



# Demonstrating Successful Conversion to Asset Management



## A Site Visit to the Charlotte Housing Authority

Office of Public and Indian Housing

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Prepared for: Real Estate Assessment Center/ Financial Management Division

Office of Public and Indian Housing  
U.S. Department of Housing and  
Urban Development

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HUD would like to express its sincerest appreciation to the Charlotte Housing Authority for its cooperation on this project.

# Introduction

On September 19, 2005, the U.S. Department of Housing and Urban Development (HUD) published the Final Rule on the Operating Fund Program, implementing a new formula for determining operating subsidies for public housing agencies (PHAs).<sup>1</sup> PHAs that experience a loss in subsidy under this new formula will have their new subsidy levels phased-in over a five-year period. However, if these agencies can demonstrate successful conversion to asset management, they can have their losses “stopped.” PIH Notice 2006-14, *Operating Fund Program Rule: Transition Funding and Guidance on Demonstration of Successful Conversion to Asset Management to Discontinue the Reduction of Operating Subsidy*, issued March 22, 2006, lists seven criteria for successful conversion to asset management under the first year of implementation. Attachment A contains a reprint of these “stop-loss” criteria.

The Charlotte Housing Authority (CHA) in Charlotte, North Carolina, is recognized within public housing circles for its work in transitioning to asset management. Systems have been implemented in recent years incorporating project-based budgeting, accounting, and management that have significantly improved the overall performance of the agency. On January 18–20, 2006, a team of HUD staff and housing management experts<sup>2</sup> conducted a site visit to the CHA. The purpose of the site visit was to measure CHA’s asset management structures against the criteria contained in PIH Notice 2006-14, the results of which would serve agencies interested in applying for stop-loss.<sup>3</sup>

This document summarizes the results of this site visit. It is important to note that:

- PHAs have at least six months to comply with the criteria in PIH Notice 2006-14. Consequently, the team of reviewers took into consideration the likelihood that CHA could meet these upcoming requirements, if given adequate notice. There were some aspects of the seven criteria that CHA did not specifically meet at the time of the visit but, in the opinion of the reviewers, would have met had they been notified accordingly.
- While the general criteria for successful conversion are included in PIH Notice 2006-14, the precise protocol for evaluating a PHA against these criteria has not yet been developed. The reviewers utilized a more informal review standard than might be required under stop-loss.

Due to the fact that its funding will increase under the new Operating Fund formula, CHA is actually not a candidate for stop-loss. However, were it to apply, it is reasonable to assume that, based on the results of the site visit, CHA would meet all seven of the criteria contained in PIH Notice 2006-14.

<sup>1</sup> See Revisions to the Public Housing Operating Program: Final Rule, published September 19, 2005, in the [Federal Register](#) (79 FR 54983), as well as Revisions to the Public Housing Operating Fund Program; Correction to Formula Implementation Date notice, published in the [Federal Register](#) on October 24, 2005 (70 FR 61366).

<sup>2</sup> The team of reviewers included Jeni Brake, Greg Byrne, Brian Ruth and Dick Santangelo from HUD’s Office of Public and Indian Housing as well as consultants Portia Hensley, Sloan Jordan, Nat Nichols, Eric Richelson, and MaryAnn Russ.

<sup>3</sup> In terms of timing, the site visit slightly preceded the publication of the final notice. A draft notice was available to team members of the site visit. Follow-up correspondence with the PHA was necessary to address changes in criteria in the final notice.

## Background of CHA

CHA is responsible for 2,913 units of public housing. Of these, 2,522 are owned and managed by the agency and 391 are mixed-financed units that are privately owned and managed. In addition to its public housing, the agency owns and manages 136 units of affordable housing that it acquired from the City and a 36-unit Section 8 project.

The agency also administers 5,067 Housing Choice Vouchers (HCVs). Among all vouchers, 4,217 are unrestricted tenant-based vouchers while the remaining are a combination of portability vouchers, special purpose vouchers (including Katrina Housing Assistance Housing Program vouchers), and project-based vouchers. The two-bedroom fair market rent (FMR) in Charlotte is \$680 per month. For each voucher, the agency earns an administrative fee of approximately \$46 per month.

CHA operates the majority of its portfolio within Charlotte's municipal boundaries but does have some units outside the city in Mecklenburg County. Charlotte, a city of approximately 585,000, has grown substantially in the last 15 years. Charlotte is a major banking and financial center for the Southeastern area of the United States. The city's growth has placed significant pressures on land values, contributing to the tightening of the real estate market and a growing shortage of affordable housing.

Although there are 23 separate public housing developments listed under the Annual Contributions Contract, for purposes of management and financial reporting, CHA maintains 12 management groupings, each under the direction of a housing manager. Two of the agency's public housing properties are large family developments, having at least 300 apartments. One elderly site contains 318 units. All other properties have fewer than 200 apartments. (See Attachment B for listing of projects.)

The Board of Commissioners is comprised of seven members who are confirmed by the Charlotte City Council. Two of the Commissioners are directly selected by the Mayor and the other five are chosen by other members of the City Council. Additionally, at least one member must be a resident of assisted (low-income) housing. The current Board is dominated by private sector professionals who view CHA as a real estate company with a social purpose.

CHA staff is not unionized as North Carolina is a "right-to-work" state. As a result, agency executives have likely had more flexibility in restructuring the workforce to better accommodate project-based management than other agencies that operate under collective bargaining agreements.

## Agency Philosophy

Charles Woodyard is the agency's Chief Executive Officer and Executive Director. He came to the agency in 2000 as its Chief Operating Officer after many years of serving in the budget and procurement offices of the City of Charlotte. At that time, the agency was extremely "centralized" in its organization. CHA maintained a large central maintenance department and a central warehouse. Housing managers had little authority or responsibility over the operation of their properties. The agency also did not have a system of project-based budgeting and accounting.

Immediately upon his arrival, Mr. Woodyard began to restructure the agency, emphasizing decentralization, project-based budgeting and accounting, and asset management. As stated on the agency's website:

*The CHA's ultimate goal must be to become a financially viable real estate company that offers affordable housing that is competitive with and in some cases exceeds housing offered by other affordable housing providers. In order to accomplish this transformation, the Authority will have to decrease its dependence on HUD, increase its partnership with local and state governments, and provide viable incentives for the private sector to invest in housing for the very low-income families in Charlotte/Mecklenburg.<sup>4</sup>*

CHA continues to implement changes to the structure and procedures of the agency to support these goals. Also as outlined on its website:

*The CHA of tomorrow must be a real estate holding company with a diverse portfolio that leverages its assets to provide affordable housing and supportive services in partnership with the private sector, non-profit organizations, local, state, and federal governments. The Authority must adopt an asset-based management philosophy that maximizes the value of its assets and guides all decisions for its financial well-being and the well-being of the families it serves. Additionally, the CHA must evolve into a facilitator of housing opportunities. It should own property when appropriate, but it should also provide resources for others to provide and manage affordable housing. This role does not absolve the Authority of its oversight responsibility. It transforms the organization into a developer partner, asset manager, contract negotiator and contract monitor as well as owner/manager.*

<sup>4</sup> <http://www.cha-nc.org/>

# Agency

## Funding Levels and Organization

### AGENCY FUNDING LEVELS

The agency's fiscal year begins in April. For FY 2006, CHA's Allowable Expense Level (AEL) under the Operating Fund Program was \$229 per unit monthly (PUM).<sup>5</sup> This AEL is the 18th lowest among the nation's 179 PHAs with more than 1,000 public housing units. (Not surprisingly, CHA's non-utility expense level is scheduled to increase 39% under the new Operating Fund formula.)

As a result of these low funding levels, the agency has, over the years, found it difficult to maintain an appropriate level of property management service solely with Operating Fund revenues. Typically, the agency utilizes the 20 percent statutory maximum of its Capital Fund grant for "Operations." For FY 2006, the agency's Capital Fund Grant was \$4 million, of which \$800,000 was spent on Operations (representing a transfer of about \$23 PUM). These funds are used exclusively to support expanded levels of maintenance expenses. The agency also uses about 10 percent of the Capital Fund for "Management Improvements," which support various operating-type expenses, such as the agency's IT licensing fee. With these Capital Fund contributions, non-utility operating expenses total around \$275 PUM.<sup>6</sup>

### ORGANIZATION

The agency is divided into three main divisions:

- Asset Management is responsible for all direct activities of the public housing and voucher programs, capital funding, client services and resident safety.
- The Development Department is responsible for the development of all mixed-financed projects and other new housing development activities.
- Finance and Administration is responsible for such support activities as accounting, human resources, and IT.

The public housing program is overseen by the Chief Operating Officer, Deputy Chief Operating Officer and two regional managers. The regional managers are responsible for monitoring the performance of housing managers, including reviewing project-level financial reports, and overseeing a small crew of specialty maintenance staff.

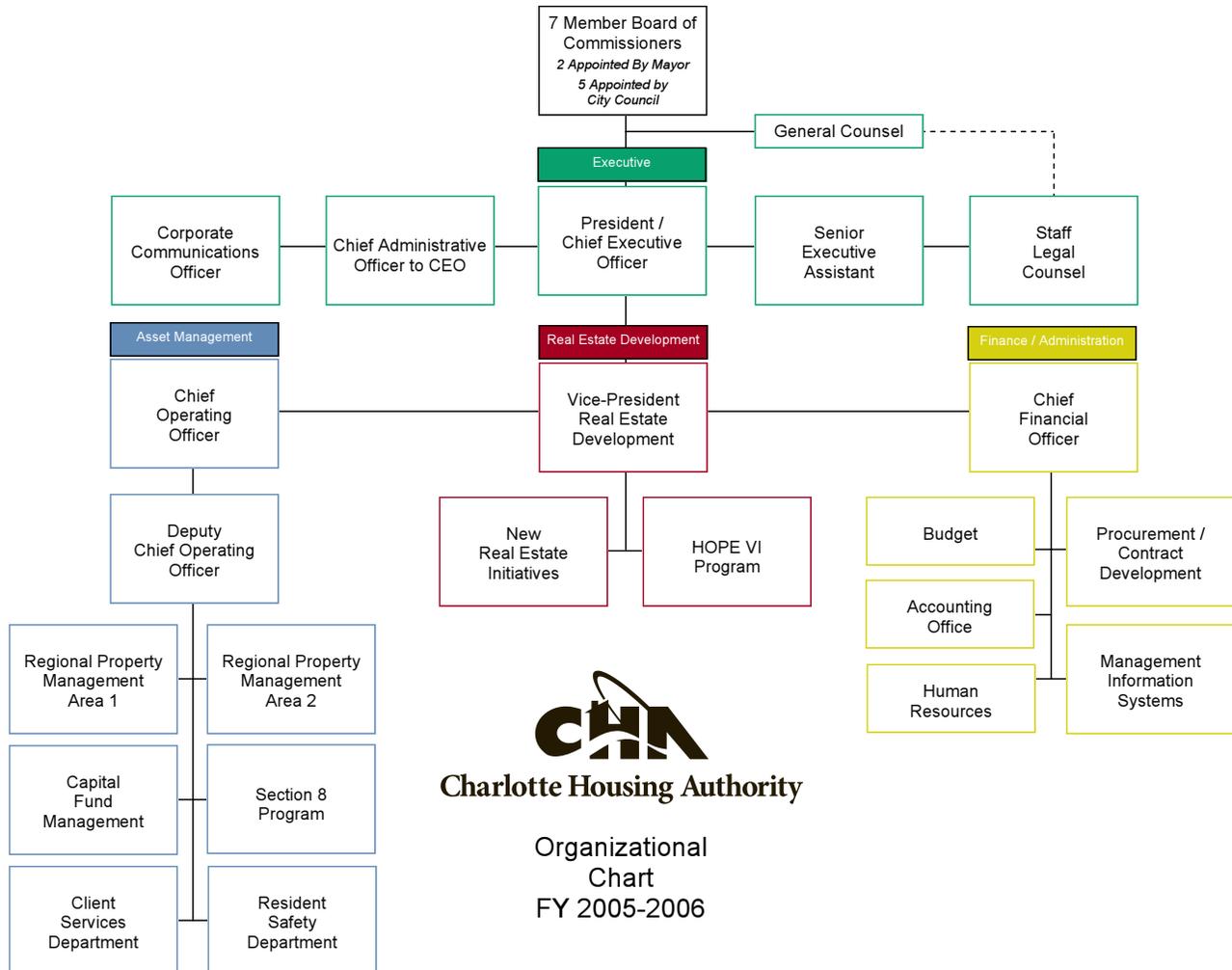
In 2003 the agency essentially disbanded both its central warehouse and its central maintenance operation. With the exception of five "specialty" maintenance employees, all maintenance staff are now site-based. The former central warehouse/maintenance facility is now used as office space for the Operations Division, as a parking lot for the agency's vehicles, and for storage of certain large equipment or CHA-purchased construction project material, such as appliances. Within the next few years, the agency anticipates disposing of this facility.

The majority of property management tasks are currently performed at the property level, as shown in Table 1. Every project is assigned a housing manager, who supervises the maintenance staff assigned to that project. Depending on the size of the projects, a housing manager may be assigned more than one project, in which case he/she maintains office hours at each project. The larger projects also have administrative support staff, as needed. The housing managers report directly to the regional managers.<sup>7</sup>

<sup>5</sup> Under the current Operating Fund formula, the AEL represents, essentially, the formula-determined expense level to operate public housing, exclusive of utilities.

<sup>6</sup> Figures include, in addition to the AEL, other operating subsidy add-ons to which CHA is eligible.

<sup>7</sup> As indicated, smaller projects are clustered into larger groupings.



## STAFFING

CHA has a total workforce of 197 budgeted positions. A listing of positions, by division, is included in Appendix C.

Excluding the mixed-financed projects, there are 22 onsite managers and assistant managers (including floaters) responsible for the public housing portfolio, for a ratio of about 1 per 115 units, and 48 onsite maintenance employees, for a ratio of about one per 53 units.

Table 1: Organization of Property Management Services

Task	Mode	Comments
Work Order Requests	Decentralized	Handled onsite by housing manager.
Routine Maintenance	Decentralized	Handled onsite by maintenance staff assigned to each site, under direction of housing manager.
Lease Enforcement	Decentralized	The housing managers are responsible for monitoring lease compliance and attending court actions for non-payment of rent.
Vacancy preparation	Decentralized	Handled by onsite maintenance staff.
Unit/Annual Inspections	Decentralized	Handled by onsite staff who accompany a contract inspector.
Service Contracts (landscaping, extermination, routine painting, etc.)	Mixed	These contracts are procured centrally but are overseen by the housing manager.
Annual Recertifications	Mixed	Initial and annual recertifications are handled centrally. Interim adjustments are handled at the sites.
Procurement	Mixed	All sites procure goods and services via an electronic purchase order system. Procurement functions begin with the housing managers (approval limits for managers are \$200 for general administrative purchases and \$750 for maintenance items). Central Procurement is consulted as required for large purchases. The Central Procurement Office reviews, approves and authorizes each purchase order.
Rent Collection	Centralized	All residents mail their rent payments to the central office or place their rent payments in a drop box located at the central office. If a resident is late paying his/her rent, the property manager addresses the issue with the resident, but cannot collect the rent from that resident.
Applicant Intake, Screening, and Admissions	Mixed	A community-wide waiting list is maintained at the central office, within the Operations division, which handles admissions processing. When a unit becomes vacant, the central office sends the property manager responsible for the vacant unit the files of five approved prospective tenants. The property manager issues offer letters and the prospective resident has a specific timeframe in which to accept the offer. The prospective resident must either accept the housing assignment or drop to the bottom of the waiting list.
Resident/Client Services	Assigned to Specific Properties	CHA's direct client service is limited to the Family Self-Sufficiency (FSS) program. Managers handle referrals and advocacy.
Technical/Specialized Maintenance Services	Centralized	The agency maintains five maintenance specialists who handle bulk trash, plumbing, and locksmith services. All other maintenance services are handled onsite, either with agency staff or through contract.
Security	Centralized	A Resident Safety Department is comprised of the Resident Safety Manager (a former police officer), three fulltime investigators, and one person assigned to community crime prevention. This office works as general liaison with the City's Police Department and provides technical assistance to each site.
Utilities	Decentralized	Managers monitor utility consumption at their sites and investigate abnormal usage.

# Review of Stop-Loss Criteria

## REVIEW OF STOP-LOSS CRITERIA

PIH Notice 2006-14 contains seven criteria with which PHAs must comply to qualify for stop-loss under the first year of implementation. This section of the report analyzes CHA's status with respect to each of these seven criteria.

### Criterion Number One: Project-Based Accounting

Under the stop-loss Criterion Number One, Project-Based Accounting, a PHA must be able to produce monthly operating statements for each project that reasonably represent the financial performance of each project, including Capital Fund Program transfers; maintain all records that support financial transactions; and show that the operating statements for each public housing project are equal to the total operating budget for the agency's public housing program.

Over the past four years, CHA has methodically implemented a system of project-based budgeting and accounting, complementing the changes made to decentralize property management services.

Project budgets are built based on historical levels of spending and the project's needs assessment, and include all project costs, excluding central office charges (see below). The revenue for each project represents all project-specific dwelling and non-dwelling revenue (laundry receipts, etc.), plus a pro-rata share of the agency's overall operating subsidy.<sup>8</sup> Housing managers play an integral role in the development of the recommended budgets and must supply narrative justifications for most line items during budget preparations.

At the time of the site visit, project budgets did not include central overhead or central maintenance charges. The agency plans to incorporate these features in the fiscal year that began April 1, 2006.

The agency prepares financial statements for each project on a monthly basis, showing actual expenses against budgeted levels. (The software system that the agency utilizes allows the housing managers to prepare a daily report of actual-to-budgeted levels.) These operating statements reasonably represent the financial position of each project. Except for the central office charges, all costs are tracked to a project.

The agency has not yet assigned or developed balance sheets for each project but will do so upon receiving instruction by HUD.

The agency contributes \$800,000 annually from the Capital Fund for Operations. As required under PIH Notice 2006-14, these funds are reflected in the operating statements for each project.

The formats of the agency's monthly operating statements are consistent with norms throughout the property management industry. These reports show revenue and expenses in columns displaying:

- Month-to-date actual
- Month-to-date budgeted
- Dollar variance between month-to-date actual and budgeted
- Year-to-date actual
- Year-to-date budgeted

<sup>8</sup> This method of building project budgets assumes that every project receives the same per-unit subsidy, resulting in many projects with large anticipated surpluses and deficits. In the future, as HUD implements project-based funding, a project's subsidy eligibility will be based on the difference between its "formula income" and its "formula expenses."

- Dollar variance between year-to-date actual and budgeted
- Percentage variance between year-to-date actual and budgeted
- Annual budget
- Remaining budget

Additionally, these operating statements are presented at the detailed line item level, likely more detailed than what HUD will eventually require.

**Criterion Number One Summary Evaluation:** CHA is considered to be in compliance with Criterion Number 1. The agency has a robust financial management system, which adequately produces monthly operating statements on each project on a timely basis. While CHA did not include central office charges at the time of the review, it plans to incorporate such charges in the new fiscal year, in time for compliance with the first-year requirements under stop-loss.

### **Criterion Number Two: Project-Based Management**

Under stop-loss Criterion Number Two, property management services must be arranged or provided in the best interests of the project, considering such factors as needs, cost, and responsiveness.

As previously indicated the agency is organized under a fairly decentralized management model. It utilizes “strong” housing managers, who have substantial authority over the day-to-day management of their properties. Only a handful of “centralized” property management services remain (see Table 1). Each of these centralized property management activities, with the exception of central maintenance, is charged back to each property on a PUM basis, consistent with norms in multifamily programs. Only the central leasing/waiting list office includes a charge for supervision.

Housing managers are responsible for between 129 and 394 units (assisted by assistant managers at the four largest properties). An appropriate number of maintenance staff is assigned to the properties, who then report to a maintenance supervisor, who in turn reports to the manager (these maintenance supervisors are “working” supervisors). The site-based maintenance workers handle grounds, preventive and routine maintenance, tenant work requests, and routine unit turnovers. In the event of a high turnover rate, the site manager contracts with outside sources to assist with the preparation of vacant units for reoccupancy. The manager’s position description clearly delineates full site responsibility and accountability.

The housing managers interviewed by the HUD team were all quite knowledgeable about their projects. They knew that they were responsible for each property’s physical condition, management and financial performance, and the quality of life for the residents.

The three largest projects are stand-alone sites, with a full set of management and maintenance staffing. The smaller projects are clustered in groups of about 120 units. At these smaller projects (that are part of larger clusters), it is often not possible to assign fulltime staff. Typically, the clusters will include a housing manager and three maintenance workers—a Maintenance Mechanic III-Supervisor, a Maintenance Mechanic II and a Maintenance Mechanic I-Groundskeeper—all of whom worked at each project and, therefore, required vehicles. The manager has defined office hours at each project. The HUD team considered the organization of these clusters, and the method of sharing management staff across small projects, to be reasonable. Generally, the sites are clustered to keep travel-time to a minimum. However, the HUD team felt that there may be advantages to utilizing more generic maintenance classifications and to assign, where possible, a maintenance worker to each site who would be responsible for all maintenance activity, thereby reducing time spent driving between sites as well as vehicle costs.

**Criterion Number Two Summary Evaluation:** CHA is considered to be in compliance with Criterion Number Two. CHA appears to arrange services in the best interests of each project, with three caveats. First, the review team felt that CHA would be better served if it decentralized the resident reexamination function, a change that CHA is currently considering. Second, the review team felt that CHA should give more consideration to the staffing of maintenance employees at smaller, clustered properties, with the thought of employing more generic job classifications that would allow staff to perform multiple functions and to minimize travel time. For example CHA might assign one maintenance worker fulltime to a 50-unit project who would be responsible for grounds, work orders, vacancy preparation, etc. As necessary, that site would have access to contractual services. Third, while CHA has not previously charged each site for the five central maintenance staff, it is assumed that it will do so in the new fiscal year, in time for compliance with the stop-loss deadline.

### Criterion Number Three: Central Office Cost Center

Under stop-loss Criterion Number Three, a PHA must be able to demonstrate that it can support the Central Office Cost Center based on the allowable fees, charge-backs, and other business income that it receives from its public housing and other programs.

Notice PIH 2006-14 allows PHAs to charge a \$7.50 PUM bookkeeping fee and a \$10 PUM asset management fee. Additionally, in terms of a management fee, PHAs may use one of three methods to determine it: the management fee schedule issued by the local HUD Office of Multifamily Programs; the 80th percentile of fees paid by unlimited dividend and non-profit owners in the local market (Attachment A to PIH Notice 2006-14); or other compelling local data, such as fees obtained through competitive bidding.

The local Multifamily Office has a maximum fee of \$37 PUM, but with add-ons that fee could increase to about \$42 PUM. The 80th percentile method results in a management fee of \$45.84 PUM. Hence, before consideration of other fee income earned by the agency, CHA would earn about \$63.54 PUM, collectively, from bookkeeping fees (\$7.50 PUM), asset management fees (\$10 PUM), and property management fees (\$45.84 PUM) for all public housing units that it owns and manages. In addition, for its 391 mixed-financed units, the CHA would earn \$10 PUM as an asset management fee as well as the difference between what the management/bookkeeping fee that is paid to the private manager of the mixed-financed projects and the allowable schedules, or about \$15 PUM for these mixed-financed units. Therefore, as shown in Table 2, this fee income from public housing would total around \$2 million.<sup>9</sup>

**TABLE 2**

**Fee Income Breakdown**

**Asset Management Fee:**

2,913 ACC units x \$10 x 12 months = **\$349,560**

**Management Fee, Non-Mixed Financed Units:**

2,522 units x \$45.84 x 12 months x 98% occupancy = **\$1,359,556**

**Bookkeeping Fee, Non-Mixed Financed Units:**

2,522 units x \$7.50 x 12 months x 98% occupancy = **\$222,440**

**Management Fee/Bookkeeping Fee for Mixed Financed**

**Units:** 391 units x \$15.00 x 12 months x 98% occupancy =  
**\$68,972**

**Totals = \$2,000,528**

<sup>9</sup> Management fees and bookkeeping fees are earned each month on occupied units. To the extent that units are leased within the month that they are vacated, a PHA would earn a fee on all such dwelling units. To be conservative, a 98% occupancy factor was used for this calculation.

CHA's total central office costs, not including front-line services that are handled centrally (and that are charged back at actual costs), are on the order of \$2.95 million. Of that amount the agency allocates \$604,000 to the Section 8 program.<sup>10</sup> Additionally, CHA charges the Capital Fund \$85,000 for central office overhead.<sup>11</sup> It also has \$87,000 in costs related to a City relocation program and \$271,000 in overhead associated with its Horizon Development. The remaining central office costs, \$1.9 million, are attributable to the public housing Operating Fund program. The agency's overhead costs for public housing, therefore, essentially approximate the fees it could collect.<sup>12</sup>

CHA's central maintenance operation—bulk trash, locksmith, and plumbing—run collectively \$11 PUM. At present, these services are simply charged out at actual costs and are not a source of retained earnings.

**Criterion Number Three Summary Evaluation:** CHA is considered to be in compliance with Criterion Number Three. If CHA were a stop-loss agency, it would be necessary to demonstrate that it could manage its central office costs based on allowable fees and other charge-backs. While CHA would need to provide a more complete operating statement of its central office cost center (including costs covered by the Capital Fund), it appears that CHA can support its central office with the fees permitted and other allowable revenue sources.

### Criterion Number Four: Centralized Services

Under stop-loss Criterion Number Four, a PHA must be able to demonstrate that centralized functions that directly support projects are funded using a fee-for-service approach or through allowable prorations; that each project is charged only for the services received; that centralized services are consistent with, and are in the best interests of, the project; and that all centralized service charges must be reasonable.

As indicated under the review of the central office cost center, the overhead costs charged to the public housing program appear to be within the thresholds established for stop-loss agencies.

Other areas where the agency does not charge each project for frontline tasks performed centrally include bulk trash, the locksmith, and plumbers. These activities will be charged to the projects in the new fiscal year.

**Criterion Number 4 Summary Evaluation:** CHA is considered to be in compliance with Criterion Number 4. In accordance with norms in Multifamily programs, CHA prorates the cost of frontline administrative functions that are handled centrally, and those costs appear reasonable. The agency does not currently charge each project for centralized maintenance services; however, these centralized maintenance services are not extensive and it is reasonable to believe that CHA will soon adopt the methodology to charge for these services in the new fiscal year.

### Criterion Number Five: Review of Project Performance

Under stop-loss Criterion Number Five, Review of Project Performance, a PHA must systematically review the financial, physical, and management performance of each project, including utility consumption. For any projects identified as nonperforming, the PHA is required to have a management plan that includes a set of recommendations and measurable goals that effectively address the areas of nonperformance.

CHA has a regular system for reviewing the performance of each project. In addition to the monthly operating statements for each project, CHA prepares a monthly performance report that includes, but is not limited to, the following:

- Vacant units
- Move-outs (turnovers)
- Vacant unit turnaround time
- Time to process both routine and emergency work orders
- Rents uncollected/accounts receivable/aged delinquency report
- Lease renewals

<sup>10</sup> Section 8 overhead amounts to about \$12 PUM for each voucher.

<sup>11</sup> As permitted under program rules, the agency spends 10 percent of the Capital Fund on "Administration." Of that amount the central office assesses \$85,000 for accounting. The remainder of the funds were spent on Administration include direct Capital Fund staff and related expenses.

<sup>12</sup> Because PHAs have never before been required to segregate "front-line" costs from costs that should be paid through management fees, a number of costs that CHA previously treated as "central office costs" were actually front-line costs. For example, CHA previously treated the clerks handling central rent collection as a central office cost, although those costs could be charged back to each project as a front-line cost. The figures referenced above for CHA's central office costs, unless otherwise noted, are net of these adjustments.

- Rent delinquency evictions
- Cause evictions
- Requests for transfers (this is often an indicator of problem developments)

While not included in the above report, CHA separately monitors utility costs and consumption on a project basis.

The Chief Operating Officer and Deputy receive monthly performance reports from each manager. Additionally, the agency's integrated computer system makes project-level financial data available at all times. Utilizing this performance information, CHA is now able to establish more effective strategies to address underperforming properties. CHA is currently targeting efforts to improve the physical condition of those properties that received REAC Physical Inspection scores below 70.

**Criterion Number Five Summary Evaluation:** CHA is considered to be in compliance with Criterion Number Five. CHA has a strong, regular system of project performance reviews.

### **Criterion Number Six: Long-term Capital Planning**

Under stop-loss Criterion Number Six, Long-term Capital Planning, a PHA must have a physical needs assessment for each project and have a five-year capital plan for each project that is realistic in terms of expected revenue sources, market, tenancy, and project needs.

CHA takes long-term capital planning seriously.

There are current physical needs assessments for every property and the authority has plans for every property that take into account many possible funding sources. Properties that have received REAC Physical Inspection scores below 70 have been targeted for immediate attention. Further, the agency has conducted appropriate market studies to establish the flat rents for all of its properties and has implemented those flat rents. (For its non-mixed finance projects, the flat, or market, rents for a two-bedroom unit are around \$520 monthly.)

CHA's properties are located throughout the city. Large, older properties are closer to the central city, undergoing an impressive renaissance, while newer (typically smaller) properties are further dispersed. Although the grounds are clean, they do not have the same landscaping standards that exist in market-rate housing, which the agency intends to address over the next several years through upgrades.

At its non-mixed finance projects, all utilities are project-paid. Electricity and gas are separately metered by the respective utility companies and residents are billed for excess usage over the amount computed annually by CHA's utility consultant. If a resident's usage exceeds their allowance, the resident must pay for this excess amount.

CHA has competed successfully for several HOPE VI grants (more than one is in management at this writing) and plans to do mixed finance redevelopment at other larger properties. Fortunately, even the most problematic properties are in relatively good condition and are well enough located to attract private capital investment to support revitalization. The authority has had an excellent track record of securing tax credits. CHA's development department is private-market driven and has an enviable relationship with a variety of financial institutions.

**Criterion Number Six Summary Evaluation:** CHA is considered to be in compliance with Criterion Number Six.

### **Criterion Number Seven: Risk Management Responsibilities Related to Regulatory Compliance**

Under stop-loss Criterion Number Seven, Risk Management Responsibilities, a PHA must, essentially, be in compliance with program rules.

CHA's most recent score under the Public Housing Assessment System (PHAS) was 85 and no property received a failing physical inspection<sup>13</sup>. The agency has no outstanding audit findings, is in compliance with HUD 50058 reporting requirements, and meets all Capital Fund obligation and expenditure schedules. Additionally, there are no Rental Integrity Monitoring (RIM) review findings requiring corrective action plans and there are no voluntary compliance agreements, consent decrees, or settlement agreements from civil or disability rights findings.

**Criterion Number Seven Summary Evaluation:** CHA is considered to be in compliance with Criterion Number Seven.

<sup>13</sup> Because PHAs have never before been required to segregate "front-line" costs from costs that should be paid through management fees, a number of costs that CHA previously treated as "central office costs" were actually front-line costs. For example, CHA previously treated the clerks handling central rent collection as a central office cost, although those costs could be charged back to each project as a front-line cost. The figures referenced above for CHA's central office costs, unless otherwise noted, are net of these adjustments.

## Conclusion

The CHA's asset-based management structures, implemented for its own business purposes before any guidance from HUD, were found to be substantially in compliance with the criteria that HUD will use to measure successful conversion in the first year of implementation of stop-loss under PIH Notice 2006-14. In areas where the authority did not specifically meet the HUD requirements, the reviewers felt that CHA was proceeding in the appropriate direction and, given adequate notice, would meet the requirements within a reasonable amount of time.

The factors influencing CHA's decision to convert included the belief that such a transition would support the agency's drive to achieve long-term business success, including cost-savings; an increased focus on customer satisfaction; a management emphasis on improving workforce accountability; and top leadership's decision that the transition would support efforts to improve performance as measured by PHAS.

CHA began the conversion to asset management in the year 2002. The first year was spent reexamining and revising the agency's core mission and assessing the impacts of workforce reduction. In the second year of the transition, the agency began to decentralize maintenance functions and housing managers became responsible for the development of their project budgets. In year three, all maintenance services were decentralized, with the exception of the five specialty maintenance staff. Site managers became responsible for maintenance, budgets, expense monitoring, and procurement for specific sites. Also in year three, CHA acquired specific software to be used throughout the agency to support the transition to asset-based management. In year four, CHA offered advanced training for site managers in comprehensive property management and began to design and implement the information infrastructure to support asset management and a model for asset-based management decisionmaking.

The actual standard for review required under stop-loss will be more formal than undertaken by this review of the CHA, requiring submission of certain records and documents. In the near future, the Department will issue a stop-loss submission kit. PHAs contemplating application should anticipate that the formal review standards will require evidence that the agency has successfully addressed each of the seven criteria. Meeting this standard will require budgets, reports, and other information that agencies may not have routinely prepared in the past. The production of the required documents may require some planning and preparation on the part of affected housing authorities in order to successfully demonstrate compliance.

# Attachment

## Criteria for Successful Conversion to Asset Management Under First Year of Implementation

The following table of criteria is repeated from *PIH Notice 2006-14* issued March 22, 2006

Criteria	Elements
1. Project-Based Accounting	<ul style="list-style-type: none"> <li>a. The PHA (or its management agent) produces monthly operating statements for each project that contain the revenues and expenses of each project compared against budgeted levels, including all fees and charges from the central office cost center. For this initial stop-loss deadline, project-specific balance sheets are not required.</li> <li>b. Proceeds from the Capital Fund Program, energy performance contracts, and other sources to support project operations must also be reflected in the operating statements for each project. (Capital items funded from the Capital Fund Program are not required to be included in these project-specific operating statements.)</li> <li>c. The operating statements must reasonably represent the financial performance of each project.</li> <li>d. The sum of the operating statements for each public housing project must equal the total for the PHA's public housing program, that is, they must be inclusive of all central office charges, including management fees, fees for centralized services, etc.</li> <li>e. The PHA maintains all records to support financial transactions.</li> </ul>
2. Project-Based Management	Property management services are arranged or provided in the best interest of the project, considering such factors as needs, cost, and responsiveness, relative to local market standards.
3. Central Office Cost Center	<ul style="list-style-type: none"> <li>a. All central office fees (property management, asset management, bookkeeping, etc.) must be reasonable, as defined under Section 7 of this notice.</li> <li>b. The central office cost center must operate on the allowable fees and other permitted reimbursements from its public housing and voucher programs as well as revenue generated from non-public housing programs.</li> <li>c. Solely for the purposes of stop-loss, a PHA may not fund the operation of the central office cost center with: <ul style="list-style-type: none"> <li>(1) Proceeds from the sale of assets acquired with public housing funds.</li> <li>(2) Amounts from the Capital Fund Program other than those permitted for administration and planning. For example, an agency requesting stop-loss cannot use "Management Improvement" funds to pay for general accounting staff</li> <li>(3) Funds received from state or local governments for the purpose of supporting operations of the center office cost center, such as non fee-income.</li> </ul> </li> </ul>
4. Centralized Services	<ul style="list-style-type: none"> <li>a. Centralized functions that directly support projects are funded using a fee-for-service approach or through other allowable charge-backs.</li> <li>b. Each project is charged for actual services received.</li> <li>c. Centralized services are consistent with the needs of, and are in the best interests of, the project.</li> <li>d. Centralized service charges must be reasonable based on demonstrated data from the local market.</li> </ul>

Criteria	Elements
5. Review of Project Performance	<p>a. The PHA systematically reviews information regarding the financial, physical, and management performance of each project, including utility consumption, and identifies non-performing properties. For the purposes of this initial stop-loss deadline, a nonperforming property is one that:</p> <ol style="list-style-type: none"> <li>(1) Receives a REAC Physical Inspection score of less than 70.</li> <li>(2) Has significant crime and drug problems (defined as incidence of Part I and Part II Crimes, in accordance with Uniform Crime Reporting, that exceed the surrounding community by 120 percent).</li> <li>(3) Is below 95 percent occupancy.</li> <li>(4) Has tenant accounts receivable that exceed 7 percent of monthly rent roll.</li> <li>(5) Would receive a “D” or lower score under the Public Housing Assessment System (PHAS) for the Management Operations sub-indicators related to Unit Turnaround and Work Orders (emergency and non-emergency).</li> <li>(6) Has utility consumption exceeding 120% of the agency average.</li> <li>(7) Has other major management problems.</li> </ol> <p>b. For any projects identified as non-performing, the PHA shall have a management plan that includes a set of recommendations and measurable goals that effectively address the area(s) of non-performance.</p>
6. Capital Planning	<p>a. The PHA has a physical needs assessment for each project.</p> <p>b. The PHA has a five-year capital plan for each project that is realistic in terms of expected revenue sources, market, tenancy, and project needs.</p> <p>c. The PHA has demonstrated a commitment to long-term reduction in energy and utility consumption through a plan, the use of HUD’s incentives, or the use of Energy Star equipment for retrofits.</p>
7. Risk Management Responsibilities Related to Regulatory Compliance	<p>a. In accordance with § 990.270, asset management includes risk management responsibilities related to regulatory compliance. A PHA is not properly carrying out its risk management responsibilities related to regulatory compliance if it:</p> <ol style="list-style-type: none"> <li>(1) Is designated troubled under PHAS for physical (PASS), financial (FASS), management operations (MASS), or Capital Fund.</li> <li>(2) Has any outstanding FHEO compliance findings or a Voluntary Compliance Agreement (VCA) that have not been implemented.</li> <li>(3) Does not have a current energy audit;</li> <li>(4) Has any outstanding IG audit findings greater than six months old without demonstrated progress being made.</li> <li>(5) Is not in compliance with Admissions and Continued Occupancy Policies (ACOP) and other related occupancy directives.</li> <li>(6) Is not making satisfactory progress under Rental Housing Integrity Improvement Project/Rental Integrity Monitoring (RHIIP/RIM) Corrective Action Plans (e.g., RIM review findings with open improper rent collections/payment findings).</li> <li>(7) Is not in compliance with PIH Notice 2005-17, Reporting Requirements for the Family Report (Form HUD-50058) to the Public Housing Information Center (PIC). PHAs are considered in compliance with form HUD-50058 reporting requirements if their public housing reporting rate, as measured by the PIC Delinquency Report, is at or above 95 percent at the time of their most recent assessment period.</li> <li>(8) Is not meeting the statutory Capital Fund Program obligation and expenditure deadlines.</li> <li>(9) Has any other major compliance deficiency.</li> </ol> <p>b. HUD may consider a PHA’s progress in addressing the above compliance issues and other extenuating circumstances.</p>

# B

## Attachment Listing of Projects

CHA-Managed Public Housing Properties	
Property	Units
Southside Homes	394
Strawn Apartments	318
Boulevard Homes	300
Hall House	191
Charlottetown Terrace	180
Edwin Towers	175
Parktown	164
Dillehay Courts	136
Tall Oaks	79
Autumn Place	68
Claremont	50
Valleyview	50
Cedar Knoll	49
Savannah Woods	49
Gladedale	49
Leafcrest	48
Wallace Woods	48
Sunridge	44
Mallard Ridge	35
Meadow Oaks	32
Victoria Square	32
Live Oak	32
Robinsdale	29
Tarlton Hills	21

# Attachment

## Staffing Chart

Division/ Department	Job Title
Property Management	Regional Property Manager Regional Property Manager Office Coordinator Housing Clerk Floater Housing Clerk Floater Housing Asst Manager Floater Housing Asst Manager Floater
Property Management - <b>Southside</b>	Senior Housing Manager Assistant Housing Manager Maintenance Supervisor Maintenance Technician Maintenance Technician Maintenance Technician Grounds Keeper
Property Management - <b>Tall Oaks/ Tarlton Hills/ Savannah Woods</b>	Housing Manager Maintenance Supervisor Maintenance Technician Grounds Keeper
Property Management - <b>Edwin Towers</b>	Housing Manager Maintenance Supervisor Maintenance Technician Grounds Keeper
Property Management - <b>Strawn</b>	Senior Housing Manager Assistant Housing Manager Maintenance Supervisor Maintenance Technician Maintenance Technician Grounds Keeper
Property Management - <b>Boulevard</b>	Senior Housing Manager Assistant Housing Manager Maintenance Supervisor Maintenance Technician Maintenance Technician Maintenance Technician 2nd Shift Maintenance Technician Grounds Keeper

Division/ Department	Job Title
Property Management - <b>Dillehay</b>	Housing Manager Maintenance Supervisor Maintenance Technician Maintenance Technician
Property Management - <b>Leafcrest/ Cedar Knoll/ Mallard Ridge</b>	Housing Manager Maintenance Supervisor Maintenance Technician Grounds Keeper
Property Management - <b>Meadow Oaks/ Wallace Woods/ Gladedale</b>	Housing Manager Maintenance Supervisor Maintenance Technician Grounds Keeper
Property Management - <b>Charlottetown</b>	Housing Manager Maintenance Supervisor Maintenance Technician Grounds Keeper
Property Management - <b>Parktowne Terrace/ Live Oak</b>	Housing Manager Maintenance Supervisor Maintenance Technician Grounds Keeper
Property Management - <b>Hall House/ Autumn Place</b>	Housing Manager Assistant Housing Manager Maintenance Supervisor Maintenance Technician Maintenance Technician Grounds Keeper

Division/ Department	Job Title
Property Management -  <b>Claremont/ Robinsdale/ Sunridge/ Victoria Square</b>	Housing Manager Maintenance Supervisor Maintenance Technician Grounds Keeper
Property Management -  <b>Oak Valley/ Valley View/ Grove Place/ Villa Court</b>	Housing Manager Assistant Housing Manager Maintenance Supervisor Maintenance Technician Maintenance Technician Grounds Keeper
Property Management -  <b>Carole Hoefner Center</b>	Building Manager Mechanic Technician
Transitional Families Program	Transitional Families Program Manager Case Manager-Claremont Case Manager-Victoria Square
ROSS	ROSS Homeownership Coordinator ROSS Case Manager
Development Modernization	Deputy Operations Officer Project Manager Sr. Project Manager Project Manager Modernization Coordinator

Division/ Department	Job Title
Resident Services	Section 8 FSS Coordinator Client Services Program Manager
Relocation	Secretary Relocation Assistant Case Manager Relocation Specialist Relocation Assistant
Transitional Families Program	Case Manager-Section 8 (FSS FIC) Case Manager-Section 8 (FSS FIC) Intake Specialist/ Secretary
First Ward FSS Program	Case Manager (First Ward) RES SVS Case Manager (First Ward)
Youth Development	Youth Outreach Specialist
Section 8	Housing Specialist (Section 8) Housing Specialist (Section 8) Compliance Officer S-8 Housing Specialist (Section 8) Chief Housing Inspector Section 8 Coordinator Housing Specialist (Section 8) Housing Specialist (Section 8) (Portability) Housing Specialist (Section 8) Housing Specialist (Section 8) Section 8 Coordinator Housing Specialist (Section 8) Housing Specialist (Section 8) Clerk- Section 8 (Inspections) Housing Inspector S-8 HQS Inspector Housing Specialist (Section 8) Admissions Officer (Section 8) Housing Inspection Clerk Housing Inspector S-8 Receptionist- Section 8 Clerk- Section 8 Housing Specialist (Section 8) Housing Inspector S-8 Housing Specialist (Section 8) Housing Specialist (Section 8) (Portability) Housing Inspector S-8 Landlord Outreach Technician Clerk- Section 8 Housing Specialist (Section 8) Housing Inspector S-8 Housing Specialist (Section 8) (Portability) Housing Inspector S-8 Director Section 8

Division/ Department	Job Title
Executive	Chief Executive Officer Sr. Administrative Assistant Corporate Communications Officer Chief Administrative Officer Secretary/Receptionist- Central Office
Legal	Staff Attorney II
Finance	Chief Financial Officer/ CFO Financial Assistant Budget Manager Budget Analyst
Human Resources	Director of Human Resources Human Resources Technician Human Resources Administrator Risk Manager
Accounting	Director of Accounting Accounts Payable Technician Accounts Receivable Assistant Accounts Receivable Assistant Section 8 Accountant Grant Accounting Manager Grants Accountant Accounting Clerk Summer Intern
Procurement/ Energy Control	Director of Procurement & Energy Control Contract Administrator
MIS Dept	Director/ Management Info. Systems
COO Dept	Chief Operating Officer/ COO Administrative Assistant
Quality Control/ Performance Monitoring	Asset Manager- Finance Asset Manager- Operations
Centralized Maintenance	Mechanic III- Plumber Mechanic III- Plumber Mechanic II- Bulk Trash Mechanic II- Bulk Trash Mechanic II- Locksmith
Administration Services	Fleet Coordinator

Division/ Department	Job Title
Client Services	Director of Client Services Section 3 Coordinator Contract Manager
Resident Safety	Resident Safety Manager Community Safety Investigator Community Safety Investigator Community Safety Investigator Community Crime Prevention Specialist
RE- Exam	Lead Re-Exam Specialist- PHM Housing Specialist- PHM Housing Specialist- PHM
Resident Selection	Resident Selection Supervisor Housing Specialist Housing Specialist
Real Estate Development	Vice President Real Estate Development Sr. Project Mgr./ New Initiatives Administrative Assistant Director Special Projects Program Manager Program Manager Secretary HOPE VI 50/50 Program Manager Program Manager