

HUD ASSET MANAGEMENT E-NEWSLETTER

August 2009, Issue No. 24



PHA Spotlight – Dallas Housing Authority (DHA)

Dallas, with a population topping 1.2 million, is the third largest city in Texas and the eighth largest in the United States. The DHA, created in 1938, had the first public housing development west of the Mississippi (actually built by the Works Progress Administration before the passage of the Public Housing Act). Today, the DHA is responsible for 3,159 units of public housing, 965 units of Section 8 Loan Management Set Aside, 560 market rate units, and 100 units of project-based vouchers, for a combined total of 4,784 project-based units. Nine public housing properties with 610 units are mixed-finance and are managed privately. Additionally, the agency has nearly 18,000 housing choice vouchers.

Spotlight talks this month with MaryAnn Russ, DHA's Executive Director, to see how the transition to asset management is coming along.

Clearly, each organization has a different tolerance for the level of authority and responsibility that is assigned to on-site management staff. Where do you fit in that continuum?

MaryAnn—Deep down, I'm a property management person at heart. I spent many of my formative years training managers in HUD subsidized housing. I believe in a system of "strong" housing managers.

How big of a challenge is that for you at the DHA?

MaryAnn—We're probably not that different from many other larger PHAs in that we operated under a "weak" housing manager system for many years. The housing managers didn't have a lot of control over their properties—not maintenance, not unit turnover, and certainly not budgeting. So, you could say that we're "transitioning."

The Villas of Hillcrest won a design award >



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Indeed, we hear from lots of PHAs that one of their biggest hurdles is developing the capacity of their on-site staff. Can you share any special strategies that you've employed?

MaryAnn—First, training is a key element, particularly budgeting and financial reporting. Second, to emphasize learning, we started out having the managers prepare monthly reports manually. Our monthly reports track, of course, the key performance indicators of the property—rent collections, work order response times, occupancy levels, leasing activity, etc. Although our computer system can generate the report automatically, we wanted the managers to know how the data is prepared and where to get the data from.

Finally, we have several forms of recognition. When we see people who are doing a good job, they will get an opportunity to help train their colleagues. This provides prestige and recognition. Everyone knows we are working towards the Employee Recognition Banquet in December where a silver cup award will be given for the Family and for the Elderly Property of the Year. If the same property achieves this honor three consecutive years, they get to keep the silver cup. This competitive recognition process worked extremely well at another public housing agency where I worked. There, the worst property decided they could pull together and earn the award. They achieved their goal; then proceeded to build a mahogany display case because they said they were going to keep the award. They did!

You also have some private management at DHA, which already operates under a site-based model. Has that helped?

MaryAnn—Sure. The private company that manages our tax credit properties already has the “culture” of decentralized, project-based management. We just have to communicate with them our goals and expectations and then make sure we're properly monitoring them.

Are there any direct property management functions that you've decided to retain centrally?

MaryAnn—Right now, we still maintain a Central Intake department that handles our waiting list and occupancy paperwork. Each property is billed monthly for central intake services according to the number of units leased the prior year. The billing amount is adjusted annually based on the prior year's results.

Some resident services are project based, while a few are centralized and billed to the properties. An example of a central service is the Crystal Scholarship Program that works with youth across the property management and voucher program portfolio from the first year of high school through college graduation. There is also a small procurement staff at the central office cost center that handles the capital operation and does annual solicitation for blanket contracts and goods that each property can purchase at the negotiated rate. We do not plan to project-base either of these functions and are willing to eat the cost in the COCC of centralized procurement. In the case of admissions, we are centralized because we are still working through the legacy of a Federal civil rights case and want to be perfectly certain that every offer is handled exactly the same way. In the case of procurement, we believe that HUD's asset management folks underestimate the consequences of potential OIG (Office of the Inspector General) problems with decentralized procurement. As the largest PHA in our Field Office jurisdiction, we are under the OIG's magnifying glass. But PHAs don't really get to start from scratch. You have to be realistic and find some creative ways to adjust.

Can you give us an example of a creative solution?

MaryAnn—The DHA owns a high-pressure water truck used for sewer clean-outs (we own the wastewater system in most of our properties; it is not a public system). This expensive asset was used here and there but not much by any particular property. We assigned it to a property that doesn't cash-flow well so any property that needed a clean-out could request the service and pay a fee to the property that now owned the truck.

Have you had to make many personnel changes—adjusting either the number of employees or their responsibilities?

MaryAnn—Yes and yes! Again, like many other PHAs, we were not adequately staffed with administrative staff at the project level and we had a very large central maintenance department that needed to be assigned to the properties. Maintenance persons took on property positions ranging from working foreman, to lead mechanic to various other levels of mechanic, all reporting to the property managers.

Is the agency a “gainer” or “decliner” under the new Operating Fund formula?

MaryAnn—We’re a gainer, which may have led to some initial complacency in the initial conversion to asset management.



Roseland Townhomes, a scattered site, 9% tax credit development, built in 2000.

How so?

MaryAnn—The agency didn’t initially move aggressively enough to decentralize property management. And, that complacency also bled over into the Central Office Cost Center. The first Friday after my arrival we had a general staff meeting with everyone present. It went something like this: Here is where we are, here’s what we’re going to do together, and please get on board. They were told they were over budget in the Central Office Cost Center and reining in COCC spending would be a major priority. Each department head was told: “You are the head of this piece of the cost center, you have a budget and need to figure out how to meet it.” Some people came back with good recommendations on ways to save dollars. We tried to make decisions strategically and that made sense

What are some of the changes you implemented?

MaryAnn—Twenty-four people were laid off, twenty-five vacant positions were eliminated, we sold vehicles,

closed the warehouse, had a massive auction to sell obsolete equipment and materials, and moved supplies out to the properties. We tried to do the staffing changes as humanely as possible and met with each person individually to assure them that this was not personal. By making the change quickly, we were able to provide two months’ severance pay and two months’ full benefits. Some people returned later to take on different positions.

Is the COCC balanced now? Do you expect to be making a profit?

MaryAnn—We are ahead of projections halfway through our fiscal year and will not have a COCC deficit this year.

You were an executive director back in the late 1980s (Wilmington, DE), where you implemented site-based management. What’s different today?

MaryAnn—There are three major differences. First, you now have HUD requiring PHAs to convert to asset management. You don’t have to spend as much time convincing people that it’s the right thing to do—now, you have to do it! Second, automation has improved greatly in twenty years. It’s so much easier delegating authority, particularly budget authority, with strong financial reporting systems. Third, while I had developed project-based budgeting back in Wilmington, we never had the concept of “fee-for-service” – management fees, the COCC, and so forth.

How do you like operating in a more direct business environment?

MaryAnn—It makes it so much easier to do our work. Everyone is actually responsible and accountable.

What kind of feedback have you been getting from the residents during the transition to project-based management?

MaryAnn—We are still in the early days but have heard from some residents, including The Coalition of Residents Advisory Board that represents all the residents

throughout the agency. They did not like our stopping the income stream that the various resident councils were receiving from community room rentals, vending and laundry machines. Before project-based operation, DHA acted as though the income from our laundry rooms, community room rental and vending machines was inconsequential. When we went to project based budgeting and financial reporting we discovered that this income made some of the properties cash-flow. They were so marginal that any income was significant. As you would imagine, the Resident Councils had been relying on this income and were very disturbed to lose it. We explained that we had no choice but to let the income remain at the property. However, we have started receiving positive comments on the work order follow-up and improved curb appeal.

How far along are you and how much longer do you think it will take to transition?

MaryAnn—Let me preface by saying that I was hired as the Executive Director just six months ago. I'd like to think that we're fifty percent towards our goal. It will take another six months to complete the effort. We won't be 'troubled' the next go-round. By the end of the 2010 budget year, we hope to be high performers in both PHAs and the Section 8 Management Assessment Program (SEMAP). More importantly, we will have a stronger, more capable staff, delivering a better product for our residents.

Any words of wisdom for those who have not yet transitioned to asset management?

MaryAnn—Many people say this is the worst idea, until they implement it. The thing about this is, it actually works. Even if you do it with a bad heart, if you pay attention, you can't deny it—it works. This program works whether you have a troubled or high-performing agency. It prevents the Central Office from growing too big and spending too much money.

Contact Information:

MaryAnn M. Russ, MMRuss@dhadal.com
Dallas Housing Authority (214) 951-8300

Notice 2009-28, Guidance on Recording Declarations of Trust (DOTs)

The DOT is the legal instrument that grants HUD an interest in public housing property and prohibits, among other actions, any encumbrances against the property

without HUD approval. Though the requirement for PHAs to have current DOTs recorded on all their property is well established by the Housing Act of 1937, the Annual Contribution Contract (ACC) and other regulations, many PHAs may not be aware that the original DOT recorded against their property has expired.

This Notice serves to remind PHAs of the ongoing federal requirement to maintain current DOTs and alerts PHAs that they must be in full compliance within 12 months of the date of the PHA's next fiscal year commencing October 1, 2009. Guidance is provided on the term and form of DOT.

PHAs should keep in mind that the current forms of DOT do not automatically terminate or expire from public records when HUD approves a unit or property for removal from the ACC. A PHA shall not dispose of a property that has been approved by the Special Applications Center (SAC) for disposition until its HUD field office releases the DOT on that property. Detailed steps on this process are included in the Notice.

Read the full Notice [here](#).

Guidance on Special Year-End Financial Reporting Issues for Demolition/Disposition Projects

The Real Estate Assessment Center (REAC) recently posted guidance on how PHAs are to report, at year-end, financial activity associated with projects that have been disposed or demolished. Five scenarios are provided with examples of appropriate financial reporting.

To read the guidance, go to the Asset Management website, under Accounting, or click [here](#).

Notice 2009-23 (HA), Extension of Requirement for Designation of Public Housing Projects for Occupancy by Elderly or Disabled

Notice PIH 2008-10 is extended through July 2010. Guidance is given on the requirements for designating public housing projects for occupancy by elderly families only, disabled families only, or a combination of the two. The current Notice makes one editorial change to the original Notice. Upon expiration of the special designation, the designated portion of a project will become available for occupancy by its original population group,

rather than convert to a mixed population. To read the Notice, click [here](#).

Notice 2009-24 (HA), Transactions between Public Housing Agencies and their Related Affiliates and Instrumentalities

This Notice extends for another year the guidance originally published in Notice 2007-15. PHAs creating and using affiliates and instrumentalities may participate in mixed-finance developments subject to ACC amendments and other regulations. The PHAs remain responsible for the mixed-financing documentation. For more information, refer to the detailed guidance published in Notice 2007-15 [here](#). For the extension Notice, click [here](#).

Notice 2009-25 (HA), Energy Investment Guidance Under the American Recovery and Reinvestment Act of 2009

This Notice serves to provide energy investment guidance to PHAs regarding the American Recovery and Reinvestment Act of 2009 (Recovery Act).

To read the Notice, click [here](#). Additional information can be obtained on the Office of Capital Improvements Recovery Act Information page [here](#).

Notice 2009-31, PIH Implementation Guidance for the Buy American Requirement of the American Recovery and Reinvestment Act of 2009

This Notice provides implementation guidance, including the process for applying exceptions, for the Buy American requirement imposed by section 1605 of Title XVI of the American Recovery and Reinvestment Act of 2009 for the Public Housing Capital Fund Recovery Formula and Competition (CFRFC) Grant Programs within PIH. To read the Notice, click [here](#).

Notice 2009-29, Request for Applications under the Moving to Work Demonstration Program

This Notice offers eligible public housing agencies the opportunity to apply for admission to the Moving to Work (MTW) demonstration program. MTW allows PHAs to design and test innovative, locally designed housing and self-sufficiency strategies for low-income

families by permitting PHAs to combine assistance received under Sections 8 and 9 of the United States Housing Act of 1937 into a single agency-wide funding source and by allowing exemptions from existing public housing and Housing Choice Voucher program rules. To read the Notice, click [here](#).

Notice 2009-32, Guidance on Demonstration of Successful Conversion to Asset Management to Discontinue the Reduction of Operating Subsidy under Stop-Loss

This Notice provides information for PHAs that wish to submit documentation of successful conversion to asset management in order to discontinue their reduction in operating subsidy under stop-loss. This notice applies only to PHAs that: (1) lose funding under the new formula; and (2) wish to submit documentation in accordance with the requirements for Year 4. To read the Notice, click [here](#).

Upcoming Dates on the Asset Management Calendar

Upcoming 2009 HUD Asset Management Conferences:

- **September 9-11, 2009**, Asset Management Conference in Seattle
- **September 21-23, 2009**, Asset Management Conference in Chicago
- **October 5-7, 2009**, Asset Management Conference in San Francisco
- **October 19-21, 2009**, Asset Management Conference in Las Vegas

Resources and Useful Links

General Information About Asset Management

For more information, please visit the HUD-PIH Asset Management Website. Click on the following hyperlinks for detailed information surrounding the key building blocks of asset management:

- [Project-Based Funding](#)
- [Project-Based Budgeting](#)
- [Project-Based Accounting](#)
- [Project-Based Management](#)
- [Project-Based Oversight](#)

Within each building block you may find specific topics of interest, including: AMP Groupings, and Stop-Loss.

Specific Links In This Issue

Links for specific materials referenced in this issue are shown in **blue times roman typeface**, and are placed throughout this issue for ease of reference. When this newsletter is viewed as an electronic file, you may click on these links to be taken to the referenced materials.

What's New on the Website?

- Guidance to PHAs in reporting financial activity associated with demolition or disposition of projects at year-end on the FDS. Click [here](#).

Asset Management Help Desk - Questions and Answers

The Asset Management Help Desk can be reached at 1-800-955-2232 or by email at assetmanagement@deval.us. Please use this phone number and email address to send inquiries regarding asset management.

Management Fee vs. Project Expense

Q My agency is divided into approximately three regional clusters, each with between three to five projects (AMPs). The job title of the person responsible for each cluster is called a Housing Manager III. The offices for these positions are located on-site. Can I charge these positions as front-line expenses?

A No. Regardless of where the person is located or the title the agency provides the position, employees who are involved in the larger oversight and supervision of front-line employees are to be charged as a management fee expense. More commonly, the position described would be called a regional manager.

Central Warehouse

Q My PHA has decided to eliminate the central warehouse operation. Instead, we have space at one of our family properties where we can relocate our warehousing operation. Rather than operate a central warehouse, we plan to have this site handle all the materials for the other properties. Can I charge each site back for this expense?

A Generally, no. It appears that the agency has simply changed the location of the central warehouse, not the function. The PHA is certainly free to use excess space at one of its properties, in lieu of a stand-alone

structure, to operate a central warehouse; however, the PHA would still need HUD approval to be able to charge those warehousing costs to the respective projects (and would have to demonstrate why such arrangements were in the best interests of each project).

Operating Reserve Allocation

Q Our PHA did not allocate its public housing balance sheet between the Central Office Cost Center and the projects in the first year of project-level financial reporting. Can we still make this allocation in Year 2?

A If the PHA failed to assign its balance sheet between AMPs and the COCC by the end of the first year of asset management, it may still do so in the second year.

Fee-for-Service

Q Our agency employs one plumber that provides services to each project for specialized or extraordinary plumbing needs. We've checked around and find that the reasonable "market" is higher than what we pay staff, fringes included. Can we charge the market rate?

A Yes. The PHA can charge the market rate (i.e., what the project would otherwise have incurred in costs for those services if it had to obtain them in the marketplace).

Contact the Editor

Do you have an article idea, question, or comment for the editor? The Office of Public and Indian Housing is the editor of this monthly e-Newsletter.

Please send all inquiries to assetmanagementnewsletter@deval.us, with the subject line "Question/Comment for the Editor."