Extended 20-Page Edition

PHADA Advocate

Helping House America

Public Housing Authorities Directors Association

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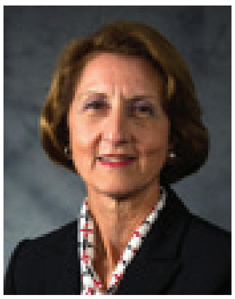
President's Forum:
PHADA Protests HUD's Asset Management Reversal
New Plan Completely Contradicts HUD's Position and Regulations



PHADA President, Nancy Walker

PHADA Executive Director Tim Kaiser and I co-signed the letter below, sending it to HUD and Congress on March 16 (see below). The letter raises serious concerns about HUD's recent decision to "federalize" fees in the Central Office Cost Center (COCC). Among other things, our letter points out numerous instances where the Department contradicts itself on the policy of asset management – **which HUD promoted and required HAs to implement**.

HUD's reversal was prompted by a misleading Inspector General (IG) report conducted in the summer of 2014. At the time, PHADA, NAHRO and CLPHA wrote to HUD and the IG, illustrating numerous flaws in that report, which HUD-PIH also heavily criticized. See: **www.phada.org/news.php?id=2054**

PHADA strongly recommends that members share this letter with each of your own Representatives and Senators. The association will keep members informed regarding upcoming discussions with HUD on this matter.

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*"The fee for service model is one of the pillars of the Public Housing program's conversion to asset management. The OIG's recommendations would undermine this **massive accomplishment**... and turn back the clock on asset management and do just the opposite of what is practiced not just throughout the housing industry, but throughout the federal government when it comes to fee for service [programs]."*

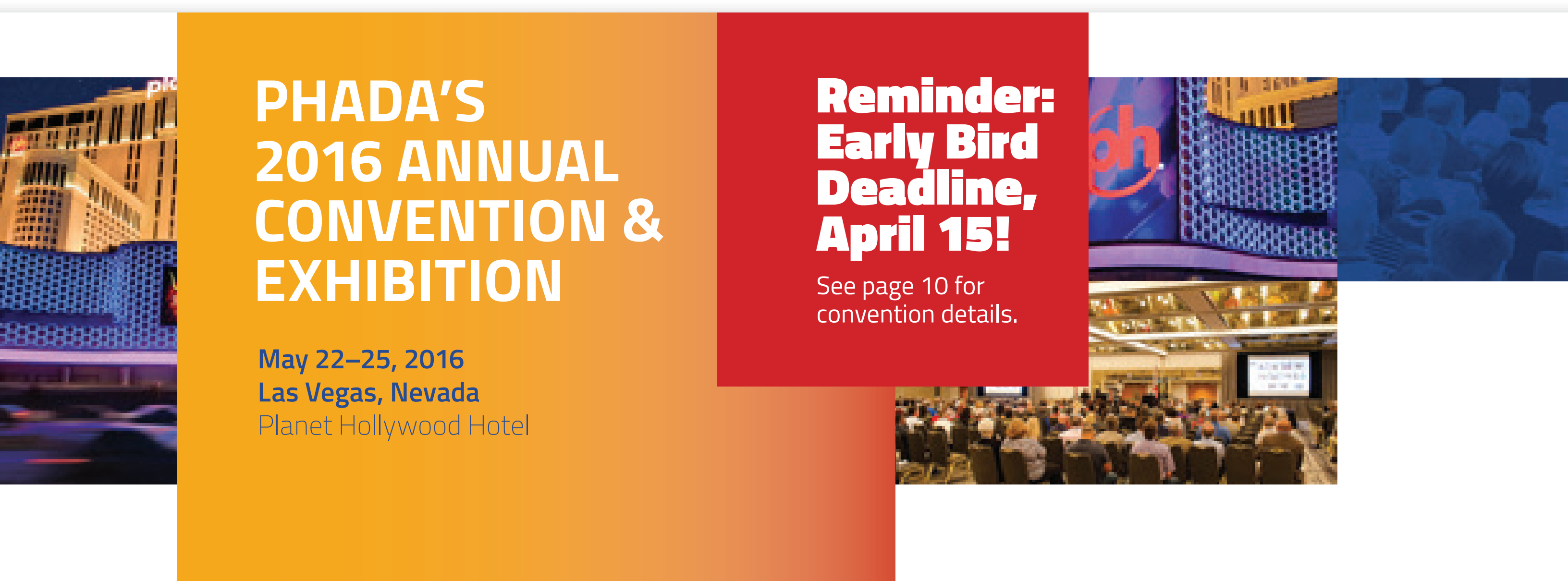
Source: Three HUD-PIH officials. Page 23, Comments 1 & 2 of the HUD response to the Inspector General's Report number 14 # 2014-LA-004 .

Dear Mr. Secretary:

PHADA's members are deeply dismayed that HUD plans to reverse its position (see HUD quotes above) and completely abandon a major longstanding policy on asset management – **which was the Department's own proposal from the outset**. This action, prompted by a flawed HUD Inspector General (IG) report, follows another recent HUD decision retreating from its solid response to the IG on the policy of higher income families in public housing. Frankly, these kinds of damaging policy shifts raise serious questions about whether housing agencies can trust the Department to maintain consistency on any number of important matters.

The history surrounding asset management dates back more than a decade when the **Department insisted that PHAs transition to the system as part of negotiated rule on a new Operating Fund formula**. The rule was first instituted in 2007 with a goal of focusing greater attention on the performance of each public housing property. By shifting funding, budgeting, accounting, and management to the

See "President's Forum" continued on page 16



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IG Overrides HUD Policy

Montoya Rewrites Decade-Old Asset Management Program

HUD Inspector General David Montoya testified before the Senate THUD Appropriations Subcommittee on March 10. The IG appeared alongside Secretary Castro to ask appropriators for $129 million in funding his Office in order to fully examine HUD for waste, fraud and abuse. Montoya asserted that the OIG offered Congress a good return on its investment since he returned $30 of "misspent" funds for every dollar expended by the Office. He mentioned that "during the last two six-month cycles, we issued 148 audits and other reviews, which resulted in nearly $2.0 billion in recommendations that funds be put to better use, over $2.1 billion in questioned costs, and nearly $500 million in collections from audits." Montoya made no mention about how often OIG "recommendations" and "questioned costs" are disputed.

In his written testimony, Montoya included the following paragraph about Central Office Cost Centers (COCC) and issues raised by the OIG in a June 30, 2014 audit entitled "Public Housing Operating and Capital Fund Program Central Office Cost Center Fees."

"We are concerned that HUD may not be ensuring that defederalized administrative fees paid to PHAs for their public housing program are reasonable. We found that HUD could not adequately support the reasonableness of operating fund management, bookkeeping, and asset management fees and Public Housing Capital Fund management fee limits.

"In addition, HUD lacked adequate justification for allowing PHAs to charge an asset management fee, resulting in more than $81 million in operating funds being unnecessarily defederalized annually. Our concern continues to be that the fee amounts implemented are not supported and may not be reasonable. Excess administrative fees, if defederalized, are not required to be used for the public housing program. Ensuring that only the funds that are needed are transferred to the COCC will allow more funds to be used directly for the public housing program. After input from OMB, HUD and OIG have reached an agreement to implement the recommendations as stated in our audit report. **HUD has agreed to refederalize the fees and will be reevaluating the fee amounts. HUD will need to go through the rulemaking process to fully implement the changes, so it may take some time."**

HUD has talked a good deal about allowing public housing authorities to experience the same type of partner relationship that Multifamily owners have with the Department. Too often, the Department has treated PHAs like they are wholly-owned subsidiaries of the federal government. In the lead up to asset management, HUD began encouraging agencies to be more entrepreneurial, to cultivate relationships with private lenders, and to operate their housing more like their private-sector counterparts.

HUD invented its asset management program and forced all but the smallest housing agencies nationwide to implement it. Asset management required agencies to undergo enormous and costly changes by decentralizing core business functions to individual properties

See "OIG Testimony" continued on page 9

PHADA Urges HUD Action on HAP Reserve and Admin. Fee Fungibility Measures

Voucher Lease-up Rates are in Jeopardy of Continued Stagnation or Decline

On March 21, PHADA sent a letter to Lourdes Castro Ramirez, HUD's Principal Deputy Secretary, urging the Department to access additional carryover of unobligated funds in order to further increase FY 2016 ongoing fee prorations for Housing Authorities (HAs) above 80 percent. PHADA believes that doing so sooner rather than later, would help HAs sustain and increase leasing of low-income households with already HAP-funded and authorized vouchers, above historically low voucher lease-up rates of 88 and 89 percent over the last two years.

The Association reiterated its estimates that there are over 140,000 low-income households (six percent of funded and authorized vouchers) that could otherwise be housed with funding already appropriated by Congress. However, underfunding of Section 8 administrative fees has, in part, contributed to stagnating and inadequate "voucher lease-up rates" of low-income households. Inadequate administrative funding continues to compromise HAs' ability to fill voucher program vacancies quickly, perform inspections, ensure housing quality, and fulfill other important voucher program obligations. For years, PHADA has also described other contributing factors.

Clearly, the six percent cut in Housing Assistance Payment (HAP) funding caused by sequestration in 2013, which resulted in a 94 percent HAP proration, also had a significant adverse impact on national voucher lease-up rates. However, given the length and depth of downward administrative fee prorations over the last thirteen consecutive years relative to the other contributing factors, it is hard to argue against the fact that inadequate funding of administrative fees has also been a significant contributing factor in declining voucher lease-up rates.

Definition: Voucher Lease-up Rate
Total voucher-assisted households a Housing Authority leases divided by the total it is authorized to lease.

Address the Voucher Leasing Crisis by Moving Beyond the Status Quo

Appropriations are yielding insufficient fee prorations, and there is no indication that this will change appreciably in the near future. What's more, the rigid and outmoded firewall between HAP-related balances from prior year(s) to help augment fee prorations, has and will continue to compromise voucher program operations and needlessly reduce the number of low-income households that HAs could otherwise lease. Opposition to such measures has resulted in the continuation of the *status quo*, with fewer unassisted low-income households being housed each year.

To date, opponents of PHADA's fungibility proposal state that all program stakeholders need to continue to advocate for full funding of HAP and administrative fees, which the Association has and will continue to do every year. Every year, PHADA participates with the Campaign for Housing and Community Development Funding, a Washington-based coalition of 70 national housing and community development organization that seeks improved funding of HUD programs. PHADA also participates in a massive coalition of approximately 1,500 organizations called NDD (Non-Defense Discretionary) United, whose primary mission is to end sequestration and raise funding caps on non-Defense discretionary spending. PHADA participated in NDD's sign-on letter and advocacy efforts to help secure the greatest budget allocations and appropriation subcommittee allocations for social program spending – programs like housing, food stamps, transportation, education., etc.

PHADA has tried to engage critics about grim budget and appropriations realities. The fact is that for FY 2017 there is only \$50 *million* available for NDD programs *government-wide*. However, transportation and housing programs in the Senate and House THUD Appropriations Subcommittees' purview need \$1.5 *billion* just to maintain existing programs' funding levels. Such critics follow and know about the program costs are growing year-over-year, and too few dollars for FY '17 means housing programs will eventually face the "tyranny of math," in the words of THUD Appropriations Chairwoman Susan Collins (R-ME), by trying to fund too many priorities with far too few dollars.

PHADA has urged that critics to come to grips with the fact that within HUD's programs, there is a "first call" on any additional budget authority to a number of some program accounts, and at the same time grossly inadequate funding and prorations to other program accounts. Indeed, one of our central, ongoing efforts is to vigorously advocate about the need for improved funding (see: **www.phada.org/pdf/2017recommendations-03042016-Final-Draft.pdf**). When push comes to shove in extremely tight budget and appropriations environments, some low-income advocates who are steadfast opponents of PHADA's fungibility proposals have demonstrated an unwillingness to move from the *status quo*, negatively affecting unassisted waiting list households.

The Confusing Math around HAP Budget Utilization Rates vs. Annual HAP Renewal Funding

Several senior HUD officials have publicly characterized the performance of the voucher program over the last several years by citing a "utilization" figure of 98 percent, during a time when national voucher "lease-up rates" were 88 and 89 percent. Additionally, some low-income advocacy organizations have focused on the same 98 percent "utilization" figure as justification for opposing PHADA's fungibility proposal, even when low fee prorations ultimately contribute to inadequate lease-up rates of low-income households. Another factor is HUD's annual "re-benchmarking" formula that uses HAs' *current year* HAP budget authority based on their *prior year* HAP expenditures. As a better alternative, PHADA demonstrated to HUD that the amount of annual HAP renewal funding available to HAs would provide a more consistent and accurate approach to understanding voucher leasing levels.

PHADA calculated the amount of annual HAP renewal funding available to HAs each year. Comparing annual "HAP renewal funding" available to HAs to annual "budget utilization rates" and within the same calendar year, results in significantly different pictures of the voucher program's performance. For example, HUD characterized the "utilization rate" in 2015 as **98 percent**, when there was only **95 percent** in HAP renewal funding available to HAs for the same year. Both figures are technically accurate, but PHADA tried to impress upon HUD that repeatedly using the generic term "utilization rate" does not serve lawmakers or program stakeholders well. Without further examination and understanding by others, HUD's use of this calculation could lead to the misleading conclusion that voucher programs are performing well.

In reality, we believe that closer examination of voucher lease-up rates, annual HAP renewal funding available to HAs, and fee prorations could lead to a more accurate conclusion that voucher program performance is generally inadequate.

PHADA also believes it is necessary to review these figures in a coordinated fashion, rather than in isolation. To this end, PHADA provided HUD and key Congressional staff with a detailed analysis of these and related figures, which is accessible at: **www.phada.org/pdf/VoucherLeaseupRate2003to2014.pdf**. With a deeper and more nuanced understanding of the funding and performance problems in the voucher program, PHADA conveyed its hope to the Department that it will implement the Association's recommendations in a timely and robust manner.

PHADA's Three Recommendations to HUD and Congress

1. Hopefully, HUD's review of voucher program performance over the last two years relative to fee prorations of 79.77 percent and 81.56 percent, respectively, will prompt the Department to substantially increase HAs' ongoing administrative fee prorations with its carryover of unobligated funds from prior year(s) in order to augment fee prorations – and to do so sooner rather than later. An 80 percent fee proration is close to what HAs operated their voucher programs with over the two previous years. More specifically, the current fee proration of 80 percent is closer to 79.77 percent fee proration in FY 2014, when there was an 88 percent voucher lease-up rate, than it is to 81.56 percent fee proration in 2015, when the same rate was at 89 percent. In PHADA's view, it would be imprudent for HUD to do the same thing at the same level for a third year in a row and expect a different program result.
2. PHADA believes that the existing statutory language (in effect for the last ten years), allows HUD to provide HAs with a portion of their HUD-held HAP Reserves (HHR) from prior year(s), in order to augment their administrative fee prorations. There are many HAs that have HHR funding from prior year(s).
3. PHADA reiterated its fungibility proposal to HUD for its consideration. PHADA has proposed an alternative approach that would apply to HAs that do not receive 95 percent of the full amount of administrative fees to administer Section 8 voucher programs at the existing authorized statutory fee rate (pre-Quality Housing and Work Responsibility Act of 1998 rate) for each leased household. In such cases, HAs would be able to utilize their Housing Assistance Payment balances from a previous year(s) in order to receive a combined administrative fee using *direct* and *indirect* funding from Congress, up to a 95 percent proration.

Contributing Factors Compound Underfunding vs. HAs' Actual HAP Costs

There are a number of factors that contribute to HAP budget utilization rates and HAP renewal funding available to HAs, including but not limited to:

- HAs' lowered voucher payment standards in FY 2013 or FY 2014 taking effect subsequently;
- HUD's erratic and unmanageable FMRs;
- changes in household income and utility allowances;
- changes in households' income to rent burdens; and
- an annual HAP inflation factor for HAs' contract renewal funding that does not accurately reflect agencies' *actual* annual per voucher HAP costs.

In fact, the disconnect between HAs' *actual* annual per voucher HAP inflation costs versus HUD's negligible to non-existent HAP inflation for HAs' renewal funding *eligibility* (described in detail below) masks HAP budget utilization rates and HAP renewal funding in opposite ways:

- **<u>Annual HAP Budget Utilization Rates:</u>** By definition, any time an HA's *actual* annual per voucher HAP inflation costs are greater than HUD's annual per voucher HAP contract renewal inflation factor, they expend greater percentages of their available HAP renewal budget authority. This contributes to budget utilization rates that are relatively higher than they would be if HUD's HAP renewal inflation factors more accurately reflected HAs' actual per voucher HAP costs.
- **<u>Annual HAP Renewal Funding Available to HAs:</u>** HUD uses a negligible to non-existent annual HAP contract renewal inflation factor for many HAs. Significant percentages of HAs have had stagnating or low voucher lease-up rates, due in part to a long period of insufficient administrative fee prorations. There has been a budget-based HAP renewal formula in law for many years. As a result of these and other factors, many HAs receive ***relatively low*** percentages of annual HAP renewal funding.

The disconnect between HAs' *actual* annual per voucher inflationary HAP costs versus HUD's HAP inflation factor for renewal funding *eligibility*, adversely affects applicable HAs from meeting important voucher program goals. PHADA previously filed comments with HUD regarding the need to fix this problem. PHADA wrote, "[r]ecognition of this reality would go a long way towards helping the Department and Congress improve HAP funding and formula distributions, administrative fee funding, and inflation factors to help better achieve expanding housing opportunities, increase voucher leasing rates, improve voucher-assisted households' income to housing cost burdens, and improve voucher success rates, etc."

How Fungibility Will Increase Lease-ups

PHADA's issue brief titled, "Over 140,000 Go Without Housing – PHADA's Cost Neutral Proposal Would Help Fix this Growing Voucher Leasing Crisis," is accessible at: **www.phada.org/pdf/Sec8_AdminFee_100K-Vouchers_FINAL.pdf**. HAs use of relatively negligible amounts of funds to assist voucher-assisted households lease dwelling units, compared with the short and long-term benefits, should be compelling. PHADA's modeling of the costs to bring HAs' administrative fee prorations from 80 percent to 95 percent would cost approximately seven-tenths of one percent (0.7%) of the total HAP-related funds. If this were to occur, for every dollar spent out of HAs' HAP-related balances from prior year(s), 88 cents would be spent on housing subsidies and 12 cents would be spent on agencies helping low-income households lease, etc.

Preventing Permanent Voucher Program Rebenchmarking

For many years, although not all, unleased vouchers and accumulation of corresponding HAP reserve balances have been and may continue to be offset by Congress and HUD. When this takes place, there is no guarantee in the budget and appropriations process that those precious financial resources stay within the voucher program and/or other affordable rental assistance programs for low-income households. **Depending on the nature and severity of future offsets of HAP reserve balances, even while national voucher lease-up rates stagnate in the high 80 or low 90 percent range, the nation's voucher program may be capped at these lease-up rates for years to come. PHADA conveyed its belief that there is a real opportunity for the Department to further correct these problems now, so that the long-term damage to the capacity of the voucher program is significantly mitigated.**

Progress Is Desperately Needed

There are a number of inherent checks and balances on the use of HHR to ensure proper use of these funds in order to help sustain and improve national voucher lease-up rates and attain other program goals. PHADA conveyed its belief to HUD that all program stakeholders need to move forward from the *status quo*, because real harm is being exacted on the voucher program year after year.

In terms of other possible checks and balances on the implementation of existing law, there is clearly a role for HUD to play. PHADA strongly encouraged the Department to develop a workable solution to this problem by facilitating discussions regarding viable fungibility options with Congress and a diverse group of program stakeholders including but not limited to: HA Industry Groups, low-income advocacy organizations, and property owner/management associations. PHADA stressed to HUD the urgent need to work out such details in a transparent and collaborative fashion to address concerns from Congress and other groups. ■

HUD Moves Toward Formal UPCS-V Demonstration

In the February 24, 2016 edition of the *Advocate*, PHADA covered some updates to the proposed alternative inspection protocol for the Housing Choice Voucher (HCV) program – UPCS-V. PHADA has been very vocal with the Department on a number of critical issues concerning UPCS-V, including, but not limited to: significant flaws in the methodology and execution of the HQS quality assurance inspection project, as well as the interim and final reports on this same topic; concerns related to the feasibility of instituting a new standard in the HCV program in the current historically low federal funding environment; and, the potential for loss of landlords to the HCV program with a more stringent standard, further decreasing participant choice when looking for a home with a housing voucher. Since that edition of the *Advocate* there have been some further, important updates to the development of the new inspection protocol.

In late 2015, the Association responded to a Notice of Information Collection to the Office of Management and Budget (OMB) in the Federal Register. This notice was submitted by the Department of Housing and Urban Development (HUD) in December 2015 and included the Department's intent to test UPCS-V in the HCV program at approximately 250 housing authorities (HAs). PHADA provided comments to the OMB on January 16, 2016, which included a number of concerns that the Association has cited related to alternative inspection standards for many years. The Association also requested that the notice of information collection be rescinded and that UPCS-V be suspended immediately until further collaboration with the housing industry was permitted. The Association respectfully requested that the suspension of the testing of a new protocol continue until such time that the industry has been properly and fully included in its development and allowed reasonable time to provide feedback. On March 9, 2016, PHADA received a letter from the Department in response to our comments to the OMB. The Department declined to rescind the notice or suspend the development of the UPCS-V demonstration stating that "[t]he Department is committed to involving stakeholders in the process."

It is vital that if the [HUD] insists on proceeding with UPCS-V, that it do so cautiously and with full industry participation. It is imperative that any new inspection requirements do not inadvertently have negative effects on the HCV program and the families that it serves.

While HUD has not been very forthcoming related to specific details of the new inspection protocol in the past, HUD recently released key details of the UPCS-V standard to the industry in a letter sent on February 11, 2016. This letter to "housing partners" provides some general details related to UPCS-V and confirms the Department's plan to institute a formal demonstration, rather than a pilot. HUD states that the formal demonstration process "…should be more open and inclusive and allow for greater PHA input…. As one of the first steps in preparing for the Demonstration, HUD seeks feedback from your technical experts on the proposed list of UPCS-V deficiencies and defects…. We will be reaching out shortly to coordinate a date and time for a technical discussion with representatives and members from your organization…." PHADA has been informed that the discussion forum is likely to be held in late April. At this time no date and time have been confirmed. PHADA will continue to update members as this HUD initiative progresses.

Also attached to the letter was a 38-page document that included "decision trees," what PHADA assumes to be the full list of deficiencies that make up the complete UPCS-V standard. HUD did not include the scoring model, or the Dictionary of Deficiency Definitions. The Department stated within the letter that the specific scoring weights were not included in the "decision tree" document, due to the fact that "…the UPCS-V scoring model will be developed based on the data collected during the Demonstration…." To assist in a thorough review of the technical information provided by the Department, PHADA did request a copy of the UPCS-V Dictionary of Deficiency Definitions from the HUD Real Estate Assessment Center (REAC), which would allow PHADA to better analyze the protocol. HUD REAC staff states that this will be available for review by the end of March.

PHADA is currently working closely with REAC UPCS experts and other partners to gather comprehensive feedback to HUD on the details of the standard which are currently available, as well as other recommendations to improve upon the process of developing and implementing a UPCS-V Demonstration. PHADA also plans on working closely with a number of members in the future to gain additional feedback so as to provide the Department with comprehensive comments.

Additionally, Principal Deputy Assistant Secretary, Lourdes Castro Ramirez sent a letter by email on March 10, 2016, to all Executive Directors updating housing authorities (HAs) on HUD's efforts to "enhance" the HCV inspections program. PDAS Castro Ramirez states that, "[t]he foundational elements for UPCS-V are derived from the UPCS protocol we used for public housing inspections. What makes UPCS-V unique is that it has been specifically tailored to match the goals and objectives of the HCV program, and will provide improved service delivery from PHAs to tenants, and enhance HUD's oversight of the HCV program through an electronic database with detailed property information."

The Department further reveals that a UPCS-V Demonstration Notice will be published in the Federal Register within the next few months to formally announce the testing of the demonstration with volunteer HAs. HUD has not provided details as to how they intend on locating volunteer agencies. If any agencies are considering participating in the demonstration, PHADA would greatly appreciate speaking with you, as your HA may be provided access to details that the Department does not share with industry groups.

There continue to be many questions unanswered and details unknown. PHADA will work diligently to get those questions answered as soon as possible and to continue to provide updates at this progresses. It is vital that if the Department insists on proceeding with UPCS-V, that it do so cautiously and with full industry participation. It is imperative that any new inspection requirements do not inadvertently have negative effects on the HCV program and the families that it serves.

PHADA has reported extensively on the development of UPCS-V, as well as the Department's HQS quality assurance inspection project, which concluded in March 2015. For more information on UPCS-V and/or the HQS quality assurance inspection project, please take a look at the articles listed below:

- *PHADA Meets with HUD Staff to Discuss Quality Assurance Reviews & UPCS-V* (**www.phada.org/advocate/article.php?storyid=2185**)
- *PHADA Questions Credibility of HUD's Housing Choice Voucher Inspection Oversight Project* (**www.phada.org/advocate/article.php?storyid=2288**)
- *PHADA Monitors Progress of Changes to Voucher Program Inspection Protocol* (**www.phada.org/advocate/article.php?storyid=2322**)
- *Association Request for Transparency Continues Unheeded* (**www.phada.org/advocate/article.php?storyid=2335**)
- *Department Release HCV Inspection Protocol Quality Assurance Project Final Report* (**www.phada.org/advocate/article.php?storyid=2431**) ■

HUD Issues SPEARS Update to Clarify Section 3 Reporting Periods

Announces Reporting "Clarifications" After Reporting Period Ends

On February 22, 2016, two months after the reporting deadline for 2013 and 2014 Section 3 reports, the Department of Housing and Urban Development (HUD) issued a "SPEARS Update: Clarification of Section 3 Reporting Periods." The update states that while housing authorities (HAs) have the flexibility to select reporting periods that coincide with an agency's fiscal cycle or program year in the Section 3 Performance Evaluation and Registry System (SPEARS), the Department has established designated Section 3 reporting periods. As a result, a number of HAs who were under the impression that all Section 3 Summary Reports were successfully submitted (2013, 2014, and 2015), are now showing delinquent reports in SPEARS due to confusion created by the new system which were not addressed adequately by HUD while the reporting period was open for 2013, 2014 and 2015 reports.

PHADA published an overview of the clarification of Section 3 reporting periods on its website that includes a link to HUD's SPEARS Update notice, accessible at: **www.phada.org/news.php?id=2457** ■

LET'S MOVE SHARP THIS SESSION!

(SMALL HOUSING AUTHORITY REFORM PROPOSAL)

We need your Senators to sign onto SHARP legislation – S.2292 with:

Sen. Jon Tester (D-MT)
Sen. Deb Fischer (R-NE)
Sen. Tom Cotton (R-AR)
Sen. Roy Blunt (R-MO),
Sen. Kelly Ayotte (R-NH)
Sen. Jeanne Shaheen (D-NH)

→ **Your Sen.** ____________________

→ **Your Sen.** ____________________

AND
We need your Representative to sign onto SHARP legislation – H.R. 4816 with:

Rep. Steven Palazzo(R-MS)
Rep. Sanford Bishop (D-GA)
Rep. Brad Ashford (D-NE)
Rep. Chuck Fleischmann (R-TN)
Rep. Rodney Frelinghuysen (R-NJ)
Rep. Gregg Harper (R-MS)
Rep. Vicky Hartzler (R-MO),
Rep. Ann Kuster (D-NH)
Rep. Bill Posey (R-FL)
Rep. Bennie Thompson (R-MS)

→ **Your Rep.** ____________________

WHAT YOU CAN DO TO HELP:

1. Make calls or send emails to your Senators asking them to co-sponsor SHARP legislation: S.2292 in the Senate
2. Make a call or send an email to your Representative and ask him/her to co-sponsor SHARP legislation: H.R. 4816 in the House

For more information, visit PHADA's website at: www.phada.org/pdf/SHARPPublication.pdf

…"OIG Testimony"

Continued from page 2

or groups of properties called asset management properties (AMPs). These core functions included project-based funding, project-based budgeting, project-based accounting, project-based management and project-based performance assessment. These asset management changes affected every aspect of public housing management including new policies and procedures, new software, updates to personnel handbooks and job descriptions, the reorganization and training staff and educating residents about how changes affected them. The Central Office Cost Center was designed as a key business unit that supported the agency-wide planning, management, development and oversight. The COCC is a repository for earned income (fee-for-services) to support these remaining centralized activities. Agencies could earn fees, like private owners, for work it performed and then use those funds collected in the COCC flexibly for agencies' needs and priorities.

Surprisingly, after a decade, HUD's entire asset management program is now in danger of being unraveled because of a seriously flawed OIG report. The OIG used a cherry-picked group of five (5) problem housing authorities to justify the OIG opinion that the fees in the asset management program were unacceptable and unsupportable. The OIG used innuendo and a leap of logic to connect questionable expenditures around travel, salaries and staff bonuses in Los Angeles and San Francisco to surmise that asset management fees were the cause of this behavior. Poor judgment by a couple former public housing directors was enough for the IG to indict and entire industry. This seems like an incredible reach – and a weak reason to rewrite asset management policy for the entire nation. But indeed, those weak "findings" were enough for the IG to call for the elimination of the asset management fee and for reassessing and "refederalizing" the remaining fees – for bookkeeping, project management and Capital Fund management.

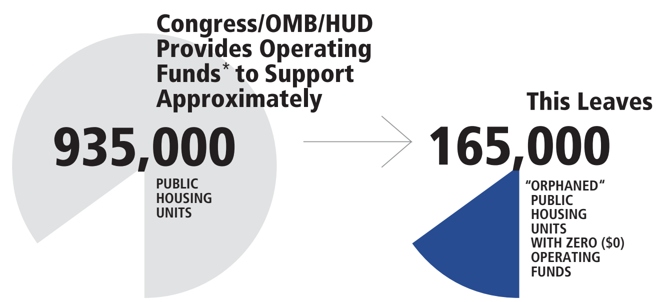
To its credit, senior HUD staff offered a strong response to each of the IG's flawed recommendations. The IG indicated in the hearing that he does not appreciate having his findings questioned. When Chairwoman Susan Collins asked what HUD's reaction was to the IG's "over-income" report, the IG responded, "Unfortunately, what we have seen too often with some of my reports is a knee-jerk reaction to say the IG is wrong, as opposed to stopping to take a look at…. Very shortly after that position was taken by a lower-level employee, the Secretary and the Deputy Secretary quickly turned that around and were very much in agreement with our position."

Questions for the Secretary

The combination of the OIG's flawed report and the Secretary's quick capitulation on the report's recommendations should likely send shockwaves through every public housing program and initiative. The Department that promised transparency and collaboration provided neither to agencies blindsided by the Secretary's expedient decision. That decision has raised many questions that HUD will need to answer. They include:

- How does the Department realign the asset management fee system without hampering the efficient delivery of affordable housing to poor households?
- How many years and how much money will be needed to fix an asset management problem that does not actually exists? Housing agencies are financially stressed by chronic underfunding of both the Operating and Capital Funds. They can ill afford to incur new costs under a new funding system. Will the entire public housing funding system collapse when some fees disappear and others are reduced?
- Do refederalized funds jeopardize RAD projects that have yet to close? Or for RAD deals that have already closed? RAD (like asset management) is another HUD-created hybrid program that provides ongoing flexibility for HUD intervention through the RAD contract. Since RAD PBA properties are differentiated from privately-owned PBRA properties, will this provide an opening for the OIG to force HUD to impose new rules and restrictions on RAD properties at some future point?
- Do refederalized funds negatively affect large housing authorities' bond ratings? Will these agencies suffer financially because they have unreliable partners?
- Do refederalized funds make Choice Neighborhoods projects more difficult to plan for, structure, and implement?
- Do refederalized funds jeopardize PHA-private lender relationships? Private lenders like nothing better than certainty, including the reliability of programs and the ability of their borrowers to (earn and) control their own funds.
- Is the OIG, like the HUD Secretary, complicit in producing disparate treatment for public housing residents? Why are PHAs cut off from the same opportunities commonly available to their private sector counter parts? Private owners can take a profit and do not have to account for how they spend it. Public owners merely want their proceeds to be equally flexible so they can reinvest it in their housing needs and priorities.
- Based on deep prorations and severe underfunding, HUD is currently only providing operating funds for approximately 935,000 out of the total 1.1 million public housing units per the negotiated funding formula. This has "orphaned" approximately 165,000 public housing units with no operating funds. Why no OIG comment on this failure? (see Figure 1) Will the OIG recommend housing agencies be allowed to rent "orphaned" units to households with enough income to cover the cost of operating these units? ■

FIGURE 1. FUNDING ORPHANS



*Per the negotiated funding formula.

Hotel

Planet Hollywood Hotel

Las Vegas, Nevada

Overlooking the Las Vegas Strip, this high-rise hotel is a five-minute walk from the Bellagio fountains and 1.2 miles from Madame Tussauds Las Vegas wax museum. Colorful rooms feature famous movie memorabilia. Planet Hollywood offers lots of dining options which include an upscale steakhouse, casual restaurants and bars. After a day of learning and sharing information with colleagues when you are not in the educational sessions or the exhibit hall, you will be able to enjoy other hotel amenities. For more information on Planet Hollywood, visit: www.caesars.com/planet-hollywood.

Reservations & Room Rates

Register for the conference first and receive a conference code to make your hotel reservations. Reservations will not be accepted without a code.

Important Change in Registration/Hotel Accommodations Process

Hotel Reservation Policy for PHADA's 2016 Annual Convention and Exhibition **Register first then reserve your room!** Due to the unique city and venue, conference registration is required prior to making a reservation in the PHADA room block. Any reservation in the PHADA room block without a corresponding conference registration may be canceled without notice. This policy is designed to give priority to registered conference attendees and provide them with greater access to the discounted hotel room rates. Once your registration is confirmed, you will receive a code to reserve your hotel accommodations in the room block. Requests for reservations at the PHADA group rate will be accepted for registered conference attendees on a space available basis through April 15 or until the PHADA room block is sold out.

Reservations at the PHADA rate may only be secured with the conference code included in your conference registration confirmation.

Planet Hollywood Las Vegas Resort & Casino
3667 Las Vegas Boulevard South
Las Vegas, NV 89109

Room Rate: $109 single/double + $29 resort fee

Room rates are per night plus applicable tax. A portion of the room rate is being used to offset conference costs.

Cut-off date: April 15*

All reservations made via the telephone call center will be assessed a fee by the hotel of $15 per reservation.

**Based on availability*

Agenda

**Agenda items and times are subject to change*

Friday, May 20

7:00 am–8:00 am	**EDEP Registration**
8:00 am–5:00 pm	**EDEP: Legal Issues**

Saturday, May 21

7:00 am–8:00 am	**EDEP Registration**
8:00 am–5:00 pm	**EDEP: Procurement and Contract Management**

Sunday, May 22

7:30 am–6:00 pm	**Conference Registration**
8:00 am–9:30 am	**Legislative/Regulatory Briefing**
9:40 am–10:40 am	**Small PHA Committee Meeting**
10:50 am–11:50 am	**Bollinger Committee Meeting**
10:50 am–12:20 pm	**Housing Committee Meeting**
1:00 pm–2:30 pm	**Professional Development Committee Meeting**
2:30 pm–4:00 pm	**Legislative Committee Meeting**
4:10 pm–5:30 pm	**Membership Committee Meeting**
5:30 pm–7:30 pm	**Welcome Reception in Exhibit Hall**

Monday, May 23

7:30 am–6:00 pm	**Conference Registration**
7:30 am–8:15 am	**Continental Breakfast in Exhibit Hall**
8:15 am–10:15 am	**Annual Business Session**
10:15 am–5:00 pm	**Exhibition Hall Open**
10:30 am–12:00 pm	**Education Sessions**
12:05 pm–1:05 pm	**Personnel Committee Meeting**
1:30 pm–3:00 pm	**Education Sessions**
2:15 pm–3:15 pm	**Finance Committee Meeting**
3:15 pm–4:45 pm	**Education Sessions**
5:00 pm–7:00 pm	**Reception in Exhibit Hall**

Tuesday, May 24

7:30 am–3:00 pm	**Conference Registration**
7:30 am–8:15 am	**Continental Breakfast in Exhibit Hall**
7:30 am–12:00 pm	**Exhibition Hall Open**
8:00 am–9:30 am	**Executive Board Meeting**
8:30 am–10:00 am	**Education Sessions**
10:15 am–11:45 am	**Education Sessions**
12:00 pm–1:30 pm	**Bollinger Scholarship Luncheon**
1:45 pm–3:15 pm	**Education Sessions**
3:15 pm–conclusion	**Board of Trustees Meeting**
3:30 pm–5:00 pm	**Education Sessions**

Wednesday, May 25

7:30 am–12:00 pm	**Conference Registration**
7:30 am–8:15 am	**Continental Breakfast**
8:15 am–9:45 am	**Education Session**
9:45 am–11:15 am	**Education Session**
11:15 am–12:45 pm	**Education Session**
6:00 pm–8:00 pm	**Closing Dinner**

PHADA'S 2016 ANNUAL CONVENTION & EXHIBITION

Don't miss this opportunity to learn, share ideas, and network with your colleagues from across the country.

Register for the Conference:

Register online at www.phada.org, or fill out the form below and mail or fax it, along with the registration fee, to:

PHADA Annual Convention & Exhibition
511 Capitol Court NE
Washington, DC 20002–4937
Fax: 202-546-4166

Reservations at the Hotel:

Register for the conference first and receive a conference code to make your hotel reservations. **Hotel reservations will not be accepted without a code.**

Planet Hollywood Las Vegas Resort & Casino
3667 Las Vegas Boulevard South
Las Vegas, NV 89109

(Please fill out a separate form for each registrant, including spouses)

Name ____________________ First Name for Name Badge ____________________

Housing Authority ____________________ Title ____________________

Street Address ____________________

City/State/Zip ____________________ Phone ____________________

Email address (to receive a confirmation) ____________________

Is this your first PHADA meeting? ☐ YES ☐ NO

Do you plan to attend the Bollinger Scholarship luncheon (included in registration fee) on Tuesday, May 24? ☐ YES ☐ NO

Do you plan to attend the closing dinner (included in registration fee) on Wednesday, May 25? ☐ YES ☐ NO

☐ Please check this box if you require special services or assistance because of a disability.

Executive Director Education Program (EDEP) Registration *(conference registration is included)*	**PHADA Conference Registration Only** *(for those not taking EDEP classes)*		
	Before April 15	**After April 15**	**On-site**
☐ Option 1: Friday, May 20: Legal Issues—$995	☐ Member: $440	☐ Member: $465	☐ Member: $490
☐ Option 2: Saturday, May 21: Procurement and Contract Management—$995	☐ Nonmember: $550	☐ Nonmember: $575	☐ Nonmember: $600
☐ Option 3: Both classes—$1,560	☐ Spouse: $170	☐ Spouse: $180	☐ Spouse: $190

Payment Method:

Check or money order enclosed in the following amount: $ ____________________

Please bill my: ☐ MasterCard ☐ VISA ☐ AMEX

Account # ____________________

Print Name ____________________ Signature ____________________ Exp. Date ____________________

*Cancellations received in writing before April 15 will be refunded less a $100.00 administrative fee. Substitutions are welcome if notified in writing. There will be no refunds after April 15. No refunds are given for no-shows.

BY SUBMITTING THIS REGISTRATION FORM YOU ARE AGREEING TO PHADA'S CANCELLATION POLICY.

EDEP registrants please note: On-site registrations are **not** accepted for the EDEP program, and class size is limited to 40 participants. You will receive confirmation of your EDEP registration from Rutgers University. If you do not receive a Rutgers confirmation, please contact the PHADA office at 202-546-5445. Refunds will only be issued to registrants who withdraw on or before April 15.

HUD Publishes Another Assessment of Fair Housing (AFH) Tool

It Requests Comments on the Form for States and Insular Areas

On March 11, HUD published a 60-day notice asking for comments on its draft AFH tool to be used by states and insular areas. This AFH must be completed by components of state governments administering HUD's housing and community development programs under its new Affirmatively Furthering Fair Housing (AFFH) requirement (program participants). Thus this form affects state governments including the District of Columbia and Puerto Rico, and insular areas (American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands). Although Puerto Rico is technically an insular area, HUD is treating it as a state for purposes of this AFH tool. Comments may be submitted through Regualtions.gov and are due by May 10, 2016.

This is the second major AFH tool published by the department that must be used by program participants. The first tool was for use by local CDBG and HOME entitlement communities, and by other program participants wishing to submit joint regional assessments in collaboration with entitlement communities or with more than one HA. That first final AFH was published at the end of December 2015 and affected program participants must begin using it as early as July 2016.

This notice requested comments on the contents of this second AFH tool and included links to the draft tool and to HUD's online AFH data maps and tables. At the moment, although HUD has published examples of the maps that will be available for use with by states and insular areas, those maps and tables are not yet available through the online data and mapping tool. HUD's notice, its draft AFH Tool for States and Insular Areas, and its examples of tables and maps for use with this new draft AFH tool are available on PHADA's web site. HUD also published a very helpful document comparing this new draft tool with the final tool for entitlement communities, and that document is also on PHADA's web site. PHADA will prepare and submit comments on this new tool and urges PHADA members to review this new AFH tool and submit comments as well.

HUD must still complete the development of the AFH tool for local HAs that choose to submit their AFHs independently. HAs must decide whether to submit their AFH on their own using that as yet unpublished tool, join in a collaboration with their local entitlement community and/or with other regional HAs, or (if they are eligible for the option) join in a collaboration with their state or insular area.

HAs must decide whether to submit their AFH on their own using that as yet unpublished tool, join in a collaboration with their local entitlement community and/or with other regional HAs, or (if they are eligible for the option) join in a collaboration with their state or insular area.

Contents of HUD's Notice

In addition to announcing this draft tool and asking for comments, HUD has asked a number of specific questions concerning the content and the use of this tool. In particular, the department wants feedback concerning the effect of the tool on potential collaborations between states and qualified HAs. A qualified HA is one which administers fewer than 551 public housing units and housing choice vouchers combined, is not a troubled agency under the Public Housing Assessment System (PHAS), and does not have a failing score under the Section Eight Management Assessment System (SEMAP). These small agencies constitute a significant majority of HAs nationally, and HUD may hope that many of these agencies will choose to submit AFHs in collaboration with states. Otherwise, qualified agencies' AFH submissions may impose an enormous burden on the department to review them in a timely manner. Approximately 3,300 HAs meet the size requirement as a qualified HA. If these agencies choose to collaborate with their states in preparing AFHs, that would reduce HUD's burden to review these submissions by 3,250 assessments over 5 years, or approximately 641 assessments per year nationally. In its assessment of the administrative burden of this assessment, HUD has estimated that 1,314 qualified HAs will elect to collaborate with states.

HUD asked several questions concerning these collaborations focusing on how the AFH tool and requirements could facilitate those collaborations. Specific HUD questions relate to:

- The structure and content of the tool,
- Ways in which regional analyses may be completed (every AFH requires an assessment of impacts within jurisdictions and one within an agency's "region" defined in various ways).

At the moment, qualified HAs that elect to collaborate with their state in submitting an AFH would be treated as though its region is the entire state. HUD acknowledged in its notice that small agencies have various jurisdictions ranging from the entire state, to countywide, to areas within counties. It would seem to be a disincentive for a qualified HA to be required to consider the entire state as its region. A statewide analysis for a qualified agency in Missouri, for example, might require rural qualified HA participating in Missouri's AFH to address fair housing issues originating in the St. Louis metropolitan area that has no relationship to the qualified agency's circumstances.

HUD also posed questions concerning the level of analysis and the quality of data available from its data and mapping tool for both qualified HAs and for insular areas. For qualified HAs, it is very likely that county wide information may be the best available for use in a qualified agency's AFH, but county wide data may not reflect local circumstances accurately. For insular areas, the Bureau of the Census does not collect much of the data HUD has relied on to develop its data and mapping tool. Insular areas may need to rely much more heavily on what HUD has referred to as local knowledge and information. That knowledge and information may not be as robust or as reliable as that from the U.S. Census or may not be comparable with other data sources HUD has made available. At the moment, HUD's online tool does not include information that would be used by states and insular areas. Instead it has published examples of maps and tables that would be available in the tool in the future. Evaluating the draft tool is difficult without this information.

HUD's Estimate of Administrative Burden

As part of this and other notices, HUD has estimated the burden of completing AFHs in hours by different program participants. When it published a 60-day notice for entitlement community AFHs, HUD estimated that the assessment required approximately 200 hours to complete for an annual burden of 175,550 hours. The department subsequently modified its burden estimate because it chose to lower its estimate of the number of HAs that would collaborate with localities, it raised the estimate of time per assessment for entitlement communities to 240 hours every 3 to 5 years, and it dropped its burden estimate for HAs to 120 hours. Its estimate of total burden dropped in half to 89,048 hours. This time is the equivalent of 43 man years of time devoted to completing entitlement community AFHs annually.

HUD's Burden Estimates

In its burden estimate in the current notice for states and insular areas, HUD estimated that an assessment would take:

- 51 states 1,500 hours each to complete,
- 4 insular areas 240 hours each to complete, and
- 1,314 HAs 120 hours each to complete.

The department's estimate of burden for all submissions using the states and insular areas' AFH tool is 47,028 hours. **This time is the equivalent of 23 man years of time devoted to AFH completion each year.**

These burdens are particularly significant since no additional funds will be available to support AFH completion. Expenses associated with AFH completion must be diverted from other program activities. So far, HUD's AFH will divert almost 70 full time equivalent staff from direct service delivery to AFH completion annually.

See "AFH Tool" continued on page 18

FY 2017 Public Housing and Section 8 Program Funding Needs

The Public Housing Authorities Directors Association (PHADA), the National Association of Housing and Redevelopment Officials (NAHRO), and the Council of Large Public Housing Agencies (CLPHA) are pleased to release the following joint funding recommendations for Public and Indian Housing programs administered by the U.S. Department of Housing and Urban Development. These programs provide resources essential to ensuring that vulnerable seniors, families, veterans, and people with disabilities across the country have access to decent, safe, and sanitary affordable housing to help stabilize and improve the quality of their lives.

	President's FY 2017 Budget Request (in millions)	NAHRO/PHADA/CLPHA FY 2017 Funding Recommendations (in millions)
Public Housing Operating Fund	$4,569	$5,464[1]
Public Housing Capital Fund	$1,865	$5,000
Emergency Capital Needs	[$20]	$20
Resident Opportunities and Supportive Services (ROSS)	$0	$35
Jobs Plus	[$35]	$15
Public Housing Financial and Physical Assessment Activities	$10	$3
Section 8 Tenant-Based Housing Choice Voucher HAP Renewal	$18,447	$18,477[1]
Tenant Protection Voucher HAP Funds	[$110]	Fully Fund[2]
Section 8 Ongoing Administrative Fees	$2,077	$2,122[3]
Special & Ongoing Fees for TPV,CNI, HUD-VASH	[$10]	$20
Section 8 Project-Based Rental Assistance	$10,816	$10,839[4]
Rental Assistance Demonstration (RAD) Renewals	[$149]	[$149][5]
Contract Administrator Program	[$235]	[$235]
Mobility Demonstration	$15	$15
Consolidated Family Self-Sufficiency (FSS) Program	$75	$85
Choice Neighborhoods Initiative	$200	$200

[ ] – Set-aside amount within main account's overall funding level

Public Housing Operating Fund: ***$5.464 billion for the Operating Fund*** for FY 2017. HUD estimates that total resident rent contributions will increase by $77 million in FY 17. However, the Department did not explain its justification for this assumption. As such, we recommend that total resident contributions are kept at the same level as were estimated for FY 2016.

Public Housing Capital Fund: ***$5.000 billion for the Capital Fund***, to be distributed by formula, for FY 2017. This amount would allow PHAs to address their newly accruing needs, estimated at $3.4 billion annually[6], as well as make progress towards making other critical repairs and pursuing much-needed programs of modernization. These dollars represent an investment in public housing, but also an investment in local economies--every dollar that PHAs spend on capital and maintenance results in an additional $2.12 of indirect & induced economic activity nationwide for a total economic impact of $3.12.[7]

HUD acknowledges that "Public housing constitutes an economic and social asset that cannot be created or sustained by the private market. Replacing this inventory would be cost prohibitive. The Capital Fund preserves as many of these units as possible to mitigate the heightened costs of future replacement." Public Housing receives the lowest funding per unit of any of HUD's rental assistance programs, despite serving the same low-income populations. Public Housing is also unique because it is permanently affordable, with no threat of opt-outs. But as the public housing stock ages and its physical needs increase, chronic underfunding is threatening the future viability of this important component of our national infrastructure. The Administration's FY 2017 budget request of $1.865 billion, represents a $35 million cut from the FY 2016 enacted level which would meet only 54 percent of the recommended annually accrued need. Without sufficient funding, the Public Housing portfolio will continue to shrink. According to HUD, "[d]espite the addition of replacement public housing units, there has been a net loss of over 139,000 public housing units since fiscal year 2000, representing an average loss of approximately 8,700 units annually."

- NAHRO, PHADA and CLPHA recommend ***$20 million in emergency capital needs*** funding to address needs resulting from non-Presidentially declared disasters and emergencies, *including safety and security needs related to crime and drug-related activity,* a currently eligible use of funds that the Administration has proposed eliminating.

- ***Jobs-Plus Initiative*: *$35 million for the Jobs-Plus Initiative***, an evidence-based strategy for increasing the employment opportunities and earnings of Public Housing residents through employment services, rent-based work incentives, and community support for work.

- NAHRO, PHADA and CLPHA object to the Administration's proposal to eliminate funding for the Resident Opportunities and Supportive Services (ROSS) program and recommend ***$35 million for the ROSS program*** for FY 2017, a level sufficient to renew all existing service coordinators. Through this important program, PHAs continue to link Public Housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient.

- NAHRO, PHADA and CLPHA support ***$3 million for HUD-REAC*** to support ongoing Public Housing Financial and Physical Assessment activities for its ongoing Quality Assurance physical inspections of Public Housing. However, HUD requests an additional $7 million out of the Capital Fund for Section 8 tenant-based voucher program activities, which the groups do not support. HUD requests $2.8 million for HUD-REAC to support federalizing the oversight of HCV inspection process including funding to maintain 20 Full-Time Permanent (FTP) staff to be hired during fiscal year 2016. The groups support adequate funding for the UPCS-V *demonstration* and *evaluation* costs. However, until and unless Congress is provided with a future evaluation of the UPCS-V demonstration from FY 2016 and had the opportunity to hold hearings regarding HUD's results and to hear from other voucher program stakeholders like HAs, participating property owners, residents, etc. it is premature for Congress to fund full *implementation* of UPCS-V for "on-site implementation support of UPCS-V at PHAs nationwide; this will involve instructing, coaching, and in-the-field testing and collaboration with PHA inspectors and staff so that they are able to accurately and effectively apply the new, standard inspection protocol." Until it is clear what purposes and activities would be funded with the remaining $4.2 million (totaling $10 million for FY 2017) requested for HUD-REAC the PHA groups cannot support it.

Housing Assistance Payment Renewals: *$18.477 billion for Housing Assistance Payments (HAP)* for FY 2017 in order to ensure the renewal of assistance for all voucher-assisted low-income households served in 2016. No offset is assumed in this recommendation.

Tenant Protection Vouchers: NAHRO, PHADA and CLPHA support sufficient funding to provide all eligible households with a tenant protection voucher for FY 2017, including: tenant-protection, CNI, HUD-VASH and FUP vouchers, etc.

HCV Administrative Fees: *$2.122 billion for ongoing administrative fees* for FY 2017. Based on the Administration's estimates, this figure would be sufficient to fund all PHAs at 100 percent of their eligibility based on the fee rates in effect immediately prior to the enactment of the Quality Housing and Work Responsibility Act of 1998 (QHWRA). We also recommend ***$20 million in special administrative fee funding*** to support PHAs' administration of tenant protection vouchers and special purpose vouchers, including, but not limited to: HUD-Veterans Assisted Supportive Housing (VASH), Mainstream, and Family Unification Program vouchers.

Choice Neighborhoods Initiative (CNI): *$200 million for the CNI* for FY 2017. As has been the practice in previous years, NAHRO, PHADA and CLPHA recommend that two-thirds of the funds be reserved for applications in which a public housing authority is the lead applicant or a co-applicant. Large capital grants through programs like Choice Neighborhoods are among the most effective tools to help PHAs address the needs of severely distressed public housing developments by attracting private capital and transforming communities into thriving, mixed-income neighborhoods with reduced crime and increased opportunities for residents.

Family Self-Sufficiency (FSS) Program: *$85 million for the FSS Program* for FY 2017, with $75 million reserved for PHAs. This funding level is needed to maintain funding for all existing program coordinators in the consolidated Public Housing and Section 8 FSS program. The additional funding would support expansion of the program to include Section 8 PBRA properties.

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[1] This estimate does not assume the adoption of the Administration's proposed change to the medical/disability expense deduction threshold for elderly and disabled households up from 3 percent to 10 percent of their gross income before such expenses can be counted as a deduction. HUD estimates this change would reduce eligibility by $23 million for the Public Housing program, $30 million for the Section 8 Tenant-Based Voucher Program, and approximately $23 million for the Project-Based Rental Assistance (PBRA) program. NAHRO, CLPHA, and PHADA support adequate funding to ensure that all assisted-households will be able to continue to be served in the upcoming year. In addition, our joint recommendations assume that HUD will not transfer money from program accounts into the Research and Technology account. If the transfers occur, then our recommendations will increase by the amount transferred from each program account respectively.

[2] HUD's budget request would continue to prevent PHAs/owners/managers from receiving the number of TPV vouchers for each unit that was in occupancy 24 months prior to a triggering event (i.e. demolition/disposition, opt-outs, RAD conversions, etc.). This results in PHAs/owners/managers receiving fewer tenant-protection vouchers than they were entitled to in previous years. In addition, the PHA Groups oppose HUD's budget which would result in Tenant-Protection vouchers being funded in quarterly increments rather than 12-months of funding when the TPV vouchers are awarded.

[3] This amount includes only administrative fees for renewal vouchers. It does not include administrative fees for incremental vouchers.

[4] NAHRO, CLPHA, and PHADA support fully funding this account by providing for 12 months of funding for all contracts from January through December 2017. This is HUD's current estimate of that cost with the addition of approximately $23 million related to the proposed change in medical/disability expense deductions. This estimate does not assume the adoption of the Administration's proposed change to the medical/disability expense deduction threshold for elderly and disabled households up from 3 percent to 10 percent of their gross income before such expenses can be counted as a deduction. NAHRO, CLPHA, and PHADA support adequate funding to ensure that all assisted-households will be able to continue to be served in the upcoming year.

[5] NAHRO, CLPHA, & PHADA support full funding for this account.

[6] *Capital Needs in the Public Housing Program* by Abt Associates (2010).

[7] *Public Housing Stimulus Funding: A Report on the Economic Impact of Recovery Act Capital Improvements* by Econsult Corporation (2007).

…"President's Forum" *Continued from page 1*

property level, HUD said this monumental change would simultaneously improve transparency and performance in public housing, while providing PHAs with incentives to increase their efficiency through the creation of a fee-for-service model and central office cost centers (COCCs).

Through a long and laborious negotiated rulemaking process mandated by Congress, HUD leadership was the asset management program's strongest proponent, arguing that PHAs should operate like other multifamily housing providers. Under asset management, the Department required PHAs to undergo costly reorganizations that decentralized their operations. This allowed public housing properties to earn and retain "de-federalized" fees resulting from cost efficiencies. It took months – even years for some HAs – to transition amid significant restructuring, reductions in force, and other cost cuts. Still, most PHAs that were required to do so, successfully implemented the system.

The IG issued a misleading report on asset management on June 30, 2014. Among other shortcomings, that report only examined a handful of poorly run housing agencies, extrapolating results to the entire public housing program. PIH officials noted the many flaws in their response to the IG, adding that the transition "took immense time and resources to accomplish and was attained in a completely transparent manner." Indeed, this is one of several reasons PHADA so vigorously opposes HUD's intention to yield to the IG. Many PHAs literally spent years trying to ensure compliance with the system. Now, after abandoning its own well-reasoned rebuttal, HUD is apparently preparing to tell PHAs, *"Never mind all the time, costs and effort of converting thousands of properties to asset management. Go back to the way you were previously running your agency"*?!

PHADA is very troubled the Department is so submissive in this instance and would reverse course given that HUD itself called the transition a "massive accomplishment," adding that the IG's recommendations are "**not implementable in absence of a sharp reversal of many of the core achievements of the conversion to asset management**." [Emphasis added.] In short, the Department's plan to "refederalize" COCC funds will largely undo asset management altogether (see below).

In conjunction with our industry partners (NAHRO, CLPHA), PHADA issued a thorough response to the IG in the summer of 2014. To date, neither your office nor the IG has responded to that correspondence, another copy of which is enclosed. Rather, PIH's Principal Deputy Assistant Secretary Lourdes Castro Ramirez informed the industry groups in separate March 7 telephone calls that HUD would refederalize fees in the central office cost center, effectively ending a core element of the program. The HUD IG testified later the same week before the Senate T-HUD Appropriations Subcommittee, stating that *"HUD and OIG have reached an agreement to implement the recommendations as stated in our audit report. HUD has agreed to federalize the fees and will be reevaluating the fee amounts. HUD will need to go through the rulemaking process to fully implement the changes…."*

The arbitrary nature of this decision and the lack of advance consultation is disturbing, especially given the detailed history cited above. We ask that you reconsider the Department's ill-advised reversal, pending a meeting and fuller discussion with the industry, which we have requested in concert with NAHRO and CLPHA.

In addition to the points above, we believe the Department should reconsider for other reasons:

- HUD itself acknowledged the IG report is methodologically unsound and fails to recognize real estate practices and principles well established in other federally-assisted housing programs. "There is no basis for treating a PHA differently… and if [HUD] did… it would result in "illogical and unjustifiable complications and delineations across its affordable housing programs," wrote HUD-PIH. We further agree with PIH that, "Property owners who administer federally funded affordable housing programs should be held to the same high standards around operating efficiency and effectiveness, **regardless of their organizational or ownership structure**." [Emphasis added.]
- Even if made prospectively, the changes could create an accounting nightmare for PHAs, their finance staffs, fee accountants, and auditors. All will now have to sort through their COCCs attempting to determine the origin of funding sources. HUD's back-peddling might very well force HAs to revert to cost allocation systems, which ironically, the Department said were so inefficient to begin with. In fact, if HUD is to refederalize COCC funds, it seems to us that this will need to be tracked by program within the COCC (in other words how much of the COCC refederalized funds belong to Public Housing, how much to CFP, how much to HCV, etc.). This will almost surely require the reinstitution of a cost allocation system, at least for COCC expenses to be allocated to the revenue source to determine how much refederalized funds are left <u>by program type</u> after paying related expenses. For that matter, will HUD now require PHAs to reorganize AGAIN and possibly re-centralize their operations as part of a new rule? Adding insult to injury, all this would have to be done at a time of historically low funding when many agency staff and resources have been cut to the bone. In fact, HUD and Congress have only adequately funded the operating account twice during the Obama presidency (2009–17).
- This shift would ignore HUD's own point that defederalization is "consistent with OMB guidance" and other federal government fee for service accounting practices. It would also eliminate financial incentives and flexibility for HAs since, as HUD-PIH stated, "any fee amounts in excess of their actual costs would be subject to the same restrictions that they are now." Simply put, HUD should not abandon this established model. Rather, the Department should adhere to its stated approach in response to the IG: "If fees are reasonable, i.e., that is what the government would otherwise spend in the marketplace for that service or activity, there is no need for the government to regulate how those funds are spent."
- This change would further strain relations between HUD headquarters and agencies in the field. PHAs would be left to ask, **if the Department reneges on a policy which it has previously promoted and even required, what regulation might be next?** Indeed, some members have reported to PHADA they will not participate in the Rental Assistance Demonstration because they feel they cannot rely on HUD's fidelity to the RAD process. Related to this point, current RAD rules provide that any net cash flow and/or disposition proceeds (e.g. when the property

is sold to a Limited Partnership for LIHTC) are also considered defederalized funds. This is an enticement to transition to RAD. Will there be an attempt to take this away at some point?

- HUD said that returning to the prior system "would negate many of the achievements of public housing… and imperils the Department's ability to implement RAD, one of its key objectives." HUD should carefully consider this point. One major reason for the transition to asset management was the fact that banks, investors and other private sector financiers required this type of organizational and accounting structure. HUD should also consider the fact that defederalized fees in many cases are the only source of money PHAs have available to initiate development of affordable housing in their communities. Refederalization will ultimately inhibit the construction of new units that many agencies have undertaken with current flexibility.
- HUD and the IG are contradicting themselves in other ways. For example, we are aware of IG audits where they have instructed the PHA to pay back findings out of COCC "non-federal" funds. How can HUD and the IG suddenly determine those funds are now "federal" after years of deeming otherwise?
- Congress required HUD, by statute, to negotiate the Operating Fund regulation and asset management components. Does HUD possess the legal authority to make such major changes without going back to Congress first?

In sum, many PHAs labored for years at the behest of HUD to implement entirely new asset management policies and procedures in a very difficult and tumultuous transition. With just a brief phone call from HUD officials, however, we are now told all those changes may have been for naught.

We strongly believe the Department should not refederalize COCC funds and reverse a policy that it advocated and insisted upon more than a decade ago. We look forward to further conversations with your staff on this important matter. ■

Request for Proposals – PHADA Sept. 30, 2016 Audit

Public Housing Directors Association (PHADA) is seeking proposals from certified public accountants to perform an audit of its financial statements for the fiscal year ended September 30, 2016. The request for proposal (RFP) can be obtained by contacting Godfrey Swindall, Financial Assistant at: PHADA, 511 Capitol Court, NE, Washington, DC 20002–4937, or by phone: 202-546-7892, or via email: gswindall@phada.org. Deadline for submission of proposals is April 30, 2016.

…"AFH Tool" *Continued from page 13*

The Tool Contents

HUD's new tool is similar to the entitlement communities' tool published in December 2015. Very little has been deleted from that final form for this draft form, but HUD has added a number of new items. For example, states and insular areas must:

- Answer detailed questions concerning education policy's impact on fair housing issues.
  - "Describe how education-related laws, policies, and practices, such as admissions policies, tuition assistance, financial aid, and funding, affect the ability of residents of different areas of the State to attend postsecondary and vocational education. Which protected class groups are least successful in accessing postsecondary and vocational educational opportunities?"
- Assess impacts of Low Income Housing Tax Credit Quality Allocation Plans on fair housing issues.
  - "Identify provisions of the State's Qualified Allocation Plan (QAP) or other **state or local laws or policies** that may influence the location of LIHTC units and which protected class groups have access to them in relation to areas with relatively high levels of segregation, R/ECAPS, and areas with access to opportunity, including the influence of the provisions listed below. Consider how such provisions may affect families with children, individuals with disabilities or the elderly differently." [Emphasis added.]
- Assess state and regional policy impacts on people with disabilities and assess state policies based on the *Olmstead* decision.
  - "Describe the extent to which the supply of accessible housing aligns with the demand for such housing in particular areas within the State. Include the extent to which individuals with disabilities who require accessible housing move out of or into the State to obtain accessible housing."
  - "To what extent are the following categories of persons with disabilities able to access housing in integrated, community based settings in the State: children (including foster care placements and access to medical services), persons at risk of institutionalization, individuals with mental health disabilities, individuals with intellectual or developmental disabilities; individuals who are blind, individuals who are deaf, individuals with mobility disabilities, and any other identified categories of persons with disabilities."

In addition, if qualified HAs elect to collaborate with states or insular areas, the assessment must include detailed assessments of each jurisdiction of collaborating program participants just as complex and detailed as required for the state as a whole and for entitlement community assessments.

In general, the new draft tool is significantly more complex than the final tool for localities and includes significant and complicated new policy questions.

Facilitation of Collaborations with Qualified HAs

HUD asked several questions concerning how this AFH tool helps facilitate these collaborations. The form is no less complex than the tool for entitlement communities, and HUD has added significant policy questions not addressed in the final entitlement localities' tool. Presumably, a collaborating housing authority would still complete the local assessment of demographics, and would rely on the state's assessment of the state as a whole as its assessment or regional impacts. Finally, every agency collaborating in an AFH will be accountable for the entire assessment, and so collaborating HAs must agree to their states' assessment and plans regarding policies (e.g. education policy, LIHTC QAPs) over which they exercise little influence. All of these elements of a collaborative AFH between qualified HAs and states seem to conspire against collaboration for both the qualified HA and the state or insular area.

All of these elements of a collaborative AFH between qualified HAs and states seem to conspire against collaboration for both the qualified HA and the state or insular area.

What May Be Next

HUD has given the public 60 days to submit comments concerning this draft tool. Hopefully, the affected program participants will take the opportunity to comment on this reporting form. HAs, particularly qualified HAs, should consider commenting on this form, as collaborating with their states may be the most attractive option open to them to complete their AFHs.

After May 6, HUD will consider the comments it receives, will amend this AFH assessment, and will then publish a revised tool for an additional 30-day comment period. When it has revised the tool in response to that second round of comments, the department will publish a final State and Insular Areas AFH tool which program participants will begin to use 6 months after its publication.

Finally, HUD must still publish an AFH tool for HAs preparing their own assessments, receive comments on that form for 60 days, receive comments on a revised tool for 30 days after its publication, and publish a final assessment tool. HAs must analyze their options in connection with their AFHs. Some can collaborate with CDBG and HOME entitlement communities, some can collaborate with the states, some may collaborate with other regional HAs, and some may choose to submit their own independent AFH. These are complicated decisions, some of which must be made quickly. Hopefully HUD will not only publish the remaining tools but will also finalize the availability of appropriate data on its web based data and mapping tool to produce maps and tables promised in the AFFH tool and enable more informed comments concerning its draft tools. ■

Jobs and RFPs

Deputy Director Of Operations
Montgomery Housing Authority

MHA is committed to recruiting and retaining exceptional employees. In an effort to do so, we offer competitive salaries, healthcare coverage and a retirement plan. We are currently seeking a Deputy Director of Operations with the following minimum qualifications: Bachelor's degree in Public Administration, Business Administration, or other related field from an accredited college or university; Master's degree preferred; Minimum ten years of progressive experience in a public housing, municipality, regulatory agency, private industry with at least five of those years in a managerial or supervisory capacity; or an equivalent combination of education and experience. Please visit our website at www.mhatoday.org, to review complete job description and apply on-line.

Occupancy Specialist
Hocking Metropolitan Housing Authority

Under the supervision of the Housing Programs Manager, the Occupancy Specialist is the primary staff person assigned to the Permanent Supportive Housing voucher programs (MHAP and Multi-County Voucher Programs), and provides operational support to the Housing Choice Voucher Program operated by Hocking Metropolitan Housing Authority by assisting in the delivery of services that may include, application procession, wait lists management, portability actions, intake actions, reexamination duties, and terminations. This position provides assistance in the completion of similar tasks of the public housing programs, and may provide front desk coverage on an as needed basis.

This position requires an Associate's degree with one (1) year of experience, or the equivalent experience needed to complete all job tasks; or a High school diploma or equivalent and three (3) years of related experience; or any equivalent combination of education, experience, and training, which provides the required knowledge, skills, and abilities to perform the essential functions of the job. The ideal candidate has experience working with rental subsidy programs and has Occupancy Specialist credentials from Nan McKay or its industry equivalent.

The Compensation package for this position includes an hourly wage based on experience, OPERS public retirement, health, dental, vision, life, and optional life insurance. A full job description is available at Hocking MHA's offices at 33601 Pine Ridge Drive, Logan, OH 43138. Interested individuals can contact HMHA at: 740-385-3883 and request the description to be emailed to them. Resumes will be reviewed and interviews scheduled on a rolling basis. This position is open until filled.

HOW TO PLACE AN AD

Submit job listings and RFPs online at phada.org/submit.php (preferred) or email: bstenning@phada.org. Submissions will be posted on the PHADA website unless otherwise requested. The Advocate reserves the right to edit all advertisements.

Placement of ads is subject to space availability. PHADA members receive priority in case of space limitations.

Job listings should have an application due date at least 30 days from the Advocate publication date. Ads will be published in two consecutive issues (4 weeks) unless a shorter run is requested. There is no charge for running a job or RFP ad in the newsletter or on the website.

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PHADA Calendar 2016–2017

May 22–25, 2016	September 11–13, 2016	January 8–11, 2017	September 10–12, 2017
Annual Convention & Exhibition	**Legislative Forum**	**Commissioners' Conference**	**Legislative Forum**
Planet Hollywood Hotel	Washington Court Hotel	Hilton Orlando	Washington Court Hotel
Las Vegas, Nevada	Washington, DC	Lake Buena Vista	Washington, DC
EDEP courses will be held May 20–21	*EDEP courses to be held September 9–10*	Orlando, Florida	*EDEP courses to be held September 8–9*

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