Public Housing Assessment System (PHAS) - Interim Rule

PHAS - Interim Rule Training
Part I

March 17, 2011
Agenda

Overview
Purpose, Background, Objectives

PHAS Interim Rule
Goals, Changes, and Description

Subsystem Presentations
Financial Condition, Management Operations, Capital Fund, & Physical Condition Indicators

NASS
Functions, Interactions, Timelines, PHAS designations, Appeals/Petitions, Improving scores, Relationship with PIC
Purpose of Training

To provide:

- Information on PHAS Interim Rule
- Information on major changes in the four PHAS indicators
- Tips to improve the PHA’s performance and PHAS score
Purpose of PHAS

PHAS helps the delivery of services in public housing and enhances trust in the public housing system among:

- public housing agencies (PHAs)
- public housing residents
- HUD
- the general public

by providing a management tool for effectively and fairly measuring the performance of a PHA in essential housing operations.
Interim PHAS Goals/Objectives

Better management and oversight of Public Housing

Provide improved information about the operating costs of and the performance of housing projects

Reduce administrative reporting requirements for both PHAs and HUD

Align PHAS with Asset Management
Self Certifications are eliminated. Indicators will be measured using data from:

- Financial Assessment Sub System (FASS)
- Physical Assessment Sub System (PASS) based on Uniform Physical Condition Standards (UPCS)
- The electronic Line of Credit Control System (eLOCCS)
- PIH Information Center (PIC)
What’s new under PHAS Interim Rule

- Baseline Physical Inspections
- Self-certifications are eliminated
- Resident Service and Satisfaction indicator was removed
- Management scores will be based on three components of the FDS submission

- New PHAS Indicator: Capital Fund Program
- 3-2-1 Physical Inspection Incentives
- Indicator Scores were re-proportioned
- Mixed finance projects will not receive financial or management scores; they will receive a physical score

- PCNE was moved from PASS to MASS
- High-liquidity Adjustments for the Financial Indicator do not apply
- Substandard Performers are not designated as troubled PHAs
- Interim PHAS scores only the public housing program—FASS will not be entity-wide
### Sub-Indicator Comparison

<table>
<thead>
<tr>
<th>Prior PHAS</th>
<th>Interim PHAS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Physical Condition (30 points)</strong></td>
<td><strong>Physical Condition (40 points)</strong></td>
</tr>
<tr>
<td>• Per UPCS</td>
<td>• Per UPCS</td>
</tr>
<tr>
<td>• PCNE adjustments</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Condition (30 points)</strong></td>
<td><strong>Financial Condition (25 points)</strong></td>
</tr>
<tr>
<td>• Current Ratio</td>
<td>• Quick Ratio</td>
</tr>
<tr>
<td>• Months Expendable Funds Balance</td>
<td>• Months Expendable Net Assets Ratio</td>
</tr>
<tr>
<td>• Tenant Accounts Receivable</td>
<td>• Debt Service Coverage Ratio</td>
</tr>
<tr>
<td>• Occupancy Loss</td>
<td></td>
</tr>
<tr>
<td>• Expense Management/Utility</td>
<td></td>
</tr>
<tr>
<td>• Net Income</td>
<td></td>
</tr>
<tr>
<td><strong>Management Operations (30 points)</strong></td>
<td><strong>Management Operations (25 points)</strong></td>
</tr>
<tr>
<td>• Vacant Unit Turnaround Time</td>
<td>• Occupancy Rate</td>
</tr>
<tr>
<td>• Capital Fund</td>
<td>• Tenant Accounts Receivable</td>
</tr>
<tr>
<td>• Work Orders</td>
<td>• Accounts Payable</td>
</tr>
<tr>
<td>• Annual Inspections</td>
<td>• PCNE Adjustments</td>
</tr>
<tr>
<td>• Security</td>
<td></td>
</tr>
<tr>
<td>• Economic Self-Sufficiency</td>
<td></td>
</tr>
<tr>
<td><strong>Resident Satisfaction (10 points)</strong></td>
<td><strong>Capital Fund (10 points)</strong></td>
</tr>
<tr>
<td>• Timeliness of Fund Obligation</td>
<td>• Occupancy Rate</td>
</tr>
</tbody>
</table>
Scoring Summary of PHAS

- **Physical Assessment (PASS)**: 40 points
- **Management Assessment (MASS)**: 25 points
- **Financial Assessment (FASS)**: 25 points
- **Capital Fund Program (CFP)**: 10 points

**PHAS**: 100 points
Overview of NASS iNtegrated Assessment Subsystem (NASS)

PHAS - Interim Rule Training
Part II
NASS Functions

- Provides: Overall assessment results of PHAs by coordinating and aggregating subsystem results.
- Generates: Accurate scores as a result of NASS’s extensive QA processes.
- Designates: PHAs’ performance status.
- Communicates: Status on appeals, waivers and petitions requested by PHAs.
PHA&FO and NASS Interaction

PIH-REAC

- PASS
- FASS
- MASS
- CFP

NASS

- Creates PHAS score & designation
- QAs score
- Releases PHAS score & designation
- Processes

PHA and Field Office

- Training initiatives
- Information / Data
- Informs PHAs
- Requests appeals, waivers, petitions
PHAS Submission Timeline

- **PASS** inspection conducted 3 months prior to PHA’s FYE
- **PASS** inspection completed
- **FASS UNAUDITED** submission due 2 months after PHA’s FYE
- **FASS AUDITED** submission due 9 months after PHA’s FYE
Late Penalty Points and Late Presumptive Failure (LPF)

Late Penalty Points and Late Presumptive Failure will only be applied to the FASS indicator not the MASS indicator even though the MASS information is derived from the Financial Data Schedule (FDS).

Sept. 30 PHAs FYE

Dec. 16 1st late point

Nov. 30 unaudited FASS is due (2 months)

Dec. 31 2nd late point

Dec. 16 1st late point

Jan. 15 3rd late point

Jan. 30 4th late point

Feb. 14 5th late point

Mar. 1 LPF and score of zero

UNAUDITED FASS EXAMPLE
## PHAS Designation Status (24 CFR 902.11)

<table>
<thead>
<tr>
<th>PHAS Status Designation</th>
<th>Composite PHAS Score</th>
<th>Individual Indicator Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Performer</td>
<td>Overall PHAS score of 90% or higher</td>
<td>At least 60% of total points available in PASS(24), MASS(15), FASS(15) and 50% of the total points for CFP(5) and an overall score of 90% or greater</td>
</tr>
<tr>
<td>Standard Performer</td>
<td>Overall PHAS score of at least 60%</td>
<td>Not less than 60% of total points available in PASS(24), MASS(15), FASS(15) and 50% of the total points for CFP(5)</td>
</tr>
<tr>
<td>Substandard Performer</td>
<td>Overall PHAS score of at least 60%</td>
<td>Less than 60% in one or more of the PASS, FASS, or MASS indicators</td>
</tr>
<tr>
<td>Troubled</td>
<td>Less than 60% of the overall PHAS score</td>
<td>---</td>
</tr>
<tr>
<td>Capital Fund Program (CFP) Troubled</td>
<td>---</td>
<td>Less than 50% on CFP indicator</td>
</tr>
</tbody>
</table>
Designations & Assessments

<table>
<thead>
<tr>
<th></th>
<th>Small PHAs</th>
<th></th>
<th></th>
<th></th>
<th>Capital Fund Program Troubled</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High Performer</td>
<td>Standard Performer</td>
<td>Substandard Performer</td>
<td>Troubled</td>
<td></td>
</tr>
<tr>
<td>Receives PHAS assessment:</td>
<td>Every 3 years</td>
<td>Every 2 years</td>
<td>Every 2 years</td>
<td>Every year</td>
<td>Every year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Large PHAs</th>
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<th>Capital Fund Program Troubled</th>
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<td></td>
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<td>Standard Performer</td>
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<td>Troubled</td>
<td></td>
</tr>
<tr>
<td>Receives PHAS assessment:</td>
<td>Every year</td>
<td>Every year</td>
<td>Every year</td>
<td>Every year</td>
<td>Every year</td>
</tr>
<tr>
<td>PASS inspections (Based on individual project scores)</td>
<td>≥90</td>
<td>80-89</td>
<td>≤79</td>
<td>Every year**</td>
<td>Every year**</td>
</tr>
<tr>
<td></td>
<td>Every 3 years*</td>
<td>Every 2 years*</td>
<td>Every 2 years*</td>
<td>Every year**</td>
<td>Every year**</td>
</tr>
</tbody>
</table>

* Based on individual project scores, the projects will be inspected according to the 3-2-1 rule; please see the PASS presentation for further details

** Based on PHAS score designations, ALL projects in the PHA will be inspected every year
Inspection Frequency: Small PHAs

Frequency of PHAS assessments
(PHAs with less than 250 units)

**YEAR(S)**

3

- **High performer PHAS score:** ≥90
  - UPCS Inspections every 3rd year

2

- **Standard & Substandard PHAS score:** 60-89
  - UPCS Inspections every 2nd year

1

- **Troubled PHAS score:** <60 OR Capital Fund Troubled
  - UPCS Inspections every year
UPCS Inspection Frequency

PHAs with 250 units or more

(Frequency based upon the project PASS score)

<table>
<thead>
<tr>
<th>YEAR(S)</th>
<th>Project score ≥90</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>UPCS project Inspection every 3rd year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>YEAR(S)</th>
<th>Project score 80 but less than 90</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>UPCS project Inspection every 2nd year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>YEAR(S)</th>
<th>Project score &lt;80</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>UPCS project Inspection every year</td>
</tr>
</tbody>
</table>

Troubled: PHAS score <60 or Capital Fund Troubled

UPCS Inspections of all projects every year
## Case Study on 3-2-1: Large PHAs

<table>
<thead>
<tr>
<th>Project</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>ID101 - 75</td>
<td>ID201 - 80</td>
<td><strong>ID201 - 80</strong></td>
<td>ID401 - 25</td>
<td>ID501 - 60</td>
</tr>
<tr>
<td>B</td>
<td>ID102 - 40</td>
<td>ID202 - 45</td>
<td>ID301 - 98</td>
<td><strong>ID301 - 98</strong></td>
<td>ID502 - 80</td>
</tr>
<tr>
<td>C</td>
<td>ID103 - 60</td>
<td>ID203 - 90</td>
<td><strong>ID203 - 90</strong></td>
<td><strong>ID203 - 90</strong></td>
<td>ID503 - 75</td>
</tr>
<tr>
<td>D</td>
<td>ID104 - 80</td>
<td><strong>ID104 - 80</strong></td>
<td>ID302 - 90</td>
<td><strong>ID302 - 90</strong></td>
<td>ID504 - 85</td>
</tr>
<tr>
<td>E</td>
<td>ID105 - 90</td>
<td><strong>ID105 - 90</strong></td>
<td><strong>ID105 - 90</strong></td>
<td>ID-402 - 85</td>
<td>ID505 - 55</td>
</tr>
</tbody>
</table>

### Overall PASS score
- **PHAS Designation**
  - Substandard: 58=23
  - Physical: 60=24
  - Standard: 92=37
  - **PHAS Troubled**: 75=30
  - Standard: 70=28

### Overall PHAS score
- **PHAS Designation**
  - 58
  - 65
Appeal/Petition Request Guidelines

WRITING
- The request must be submitted **IN WRITING** to the Deputy Assistant Secretary of the Public and Indian Housing Real Estate Assessment Center.

30 DAYS
- Appeals must be submitted **NO LATER THAN 30 DAYS** following the issuance of the PHAS score.
- Petitions may be filed at any time to remove a troubled designation.

CHANGE
- The request **MUST RESULT IN CHANGE** of the PHAS designation status.

DOCUMENTATION
- The request must include **supporting documentation**.
Waiver Request

Waiver Request must be PURSUANT TO Notice PIH-2009-41

Housing Authority identifies the regulations that it wants waived

Housing Authority presents justification to meet good cause PURSUANT TO 24 CFR 5.110

Waiver Request is submitted to the appropriate HUD Field Office or HUD Program Center with all appropriate supporting documentation
Improving PHAS scores

Monitor

The status and accuracy of submissions frequently in eLOCCS, PIC, and Secure Systems

Utilize

Prior year PHAS score results to set annual goals

Plan

Ahead: be proactive in determining problem areas and fixing them at least 6 months in advance of PHAS due dates
PHAS and PIC

The PIH Information Center (PIC) is part of PIH-REAC and:

- Allows PHAs to electronically submit information to HUD and allows Field Offices to review information on PHAs
- Is the **PRIMARY** information system for the Public Housing program

PIC’s Importance for PHAS:

- It is the responsibility of the PHA to provide accurate contact information and update PIC regularly.
- If a submission is late or inaccurate due to incorrect information in PIC, **PHAs will not be allowed to appeal their scores**

For more information: