and Indian Housing

ATTACHMENT A

80th Percentile of Management Fees in FHA Housing, by Field Office, for Unlimited Dividend and Non-Profit Ownership Types

Field Office	Management Fee (PUM)	Field Office	Management Fee (PUM)
Albuquerque	\$43.78	Little Rock	\$37.70
Anchorage	\$61.09	Los Angeles	\$58.53
Atlanta	\$45.80	Louisville	\$42.94
Baltimore	\$48.00	Manchester	\$53.45
Birmingham	\$44.29	Miami	\$50.26
Boston	\$56.50	Milwaukee	\$43.78
Buffalo	\$50.77	Minneapolis	\$50.31
Caribbean	\$46.47	Nashville	\$40.13
Charleston	\$46.93	New Orleans	\$40.39
Chicago	\$54.04	New York	\$58.15
Cincinnati	\$44.45	Newark	\$61.88
Cleveland	\$46.19	Oklahoma City	\$41.96
Columbia	\$48.07	Omaha	\$39.54
Columbus	\$46.36	Philadelphia	\$52.01
Denver	\$49.86	Phoenix	\$40.17
Des Moines	\$36.90	Pittsburgh	\$57.48
Detroit	\$42.95	Portland	\$41.40
Fort Worth	\$42.94	Providence	\$63.07
Grand Rapids	\$41.92	Richmond	\$50.16
Greensboro	\$45.84	Sacramento	\$51.08
Hartford	\$54.27	San Antonio	\$43.11
Honolulu	\$49.23	San Diego	\$52.04
Houston	\$37.01	San Francisco	\$60.79
Indianapolis	\$46.00	Seattle	\$39.98
Jackson	\$42.56	Shreveport	\$38.22
Jacksonville	\$50.78	St. Louis	\$37.94
Kansas City	\$37.79	Tampa	\$47.74
Knoxville	\$37.10	Tulsa	\$43.17
Las Vegas	\$42.95	Washington, DC	\$56.36

***Note:** The above fees have been adjusted to reflect the national average vacancy loss for non-profit and unlimited dividend properties of 6.9%, i.e., the rates shown reflect the fees paid for occupied units.