



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Multifamily Housing



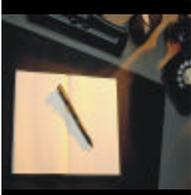
Implementation of Section 8 Contract Administration Initiative



Purpose



To present a plan to implement the outsourcing of project based Section 8 Contract Administration, that will resolve the issues and concerns of HUD management and the Inspector General.



The plan

- **Redefines the role of the field offices**
- **Establishes a Headquarters oversight office**
- **Leverages the resources of Contract Administrators**
- **Advances HUD's objectives of providing decent, safe and sanitary housing.**



This plan aims to improve the quality of HUD's portfolio, by allowing HUD staff to focus on troubled properties, production efforts, grant programs, and sound risk management, using financial analyses and complex analytical skills.



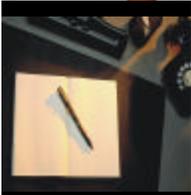


Agenda



I. SCAIT

Team members, structure, lessons learned



II. Guiding Principles

Objectives, magnitude & scope



III. How do we get there?

Implementation strategy



IV. How will this initiative work?

Organization, roles & responsibilities, management tools, operational protocols, program controls, implementation blueprint



V. Conclusion and Appendices`





I. SCAIT

Section 8 Contract Administration Implementation Team



SCAIT Members



- ◆ Karin Anderson
- ◆ Annette Bendele
- ◆ Virginia Britton
- ◆ Sam Burch
- ◆ Gerri Burson
- ◆ Nanci Doherty
- ◆ Ed Hinsberger
- ◆ Charlyne Jackson-Fields
- ◆ Rose Lamberty
- ◆ Debbie Lear
- ◆ Connie Loukatos
- ◆ Margie Maisonet



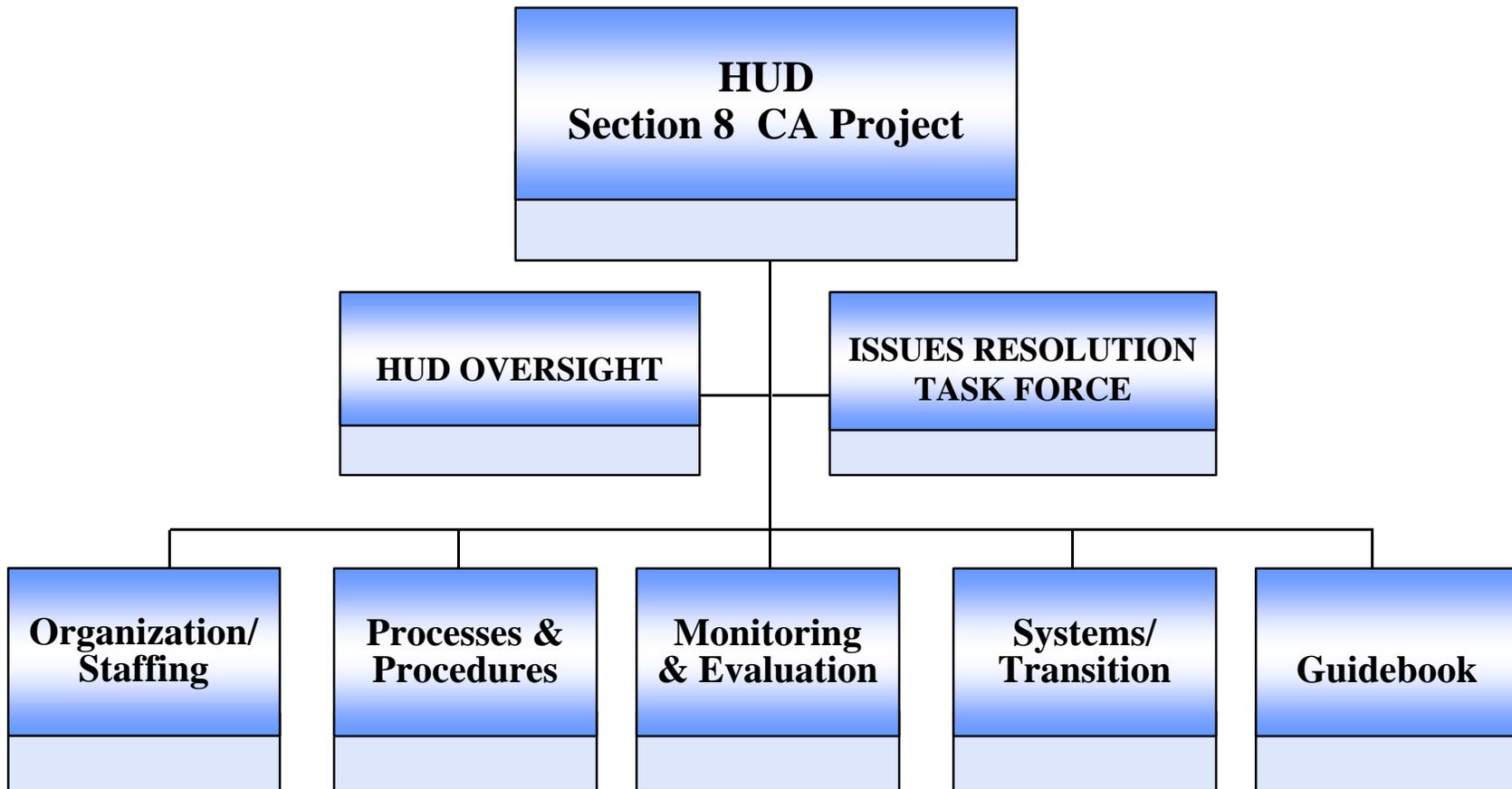
- ◆ Karla Martinez
- ◆ Delores McDaniels
- ◆ Duncan McRae
- ◆ Barbara Nichols
- ◆ Pat Russie
- ◆ Tanya Schepker
- ◆ Doug Scott
- ◆ Larry Sidebottom
- ◆ Ina Singer
- ◆ Keith Surber
- ◆ Fred Tombar
- ◆ Cyndy Zemitis



Our Team Structure

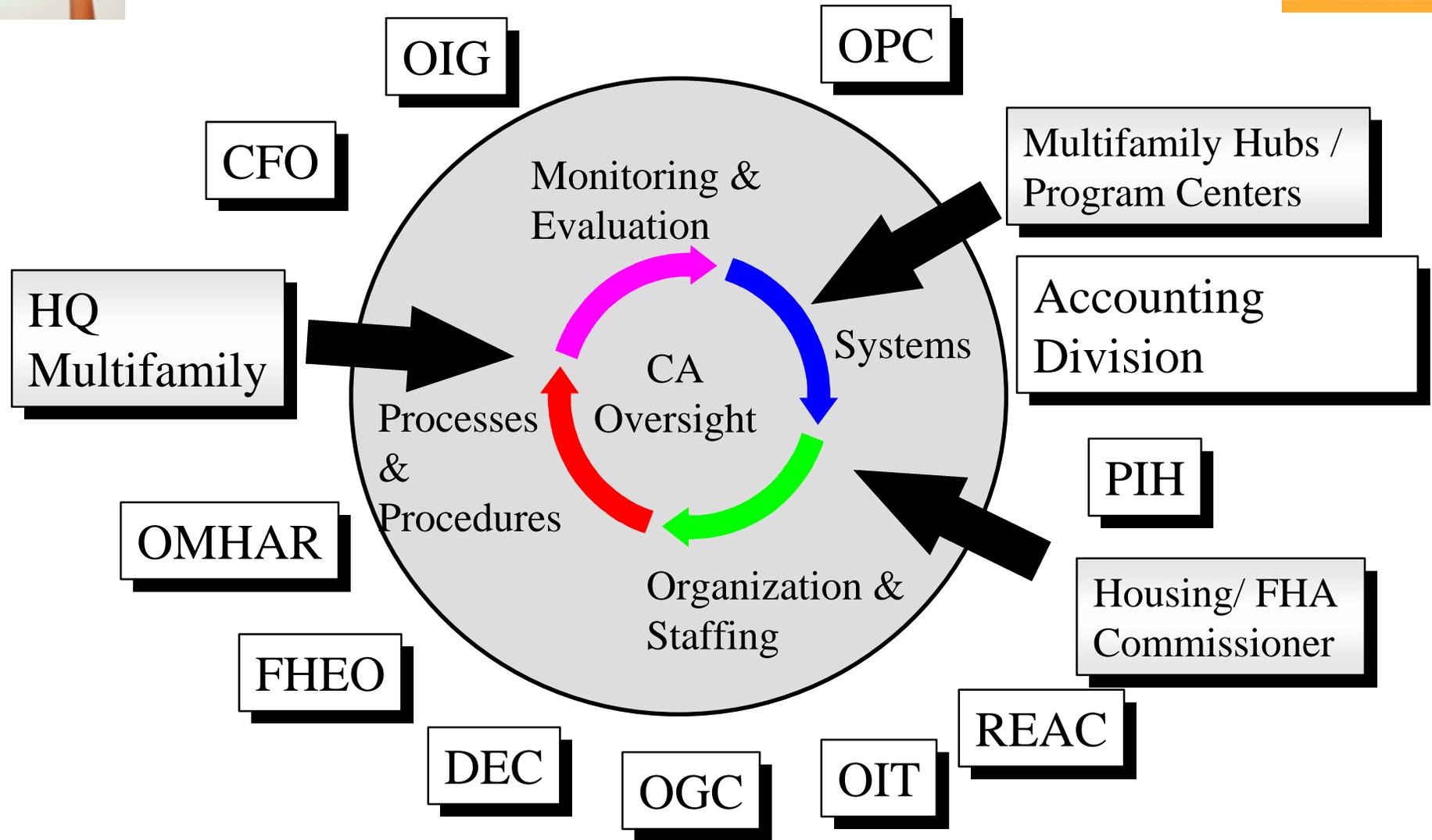


Structure of the SCAIT Organization





SCAIT Integrates all Components of HUD

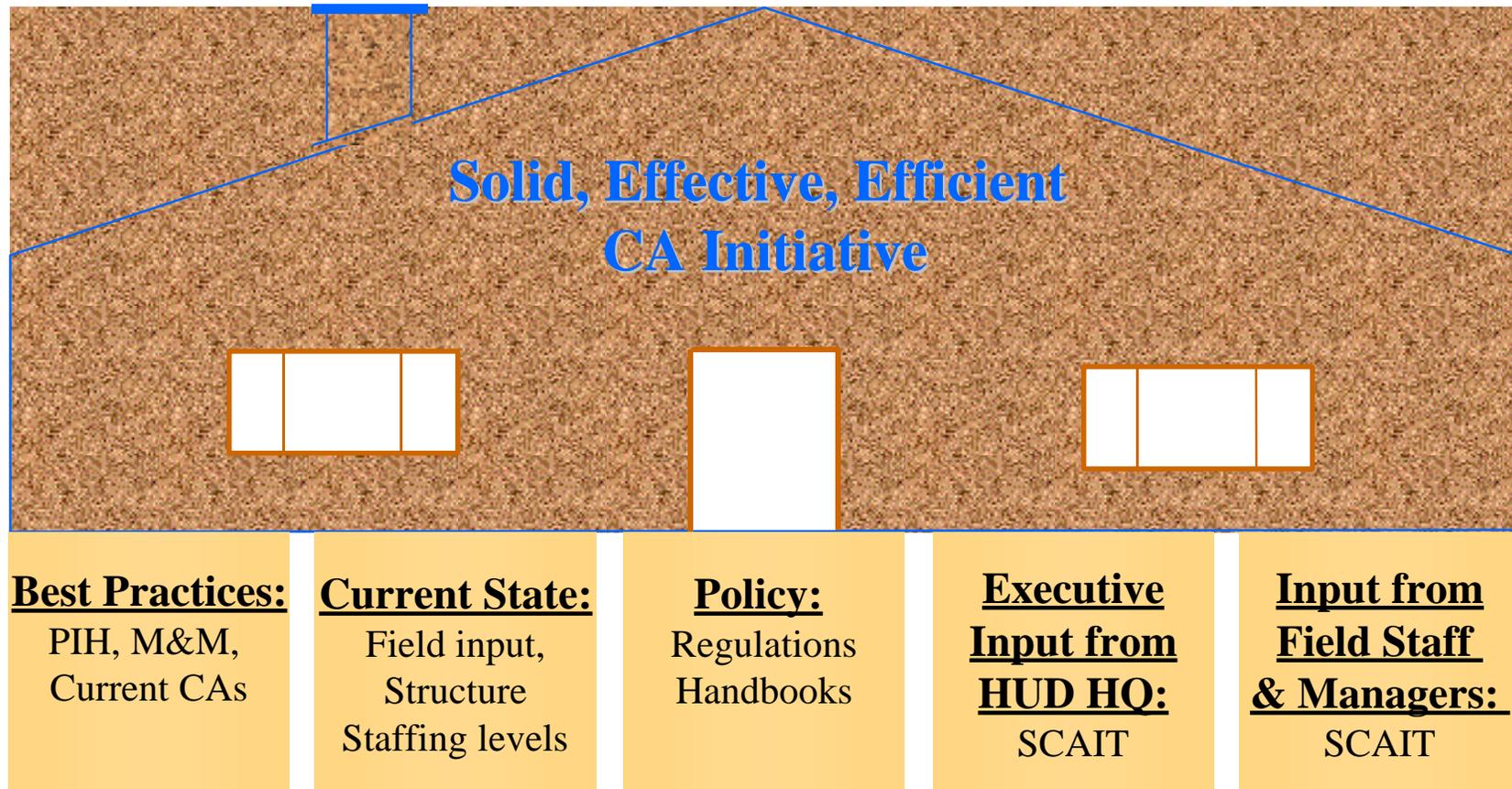




Experience is the Foundation



Input from a range of HUD experiences is the foundation to successful implementation





Lessons Learned & Best Practices



- **PIH Programs**
- **Development of the Mark to Market Program**
- **Existing CA program**
- **M&M Program**
- **Other government programs**
- **IG Reports**



II. GUIDING PRINCIPLES

Introduction

Objectives

Magnitude and Scope



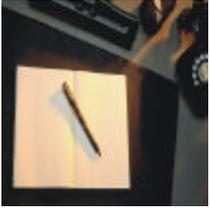
CA and Management Reform 2020



- **Increase operational effectiveness and efficiency**
 - **Address budget resource constraints that threatened HUD's ability to provide service**
 - **Leverage local housing agencies to increase quality and efficiency**
-

CAs will:

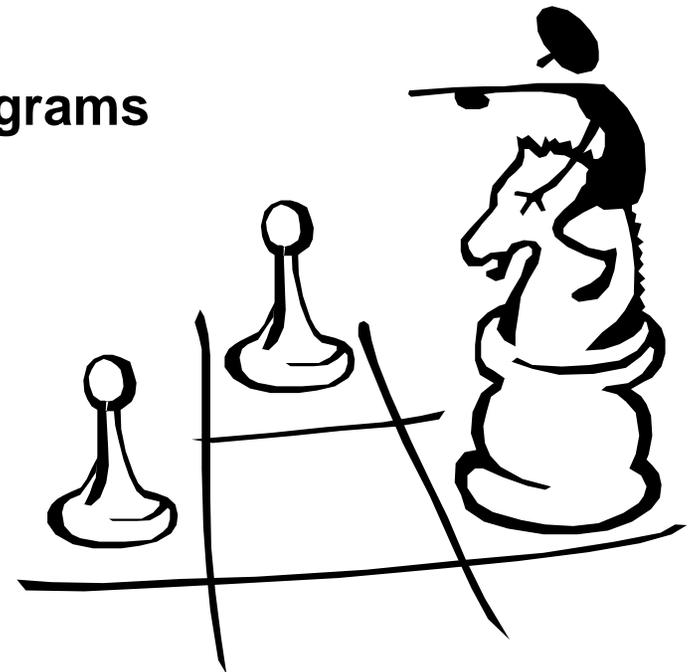
- **Administer HAP Contracts in accordance with HUD regulations and procedures**
- **Be governed by an Annual Contributions Contract (ACC)**
- **Monitor and enforce each property owner's HAP contract compliance**



Commitment to Implementation

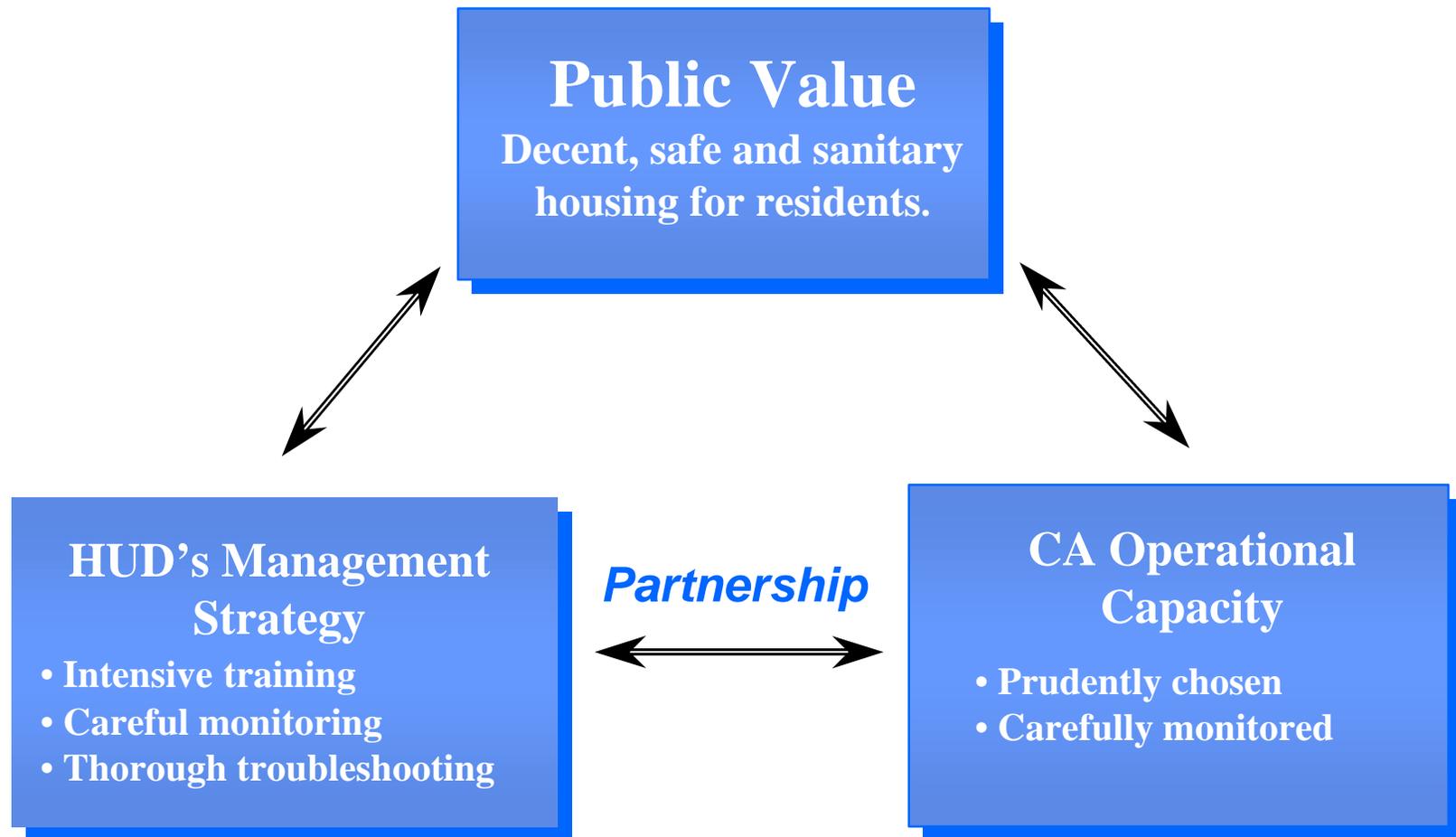


- **Started with the development of a Request For Proposal (RFP)**
 - ◆ 2 years in development
 - ◆ Multifamily Housing's first performance-based contract
 - ◆ Rigorous evaluation of proposals
- **Commitment of HUD staff and time**
- **Build upon experience of other HUD programs**





CA Creates Public Value





Goals of the CA Effort

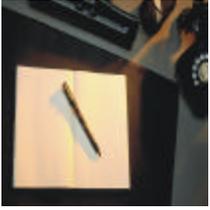


➤ Programmatic Goals:

- ◆ Calculate and pay Section 8 rental subsidies correctly
- ◆ Administer project-based Section 8 HAP Contracts consistently
- ◆ Enforce owner obligations to provide decent, safe and sanitary housing for eligible residents

➤ Administrative Goals:

- ◆ Execute ACCs only with entities that have the qualifications resources, and expertise necessary to oversee and manage affordable housing administration
- ◆ Get the best value for dollars spent on CA services
- ◆ Encourage the development of joint ventures and/or partnerships for contract administration services to obtain the benefit of best practices of both public and private sectors

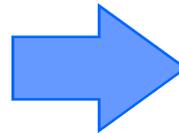
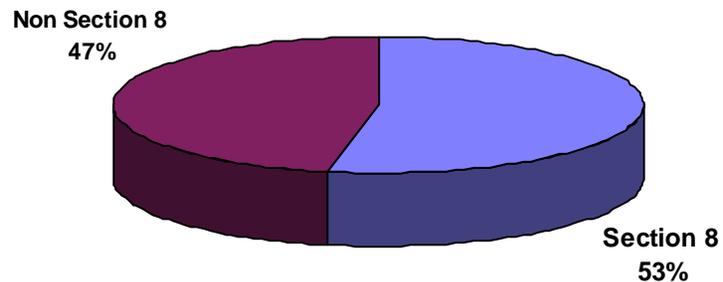


Magnitude & Scope

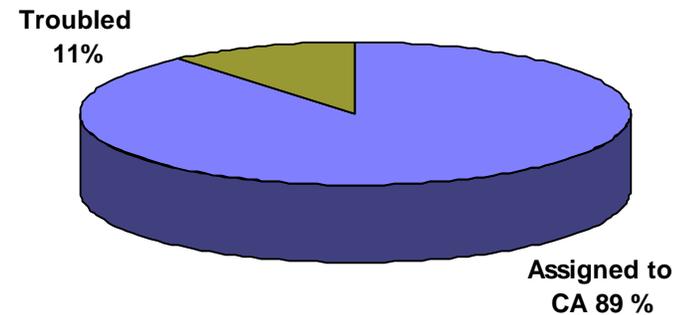


HUD's Multifamily portfolio consists of approximately 29K properties, of which 13.3 K will be going to CAs (47%)

MF Property Breakdown



Section 8 Properties' Status



III. HOW DO WE GET THERE?

Implementation Strategy

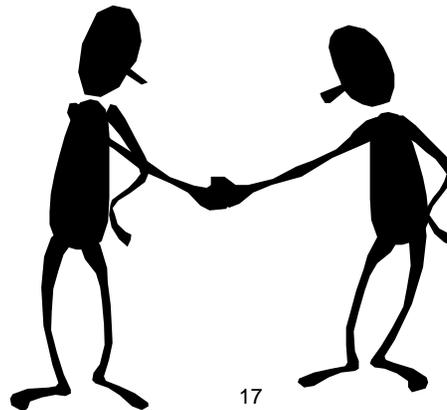




Manage Change, Foster Acceptance



- **Get staff buy-in**
- **Appoint “Transition Coordinators” to serve as role models**
- **Involve those affected by this transition in change management and planning**
- **Foster a “sense of urgency” that resonates with employees**
- **Establish and clearly communicate core principles that serve as a basis for change**

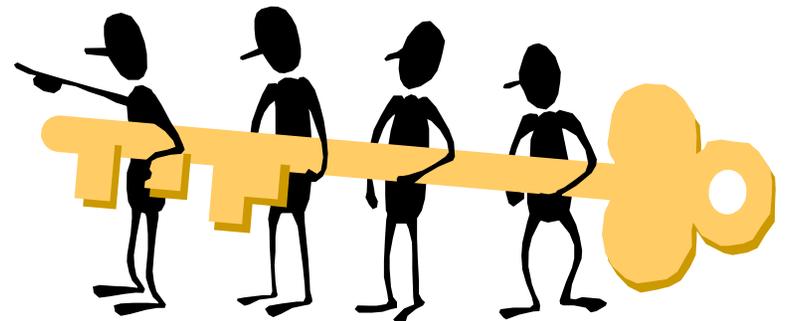




The Keys to Our Success



- **Clear Vision and Targets**
- **Strong Leadership**
- **Sufficient Resources**
- **Prioritization and Speed**
- **Constituency Focus**
- **Detailed Planning**
- **Operational Management**
- **Risk Management**
- **Performance Tracking**
- **Cultural Integration**
- **Communication**



IV. HOW WILL THIS INITIATIVE WORK?

A. Organization

B. Roles & Responsibilities

C. Program Management Tools & Resources

D. Operational Protocols

E. Program Controls

F. Implementation Blueprint



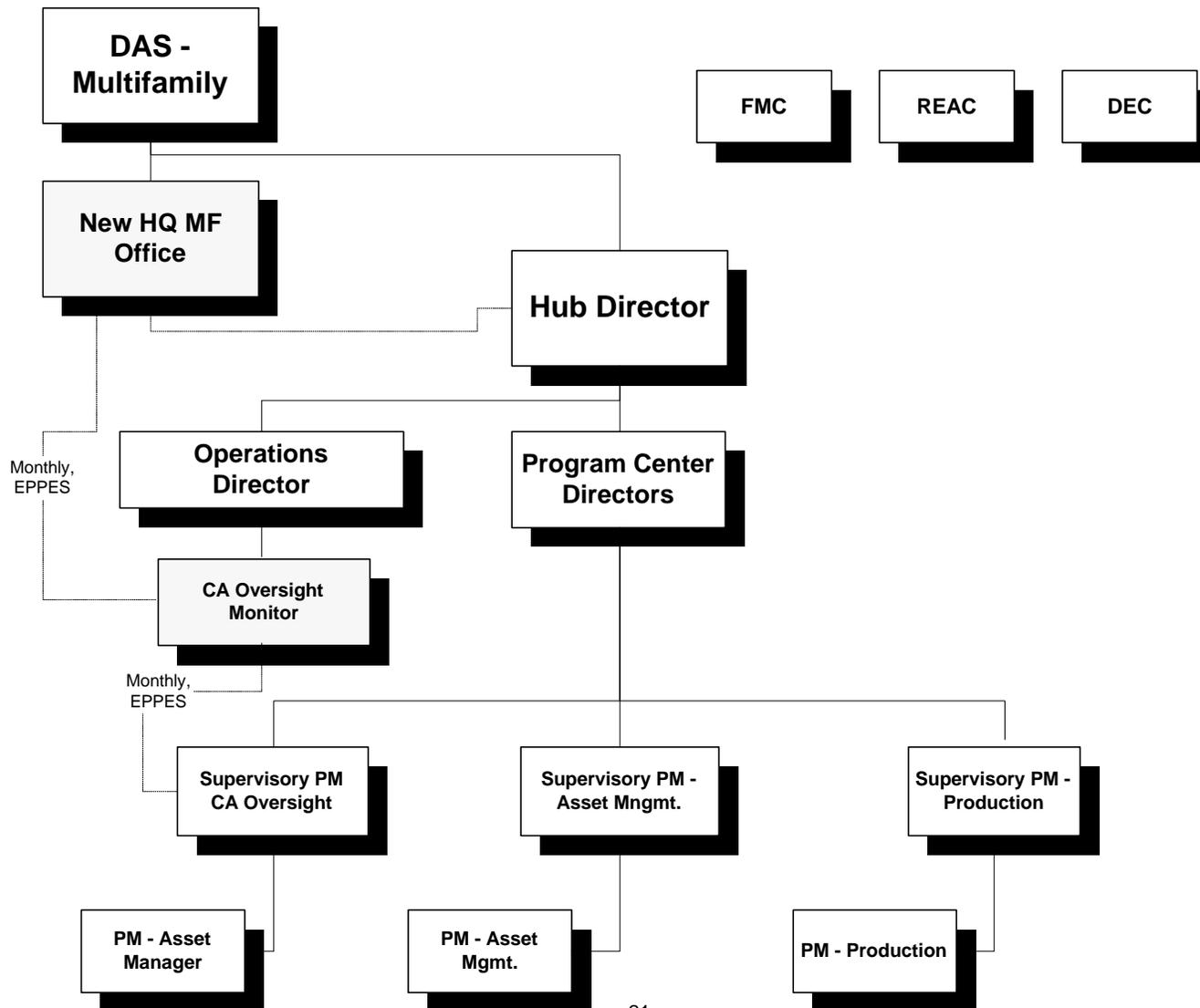
Organizational Principles



- **Focused organization that integrates into current structure**
- **Clear and discreet emphasis on functional responsibilities:**
 - ◆ Asset management
 - ◆ Production
 - ◆ CA oversight
- **Clear lines of reporting and accountability**
- **New position for CA oversight**



Organization





Roles & Responsibilities



Core CA Tasks

➤ **Contract Management**

- ◆ Contract renewals, rental adjustments, contract opt-outs and terminations, combining contracts

➤ **Financial Management**

- ◆ Voucher processing, budgets & requisitions and year-end settlements, CA audit

➤ **Project Servicing**

- ◆ Management / Occupancy / Compliance reviews, respond to resident/community inquiries, physical inspection follow up, Tenant Income Verification



Contract Management



1. Contract Renewals

CA: Review, complete and execute

HUD: Review renewal recommendations, issue decisions

2. Rental Adjustments

CA: Review and process

HUD: Review recommendations, issue decisions

3. Contract Opt-outs

CA: Process owner requests for opt-outs

HUD: Manage replacement voucher process



Contract Management



4. Terminations

CA: Recommend HAP contract termination following owner non-compliance

HUD: Review recommendations to terminate HAP contracts and issue decision. Manage replacement voucher process

5. Combining Contracts

CA: Process requests, including executions of new contracts

HUD: Monitor CA performance



Financial Management



1. Voucher Processing

CA: Review and process monthly vouchers

HUD: Monitor CA performance

2. Budgets, Requisitions, Revisions and Year-end Settlements

CA: Process budgets, requisitions, revisions and year end settlements

HUD: Monitor CA performance

3. CA Audit

CA: Submit annual audit

HUD: Monitor CA performance



Project Servicing



1. Management/Occupancy/Compliance Reviews

CA: Schedule, perform management reviews

Monitor/Follow up on owner response to findings

Negotiate MIOs or corrective action plans with owners

HUD: Review/Approve MIOs

Manage final owner appeal process

Make final determination of other remedies

2. Resident & Community Inquiries

CA: Respond to all resident & community inquiries

HUD: Respond to FOIAs and coordinate responses to Congressional inquiries



Project Servicing



3. Physical Inspection Follow Up

CA: Monitor owner response to REAC findings

Assist with owner development of MIOs

Take abatement actions/recommend contract terminations

HUD: Review/Approve MIOs

Assist CA with unresponsive owners

4. Tenant Income Verification

CA: Follow up on any discrepancies

HUD: Monitor CA performance



HUD Staff Responsibilities



Manage approximately 15.3K non-subsidized and/or troubled properties

- ◆ Process reserve for replacement suspensions and release requests
- ◆ Process residual receipts and general operating reserve release requests
- ◆ Process prepayment requests and assignments
- ◆ Review monthly accounting reports
- ◆ Process Transfer of Physical Assets (TPAs)
- ◆ Process workouts
- ◆ Process partial payment claims
- ◆ Process partial release of security
- ◆ Process insurance loss draft claims
- ◆ Approve management certifications
- ◆ Approve management agents
- ◆ Process/monitor flexible subsidy
- ◆ Financial statements
- ◆ Management reviews
- ◆ Occupancy reviews



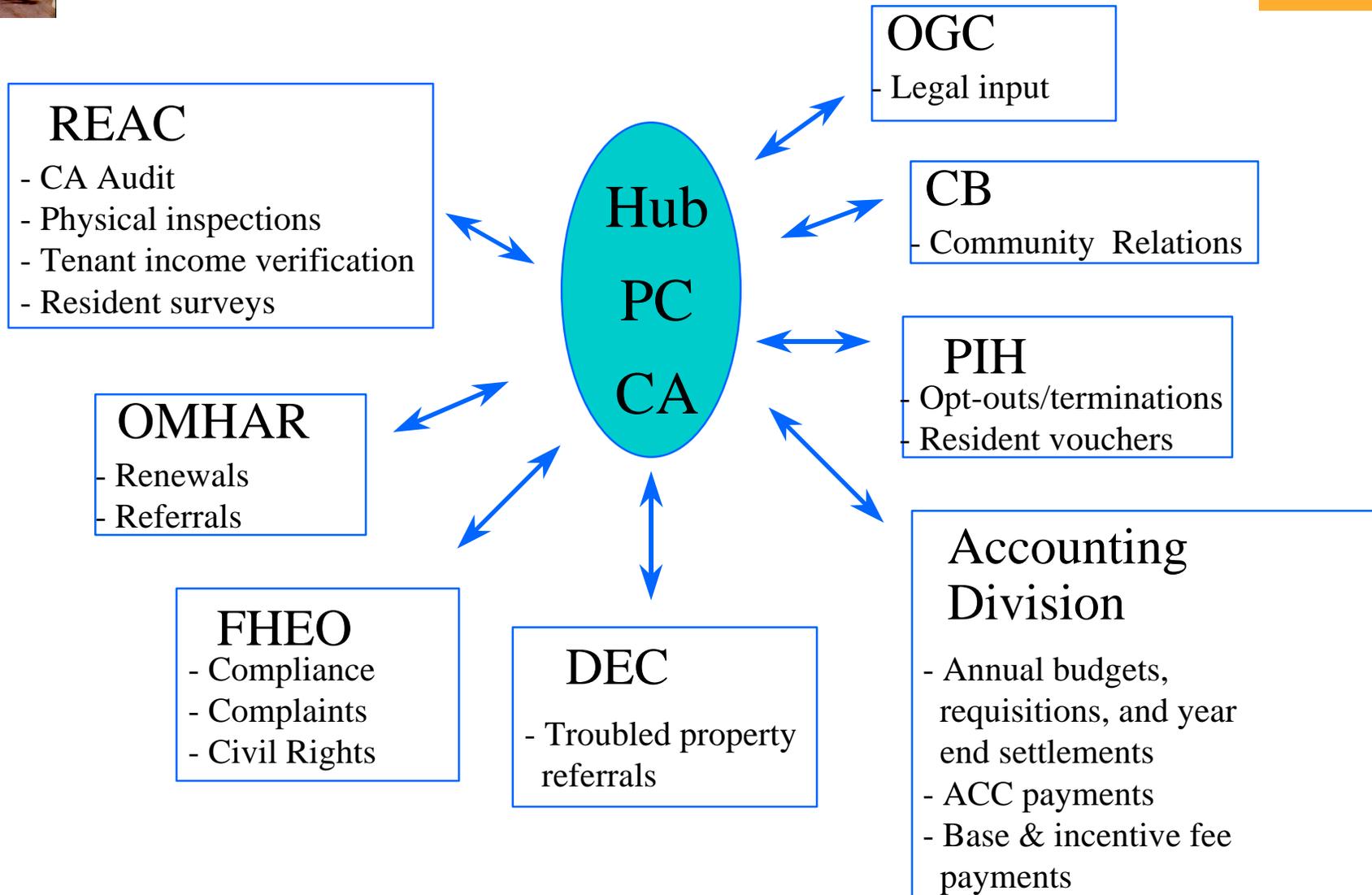
HUD Staff Responsibilities



- ◆ Review comprehensive needs assessments
- ◆ Process foreclosure packages
- ◆ Approve neighborhood networks
- ◆ Process NOFAs
- ◆ Process and monitor drug elimination, new approach and service coordinator grants
- ◆ Monitor use agreements
- ◆ Process bond refunders
- ◆ Liaison to DEC, OMHAR, Headquarters, PIH, FHEO and REAC
- ◆ Coordinate with PIH to secure vouchers on contract terminations
- ◆ Amend ACCs
- ◆ Oversee procurement funding and initiate requests for contract services
- ◆ Contract renewals, rental adjustments, contract opt-outs, combining contracts
- ◆ Respond to resident and community inquiries
- ◆ Physical inspection follow up
- ◆ Tenant income verification

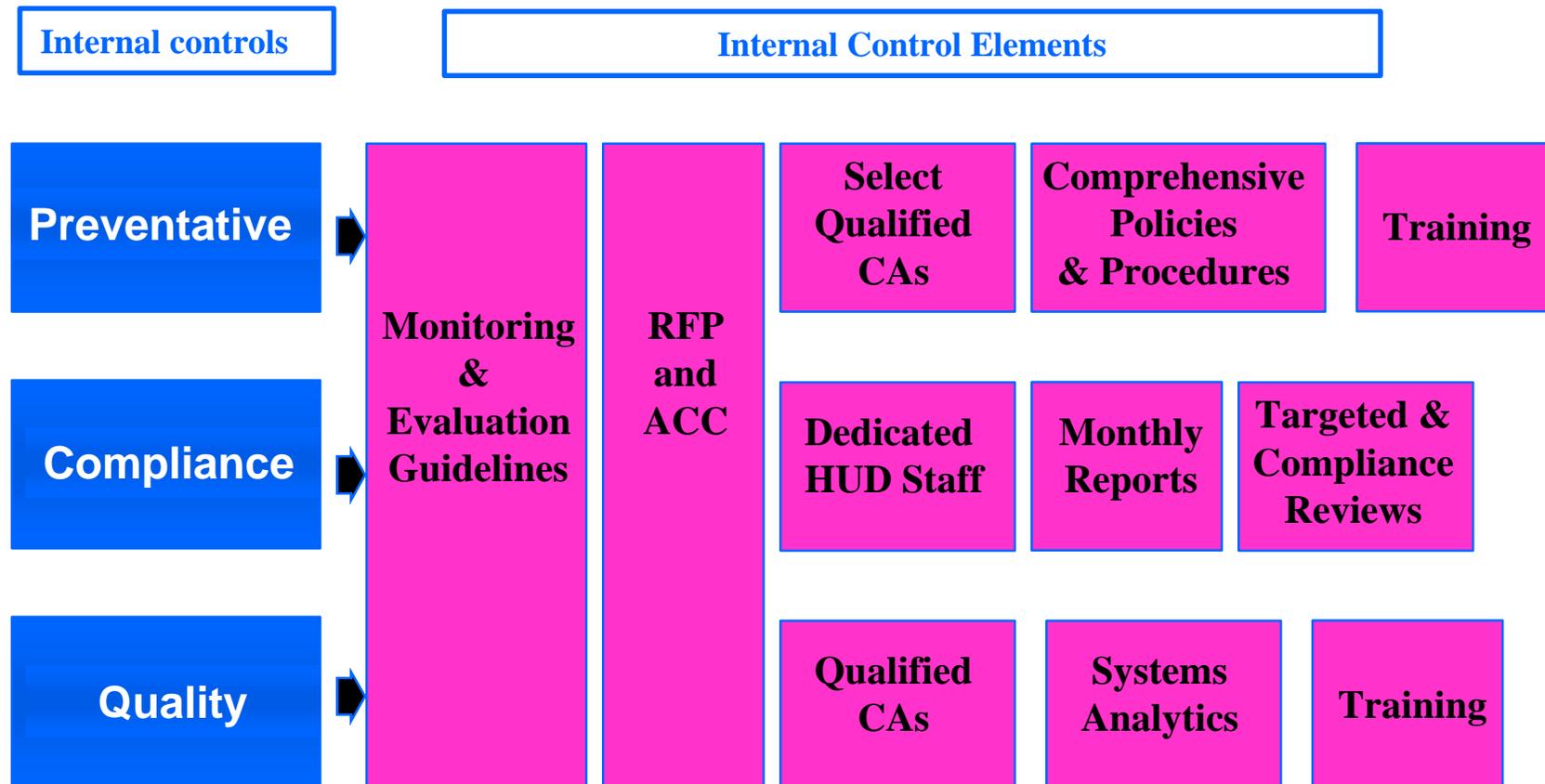


Operational Protocols





Multidimensional Internal Controls





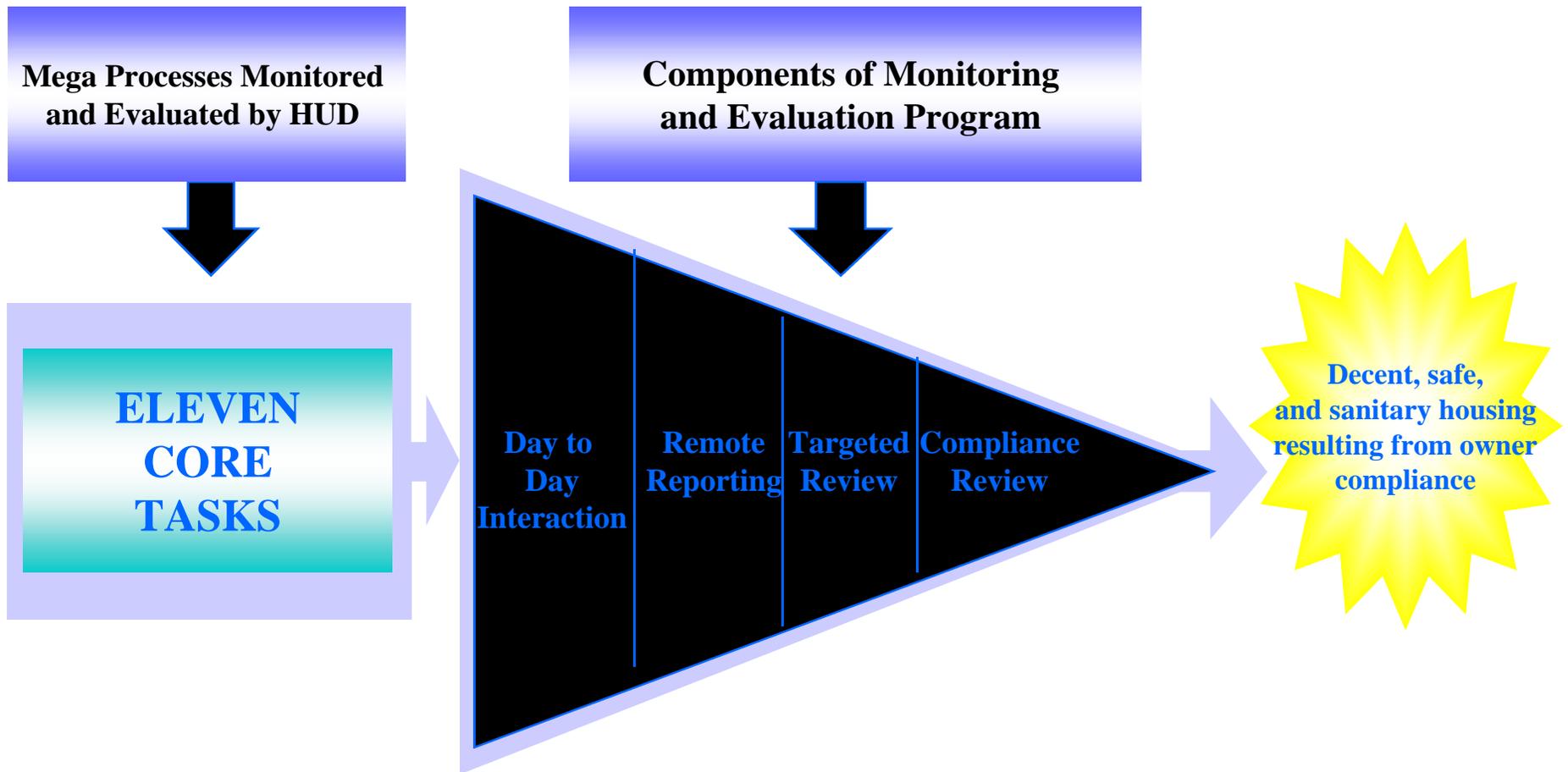
Monitoring Tools & Resources



- **REMS**
 - ◆ Enhanced to allow CA access
 - ◆ Tool for the monitoring & evaluation function
 - ◆ Access path to REAC systems
- **Project Management Utility**
 - ◆ Report formats developed to support monitoring & evaluation
- **Accounting Systems**
 - ◆ Reports to verify submission of budgets, requisitions and year-end settlements
 - ◆ Verify ACC payments to CA
- **TRACS**
 - ◆ Verify resident eligibility and certification



Monitoring & Evaluation Components





Invoice Objectives



- **Calculate CA's monthly and quarterly fee**
- **Ensure compliance with ACC/RFP requirements**
- **Serve as a risk management indicator**
- **Establish and implement an effective management and control tool**
- **Create an analytical framework for Monitoring & Evaluation**
- **Verify an Acceptable Quality Level (AQL) of performance**
- **Create administrative record of invoice review, approval and payment process**



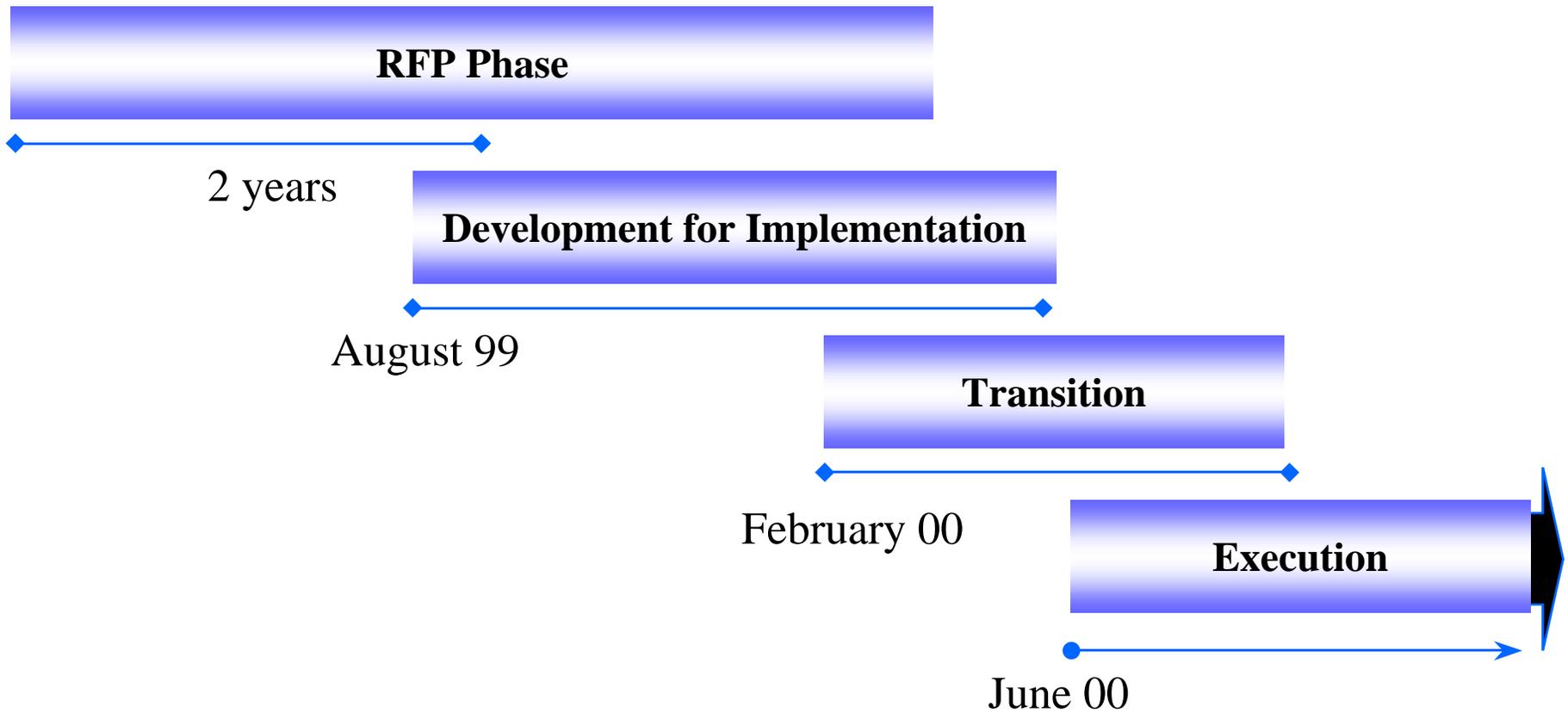
Invoice



	1	2	3	4	5 = 3 - 4	6	7	8	9	10 = 5 - 9
Indicator	Number of Events	% Complete/ Days of comp.	Max IBPS fee	Disincentive /Deduction	Payment this month	\$ Held in Pool Month 1	Held in Pool Month 2	Held in Pool Month 3	Modifications (If month=3 then 9=6+7+8)	Net Pay
1. Conduct Management & Occupancy Reviews	2	50%	\$ 4,160	\$ 3,744.00	\$ 416.00	NA				
2. Document Sec. 8 Owner Compliance	2	100%	\$ 2,600	NA	\$ 2,600.00	\$ 541.67				
3. Process Rental Adjustments	2	50%	\$ 2,600	\$ 1,300.00	\$ 1,300.00	NA				
4. Process Opt-outs and Contract Terminations	3	1	\$ 2,600	NA	\$ 2,600.00	NA				
5. Provide Resident Data	2	77	\$ 2,600	\$ 2,600.00	\$ -	NA				
6. Review, verify, and authorize monthly Sec. 8 vouchers	5	80%	\$ 7,800	\$ 1,560.00	\$ 6,240.00	NA				
7. Notify of Corrective Actions	2	1	\$ 1,560	NA	\$ 1,560.00	NA				
8. Respond to Life Threatening Health and Safety Issues	2	50%	\$ 3,640	\$ 1,820.00	\$ 1,820.00	NA				
9. Respond to Non-life Threatening Health and Safety Issues	2	4	\$ 2,600	\$ 520.00	\$ 2,080.00	NA				
10. Submit Sec. 8 Budgets Requisitions and Revisions	2	50%	\$ 4,160	\$ 4,160.00	\$ -	NA				
11. Submit Year End Statements	1	44	\$ 4,160	\$ 166.40	\$ 3,993.60	\$3,993.60				
12a. Submit A-133 Applicable unaudited financial statement	1	10	\$ 780	NA	\$ 780.00	NA				



Implementation Blueprint





Transition Plan



➤ **Key milestones:**

- ◆ Development
- ◆ Implementation
- ◆ CA readiness
- ◆ HUD to CA transfer

➤ **Other elements:**

- ◆ Training
- ◆ Systems operation and access
- ◆ Coordinated funding requirements with Accounting Offices



Execution



- **Implementation will be managed by the Hub/PC with HQ oversight**
- **CA assumes responsibility for all core tasks**
- **CA will operate in a “transitional phase” for a minimum of 3 consecutive months:**
 - ◆ Hub/PC will assess quality of CA’s work
 - ◆ Hub/PC will provide assistance to CA
- **Upon successful performance of “transitional phase” CA will operate in full implementation phase**



Conclusion



- A focused, dedicated organization at HUD headquarters and in the field
- Change Management Plan to ensure effective communication and buy in
- Guidebook for CAs and HUD staff
- Comprehensive monitoring and evaluation program
- Training programs for CAs and HUD staff
- System enhancements to support CAs and facilitate monitoring and evaluation
- Documented protocols
- A phased transition plan
- Compilation of lessons learned and best practices from other HUD programs
- Identification and mitigation of operational risks



Conclusion



To improve the quality of HUD's portfolio, this initiative will allow HUD staff to focus on troubled properties, production efforts, grant programs, and sound risk management, using financial analyses and complex analytical skills