Asset Management

_HUD Style_
Purpose

- Provide high level overview of HUD’s Asset Management business model
- Define key terms
- Explain Resident Services’ place in asset management
- Suggest courses of action
Asset Management

- HUD
§ 990.255 Overview.
(a) PHAs shall manage their properties according to an asset management model, consistent with the management norms in the broader multifamily management industry.

PHAs shall also implement
• project-based management,
• project-based budgeting, and
• project-based accounting,
which are essential components of asset management
§ 990.270 Asset management.
As owners, PHAs have asset management responsibilities that are above and beyond property management activities.

These responsibilities include decision-making on topics such as
  • long-term capital planning and allocation,
  • the setting of ceiling or flat rents,
  • review of financial information and physical stock,
  • property management performance,
  • long-term viability of properties,
  • property repositioning and replacement strategies,
  • risk management responsibilities pertaining to regulatory compliance,
  • and those decisions otherwise consistent with the PHA’s ACC responsibilities, as appropriate.
The Reg says...

The goals of asset management are to:

(1) Improve the operational efficiency and effectiveness of managing public housing assets;

(2) Better preserve and protect each asset;

(3) Provide appropriate mechanisms for monitoring performance at the property level; and

(4) Facilitate future investment and reinvestment in public housing by public and private sector entities.
What this means

- PHAs need to operate more like businesses
- PHAs need to treat their projects as a portfolio of individual properties
- Each property needs to stand on its own
- The PHA Central Office Cost Center needs to be more efficient

*It ain’t your old public housing program, anymore.*
Definitions

- Central Office Cost Center (COCC)
- Asset Management Project
- Project Expense Level (PEL)
- Project Based Funding
- Project Based Accounting
- Project Based Budgeting
- Project Based Performance Assessment
Definitions, Continued

- Property Management Fee
- Bookkeeping Fees
- Asset Management Fee
- Front Line Costs
Central Office Cost Center

- AKA: Public Housing Agency Headquarters
- Needs to be VERY lean
- No more direct Operating funding from HUD
Public housing projects are assigned AMP numbers

Mixed Income communities (HOPE VI, etc)
  - Usually one AMP per phase
  - Treated essentially like any other AMP

PHA decides on groupings of scattered sites and small projects into AMPS
Project Based Accounting

- Each AMP must have its own Set of Accounts
- Each AMP must produce its own Financial Statements
- If one AMP has excess funds, it can transfer to another AMP
- AMPs cannot transfer to COCC
Project Based Funding

- HUD now funds each AMP account directly
- Based on PEL
- COCC receives no direct Operating funds
Project Expense Level (PEL)

- HUD’s new funding methodology
- Each AMP has its own PEL
- Based on unique property characteristics
- Funding is calculated based on occupancy
  - Not available units
- AMPs also receive Utility Expense Level funding
- Funding is still subject to HUD proration
- *Don’t even ask me about “Stop Loss”*
So, who pays my salary?

- COCC charges AMPs for
  - Property Management Fees
  - Bookkeeping Fees
  - Asset Management Fees
  - Front Line Costs
Property Management Fees

- PHAs required to charge a for operation of COCC
- Per unit per month basis (PUM)
- Occupied units and approved vacancies only
Property Management Fees

- HUD defines “reasonable fee”
  - HUD Multifamily Property Schedules
  - 80th Percentile of property management fee for certain FHA properties
- Nationally: $39-57 PUM
- COCC receives any Prop Mgt Fee that exceeds what is paid to any private property manager
Bookkeeping Fee

- HUD considers $7.50 PUM to be reasonable
- Earned based on occupancy
Asset Management Fees

- HUD considers $10 PUM reasonable
- All units under ACC
- Can only be paid from AMP Excess Cash
- In other words,
  - Don’t count on it.
Front Line Costs

- Charged directly to the AMP
  - Not as a fee
- Costs incurred at the AMP
- Certain COCC expenses
  - COCC maintenance on a fee for service basis
  - Legal Fees directly related
What does this look like?
HUD’s previous Funding Methodology
HUD’s New Funding Methodology
How about Resident Services?

- “It is the preference of HUD that all resident services, to the extent practical, be site-based....

- Where PHAs cannot reasonably track personnel costs for resident services, including supervisory personnel costs, to an AMP, PHAs are permitted to prorate the costs.”
Implications

- COCC money is going to be tighter than ever before
- Resident services is an *authorized* AMP expense
  - Either directly charged or prorated
- But PHA-wide expenditures are limited to AMP revenue
- PEL and proration can make funds scarce
What can Resident Services do?

- Track time spent at each AMP
What can Resident Services do?

- Track time spent at each AMP
- Charge time to grants when possible
  - HOPE VI
  - ROSS
  - Housing Choice
REMEMBER TO CHARGE YOUR TIME TO THE APPROPRIATE PROJECT CODE.

UNLESS YOUR PROJECT IS UNFUNDED, IN WHICH CASE THE TIME CODES WON'T WORK AND YOU'LL NEED TO FALSIFY YOUR TIME REPORT.

ARE ANY OF OUR PROJECTS FUNDED?

THIS IS THE EMBARRASSING PART.
What can Resident Services do?

- Track time spent at each AMP
- Charge time to grants when possible
  - HOPE VI
  - ROSS
  - Housing Choice
- Support AMPS in increasing
  - Occupancy
  - Rent payment
What are you questions?
I'd rather be skiing!