

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
2012 Summary Statement and Initiatives
(Dollars in Thousands)**

PUBLIC HOUSING CAPITAL FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2010 Appropriation	\$2,500,000 ^{a/}	\$148,378 ^{b/}	...	\$2,648,378	\$2,485,538	\$5,209,197
2011 CR	2,500,000	133,880 ^{c/}	...	2,633,880	2,598,880	3,916,000
2012 Request	<u>2,405,345</u>	<u>35,000</u>	<u>...</u>	<u>2,440,345</u>	<u>2,440,000</u>	<u>3,353,000</u>
Program Improvements/offsets	-94,655	-98,880	...	-193,535	-158,880	-563,000

a/ Includes \$25 million that was transferred to the Department's Transformation Initiative account.

b/ Includes \$67.5 million recaptured and returned to the Treasury in fiscal year 2010 and \$50.6 million contract authority to be returned to the Treasury in fiscal year 2011.

c/ Includes Recovery Act funds rescinded per Dodd-Frank Act (Public Law 111-203).

Summary Statement

For fiscal year 2012, the Department requests \$2.4 billion in the Public Housing Capital Fund account to address the needs of affordable rental housing. Of the \$2.4 billion requested, \$2.365 billion will fund modernization capital grants for public housing. The Budget also requests \$5 million for the cost of administrative and judicial receiverships, \$20 million for Emergency/Disaster response and \$15.3 million for the financial and physical assessment support for the Department's rental housing assistance programs.

There remains an estimated \$20-\$30 billion backlog of modernization needs that public housing agencies (PHAs) continue to address using capital funds from the American Recovery and Reinvestment Act of 2009 (Recovery Act), as well as annual non-Recovery Act appropriations. In 2009, in addition to \$2.4 billion provided in the annual HUD appropriations bill, the Department awarded nearly \$4 billion in Recovery Act funds to help PHAs address the backlog of capital needs and support energy-efficient, green communities and other priority investments. PHAs continue to expend these funds in accordance with the Recovery Act guidelines.

HUD estimates that the public housing inventory faces a capital needs backlog ranging from \$20 to \$30 billion. Given this large backlog and fiscal constraints, the Department must find alternative means, other than direct capital grants, to meet these needs. To protect the considerable Federal investment and respond to the growing demand for affordable rental housing, HUD must continue to make standard life-cycle improvements to the public housing inventory, while also modernizing or replacing obsolete units. Without substantial investment in the inventory, HUD will continue to lose affordable housing units to obsolescence and other states of disrepair. To address this problem, HUD's proposed Transforming Rental Assistance (TRA) initiative is designed to 1) preserve public and assisted housing by increasing access to private capital and management techniques; 2) provide the ability to create mixed-income communities; 3) streamline

Public Housing Capital Fund

the administration of HUD's assisted housing programs; and 4) increase housing choice for residents. The Budget requests \$200 million for a TRA demonstration, which is discussed in a separate justification.

When considering changes in demographics and the economic outlook, it is reasonable to expect a substantial increase in the number of people seeking affordable housing. As such, the Department must be diligent in addressing these needs. With more than half of Public Housing units constructed prior to 1970, these older properties require continued investment in order to remain viable. The Capital Fund is the primary vehicle for preserving these properties. Failure to sustain current funding levels will result in more units lost in the inventory.

The Public Housing Capital Fund account supports the Department's mission to promote safe, decent, affordable housing through a comprehensive, formula-driven program that finances Public Housing modernization and management improvement activities and supports other rental housing programs administered by HUD's Office of Public and Indian Housing (PIH). The Public Housing Capital Fund account protects and enhances the nation's Public Housing stock, a tremendously valuable affordable housing resource that serves approximately 1.1 million families.

The current economic crisis has underscored the central role that housing plays in people's lives. The need for quality rental housing that is decent, safe, and affordable has never been more apparent. The Department works to address this ongoing need through efforts funded by the Capital Fund. Each year the Department goes through a multilayered process to allocate Capital Fund grants to PHAs, including collecting and validating data; calculating the formula for capital fund modernization; notifying PHAs; making available and processing documents to obligate the funds; and populating information in the Department's financial systems in order to make funds available to PHAs. HUD has strong and clear processes in place to ensure good stewardship of public funds.

The Department has been awarding funds in an expeditious manner in recent years and will continue to do so in the future. Once the Department awards Capital Fund grants, the Department will review and process planning documents for current year funding as well as performance documents for previous years of funding for all open grants. PIH regularly reviews obligation and expenditure deadlines and intervenes to recapture funds from grants not in compliance or to provide assistance when deadlines draw near. PIH assists PHAs with obligation and expenditure of standard Capital Fund grants on an ongoing basis. As a result, PHAs regularly exceed 99 percent compliance with respect to both obligation and expenditure requirements. Furthermore, despite an accelerated timeframe, PHAs successfully obligated 99.95 percent of their Recovery Act Formula Grant funding in 2010. In addition, PIH ensures that PHAs complete environmental reviews prior to expending Capital Funds. In instances where the Department awards funds to develop new Public Housing under the Capital Fund formula (Replacement Housing Factor funds), PIH performs extensive document reviews and collaborates with PHA staff to complete the process of developing new Public Housing.

Program Relation to Strategic Plan Goals and Subgoals:

Public Housing is an effective means of providing decent and safe affordable housing options for low-income families and individuals.

Strategic Goal 2 - Meet the Need for Quality Affordable Rental Homes

Subgoal 2A: End homelessness and substantially reduce the number of families and individuals with severe housing needs

A leading cause of homelessness and worst-case housing needs is the lack of housing that is affordable and available to the lowest-income households. Affordability is one of the largest barriers for low-income families when searching for a decent and safe place to reside. For many low-income families, Public Housing provides an affordable housing option.

Public Housing Capital Fund

Public Housing has a significant impact on Subgoal 2A. Public Housing is expected to serve approximately 1.2 million families by the end of fiscal year 2012. Current tenant characteristics indicate approximately 70 percent are extremely low-income (defined as household income not exceeding 30 percent of area median income) and 18 percent are and will continue to be very low-income (defined as having a household income between 31-50 percent of median income). If not for Public Housing, many of these families would be at risk of facing severe rent burdens or homelessness. The Department is maximizing resources to provide relief to the neediest of our nation's citizens, which include elderly, homeless, and disabled persons as well as veterans and at-risk youth.

Additionally, the Public Housing program plays a key role in reducing both chronic and family homelessness under the President's Federal Strategic Plan to End Homelessness. The Federal Strategic Plan to End Homelessness would use Public Housing units to initiate a program aimed at ending veteran and youth homelessness and substantially addressing family homelessness by the end of fiscal year 2014.

Subgoal 2B: Expand the supply of affordable rental homes where they are most needed

Public Housing currently serves approximately 1.1 million families. By the end of fiscal year 2011, HUD programs will meet more of the growing need for affordable housing by serving 5.46 million families, 207,000 more than in fiscal year 2009. Public Housing will contribute a significant number of units in furtherance of this goal. This increase will be achieved through increased leasing of currently vacant units, continued utilization of non-Recovery Act and Recovery Act capital funds for modernization efforts, and other development activities commensurate with available resources.

A significant barrier to serving more families within the Public Housing program is the definition of data points and proper tracking for public housing units. The primary source of data regarding the Public Housing program is the Public and Indian Housing Information Center (PIC) system, which facilitates the flow of program data from PHAs to the Department. However, this information is subject to human decision-making, and often the definitional boundaries of some designations are unclear, such as those categories used for approved unit vacancies. To rectify this issue, the Department is developing protocols for analyzing PIC vacancy data and confirming the accuracy of data entered by PHAs. Program monitoring directives such as these provide the greatest potential for increasing Public Housing utilization. It is imperative that data measures and the actual data are as accurate as possible. For the PIC system to be most effective, data entered into the system must be correct. As such, the Department will continue to work to validate data entered into the PIC system on a routine basis in order to guarantee the quality and reliability of the data that drives policy and program decisions at the national level.

Additionally, HUD is developing a portfolio management tool that will enable HUD to determine which HUD regions could increase Public Housing unit utilization. By exercising consistent oversight, HUD will strive to ensure that occupancy rates are high and the maximum leasable units are online. Use of the portfolio management tool will promote stability across the program, leading to more effective implementation and greater utilization rates nationwide. Thus, the department has identified actionable steps to retain the number of families served and to continue to grow the potential to serve more families by bringing units online to an identified, leasable state.

Current market realities also reinforce the importance of maximizing leasing utilization. The Department estimates only one in four eligible families receive rental assistance from HUD. The economic recession coupled with the increasing demand for rental housing generated by the foreclosure crisis have exacerbated the demand for rental assistance. At the same time, the freeze in credit markets and the sharp reduction in demand for Low-Income Housing Tax Credits (LIHTC) have greatly diminished the private capital available to improve and expand the supply of affordable rental housing. In addition, continued high unemployment rates have stressed demand for affordable rental housing by reducing family incomes and slowing turnover by families who occupy affordable units. Taken together, these market forces underscore the importance of Public Housing and the Department's efforts to expand the supply of affordable housing through fiscal

Public Housing Capital Fund

year 2012 and beyond. In order to achieve these goals under challenging conditions, the Department will implement the management improvements mentioned above in concert with others designed to expand the supply of affordable housing.

Subgoal 2C: Preserve the affordability and improve the quality of Federally assisted and private unassisted affordable rental homes

The Public Housing Capital Fund preserves the affordability and quality of Federally assisted housing. The Capital Fund is the primary vehicle for preserving and improving public housing units for future generations. The Department distributes Capital Funds annually via formula to more than 3,100 Public Housing Agencies (PHAs) throughout the country.

Capital Fund grants may be used to support the following activities: (1) development, financing, and modernization of public housing projects; (2) vacancy reduction; (3) deferred maintenance; (4) planned code compliance; (5) management improvements, including those that support resident participation; (6) demolition and replacement; (7) resident relocation; (8) capital expenditures for security and safety, and (9) homeownership.

PHAs use a majority of this funding to modernize public housing or develop new public housing. In addition, PHAs borrow funds through the Capital Fund Financing Program (CFFP) from private sector banks by pledging repayment from future year capital funds, subject to appropriation. The CFFP program enables a significant number of PHAs each year to secure funding to address significant and much needed capital improvements. In addition, Capital Fund money and loans acquired through the CFFP program may be used as gap financing in mixed-finance transactions where Low-Income Housing Tax Credits (LIHTC) have not generated sufficient capital to complete a project.

Strategic Goal 3 - Utilize Housing as a Platform for Improving Quality of Life

Subgoal 3D: Utilize HUD assistance to improve housing stability through supportive services for vulnerable populations, including the elderly, people with disabilities, homeless people, and those individuals and families at risk of becoming homeless

Through the promotion of existing Public Housing programs and new initiatives related to the Federal Strategic Plan to Prevent and End Homelessness, HUD assistance is being utilized to support housing stability for vulnerable populations and those individuals and families that are homeless or are at risk of becoming homeless. In addition, PHAs may formally designate units for occupancy by elderly and disabled individuals and families.

Subgoal 3E: Utilize HUD assistance to improve public safety

PHAs use Public Housing Capital Funds to install, repair, or replace capital needs items associated with the prevention of crime or drug-related activity. This eligible use of Capital Funds enables PHAs to take necessary measures to create safer communities for their residents by investing in capital assets such as security systems/cameras, fencing, lighting systems, and emergency alarm systems. Capital fund investments to improve public safety make both the property and the surrounding neighborhood more desirable and result in safer communities, which attract more businesses, better schools, and increased employment opportunities.

Public Housing Capital Fund

Strategic Goal 4—Build Inclusive and Sustainable Communities Free From Discrimination

Subgoal 4B: Promote energy efficient buildings and location-efficient communities that are healthy, affordable and diverse

HUD not only aims to provide decent, safe, and affordable housing but also believes that it must contribute to residents' quality of life. HUD continues to promote an energy-efficient, green, and healthy housing market through the retrofitting of existing units and development of new housing that incorporates green standards. HUD continues to look for innovative ways to provide decent and safe housing located in convenient neighborhoods where residents can walk from their homes to stores, schools, work, services, recreation, and public transportation. These efforts can be seen in the modernization and preservation efforts of the existing housing stock in location-efficient communities. In addition, HUD encourages housing developers to engage in more mixed-income development.

HUD's commitment to energy efficiency can be seen in its administration of the Recovery Act. A component of the \$995 million Capital Fund Recovery Competition grant program was "Creation of Energy Efficient, Green Communities" with funding availability in the amount of \$600 million. The competitive grant facilitates transformational energy efficiency and green retrofits to substantively increase energy efficiency and environmental performance of Public Housing properties, thereby reducing energy costs, generating savings for PHAs and the Federal Government, and decreasing Green House Gas emissions attributable to energy consumption. PHAs continue to expend these funds to modernize and green their developments. HUD's efforts towards incorporating green practices not only work towards improving and preserving the housing stock, but also assist in reducing Public Housing operating costs.

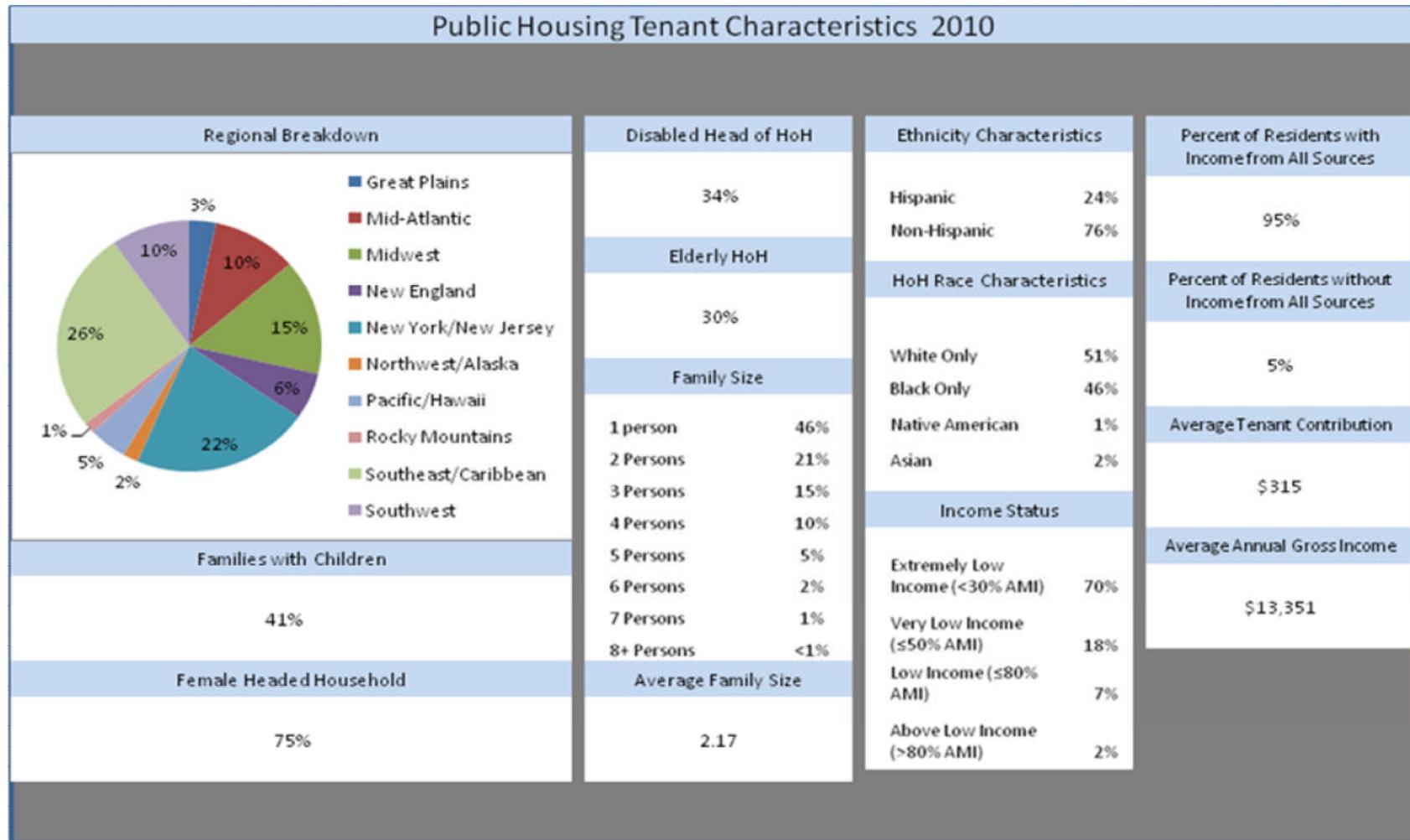
Subgoal 4C: Ensure open, diverse, and equitable communities

The spatial concentration of poverty remains a serious and often unrecognized challenge to low-income persons' ability to access economic opportunities. Public Housing seeks to ensure open, diverse, and equitable communities by creating communities in which all people have access to the same housing, transportation, health, education, and employment opportunities. HUD believes investment at the neighborhood level can transform distressed neighborhoods and ultimately improve the quality of life of current and future residents. In addition to any policy rationales for diverse and equitable communities, HUD maintains that these efforts have a significant stimulative effect on the economy.

Efforts to achieve these goals can be seen in Public Housing Capital Fund modernization activities, development of early education centers, and service coordinator services provided to assist residents in many aspects of life, including developing work skills.

Subgoal 4D: Facilitate disaster preparedness, recovery, and resiliency

An important part of responding to non-Presidentially declared natural disasters involves addressing the long-term needs of residents by repairing housing and infrastructure. PHAs should be eligible to receive disaster funding for Presidentially declared natural disasters from the Federal Emergency Management Agency under the Robert T. Stafford Relief Act. The \$20 million set-aside of Capital Funds to address capital needs due to emergencies and non-Presidentially declared natural disasters plays a pivotal role in HUD's ability to meet this subgoal. The Capital Fund program regulation allows housing authorities to request funding for units affected by natural disasters. This funding has facilitated recovery from natural disasters by enabling housing authorities to rebuild their units and house affected families.



Source: 2010 Public and Indian Housing Information Center (PIC) data

HOH is Head of Household

AMI is Area Median Income

Wages from non-elderly non-disabled households (includes income from all sources, such as wages and S.S.I.)

Public Housing Capital Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Summary of Resources by Program
(Dollars in Thousands)**

Budget Activity	2010 Budget Authority	2009 Carryover Into 2010	2010 Total Resources	2010 Obligations	2011 CR	2010 Carryover Into 2011	2011 Total Resources	2012 Request
Formula Grants	\$2,345,835	\$41,704	\$2,387,539	\$2,374,447	\$2,370,835	\$13,092	\$2,383,927	\$2,365,000
Emergency/Disaster Reserve	20,000	12,883	32,883	23,298	20,000	9,585	29,585	20,000
Resident Opportunities and Supportive Services	50,000	40,345	90,345	43,631	50,000	46,714	96,714	...
Administrative Receivership	8,820	8,373	17,193	9,526	8,820	7,667	16,487	5,000
Financial and Physical Assessment Support ...	15,345	15,022	30,367	13,602	15,345	16,765	32,110	15,345
Tenant Opportunity ....	...	152	152	...	...	152	152	...
Technical Assistance ..	...	12,140	12,140	5,255	...	6,885	6,885	...
Capital Fund Training and Education Facilities	35,000	...	35,000	...	35,000	35,000	70,000	...
Recovery Act .....	...	17,759	17,759	15,779	...	-1,980	-1,980	...
Transformation Initiative	<u>25,000</u>	<u>...</u>	<u>25,000</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total	2,500,000	148,378	2,648,378	2,485,538	2,500,000	133,880	2,633,880	2,405,345
FTE	2010 Actual	2011 Estimate	2012 Estimate					
Headquarters	112	81	79					
Field	<u>184</u>	<u>192</u>	<u>186</u>					
Total	296	273	265					

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Formula Grants	<u>Amount</u>
2010 Appropriation	\$2,345,835
2011 CR	2,370,835
2012 Request	<u>2,365,000</u>
Program Improvements/Offsets	-5,835

The Department proposes just under \$2.4 billion for Public Housing Capital Formula Grants in fiscal year 2012. This amount will assist PHAs in accommodating their annual accrual repair needs. The Capital Fund is a formula-driven program based on need and designed to assist PHAs towards improving Public Housing. The Capital Fund program protects and enhances a valuable affordable housing resource.

There remains an estimated \$20-\$30 billion backlog of modernization needs that PHAs continue to address with one-time funding from the Recovery Act as well as non-Recovery Act annual appropriations. In 2009, in addition to \$2.4 billion provided in the annual HUD appropriations bill, the Department awarded nearly \$4 billion in Recovery Act funds to help PHAs address the backlog of capital needs and support energy-efficient, green communities and other priority investments. PHAs continue to expend these funds in accordance with the Recovery Act guidelines. The Department distributes Capital Funds annually via a formula to more than 3,100 PHAs across the country. Capital Fund grants may be used to support the following activities: (1) development, financing and modernization of Public Housing projects; (2) vacancy reduction; (3) deferred maintenance; (4) planned code compliance; (5) management improvements, including those that support resident participation; (6) demolition and replacement; (7) resident relocation; (8) capital expenditures for security and safety, and (9) homeownership.

Moving-to-Work (MTW)

Section 204(a) of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (P. L. 104-134, hereinafter "MTW Statute") provides that an agency participating in the MTW demonstration program may combine Public Housing Operating and Capital funds provided under Section 9 of the U.S. Housing Act of 1937 (the "1937 Act") and voucher program funds provided under Section 8 of the 1937 Act "to provide housing assistance for low-income families, as defined in section 3(b)(2) of the 1937 Act, and services to facilitate the transition to work on such terms and conditions as the agency may propose and the Secretary may approve." Currently there are 33 PHAs classified as MTW agencies.

The MTW language above is intended to allow for the use of appropriated funds beyond what is authorized by Sections 8 and 9 of the United States Housing Act of 1937, provided the agency in the MTW demonstration program uses its combined funds to provide housing assistance for low-income families, as defined in section 3(b)(2) of the 1937 Act, and services to facilitate the transition to work, whether or not any such use is authorized by Sections 8 or 9 of the 1937 Act, and provided such uses are consistent with other requirements of the MTW Statute and have been proposed in an agency's Annual MTW Plan and approved by HUD.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Emergency/Disaster Reserve	<u>Amount</u>
2010 Appropriation	\$20,000
2011 CR	20,000
2012 Request	<u>20,000</u>
Program Improvements/Offsets .....	...

Proposed Actions

HUD proposes \$20 million for the Emergency/Disaster reserve in fiscal year 2012. HUD is not requesting funding set-aside for Presidentially declared disasters. Prior to 2008, the United States Housing Act of 1937 contained Section 9(k) which provided for a set-aside for emergencies and natural disasters. From 2000 to 2008, Congress appropriated funding in the Capital Fund to address emergencies and natural disasters, but did so separate and apart from the Section 9(k) authorization. Section 2804 of the Housing and Economic Recovery Act of 2008 repealed Section 9(k) of the United States Housing Act of 1937, thereby eliminating the authorization for this set-aside.

The exclusion of Presidentially declared disasters in the requested set-aside is based on HUD's recent experience that it is impossible to predict funding needs for Presidentially declared disasters. Confusion over authority and responsibility arises when HUD is appropriated such funding when other agencies within the Federal Government receive separate appropriations to respond to Presidentially declared disasters. In order to avoid potentially redundant appropriations that make PHAs ineligible for other funding, HUD is not seeking funds for Presidentially declared disasters. Instead, PHAs should be eligible to receive disaster funding from the Federal Emergency Management Agency under the Robert T. Stafford Relief Act.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Resident Opportunities and Supportive Services	<u>Amount</u>
2010 Appropriation	\$50,000
2011 CR	50,000
2012 Request	<u>---</u>
Program Improvements/Offsets	-50,000

Proposed Actions

No funds are requested for this activity in fiscal year 2012 in this account. Self-sufficiency activities are currently an eligible expense under the Operating Fund. The Department encourages PHAs to use their resources to fund activities that result in the best outcomes for their tenants.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Administrative Receivership	<u>Amount</u>
2010 Appropriation	\$8,820
2011 CR	8,820
2012 Request	<u>5,000</u>
Program Improvements/Offsets	-3,820

Proposed Actions

The Department is requesting \$5 million to support the costs of administrative and judicial receiverships. These funds will allow the Department to provide contract support and assist recovering PHAs by supporting operational expenses related to the administration of receiverships.

The Department enters into an administrative receivership when a Public Housing Agency (PHA) has systemic, long-standing, severe management, financial, and physical problems. Due to the severity of these problems, extraordinary levels of expertise and resources are necessary in order to improve the quality of life for PHA residents. When the Department places a PHA in an administrative receivership, the Department can take control of all or part of a PHA's management and operations depending on the source of the PHA's deficiencies. A Federal or state court establishes a judicial receivership when it determines that the existing issues with regard to the PHA are so severe as to make it necessary to intervene in a PHA's management and operations on behalf of its residents. As of August 2010, there are five administrative receiverships under the Department's control and two judicial receiverships.

The Department has provided significant technical assistance to the administrative receiverships through both HUD subject matter experts (SMEs) and HUD-funded contractor support in the following areas: financial operations, recovery services, development advisory services, Public Housing restoration, construction and redevelopment programming, Public Housing modernization, energy service contracting, organizational assessment and restructuring, Low Rent and Section 8 program implementation, asset management conversion, Recovery Act program execution, and PHA training.

These technical assistance interventions have resulted in enhanced PHA monitoring and oversight provisions to ensure timely obligation and expenditure of funds, improved agency operations, effective implementation of mixed finance redevelopment initiatives, necessary organizational restructuring of PHA staff and management, and the repositioning of PHA assets to advance greater affordable housing opportunities for PHA residents.

Some achievements realized by the administrative receiverships include:

Wellston Housing Authority (MO138): Wellston Housing Authority (WHA) has benefitted from technical assistance supplied by HUD employees, including staff development and training, procurement and contracting guidance, Public Housing management and implementation, policy and procedure revision, finance and

Public Housing Capital Fund

budgeting, and general management oversight. Moreover, technical assistance has been provided to ensure correct rental subsidy calculation, proper implementation of eviction procedures, and timely obligation and expenditure of Recovery Act funds. The WHA has been able to keep occupancy rates above 90 percent, and is on track for timely obligations and expenditures.

Housing Authority of New Orleans (LA001): The Housing Authority of New Orleans (HANO) continues to focus on redevelopment and rehabilitation efforts at its largest four Public Housing developments: St. Bernard, C.J. Peete, B.W. Cooper, and Lafitte. Notably, the former St. Bernard Public Housing development, now called Columbia Parc at the Bayou District, held a ribbon-cutting ceremony to open 101 apartments at its site. The new development, previously home to 963 public-housing households, plans to consist of just under 500 apartments with 157 units reserved as Public Housing units and the remainder designated as market-rate and affordable tax-credit units targeted for moderate-income households. Additionally, an agencywide operational assessment was executed, resulting in the development of a comprehensive recovery plan for stabilizing agency operations and achieving systemic resurgence and effective operations across all HANO's departments and programs.

Virgin Islands Housing Authority (VQ001): Virgin Islands Housing Authority (VIHA), in partnership with the Virgin Islands Territory, received two \$900,000 fund allocations to commence rehabilitation of long-term vacant and occupied units for families with housing needs and to address significant deferred capital maintenance for an aged PHA inventory. In addition, VIHA, with technical assistance from HUD personnel, executed a Master Developer Agreement that leverages VIHA's \$13 million in development funds with \$20 million in tax credit equity funding to construct a 102-unit housing development, the first Public Housing redevelopment in over 2 decades on St. Croix.

Detroit Housing Commission (MI001): HUD employees working closely with the Recovery Administrator have advanced delayed development projects, implemented asset management, and improved agency policies, procedures, and processes for greater accountability and internal control. Additionally, work has begun on the first and second phase of the Gardenvue Estates HOPE VI development site, which will comprise 833 affordable housing units, including both market rate rental and homeownership units.

East St. Louis Housing Authority (IL001): East Saint Louis Housing Authority (ESLHA) is advancing development finance projects to build housing units throughout the City of East St. Louis to help stabilize several distressed communities. Notably, ESLHA has commenced the development of 200-300 affordable units across several neighborhood areas within the City, including a commercial development financed through New Market Tax Credits. The housing development effort includes \$7 million in bond financing and plans to provide additional housing opportunities.

Contract Support

The Department will provide contract support to PHAs under receivership based on each PHA's specific needs and circumstances. Based on experience with past and current receiverships, the Department anticipates providing contract support in six major areas: Finance, Systems, General Management, Section 8 Voucher program, Asset Management, and Development/Capital Fund activities. Contractors will be employed to conduct assessments of PHA operations and when necessary perform quality assurance and control assessments before PHAs are returned to local control.

Public Housing Capital Fund

The Department will provide financial management services through procurement actions to allow the PHA to attain operational and economic recovery that is sustainable. Such services will include but are not limited to, updating and maintaining current financial records and reports, restructuring the financial division of the PHA (including recruitment and training), establishing accounting control measures, ensuring compliance with Generally Accepted Accounting Principles (GAAP), submitting accurate financial audits, and achieving regulatory and Annual Contributions Contract (ACC) compliance.

Systems support for PHAs under receivership will be provided by contractors obtained through procurement actions. These contractors will provide the PHA with assistance in updating and upgrading systems. This support may include implementation services, data conversion, and training for end users. Areas of systems support could include all program and operational areas of the PHA.

Good general management services are crucial to the successful performance of a PHA. The Department will address this issue by procuring a contractor to provide assistance in a number of areas. These areas include, but are not limited to, maintenance, modernization, development, administrative and human resources, demolition and disposition, capital improvements, grant administration, occupancy, and procurement.

The Department will assist with implementation of asset management where applicable through the procurement of a contractor with asset management expertise. In addition, the contractor will provide assistance and advise with regard to staffing, organizational structure, and operating policies and procedures, inventory management, and long-term planning.

The Department will also employ a contractor with public housing expertise to conduct quality control/quality assurance assessments to determine a PHA's readiness to manage its own operations successfully. This assessment will include an examination of all recovery activities, evaluation of the PHA's compliance with statutory and regulatory requirements, an examination of the PHA's financial systems, and determination of the PHA's financial capacity to manage and operate all PHA assets.

HUD Resources

In addition to contract support, the Department also invests significant human capital resources in management of the recovery process and in many instances management of the day-to-day operations of all or part of the PHA under receivership. HUD staff are assigned to the PHA under receivership for months and sometimes years. In addition to the cost of salaries, the Department dedicates funds for associated travel and expenses.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Financial and Physical Assessment Support	<u>Amount</u>
2010 Appropriation	\$15,345
2011 CR	15,345
2012 Request	<u>15,345</u>
Program Improvements/Offsets .....	...

Proposed Actions

For fiscal year 2012 the Department proposes \$15.345 million for Financial and Physical Assessment Support for Rental Housing Assistance programs. Assessment activities are primarily done by the Real Estate Assessment Center (REAC) which provides the Office of Housing and the Office of Public and Indian Housing (PIH) timely and accurate assessment of HUD’s real estate portfolio using physical and financial management assessments. Additional financial and physical assessment is done to support field offices activity.

REAC is responsible for inspecting the physical condition of approximately 24,000 multifamily properties and 7,200 public housing projects. REAC trains and certifies contract staff who use a prescribed standard building inspection protocol to assess the physical condition of properties. A second component of the REAC assessment process is the financial assessment score. REAC has established a secure, Internet-based system environment for program participants to transmit their GAAP-based financial statements to HUD. This data is scored using statistical scoring models, ratios, and other standard financial performance methods to arrive at a score. In fiscal year 2012, REAC plans to conduct 5,500 inspections on PIH properties and 6,000 inspections on Multifamily properties.

The REAC also verifies the income of Public Housing residents to ensure housing subsidies are paid accurately. The assessments performed by REAC and the data provided to other program areas renew public confidence in government by helping to make decent, safe, and sanitary housing a reality for millions of American families.

Public Housing Capital Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Capital Fund Training and Education Facilities	<u>Amount</u>
2010 Appropriation	\$35,000
2011 CR	35,000
2012 Request	<u>---</u>
Program Improvements/Offsets	-35,000

Proposed Actions

There is no funding request in fiscal year 2012.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Transformation Initiative	<u>Amount</u>
2010 Appropriation	\$25,000
2011 CR .....	...
2012 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

In fiscal year 2012, the Department renews its request for the Transformation Initiative, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 0.5 percent of the funds appropriated for this account may be transferred to the Transformation Initiative Fund account for the following purposes: research, evaluations, and program metrics; program demonstrations; and technical assistance and capacity building. Departmentwide, no more than \$120 million will be transferred to the Transformation Initiative Fund account in fiscal year 2012. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Appropriations Language**

Below is the italicized appropriations language for the Capital Fund.

For the Public Housing Capital Fund Program to carry out capital and management activities for public housing agencies, as authorized under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) (the "Act") \$2,405,345,000, to remain available until September 30, 2015: Provided, That notwithstanding any other provision of law or regulation, during fiscal year 2012 the Secretary of Housing and Urban Development may not delegate to any Department official other than the Deputy Secretary and the Assistant Secretary for Public and Indian Housing any authority under paragraph (2) of section 9(j) regarding the extension of the time periods under such section: Provided further, That for purposes of such section 9(j), the term "obligate" means, with respect to amounts, that the amounts are subject to a binding agreement that will result in outlays, immediately or in the future: Provided further, That up to \$15,345,000 shall be to support the ongoing Public Housing Financial and Physical Assessment activities [of the Real Estate Assessment Center (REAC)]: Provided further, That of the total amount provided under this heading, not to exceed \$20,000,000, shall be available for the Secretary to make grants, notwithstanding section 204 of this Act, to public housing agencies for emergency capital needs, including needs resulting from unforeseen or unpreventable emergencies and natural disasters excluding Presidentially declared emergencies and natural disasters under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 5121 et seq.) occurring in fiscal year 2012: Provided further, That of the total amount provided under this heading up to \$5,000,000 is to support the costs of administrative and judicial receiverships: Provided further, That from the funds made available under this heading, the Secretary shall provide bonus awards in fiscal year 2012 to public housing agencies that are designated high performers.

Changes from 2010 Appropriations

Eliminates competitive grants for PHAs for the construction, rehabilitation or purchase of facilities for early education, adult education and job training (Capital Fund Education and Training Grants).

Eliminates supportive services and services coordinators authorized by Section 34 (ROSS).

Eliminates safety and security grants under the Emergency/Disaster set-aside.

Public Housing Capital Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Crosswalk of 2010 Availability
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Formula Grants	\$2,345,835	...	...	...	\$41,704	\$2,387,539
Emergency/Disaster Reserve	20,000	...	...	...	12,883	32,883
Resident Opportunities and Supportive Services	50,000	...	...	...	40,345	90,345
Administrative Receivership	8,820	...	...	...	8,373	17,193
Financial and Physical Assessment Support	15,345	...	...	...	15,022	30,367
Tenant Opportunity .....	...	...	...	...	152	152
Technical Assistance .....	...	...	...	...	12,140	12,140
Capital Fund Training and Education Facilities	35,000	...	...	...	...	35,000
Recovery Act .....	...	...	...	...	17,759	17,759
Transformation Initiative	<u>25,000</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>25,000</u>
Total	2,500,000	...	...	...	148,378	2,648,378

Public Housing Capital Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Crosswalk of 2011 Changes
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2011 President's Budget Request</u>	<u>2011 CR</u>	<u>2011 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2011 Resources</u>
Formula Grants	\$1,979,593	\$2,370,835	...	...	\$13,092	\$2,383,927
Emergency/Disaster Reserve	20,000	20,000	...	...	9,585	29,585
Resident Opportunities and Supportive Services .....	...	50,000	...	...	46,714	96,714
Administrative Receivership	8,820	8,820	...	...	7,667	16,487
Financial and Physical Assessment Support	15,345	15,345	...	...	16,765	32,110
Tenant Opportunity .....	...	...	...	...	152	152
Technical Assistance .....	...	...	...	...	6,885	6,885
Capital Fund Training and Education Facilities .....	...	35,000	...	...	35,000	70,000
Recovery Act .....	...	...	...	...	-1,980	-1,980
Transformation Initiative	<u>20,442</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total	2,044,200	2,500,000	...	...	133,880	2,633,880