



Summary of Fort Worth Listening Sessions on Capital and Operating Funds Consolidation

May 23 – 24, 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?

The general consensus among meeting participants was that full fungibility was the preferred method for consolidating the funding streams. Participants in Fort Worth compared the idea of completely merging the funding streams to the expired Public Housing Drug Elimination Program (PHDEP) and asserted that the PHDEP program was eliminated by combining it with other funding streams and reducing the overall funding levels. Participants' belief that combining the appropriations would result in reductions in total funding was compounded by concerns that not having a separate funding stream for capital needs might cause Congress to question the extent of capital needs. Meeting participants also expressed frustration with the overall funding levels, and suggested that the current levels were unsustainable.

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

In general participants believed that no changes should be made to the funding formulas. The primary reason that PHAs believed this stemmed from concerns that new formulas might simply result in a redistribution of an already inadequate funding stream. Participants also raised concerns about how changes to the formulas might impact stop-loss agencies and other provisions that went through the negotiated rulemaking process. Despite these concerns, participants did suggest that funding should be available for vacant units. As the formula is currently constituted, PHAs receive limited funding for vacant units, however the

Public Housing Assessment System (PHAS) measures PHAs on their ability to lease units. Without funding for these units, participants suggested, they are limited in their ability to fix up vacant units for future occupancy.

Would a replacement reserve account benefit the program?

PHAs generally said the obligation and expenditure deadlines associated with the Capital Fund, two years and four years, respectively, work for their needs and are good deadlines to compel progress in addressing capital needs. Some small PHAs, however, cannot accumulate sufficient funds in this time frame to pay for large capital projects, like a new roof. Despite their belief that the current obligation and expenditure deadlines help to focus capital planning by PHAs, participants were receptive to the idea of a replacement reserve account.

Participants were concerned, however, that a replacement reserve may become a target for recapture in the future. It was suggested that changes to contractual relationship between PHAs and HUD were needed to ensure that PHAs would not have the funds taken. PHAs recognized that federal funds have—and should have—regulations attached to their use, but suggested that HUD should simplify regulations related to a replacement reserve. PHAs suggested that PHAs could submit a plan for the use of the funds to demonstrate needs, but that rules be established to allow the funds to be used in emergencies and that PHAs should have the ability to reprioritize funds as necessary. Participants also suggested that reporting through the PNA, rather than the budget line items of present, would be a more effective way to monitor use of funds.

What changes should be made to assessment and monitoring protocols?

Participants criticized the current system of evaluation and reporting. Some PHAs suggested, for example, that the contracting structure for REAC inspectors creates an incentive to find deficiencies to justify a follow-up inspection. PHAs also expressed frustration with the physical inspection process, and the inflexibility of the current system. Specifically, PHAs 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, nearly every meeting participant said that in 2011, due to scorching heat, their building experienced foundation problems for which PHAs were unable to address until after the heat subsided. 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. PHAs suggested that a system that allows for a repair and reinspection process is necessary, as is a more iterative process with inspectors that allows PHAs to discuss these types of deficiencies before the inspection process begins.

What other programmatic flexibility would benefit the program?

- Very small PHAs expressed concern that due to small staff sizes they were unable to keep up with existing and new HUD reporting requirements. They requested reductions in reporting, and also requested more technical assistance.
- Agencies believed that HUD should redesign PIC and VMS.
- Agencies believed that rent calculations and income determination should be simplified.
- Participants believed that the current contract between HUD and PHAs does not provide adequate recourse in the case that funding is insufficient. Participants suggested that the contract should be revised to limit certain programmatic requirements if funding is insufficient to cover the associated administrative resource needs.
- PHAs believed that sponsor based housing programs should be more widely available.
- Participants suggested that aspects of the Small Housing Authority Reform Proposal, including a Frozen Rolling Base Energy Incentive, should be available to PHAs.
- Participants unanimously agreed that the community service requirement should be eliminated.