



# Summary of Boston Listening Sessions on Capital and Operating Funds Consolidation

May 3 – 4, 2012

Earlier this year, the Department held listening sessions with local PHAs to learn about PHA preferences related to the Department's FY 2013 budget request to consolidate the funding streams, and about other programmatic changes that PHAs believed are necessary. The information below represents the major questions asked by the Department, and summarizes the overall sentiment of the meeting participants.

## Do agencies prefer a merger of the funding streams, or full fungibility?

Overwhelmingly, Boston participants felt that full fungibility should be granted to all PHAs. Participants were concerned that if Capital and Operating funds were merged, HUD programs would be in danger of severe cuts, very similar to the outcome of the Public Housing Drug Elimination Program. There was also agreement among participants that current public housing funding levels were inadequate and in the absence of increased resources, public housing programs are unsustainable.

## What changes, if any, should be made to the funding formulas?

Participants generally agreed that without overall funding increases, any changes to the funding formulas would only serve to redistribute the already inadequate funding amounts. As such, most participants recommended that no changes be made to the funding formulas. However, some participants suggested that there is room for improvement, and mentioned that the reviews were never completed of the Project Expense Level and Utilities Expense Level that was required in the Operating Fund Final Rule.

## Would a replacement reserve account benefit the program?

Participants agreed that the two and four year obligation and expenditure deadlines are easier for large housing authorities to meet than small housing authorities. Small PHAs indicated they had difficulty accumulating enough funds under the 2/4 deadlines to do major modernization projects. This didn't allow for strategic and efficient use of their funding, instead they were simply spending money to meet deadlines.

Participants were interested in a capital reserve; however, they agreed that there should be recognition that different properties have extensive legacy issues. There are some public housing properties with serious life-cycle needs that can only be addressed through increased funding. Participants discussed the use of the PNA as a guide for how much money could be put into reserves. But it was important that there was flexibility in the spending of these monies, with the ability to expend when there is an emergent or unplanned need. Additionally, participants were concerned that Congress would seek to rescind any monies in a reserve account. There was a strong desire to dedicate funds so there was some protection guaranteed for any established reserve account. Participants agreed that the PNA would be a reasonable tool for demonstrating need and planned uses of funds.

### **What changes should be made to assessment and monitoring protocols?**

Boston participants articulated concerns that current assessment protocols were not reflective of actual agency performance. Relating to REAC scores and PHAS in particular, they mentioned PHAs being penalized for items that were not owned by the PHA and thus out of their control. Additionally, participants indicated that contracting processes for inspections incentivized payment per inspection. Participants also said that inspectors are often unaware of local codes or existing circumstances, and thus find deficiencies that are either allowable under local codes, or that inspectors ignore the impact that different climates have on buildings. For example, meeting participants said that in the Northeast, due to freezing temperatures in the winter, sidewalks owned by PHAs often shift causing trip hazards. However, rather than delay inspections or permit a temporary allowance for such circumstances, the current inspection protocol found serious property deficiencies for which PHAs were unable to address. Participants believed that such a contracting process incentivizes inspectors to find deficiencies in order to generate more work. Participants also raised concerns regarding apparent duplicative reporting requirements. Participants requested that HUD closely examine their reporting requirements and adjust where possible to ease the overall burden on PHAs.

## What other programmatic flexibility would benefit the program?

- Freeze the utility rolling base as a way to use existing funding sources more efficiently.
- Freeze rental income similar to the now expired provision included in the final operating fund rule.
- Eliminate public notice for the annual plan.
- Eliminate the annual and 5-year plans and allow for separate meetings for important activities.

