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Special Edition on Management Reviews of Public Housing Projects



As announced previously, HUD will soon, through formal notice-and-comment rulemaking, revise the Public Housing Assessment System (PHAS) to capture the performance of each public housing project under the asset management model. Consistent with the norms in multifamily housing, the “new” PHAS will include a system of on-site management reviews.

In HUD’s subsidized housing programs, an on-site management review is conducted at each project once annually, and the results are documented on form HUD-9834, “Management Review of Multifamily Projects.” The form HUD-9834 includes seven main categories, from General Appearance and Security to Maintenance and Operations.

On February 8, 2008, HUD published for public comment in the Federal Register its proposed “Management Review for Public Housing Projects,” form HUD-5834 (FR-5194-N-02).

Because of their importance to HUD’s new system of oversight under asset management, we have dedicated this special edition of the e-Newsletter to the subject of on-site management reviews. This issue is intended to help public housing agencies (PHAs) understand how these reviews will be conducted, the information to be collected, and the relationship of these reviews to scoring under the new PHAS.

Shortly, the Department will publish a notice including information on upcoming rulemaking associated with the Public Housing Assessment System (PHAS) as a result of the conversion to asset management. A list of frequently asked questions regarding the development of, and transition to, the new PHAS will be included in that document. ♦

Responding to Administrative Reform Recommendations

Among the major recommendations of PHAs and industry representatives as part of the Administrative Reform Initiative (ARI) were to:

- Streamline management and occupancy reviews,
- Reduce the multiplicity and frequency of reviews, and
- Make PHAS generally consistent with assessment systems in multifamily housing.

The form HUD-5834 responds to these recommendations. Additionally, PHAs requested that the Department provide early notification of the proposed form. ♦

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Organization of Form

The proposed form HUD-5834 shares the same basic format as the form HUD-9834. It is divided into seven sub-indicators as follows:

- ❖ General Appearance and Security
- ❖ Follow-up and Monitoring of Project Inspections
- ❖ Maintenance and Modernization
- ❖ Financial Management
- ❖ Leasing and Occupancy
- ❖ Tenant/Management Relations
- ❖ General Management Operations

Within each sub-indicator are several components. For example, the Financial Management sub-indicator includes components on accounts payable, rent collection, budget management, and procurement. ♦

Frequency of Reviews

In HUD's subsidized housing programs, on-site management reviews are conducted annually. HUD has not decided whether public housing projects will be reviewed annually or scheduled based on periodic risk assessment. Clearly, risk assessments can be based on factors such as: the results of previous reviews; information from remote monitoring (for example, review of annual financial statements and occupancy data in PIC); and HUD staffing and travel resources. ♦

Use of Form

The management review form will ultimately provide a framework for consolidating current public housing reviews. The basic management review will include a high-level look at key

performance and compliance indicators, while more detailed review checklists can be incorporated into the asset management review as needed. For instance, if, based on a risk assessment, a project is targeted for an asset management review with an additional in-depth focus on compliance areas, such as occupancy, the management review can be expanded to include those activities. However, if a risk assessment or other HUD guidance do not require the more in-depth reviews, just the basic review is necessary.

Both the number of reviews and the depth of reviews to be conducted annually of the public housing portfolio will be determined through HUD's Annual Management Plan goals. ♦

Compliance vs. Performance

One of the goals of the proposed management review form is to consolidate public housing reviews of project performance and compliance. A flexible format will allow reviewers to tailor on-site work based on the needs of the project and HUD guidance. The form, therefore, includes information related to both performance and compliance. Performance items are those that most directly relate to how well the project is operated (e.g., the rate of rent collections). Compliance items are related to project observance of program rules and regulations (e.g., whether rents were calculated in accordance with HUD requirements). ♦

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Scoring

The form HUD-5834 does not include the proposed scores and weights assigned to each sub-indicator or component. Actual scoring of sub-indicators/components will be addressed in the proposed rule-making revisions to the PHAS, expected to be published in Spring 2008. HUD anticipates that the scoring will be primarily based on components that measure performance rather than compliance. However, compliance components could result in findings and corrective actions even if they do not affect a project's score. ♦

Process

The process of conducting an on-site management review would generally proceed according to the following:

- ❖ **Pre-visit Notification.** Somewhere between 2-4 weeks before the on-site management review, the project would receive notification from HUD of the planned visit. The notification letter/correspondence would include a list of information that should be available for the reviewer during the review, including such items as the rent roll, work order records, etc. HUD reviewers would prepare for the review by examining records and data available at the HUD office, including previous audits/reviews, information from PIC, project correspondence, etc.
- ❖ **On-Site Review.** Depending on the size of the project and the scope, the review would likely last between 1-2 days. It is expected that it would begin with a brief kick-off meeting and end with an exit meeting. The reviewer would spend time walking the project, reviewing project files, and interviewing project staff.

- ❖ **Post-Review Report.** Within about 30 days after the visit, the project would receive the results of the review. Included with this report might be relevant comments, concerns, findings and recommended corrective actions, if applicable.

To support this effort, HUD is developing an internal information system that will transmit the pre-visit notification letter, store management review results, and track all associated follow-up actions. ♦

Statutory Requirements

Section 6(j) of the Housing Act of 1937 requires that PHAs be assessed according to the following:

- ❖ Vacancy rate
- ❖ Timeliness of Capital Fund obligations
- ❖ Turnaround time
- ❖ Rent collections
- ❖ Utility consumption
- ❖ Work order completions
- ❖ Unit Inspections
- ❖ Self-sufficiency and resident participation
- ❖ Anti-crime strategies
- ❖ Basic housing conditions

The form HUD-9834, used for HUD's subsidized projects, already captures each of these indicators, with the exception of Capital Fund obligations (not applicable to HUD subsidized housing). As a result, the form HUD-9834 was readily adaptable for public housing. ♦

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Primary vs. Secondary Indicators

PHAs and industry representatives have argued that the current PHAS does not adequately distinguish between “primary” and “secondary” measures of performance. A “primary” measure of performance would be a key indicator that reflects high-level financial, physical or management performance. A “secondary” measure of performance would be one that diagnoses possible problems in one or more of the “primary” performance measures. For instance, a project’s vacancy rate would be a primary indicator and unit turnaround a secondary indicator (in that a project’s vacancy rate is a function of the how quickly it turns around vacant units). Secondary measures can provide insight as to the possible causes of poor performance reflected in primary indicators. The proposed PHAS rule will address the treatment of primary and secondary indicators. In general, HUD believes that, unless performance is lagging, the focus should be on primary and not secondary indicators. ♦

Implementation

These reviews are intended to implement the provision of 24 CFR 990.255, which requires an appropriate mechanism for monitoring performance at the project level. The timing as to when HUD will begin to conduct these on-site reviews will be addressed in an upcoming notice. ♦

Copies of the Proposed HUD-5834

Refer to page 5 for a screen shot of the proposed HUD-5834. According to Departmental procedures, proposed forms cannot be posted until they are finalized. Therefore, to obtain copies of the proposed HUD-5834, please contact: Mary Schulhof, Office of Policy, Programs and Legislative Initiatives, PIH, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, D.C., 20410; telephone: 202-708-0713 (this is not a toll-free number). Please note the proposed form is not permitted for use to conduct reviews. ♦

Contact the Editor

The Office of Public and Indian Housing (PIH) is the editor of this monthly e-Newsletter. If you have a general question or comment for the editor, please send an email to assetmanagement@hud.gov with the subject line “Question/Comment for Editor.” ♦

Page 3 of the Proposed HUD-5834 (Not for Use)

Management Review for Public Housing Projects	U.S. Department of Housing and Urban Development Office of Public and Indian Housing	OMB Approval No. _____ Exp. _____
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1. GENERAL APPEARANCE AND SECURITY

1.1 Appearance and Market Appeal

Rate the project on curb appeal and marketability in the 12 categories listed below. Enter a "2" (highest rating), "1" (moderate rating), or "0" (lowest rating) for each category. Enter "EX" to exclude the category. Do not leave any boxes blank.

Category	Rating	Category	Rating
1. Project Entrance		7. Landscaping	
2. Building Exterior		8. Graffiti	
3. Paved Surfaces		9. Public Spaces and Amenities	
4. Fencing, Railing, Porches, Overhangs, Ramps		10. Windows	
5. Overall Project Appearance		11. Project Debris	
6. Trash		12. Units	

Overall Project Rating:

Comments:

1.2 Security

Please indicate if there is evidence of project crime, as indicated by the following (check all that apply):

<input type="checkbox"/> Crime statistics	<input type="checkbox"/> Discussions with law enforcement	<input type="checkbox"/> Discussions with residents
<input type="checkbox"/> Law enforcement certification	<input type="checkbox"/> Reviewer Observations	<input type="checkbox"/> Other

If any boxes above are checked, has the project developed, in coordination with the local government, an anti-crime security plan? **Yes** **No**

Has the project formally adopted screening policies/procedures that deny admission based on the following criteria (all are required)? **Yes** **No**

- Recent history of drug-related or violent criminal activity
- Evicted from federally assisted housing in last 3 years because of drug activity
- Currently engaging in the illegal use of controlled substance, or drug activity
- Convicted of manufacturing or producing methamphetamine on the premises of the project
- Sex offenders subject to a lifetime registration requirement
- Alcohol abuse or a pattern of drug or alcohol abuse that might threaten other residents

Has the project formally adopted policies/procedures to evict residents under the following circumstances (all are required)? **Yes** **No**

- Drug-related criminal activity
- Alcohol abuse
- Criminal activity

Comments:

2. FOLLOW-UP AND MONITORING OF PROJECT INSPECTIONS

2.1 Follow-Up and Monitoring of Project Inspections and Observations (Sampling is at the reviewer's discretion.)

Were all EHS deficiencies from the most recent PASS/REAC inspection repaired/abated in 24 hours or less? **Yes** **No** **Unclear** **NA**

Comments:

2.2 Follow-Up and Monitoring of Lead-Based Paint Inspection – The following questions only apply to family properties, or elderly properties housing children under six years of age, that were constructed prior to 1978 or to properties with EIBLL reports.

Are required LEP inspections completed or revisions/augmentations of prior inspections completed, if necessary? **Yes** **No** **Unclear** **NA**

Has a risk assessment been completed, if required? **Yes** **No** **Unclear** **NA**

Form HUD-5834(200303)
 DRAFT FOR INTERNAL HUD USE ONLY