HUD Tools and Management Plans Training

HUD Tools and Management Plans

All right, thank you everybody for taking the time to jump on the training today. So today we're going to talk about HUD Tools and Management Plans.

HUD Acknowledgment of Support

Our agenda for the day—I'll get to the agenda here in a second. So in advance of the agenda, we're acknowledging HUD's support of this training today.

Agenda

So with that, this training today, we're going to be focusing on how PHAs can approve the utilization of the voucher program through the various tools that are available to them. Additionally, we will review how PHAs can maximize utilization of the HCV Program. So, I'll do a quick intro here in a second, followed by an in-depth conversation about the Two-Year Tool. Then we're going to talk about conversion activities. And I'm not going to talk a lot about conversion activities, but it's an important thing that comes up when we talk about utilization. And so, what conversion activities I'm referring to are what happens to your HCV utilization when you convert your program from a public housing subsidy to a Section 8 subsidy.

Specifically, project-based vouchers or tenant protection vouchers, through the conversion of public housing units, through either RAD, Section 18, or Section 22 Voluntary Conversion. We'll also talk through payment standard analysis, which is an important component in understanding how the changes in your payment standards affect utilization of your program as well as discuss management plans and what PHAs, specifically voucher programs, should be looking at in terms of maximizing utilization and how to go about doing that, followed by questions and answers that you put in the chat, and then a wrap up after that.

Webinar Facilitator – Mike Eddins

So, I am Mike Eddins; I'm a vice president with CVR Associates. I've been a former director at 2 different large PHAs. I’ve been in public housing for almost 20 years and have experience and extensive knowledge in a variety of HCV-related programs, SEMAP, administrative plans, policies, PBV, Relocation, and HCV utilization.

HUD Two-Year Tool

So, we're going to start today talking about the Two-Year Tool.

Why Utilize the Two-Year Tool?

And so, why should you utilize the Two-Year Tool? Because, in my opinion, it is the most important thing that housing authorities need to be using to manage their voucher program and to maximize the number of families that they're serving. It allows PHAs to plan for how many vouchers they should be issuing based off of the amount of funding that they have available. It should be—they can use the Two-Year Tool to utilize the data to make operational decisions, which includes staffing capacity, needs for additional funding requests, the ability to project-base vouchers, and decisions regarding portability.

It allows PHAs to understand how to address public housing conversion actions and how those actions and transactions affect their utilization, as well as the Two-Year Tool directly relates to the utilization in the SEMAP indicator in which it's worth 20 points. So, it's, it's an extremely important tool that, if you aren't, spending enough time paying attention to and updating and reviewing, you're not going to be in the best possible position that you can as a PHA utilization-wise. One thing I'll recommend is, make sure you talk to your Field Offices about your Two-Year Tool as often as you can. Use that tool to plan for what you need to do. As, if you aren't paying attention to it and aren't paying attention to the data, then you won't be maximizing the utilization of your program.

Utilization Planning: Key Performance Indicators

Before I kind of launch into the next section about the Two-Year Tool and what those key performance indicators as it relates to the tool, I just wanted to make sure that everybody understands that the tool, the Two-Year Tool that's used to manage your utilization of your program, comes from your voucher management system data. So, when you enter information into your VMS, the information that's in VMS, is downloaded into the Two-Year Tool. So, if your Two-Year Tool is inaccurate, it's generally because your VMS data is inaccurate. And so, everything that goes into your VMS data is coming from what your frontline staff are putting into your systems of record in the form of 50058s and therefore, uploading into that VMS report. And so, the Two-Year Tool is a direct reflection on the PHA's frontline staff and the accuracy of the work that's being done there. So, keep that in mind, if your tool looks wonky, it's because your VMS data is not correct. So, talking about the tool, and I want to kind of hone in on the Two-Year Tool about key performance indicators. And from my perspective, there's four main components of the Two-Year Tool that PHAs need to focus in on, and these four things will help determine how many vouchers you can issue. And that's really how you go about maximizing the utilization of your program.

We're going to start with the success rate, then talk about the annual turnover rate. Then, we're going to go to voucher issuance to HAP Contract, and finally touch on Per Unit Costs. And all of these things touch—utilization touches every part of your program from the impact of annual recertification and interim recertification; it all filters into the utilization. Inspections, it all—all that information and work and operational aspects of the program, all filter into what your utilization looks like. And sometimes you don't always really realize it, and hopefully today before we're done, I can break it down for you, and we can have a better understanding of how everything filters into the utilization of your program from all aspects of what your frontline staff do on a day-to-day basis.

Success Rate

And so, starting with the success rate, so the success rate informs PHAs how successful voucher holders are when they're searching for a unit. And why this is important is because it tells the PHA how many vouchers you will need to issue to be able to lease up new vouchers. Really when we're talking about success rate, we're talking about either managing the ongoing attrition of your program or how many vouchers, above and beyond, managing the attrition you need to issue to increase the utilization of your program.

So for example, if a PHA needs to lease up 25 vouchers per month, their success rate will tell them how many vouchers they need to issue on a monthly basis to be able to lease up those 25 vouchers. So, your success rate directly impacts how many vouchers you're going to be projecting to lease up on a month-to-month basis. If a PHA—so for example, if a PHA needs the lease up 25 vouchers and they have a success rate of 25%, they would need to issue 100 vouchers.

If a PHA needs the lease up 25 vouchers at a 50% rate, they need to issue 50 vouchers. And if they need to lease up 25 vouchers and have a success rate of 75%, they would only need to issue 33 vouchers. And so, when you're thinking about success rates of your program, it's important because it basically tells you how hard you have to work.to get vouchers leased up. The lower your success rate is, the harder you have to work. So kind of, when you're thinking about success rate, think about effort. How much effort do I have to put in in terms of getting vouchers issued, to be able to, you know, either grow my program and improve my utilization, or just maintain the current attrition of my program? Your success rate determines how much effort you have to put into that program.

Success Rate Tracking

So, to, to manage your success rate, you have to understand how to track it, right? If you don't track how successful your vouchers are, you don't really know how many vouchers you should be issuing. And so, as it relates to success rate, if you—if you monitor it, you need to know how to track it. Different PHAs have different software, obviously. And different software systems provide different forms of reporting. So, I encourage all of you to look at the reporting from the software that you're currently using and see if you have any kind of reporting that you can pull out of that software to track those success rates for you. I do know that Yardi has a report that can be pulled, that manages the success rate, which can alleviate some of the burden of manually tracking it in a spreadsheet. However, if you are a PHA where your software doesn't track information as it relates to the success rate of your vouchers, you can utilize a worksheet in the Two-Year Tool. And it's called the Success Rate Tracking tab. And so depending on if you're working on a Two-Year Tool with your Field Office, a lot of times that tab will already be up for you to work from or if you, you know, pull down a new Two-Year Tool from the HUD website, you'll have to—when you do that, you'll have to unhide that tab from the Two-Year Tool.

And so if you're working from a tool that doesn't already have it up, what you'll need to do is right click on one of the tabs at the bottom of the worksheet, and click on 'unhide'. And then, you're going to need to scroll down to find the Success Rate Tracking workbook. And so, there's a bunch of hidden workbooks within the Two-Year Tool that you can look at and play around with as well. But the one we're going to want to focus in on is the Success Rate Tracking tab if your software doesn't provide you this kind of tracking already.

Success Rate Tracking (Continued)

And so, what the Success Rate Tracking workbook looks like in the Two-Year Tool is—it looks like this: it's a spreadsheet. On the far left, it's got your months. It's got your VOs issued, which are your vouchers issued; it's got your VOs leased, and then your VOs failed. Then, it's got the months in which vouchers would lease up. And so, looking at a tool that's semi completed, what we can see here in tracking it in the Two-Year Tool, is that in January 25 vouchers were issued, 15 vouchers were leased, and 10 vouchers failed. From that, from that 15 vouchers that leased up, 5 leased up in February, 2 leased up in March, 6 leased up in April, 1 in May, and 1 in June.

And then, there were 20 vouchers that failed. Overall, and I'll say this just so that everybody's aware if you weren't, when you're working in the Two-Year Tool, the fields that you can actually type in are highlighted in yellow. So any field within the Two-Year Tool that's highlighted in yellow are the only fields that you're able to change.

And so when you're looking at this, you're going to manually enter 25 vouchers issued. And then, you're going to manually enter what months those vouchers leased up. And because this VOs leased fields are blank, it's because there's a formula in there that automatically populates your data. And then you'll have, in this case, 25 vouchers issued, 15 leased. And then you would manually enter in those 10 vouchers failed or expired or didn't lease up. If you do not finish out, the VOs failed, you will not be able to see the benefits that putting this information in this tab will do. So for example, if I didn't put VOs failed, I wouldn't be able to access this information.

Success Rate Tracking (Continued)

So in the Success Rate Tracking tab in the Two-Year Tool, once you input your data, you can scroll down and it will manually—or it will automatically populate data as it relates to your success rate. How many—what percentage of families leased in 30 days, 60 days, 90 days, 120, and 150. All of this data will automatically populate within the tool as long as you have your total number of vouchers leased and vouchers failed or expired, equals the total number of vouchers issued. If there was a zero in this VOs failed, you would not get any of this data as it relates to the success rate of your program. And so by tracking this information within the Two-Year Tool, it populates all of your percentages here, and then at the bottom gives you cumulative totals and percentages of how successful your vouchers are. The data that's in here is extremely important and should be updated on the Projection Analysis tab of the Two-Year Tool. So, if you're using a tool that defaults your success rate to 70%, then default your 30, 60, 90, 120, you'll want to update these percentages with what your actual data is showing.

So, in this case, 67%, 27% leased in the first 30 days, 20% in 60, 24% in 90, 12% in 120, and 16% in 150 days. So, tracking this data is extremely important. It should be carried forward into your actual projection analysis within that Two-Year Tool.

Success Rate Tracking from the Waiting List

In addition to tracking not only the success rate of the vouchers that you issued, the tab—the Success Rate Tracking tab—also allows you to track the success rate from your waiting list. Meaning, if you pull 200 names from your waiting list and issued 100 vouchers and 100 of those, ah, applicants on your waiting list did not successfully receive a voucher, it will track the percentage of the success rate from your waiting list. And I'll explain why that's important here in a couple of slides. But this is another indicator within the Two-Year Tool that you can use to help you make better decisions on how many vouchers you need to issue, as well as how many names you would need to pull from a waiting list to ensure that you issued a sufficient number of vouchers. If you don't track this information, you don't really know how many names you should pull from your waiting list, and therefore, you can't really guarantee that you can issue a specific number of vouchers at any given time.

Success Rate in Practice

So, success rates in practice. So, putting it all together: if a PHA is looking to lease 25 vouchers and they have a success rate of 75% from their waiting list and a success rate from the vouchers that they issued actually lease up, that PHA would know that they would need to pull a minimum of 45 names from their waiting list to be able to lease up 25 vouchers. And I also built in this Staffing tab, right? So, depending on how—how many staff it—you would need to pull a certain number of vouchers to pair from your waiting list. I use a generic, you know, one person can get 100 applicants prepped and ready to go from the waiting list if I need to issue vouchers. So, from my—from a staffing perspective, if you had a 75% success rate from your waiting list and a 75% success rate in the vouchers that you issued, you would need one person working on that project at a half. That's half of what they do on a monthly basis.

The next example is, if we've got 25 vouchers, we need to lease up but our success rate from our waiting list is 50% and the success rate from the vouchers that we issued is 50%, we know we're going to need to pull a minimum of 100 people from our waiting list, which is one full-time staff. And then finally, if we still need to issue—to lease up 25 vouchers, our success rate from our waiting list is 25%. Our success rate from our vouchers is 25%; we're going to need to pull 200 names from our waiting list, which is going to mean I need 2 staff people potentially working on this full-time to get 25 vouchers leased up.

Success Rate in Practice (Continued)

So kind of as a continuation of that and in this example, if a PHA needs to lease 25 vouchers a month with 25% success rates on their waiting lists then on their vouchers, they're going to—and you're meeting the issue 25 a month to just cover the attrition—the natural attrition of your program, the PHA is going to need 2,400 applicants on their waiting list over a 12-month period. So looking at it from this type of a perspective, the data that you can gather and that you can track will tell you what you need to do on your waiting list and if you have sufficient names or applicants on that list or if you're going to need to re-open your waiting list at some point in the near future. So, it's important to know what the success rates of your program are so that you know what you need to do in terms of opening a waiting list or if you have sufficient names on your waiting list as well as how many people you're going to need to staff this on an ongoing basis.

Success Rate in Practice (Continued)

So giving a smaller example for a PHA—so in this case a PHA needs to lease 5 vouchers a month to cover their natural attrition but at a 75% and 75% success rate, they need to pull 9 names or applicants from their waiting list. With 50% success rates, you're going to need 20. With 25% success rates, you're going to need 40. So again, really just trying to show that the greater the success rate or the more effort you put into your success rates from you're waiting less than the vouchers, the less time it's going to cost your staff and the fewer staff that you're going to need to have to actually do that work.

And really just kind of looking at the final example, if you have at least 5 and you're at the 25% to 25% success rates over a 12-month period, you would need 480 applicants on your waiting list. In comparison, if you're at 75% success rates on your waiting list and your vouchers, you would need a little over 100 names pulled on your waiting list to get those 5 vouchers leased. So, the rates at which your voucher holders and your applicants are successful directly affects how many—how much staff time is going to be allocated to this task.

Improving Success Rates

So, you're probably like, Mike, it's uh, it's post-COVID, things are crazy; rents are out of control. Landlords are not offering units to vouchers. How do I actually improve my success rate? And so, success rate is about knowing what's going on, and then how much effort you're willing to put into improving it. And what I mean by that is strategies, or improved success rates, are related to things that you need to find out, and the amount of effort you want to put into improving those. So, one strategy is—to look at for your program is: is the rent that you're offering to your current property owners competitive with the current market?

And so different markets are different, right? Every market is unique. I hear all the time that it's a very difficult market, and a lot of places with vacancies under 3%, or 1% in some cases, and it's not easy for voucher holders to find available units. And so as it relates to that, you need to know, as a PHA, you need to know: is the rent that you're currently offering to property owners within your jurisdiction competitive with the market? And to determine that, you need to review what your rent reasonableness methodology is and make sure that the comparable units that you're using to determine the rents within your market are competitive. If you're offering a rent amount to a landlord that is the same rent amount that you've been offering for the last 3 years but the market has totally changed, you're not going to be competitive, and therefore, your success rate is likely to be lower.

So, it's important that you understand your rent reasonableness methodology for how you're determining rents and making sure that the rent that you're offering to property owners is competitive with market. Because if it's not, they're going to not offer that unit to your voucher holder. And therefore, reducing your success rate and making it harder for you to get families leased up and having to work harder.

Another strategy is specifically on tight rental markets, and basically in any rental market, is reviewed what your landlord outreach strategies are. And if you have a strategy, your landlords are your partners in this. The voucher program does not work without landlords actively participating in the program. And so, it's important that—that you communicate with them. Conduct outreach with them. And get them involved in the decisions that you guys are making, so that they want to participate in the program. Having frequent conversations with landlords is important to understanding why some landlords are participating in the program and why some aren't. If you don't know why your landlords don't want to participate, then you're just issuing vouchers and not able to change anything to improve your success rate.

Strategies regarding landlord outreach could include conducting landlord surveys through e-mail. It could include the creation of landlord focus groups or landlord small group organizations where you meet with your landlords on a quarterly basis or something like that. But if you don't talk to your landlords and you don't know why some are and some aren't participating, then you don't know how you can actually get more landlords involved. So, you've got to communicate.

The other—another strategy is there's a new PIC Notice that came out. It's PIH Notice 2022-18. And it gives you the ability to implement new policies that could potentially improve your success rate. Specifically, what that allows PHAs to do is use administrative fees in a way that was previously not allowable. And so, it allows PHAs to utilize admin fees to provide a landlord incentive or provide a landlord retention incentive to keep landlords who are previously participating in your program still participating. It also allows PHAs to use admin fees for resident security deposits and utility deposits and things like that. So, I highly recommend that if you're having problems with your success rate and you want to get more landlords involved in your program, is to offer them something more than what you currently are. And so, in reviewing that PIH Notice, I believe PHAs would need to set a policy on what they would do in terms of landlord incentives and security deposits for participants and things like that, so it's worth reading. I do know that, you know, 2022 is kind of a banner year, as it relates to admin fees. So, I would highly recommend that you take a look at your availability to provide some administrative fees and set them aside to provide some landlord incentives to get more landlords involved in your program. Because ultimately, the expense of an admin fee if it results in a higher success rate of your voucher program, it's going to also result in less administrative work in trying to get vouchers issued and applicants taken off of your waiting list.

So, I haven't analyzed what the cost benefit would be, but there's some kind of cost benefit there. And so, I'm putting that to you guys as the PHAs is to take a look at what makes sense for you to use and see what kind of impact it can have on your success rates. And then finally, one other thing you could consider doing, a lot of—several PHAs, or a lot of PAHs are kind of bound by their jurisdiction, specifically with city PHAs that are within a certain square mileage to where they can actually utilize their vouchers. So, one thing you could consider doing is, consider expanding your jurisdiction by discussing with your neighboring PHAs if you could create some kind of memorandum of understanding where your neighboring PHAs will allow your PHA to put your vouchers in their jurisdiction and vice versa. If you can expand the jurisdiction from where you were previously bound to only be able to use those vouchers, it could allow for a higher success rate, specifically in the city PHAs with a very small jurisdiction. If you can expand the jurisdiction from where you can place those vouchers—where your applicants or participants can place those vouchers, it can improve the success rate because it provides more housing options for those families.

Success Rate Bottom Line

So, the bottom line: the greater the PHA's success rate, the lower administrative burden that you're going to incur and the more families that you'll be able to house. It's a very important key performance indicator, as it relates to the utilization of your program. And so, it's something you need to tap into. It's something you need to put effort into; it's something you need to think about if you really want to improve the utilization on your program. And, also thinking about it from the perspective of an applicant. A lot of times waiting lists—families or applicants have been on waiting lists for years and years and years only to come to the top of the list and to find that no—there's no housing available and their 4-year wait to get to that top of the list has been for nothing because they're not able to find a unit. It's important to be able to do everything you can as a PHA to get that family an opportunity to use that affordable housing. Because if they're not able to use that voucher, they are still a family in need and eligible, who doesn't have a place to go or is continuously rent burdened. So, I will get off my soapbox about success rates, but it's an extremely important thing to put out there.

Annual Turnover Rate

All right, and now we'll turn to the Annual Turnover Rate. So, the Annual Turnover Rate determines how many vouchers the PHA loses through the natural attrition of your program. The higher the turnover rate, the more vouchers that the PHA will need issued to maintain your utilization where it currently stands. In the Two-Year Tool, your Annual Turnover Rate is at the top of the tool and it's a percentage.

Annual Turnover Rate (Continued)

So, the important thing to note here is the Two-Year Tool is defaulting that attrition rate based off of the percentage of EOPs that you have up in PIC. However, that percentage changes on a monthly basis. So, as your EOP—number of EOPs changes from, you know, April to May or May to June, your Two-Year Tool Annual Turnover Tate is changing based off of that PIC data. So, what I recommend is utilizing data from the HCV Data Dashboard to determine an average amount over the past 12 months and use that for your turnover rate.

Annual Turnover Rate (Continued)

So, you're probably like, well, what's that? So, the HCV Data Dashboard is a dashboard that's available for anybody to look at. And you can basically just go into your Google and type in, you know, HCV—'HUD HCV Data Dashboard' and click on the link, and it will take you to this site. And there's, you know, 14 different pages of data that you can dive into if you want to. But what you want to do to determine what a realistic attrition rate is for your PHA is go to the page where it's talking about it, and then you're going to click on the Attrition Rate button here. At the top of this website, it allows you to select the state that you're in and your certain specific PHA by your PHA code and your PHA name. And what that will do is it's going to give you this line graph. And what this line graph presents is what your annualized attrition rate trend is. So, you can see from January 2021 that this specific PHA's attrition rate dropped from 11% to 8%, and then it's kind of steadily gone up from there, maxing out at 19% here in January of 2022 and then coming down a little bit in February 2022. So, why this matters is because when you're looking at your to your Two-Year Tool, the Two-Year Tool is coming—is populating with your EOP rate and a specific given month. And so if in 1 month you're using an EOP rate of 12%, but then 2 months from now, you're using 1 that's at 19%, these can have significant changes in your tool. And so, it's important to kind of get an idea of what your actual attrition is on a 12-month period as opposed to monthly, just seeing peaks and valleys in your EOP rate, because it can create some problems in determining how many vouchers you should actually be issuing. And so just kind of looking at this trend line, if I were this PHA, I would recommend, you know, probably using about a 12 or 13% EOP rate based of kind of like the last 12 months' worth of data. Because over that period of time, it would probably be closer to that rate of 12 to 13%, as opposed to just looking at it and using that attrition rate over a monthly—from one given month.

Annual Turnover Rate (Continued)

And so, looking at how all of that looks in your tool, right? When you put in your attrition rate, the tool populates how many vouchers you anticipate to lose on a monthly basis. So, if you're using one specific month—So in this case, if you're using a

7.5% attrition rate, but your real attrition rate is, like, 10%, you could be shorting yourself or overestimating that you're going to have more vouchers list than you actually will over a period of time. And so, a 7% gives you like a turnover rate of 23 vouchers a month. A 10% rate, if that's a more realistic one—a more realistic turnover rate—is giving you 30, so you've got this 7-voucher delta in your attrition rate.

So if you're seeing changes in your attrition rate and using that on a monthly basis, you could be either overestimating the number of vouchers that you anticipate to have on your program or underestimating the number of vouchers on your program based off of the rate that you're using. And so kind of how I look at the attrition rate is, this is—your attrition rate determines how many vouchers you need to be leasing on a monthly basis to make sure that your utilization stays stable, right? So, if I know I'm losing 23 vouchers a month and I need to make sure that my program is at least stable, then I need to be issuing a sufficient number of vouchers so that I'm leasing 23 vouchers a month. But if I'm using the wrong attrition rate, I'm under leasing. And, therefore, over time, my utilization is not going to be where I want it to at the end of the 12-month period.

Improving Annual Turnover Rate

So, improving your Annual Turnover Rate. So a couple of thoughts similar to success rates, you need to know why your vouchers are being EOP'ed and determining the reason behind your turnover rates. Are familied being terminated because of specific PHA policies? Are they being terminated because they're being evicted? Are they being terminated and EOP'ed because they're—I can't think of another idea off the top of my head—but find the reason why people are be EOP'ed from your program. Once you know what that reason is, determine if you have policies that may be too restrictive and therefore, leading to a higher attrition rate in your program. Because some policies PHAs adopt might be too restrictive. Like, I don't know, do you give families a third opportunity to submit documentation for an annual re-examination or something like that? If your policies took are too strict, it could be resulting in a higher turnover rate. The higher your turnover rate is, the harder you have to work.

Then, lastly, talk to your staff and discuss with them—your frontline staff—as to why vouchers are being terminated and if they have any reasoning from their perspective as to why that's happening.

Annual Turnover Rate Bottom Line

The bottom line is the higher the turnover rate, the higher you have to work, the greater your administrative burden is going to be.

Success Rate vs Turnover Rate

And so, kind of looking at these 2 things and I kind of hinted at it earlier, the success rate versus the turnover rate, right? If you want to just maintain the utilization of your program, however many you are anticipating to attrite on a monthly basis, needs to be offset by the number of vouchers you need issue on a monthly basis. So if you're losing 30 a month due to natural attrition of your program, you need to lease 30 per month to at least maintain your utilization where it currently is. And if you look at it from the perspective of how hard do I have to work based off of this information is if I have to lease 30 vouchers and I've got a 75% success rate across the board, I need to pull 80 applicants, which means I need one staff person.

If I need 30 and 50% and 50%, I need to pull 120 names from my waiting list, which is going to cost me a person and a quarter. If need to lease 30 and I'm at 25%, 25%, I need to pull 240 names from my waiting list and it's going to cost me 2.5 people to get that done. Your turnover rate is going to determine how hard you have to work in terms of, you know, turning over those vouchers and leasing. Looking at it from the other perspective. So, this was 10% turnover rate, this was a 7.5. If my turnover rate is lower, I now only need to pull 61 names from my waiting list at 75%, 92 at 50%, and 184 at 25%. And I only need to lease 23 vouchers on a monthly basis to keep my program stable. And this is my staffing costs in terms of FTEs from that perspective. So again, looking at how many vouchers are you turning over, how successful are the vouchers that I issue; those 2 combined determine how many vouchers you need to be issuing just to maintain your program.

Voucher Issuance to HAP Contract

So, the next key performance indicator is voucher issuance to HAP Contract. So the voucher issuance to HAP Contract provides information regarding how quickly an applicant is leased up after a voucher is issued. So just like the Success Rate Tracking tab, you're going to use the Success Rate Tracking tab to capture this data. As long as you have that success rate tracking information and you're keeping tabs on it, you can determine how quickly your vouchers are leasing up over a 30 days, 60 days, 90 days, 120, and 150 days. That data needs to be updated in your Projection Analysis tab to reflect what your current success rates are as opposed to some default that might already be in there.

Voucher Issuance to HAP Contract (Continued)

The key as it relates to voucher issuance to HAP Contract is the longer that it takes for an applicant to lease up, the less impactful that voucher is going to be in your current year. So, an example is if 50% of the voucher holders that you issued vouchers for leased up in 90 days, it means that any voucher you lease here at the month of July is not going to lease up until October. 50% of them are going lease up in October. If you're trying to increase your utilization here in 2022, the majority of the voucher holders will take, you know, 90 plus days, and it's going to be—have a much more minimized impact on your leasing here in 2022.

Voucher Issuance to HAP Contract (Continued)

If we look at kind of coming along the same lines, voucher issuance to HAP Contract is all about timing, right? If a PHA needs to lease vouchers, the timeline that you're looking at leasing is going to be so important. So, if a PHA's lease-up timing has nearly 80% of their vouchers leasing up in a 60-day period, you now know that the majority of those vouchers you issue here in July are going to lease up in August, September. And so when you're thinking about your program and knowing how long it takes for vouchers to actually lease up, it allows you to determine when you actually should be issuing vouchers. And this is really kind of specific to PHAs that need to increase the number of vouchers on their program. All PHAs should be issuing vouchers to cover the attrition of the program on a monthly basis just to keep their utilization stable. But if you're looking to push out your utilization or improve the number of families that you're serving, you'll want to know how long it's going to take for you to actually see an impact of the effort it's going to take to get more vouchers issued.

Kind of the opposite of the last example is if most of your vouchers are leasing up 60, 90—between 60, 90, 120, or 150 days—If you're issuing vouchers here in July, those vouchers aren't going to be leasing up until October, November, December, because it's taking longer to get those families leased up.

Before we go to the next section, I want to kind of touch on one other thing. And so, when you're looking at and thinking about how long it takes a voucher to actually lease up, you need to ask yourself a couple of questions. The first question is: what am I doing operationally that could be changed to help families lease up more quickly? And the thing I think about as it relates to that is how long does it take for our RTA or an RFTA to be processed after it's received? And then, how long does it take for an inspection to pass after the RFTA has been approved? If you have processes in place that make the timing take longer to actually get those operational activities completed, you might want to look at tweaking how long it's taking you to process an RTA or an RFTA, and how long it's taking you to get an inspection completed. In addition to how long it takes you to get an inspection completed, you should look at your HQS policies as well to see if you have any preventative policies or barriers to your HQS policies that are above and beyond what the HQS standards are. For example, if you have HQS standards or policies that are above and beyond what's required, look at those to see if that's preventing families from leasing up more quickly. The other, the other, kind of, caveat to voucher issuance to HAP Contract- one thing that a PHA that I was talking to earlier today said is that, when they're in their voucher briefings with families for new applicants coming from their waiting list, one of the things that they always remind families is that they can use that voucher in place. And so, if you have new voucher holders who are already living somewhere, they can use that voucher in place, and one of the things they've found from just adding that, basically, to their briefing process is their percentage of families that are leasing in those first 30 days is increasing because, what's happening is, more families are leasing in place, which is a great option for, for the PHA because it's improving how quickly their vouchers are leasing up.

KPI Bottom Lines

So, key performance indicator bottom line: your success rate determines how many vouchers you're going to need issue, your annual turnover rate determines how many vouchers you need to issue just to maintain your current program size, and your voucher issuance from HAP Contract determines when a PHA needs to issue vouchers and how long before those vouchers are actually going to be leased up.

Those three key indicators are things that you can control to some degree and that you need to be putting effort into to understanding how to improve those rates because, at the end of the day, the more understanding you have of those three indicators, the better your program's going to run and the less effort you're going to have to put into it.

Per Unit Cost (PUC)

That brings us to the last key performance indicator that I wanted to talk about today, which is the Per Unit Cost, or PUC. So, you'll hear me refer to it as the PUC. So, just as a heads up, that's what I'm talking about- I'm talking about the Per Unit Cost: how much it costs per voucher per month, on average, for your program.

The PUC is influenced by the payment standards, utility allowances, rent reasonableness, and tenant income. The PUC determines how many vouchers PHAs should be issuing based off of the amount of funding that you have available. The changes to the PUC will determine how many vouchers you can afford to issue based off of the amount of funding you have available to your program. So, the PUC, in my opinion, is, pretty much, it's the driver of what you're doing because, if you don't have the cash to issue vouchers, then you can't issue vouchers. So, you need to understand and know what's going on with your PUC. Over here, I have a little clip from what the Two-Year Tool looks like as it relates to the PUC, and what you can see is, you know, in this January, February, March, you can see that this PHA’s PUC has gone, it went up a little bit at the beginning of the year but has started to bottom out. It’s now in our current month at 615.

PUC Changes

So, the PUC, and this is looking at the full Two-Year Tool of this specific PHA, the PUC is reflected here. The PUC is determining how many vouchers you can issue and what happens to your year-end outcomes in terms of how much you have in reserves at future dates and times. For example, here in 2022, this PHA is looking at issuing vouchers through the remainder of 2022 and then vouchers again in 2023, just slowly, over time, increased the utilization of their program. However, when we look at our PUC, we're looking at 615 as our current month Per Unit Cost, and it's carrying that amount forward through the remainder of the next year and a HAP. If you look at your tool, you know your PUC goes up and down and all around. And so, it's important to understand your PUC as much as you can. So, what happens in this case, well let me go back before I do that. So, in this month, they ended that year at or that month at 615, and their Two-Year Tool is just carrying it forward, right?

PUC Changes (Continued)

Next month, the PHA reports their, their UMLS and their HAP expenses, and now their PUC here in the month of July is going up to $650. So, their Two-Year Tool is carrying that 650 forward for the next two years and now reflecting a shortfall in that PHA's Per Unit Costs of almost $200,000.

PUC Changes (Continued)

Another example of what happens when your PUC changes: if that, if that same PHA's HAP costs actually went down, the PHA now is anticipating they have more vouchers available or more funding available to issue additional vouchers and now are projecting a HAP reserve in 2022 of 23% and, in 2023, a HAP reserve of 15%. And so, when you, when you're looking at your tool, you need to understand your PUC because it's projecting out what your HAP reserves are going to be in the current year and in the future year. And, why that's important is because you can only be carrying a certain percentage in HAP reserves. [If] you have a HAP reserve that exceeds the threshold, you can be subject to what's known as offset, and offset is a loss of HAP funding for your program for the following year. So, in this case, the PHA has almost $1 million in HAP reserves in this example and could be subject to an offset of a certain percentage going into 2023, which, therefore, would lessen their ability to issue additional vouchers and also reduce HAP funding in the future year. So, you always want to be paying attention to, in your Two-Year Tool, what your year-end outcomes are going to look like. And this is going to change every time you're changing your PUC based off of the data that you're entering in here. The key to understanding your PUC and, and, really, managing the utilization of your program is using this Manual PUC Override section, and to use that section effectively, you need to understand your PUC, or what you can do is utilize a section in the Two-Year Tool.

Per Unit Cost (PUC)

It's called PUC.RB Analysis, and, generally, this section will always pop up, or this tab will always pop up next to your Projection Analysis tab. And if you scroll down on this tab, you can change your PUC Method. So, in the method that I just showed you, I was showing a blank PUC, right? I was showing if our PUC was 615, we're anticipating it to be 615 for the next 18 months, which generally, isn't, well, not generally, it's never going to be the case because your PUC's going to change. So, by scrolling down on this tab, you can select to choose a different PUC method, and there's a method here that allows you to use an average rolling three-month change. And so, you click the drop-down, change your average to a rolling three-month change, and then hit Enter.

PUC Changes

And what this does is it projects changes in your PUC based off of your last three months. And so, in this case, this PHA's PUC from April, May, and June went from 618 down to 615 with 605 in the middle. And based off of that, the tool is now projecting a $2 decrease in your PUC over the next 18 months based off of your three-month rolling average. And so, it's a good option for you to run this type of a scenario because you can see what's happening to your PUC over a three-month period, and you can project that forward from there. Additionally, our Summary Outcomes tab is looking much different. Now, we're back in the red because we're over 4% because the PHA has more than 400 vouchers, and so this PHA needs to work to issue additional vouchers because they're having HAP reserve over, in this case, 6% based off of the number of vouchers we're looking to issue through the remainder of 2022 and 2023.

PUC Changes (Continued)

Again, this shows what it looked like at 615.

PUC Changes (Continued)

And this shows what it looked like using a three-month average, a three-month rolling average.

Other Important Factors

The PUC is important to understand, and I wanted to kind of start to talk about a couple of different things as it relates to PUC and some other factors that you need to start thinking about. For PUC, as it relates to public housing conversion activities, RAD, generally, will increase the PHA's PUC, if the property is going through a rehab, or it will decrease the PUC if there's an in-place conversion. So, if you are a PHA that's going through RAD, and this is year two, right? So, if you closed in 2021 and now you're in RAD 2022 where you're using HAP funds and reporting it to VMS, if it's your first time using RAD, you're likely to see that your PUC is going to go up if you're going through rehab, or it's going to go down if it's an in-place conversion. And, I'll talk more about that in a little bit. Another important factor, thinking about PUC, is portability. You're a PHA that has a lot of port outs. Generally speaking, your PUC is going to go higher if you have a lot of ports that are being administered by another PHA. Traditionally, a lot of ports have higher Per Unit Costs, because, I don't know why, but they just generally do. Pretty much any VMS report that I've ever run and looked at the PUC on a port is, is going to have a higher PUC than your traditional voucher program. The other thing that I'll just make a caveat to as it relates to portability is, if you have a lot of ports that are being administered, you want to be a little leery of that because if another PHA can easily absorb your ports, which is going to negatively influence your PHA's utilization. So, thinking about PUC and thinking about, you know, what's going to happen under different scenarios, be aware of what happens to your PUC as it relates to RAD, and be aware of what happens to your PUC and your utilization in general as it relates to portability. One other little side note regarding PUC: I need to make sure I mention set-aside funding in PIH Notice 2022-14, specifically relating to PUC. If your PUC is going up beyond what your 2022 approved funding is by more than 2%, you'll want to consider applying for set-aside funding. And, why you want to apply for set-aside funding is because you're spending more than you're receiving or anticipated to receive in 2022 in terms of your funding. It's called "unforeseen circumstances," so if you have increases in your PUC by more than 2% of what your 2022 funding award was, you'll want to look at funding notice or PIH Notice 2022-14 with an application that's due on September 30th to receive additional HAP funding because your PUC is higher than what you're being funded as. Also, as it relates to the set-aside funding notice, I think it's important to just mention that if you have PBVs that are under AHAP, they could also be qualified for set-aside funding. I think, actually, the applications for that has ended, but if you have PBVs that are under an AHAP, you'll want to look at any set-aside funding notice that will come out next year, because it'll be important to apply for those if you set-aside vouchers for PBVs.

Set-Aside Funding

Set-aside funding is also built into the Two-Year Tool. So, if you apply for and receive set-aside funding, you'll want to add whatever set-aside funding you receive into the tool because, if you are getting additional set-aside funding, it increases the number of vouchers that you could potentially lease, and, therefore, increases the amount of admin fee you could potentially earn. So, yeah, set-aside funding is important. I just wanted to pull that out as we talked through, talked through that section real quick.

Conversion Activities

I wanted to take a couple of minutes to talk about conversion activities, because I think this is extremely important.

Impact of RAD Conversions on PUC

So, a couple of things to understand as it relates to conversion activities related to your PUC- RAD rents, generally, are below your Fair Market Rents, resulting in your PUC for RAD units to be lower than your regular HCV Program. How RAD works in HCV is, if your RAD deal closes in 2022, it won't impact your utilization until the following year. PHAs are going to receive additional vouchers and funding in January of 2023 if you have RAD conversion that closes this year. If a PHA is redeveloping the property, you, generally, are making what's called Rehab Assistance Payments or a RAP. The RAP to that property is going to be entered into VMS and is reflected as HAP; however, those vouchers, when you're going through a rehab, are not going to be reflected as utilized vouchers.

Impact of RAD Conversions on the PUC (Continued)

And so, as that relates to the utilization of your program, generally, through RAD conversions, you've got two different things: you're either doing an in-place conversion where you're not rehabbing the property, or you're rehabbing the property, moving the families out, and doing all kinds of things. So, I want to show you what this looks like in the Two-Year Tool as it relates to the conversion. If you have an in-place rehab, right? So, say you close the deal in 2022, and then in 2023, your new RAD rents and RAD vouchers are going to hit your tool. So, we look at the Two-Year Tool in December of 2022; we had 432 vouchers. In January of 2023, we now have 486, and this is an increase of 54, 54 vouchers. By the same token, because this is an in-place conversion, we're adding those 54 vouchers onto our program, because let's assume that they're all leased up at the time of conversion or at the beginning of the new year, and our HAP expenses go up related to the new vouchers we've got on the program. What we can see here is that, in December of 2022, our Per Unit Cost was $346. However, starting in January of 2023, our Per Unit Costs are going down by $8 because we've got a bunch of new vouchers onto our program; we've got 54 new vouchers, and it's costing less. It's bringing down our Per Unit Costs.

Impact of RAD Conversions on the PUC (Continued)

The other way this happens is if you're doing a RAD rehab and you're making Rehab Assistant Payments. And so, in this case, we've moved everybody off the site, we close the deal in 2022, move everybody from the property in 2022, and now it's 2023, and we're reporting our RAP Payments to HUD through VMS (because you need to report those through VMS). In this case, we've got the additional vouchers on our program here on the first column, but we're not using those vouchers. But, our HAP costs are going up, because we are now reporting our Rehab Assistant Payments and, therefore, it's spiking our PUC up because we're not using those vouchers, but we're spending more money. And so, if you don't understand that that's going to potentially happen when you're going through a RAD, and, depending on where you're at in that process, you could see varying changes in your PUC as a direct result of these types of conversions. And when I'm talking about RAD, let me clarify, I'm talking about RAD PBV only. I'm not talking about PBRA because that's none of our voucher program's problem.

Other Impact of Conversions

Other impacts of conversions, and these are important things to understand too, is as it relates to Tenant-Protection Vouchers, which are generally through Section 18 conversions or Section 22 conversions or property contract opt-outs. So, a PHA receives 200 new Tenant-Protection Vouchers through Section 18. Your initial thought is, "OK, I can relocate all these residents off-site with these vouchers. The problem is is that the PHA is not just going to receive 200 vouchers for all occupied units. You're going to receive all vouchers that, you're going to receive vouchers for any unit that was occupied over the past 24 months. And so, what happens is, you're probably going to be getting more vouchers than you have residents at that property, which means your voucher program just got bigger, and now you've got to issue more vouchers from your waiting lists to cover that. So, keep that in mind as you're doing any kind of conversion; you might not be issuing vouchers to everybody at the property, because it's unlikely going to be fully occupied at that moment. Additionally, you need to think through relocation as it relates to Tenant-Protection Vouchers. It's not easy. A lot of times, your TPVs take even longer than an HCV applicant from a waiting list, and, most times, if you're a PHA that is issuing vouchers from your waiting list, your TPVs are competing with your waiting list vouchers that you issued as well as your families who are looking to transfer with their voucher. So, putting TPVs out there through a conversion activity is likely going to impact your success rates. Because now, you know, supply and demand- you have a higher supply of vouchers and the same demand, the same amount of demand. You've got more vouchers demanding more units, which may or may not be available. So, keep that in mind as you're going through any type of conversion, because it's not always very easy in getting those families leased with vouchers. So, also working with TPVs, plan on applying the success rates to those TPVs as you do your regular voucher program.

TPV – Apply KPI's

For example, if you need to—For example, if you have 25 Tenant-Protection Vouchers that you've got, and you have a success rate on your regular voucher program, say, at 70%, at 50%, and at 20%, the percentage of those families who actually received those TPVs that are likely to be able to lease up with those are 18, 13, and 6. So, you need to look at what options you have available to those families, because, if you're issuing Tenant-Protection Vouchers and you apply your success rates, you need to think about how you're going to address those families who aren't able to locate units with those TPVs. Additionally, how long is that actually going to take? Understanding the time of issuance from HAP effective date is going to determine how long you should plan for that Tenant-Protection Voucher process to take place. So, if you're a PHA where you've got 4% leasing in 30 days, 13 at 60, 31 at 90, and so on, it's going to take you longer to get those families placed with those vouchers. Moving forward then, what if you're at 38% in 30, 40% at 60, 80% at 90? Knowing this data can help you with conversions so that you know how long it's going to take, how many vouchers are likely, actually, to be utilized through a TPV, and then understanding that any TPV that isn't utilized or was not vacant at the time is now going to need to be leased up through your regular waiting list.

Conversions Bottom Line Impact

Bottom line on conversions: communication and planning cannot be done in a vacuum. You need to talk to all of the players and know what's going on. Conversion activities that involve vouchers are going to significantly impact your, your utilization. So, know that going in. If, if you are a PHA that is all over their utilization and you monitor it and you're right on target, the second you start doing conversion activities, you're going to see some great variation in your utilization within the Two-Year Tool that you probably aren't used to seeing. Also make sure that the development side of the PHA is talking to the HCV side of the PHA whenever you're discussing any type of conversion activities, so that you know what needs to take place operationally to get families moved off site, a lot of times, as it relates to those types of conversions. And then, understanding the timing of those activities from conversion and the HCV perspective. So, keeping the development side in check as to how long this actually takes is important in that planning process of a conversion.

HUD Tool of Tools: Payment Standard Analysis

All right, so now I want to launch into the Tool of Tools and talk about payment standard analysis, as this, as conversions are a continuation of Per Unit Cost. So, when you do a conversion, your Per Unit Costs are going to fluctuate, and so will your Per Unit Costs when you make adjustments to your payment standards.

Payment Standards Small Area FMR

So, as it relates to your payment standards, gloss over this. You've got the option to use Small Area FMRs, which are specific ZIP codes.

Payment Standards

Or, you could use payment standards for metropolitan FMRs, generally between 90-110%. Payment standards are generally published in October, so you can anticipate, probably in the next three months, to know what the 2023 payment standards are going to be or what the 2023 Fair Market Rents are going to be.

Payment Standards (Continued)

Payment standards: why do they matter? They determine the maximum amount of subsidy the family can receive. That gives the family, basically, what they're spending limit is, for lack of a better word. What happens when the payment standard goes up? It's generally that, when the payment standard goes up, the Per Unit Costs go up. What happens when the payment standard goes up and why that Per Unit Costs go up is generally because, [at the] same time, your HAP expenses are going to go up.

Payment Standard Analysis Tool

How you can analyze your payment standards and changes in your payment standards is through the Payment Standard Analysis Tool. To use this tool, you will want to go into PIC and select an Ad Hoc Report from PIC and choose "all voucher funded assistance." You're going to select sections or actions 1 through 5, as well as 7, which are new admissions and/or re-exams, interims, port-ins and outs, and other changes of the unit. And then you're going to select all fields on both pages of the Ad Hoc Report and export that to Excel. Generally, what I see happen is, you might go through this and try and export it to Excel, and you're like, "It's not working, Mike." So, most PHAs have a pop-up blocker on your internet activity. So, you're going to need to remove that pop-up blocker when you're on that site. And then the other key is, when you save it, most reports that you're pulling out of PIC are trying to save as what's called .CSV file, which stands for comma… I forget what it is. Comma Separated Variable, I think. You need to change that type of file from the .CSV file to an .XLS or an .XLSX format. Those are generally just called- when you try and save it as one of those- it generally just says Excel Workbook. If you save it as a .CSV, this will not work for you, so change the file format that you're trying to save it as.

Payment Standard Analysis Tool (Continued)

Once you download that PIC report, you're going to go into the HCV Utilization Tools page. So, generally, just go to Google and type in HUD Two-Year Tool. Click on the first link, and then scroll down to the bottom and select what's called the Tool of Tools. Wait for that file to download, because it's going to take a minute or 2, and then once the file opens, it's going to provide you prompts or, if you want, instructions. So, if you want instructions, click "yes;" if you don't want instructions, click "no." Once you get past the instructions, it's going to ask you what report you want to run. So, what you want to generate is a Payment Standard Tool Report. And then, you click that you're excited to do so.

Payment Standard Analysis Tool (Continued)

Once you get to—once you get past that, you're going to get another pop up. It's going to say, do you need edified, and you're going to say "no", because we already downloaded or PIC data. And then, we're going to click "no edification needed". From there, we're going to upload the PIC Ad Hoc report that we saved as an .xsl or Excel.xs file. And then upload, basically, that PIC Excel document that we downloaded into the Tool of Tools. From there, once we click "OK", we are going to get one final popup that says, "select the payment standard tool type", and we're going to click on a "single payment standard" if you're a single payment standard PHA. Or if you have Small Area FMRs, you're going to click on "multiple payments ZIP codes". If you're using Small Area FMRs and you have more than, I believe, 25 ZIP codes that you have payment standards allocated to, this will not work for you. You would have to figure out a different way. There are some other ways that you can kind of manipulate your data to get it to work, or you can break your data down into smaller chunks and do it in chunks, but you can't do it all at once if you have more than 25 ZIP codes.

Payment Standard Analysis Tool (Continued)

So, once you have your Payments Standards Analysis Tool loaded because you've uploaded you PIC data, you're going to select your county, which is going to automatically populate your FMRs. Then you're going to manually enter in your current payment standards in the current year, and then your future payment standards in this year 1 and year 2. And what generally—what you do is just, whatever your payment standards are for 2022, you're going to put those in there for 2023. From there, you're going to enter a date, so date of payment standard change. So, the date that you would be implementing a change in the payment standard in this section here, which will populate this bottom report for you to take a look at.

And so, once you've loaded in what your current payment standards are, what your future payment standards are, the date you're making that change effective, you're going to get this information. And what this information is showing you is it’s showing you the percentage of rent burdened families on your program. So in this case, this PHA has 25% of their participants on their program that are currently rent burdened. Once they, based off an effective date change of April 1st, 2022, by the end of 2022, their rent burden percentage of families is going to decrease from 25% to 7%. Then by the end of 2023, that percentage will decrease from 7% to 4%. So, increasing payment standards, generally, it's going to reduce the rent burdens on the families on your program. If we look over here to the right where we see these green boxes, it's giving us a break down of 2022, 2023, and 2024, and this is showing us what the increased payment standard is going to do to our Per Unit Costs. So from here, we know that if we implemented a payment standard change in April of 2022, that our Per Unit Costs are going to go up by 72 cents, or round that to a dollar. It's going to go up by $2 in June. $2 in July, and so on and so forth. Overall, at the top here—in the top section, it says “Overall by the end of 2022”, your Per Unit Cost will increase by 12 dollars and 53 cents, or roughly 3.5%. So, this analysis shows us that if we change our payment standards or increase our payment standards, it's going to reduce the rent burdens of our families, and therefore, cost more on the Per Unit Cost side. It's going to change your Per Unit Costs.

Payment Standard Analysis Tool (Continued)

This is another example. I just wanted to kind of show you what else this tool does. So, we've got our payments standard change in here. So again, we're using April 1st. You can also put in different percentages here. So if you know that your rents are going to go up by a certain percentage because you're getting a lot of rent increases or you know what you're general rent increase costs are going to be year over year, you can put it in a percentage there. You can also put in a percentage of utility allowance change, so if you know that your utility allowances are going to go up next year and you know by what percentage, you can put that percentage in here and it’ll calculate that into this analysis and same with tenant income. If you know that tenant incomes are going up, which is going to reduce your Per Unit Cost, you can factor all of those things in here. Generally, I think the rule of thumb that I use is, if I know what my payment standards or— what my utility allowances are going up by, I'll drop in that percentage. Otherwise, I generally don't prognosticate on the rent or the tenant income percentages because unless you know that data and you're really wanting to get dirty with it and trying to figure that out, I would just stick to the payment standards and utility allowances if you know what your utility allowance increase is going to be. As it relates to this particular program, again, their rent burden is at 43%, increasing their payment standards at the end of 2023. It will reduce that to 29%. Then, overall, their Per Unit Costs are going to increase by $52 as a result of these changes that I've fictitiously put it here.

Best Practice: Payment Standards

So, best practice payment standards. This data should be used in conjunction with the Two-Year Tool to determine the impact that increased payment standards have on your Per Unit Cost. It should be reviewed annually, and therefore, the Payment Standard Tool should be used when the new FMRs come out to determine the impact that it has on your program.

Determine Sufficient HAP Reserves

So in an example: if you know that your Per Unit Costs are going up, if your payment standards going up, you need to determine if you have sufficient HAP reserves to cover the cost of that related Per Unit Cost increase from the payment standard. And so, you can take the data that you get from a payment standard analysis and drop it into your manual override for your Per Unit Cost to make sure that you have sufficient reserves in future years to continue to issue voucher.

Is This Right for My PHA?

Some things to think about if it's right for your PHA is you need to determine if your rent reasonableness supports the rental amounts that exceed your payment standards. You need to also see if rent reasonableness methodology allows you to set the rents at a level that, you know, is beneficial to your payment standards. Then also, revealing reasonableness methodology and make sure the comparable units that you're using are reflective of your current market and compliant with your administrative plan.

Is This Right for My PHA? (Continued)

Again, if your PHA success rate is very low, you can also review your rent reasonableness and inform the public of any changes in your plan.

Is This Right for My PHA? (Continued)

Some other considerations is if you are in a shared jurisdiction, making sure that your payment standards are not lower than other PHAs within your jurisdiction. So if you already have an agreement with a neighboring PHA, you want to make sure that your payment standards are not different than what the other PHA is using so that their voucher is not worth more than yours and your voucher is not worth more.

Payment Standard Decrease

The last thing as it relates to payment standards is important to know what payment standard decreases do, and what you can do to alleviate that. I know, here, you might feel like it's 2022 inflation for June was 9%, you know, why would my payment standards decrease or why would the FMRs decrease? Each PHA and jurisdiction is unique, and so you never really know until those are published. But one thing to note as it relates to decreases in payment standards is you have some options. So, specifically, as it relates to a decrease in the payment standards, if you've adopted a waiver to where you've adopted 120% or higher than 110% payment standards, you have options as to what you can put into your policies if your payment standards were to decrease next year. And so that's in PIH Notice 2018-01. Your 3 options are: you can hold the family harmless, which means there's no reduction in the subsidy, as long as the family continues to receive voucher assistance in that specific unit. You could implement a gradual reduction in the subsidy and phase in a payment standard reduction or you could implement a payment standard reduction where you would reduce that family's payment standard at the effective date of their second annual reexam following the decrease.

Is This Right for My PHA?

So related to payment standards, you need to ask yourself this: does the PHA have the HAP reserves to do it? Or the funding to increase your payment standards? Will it make a difference for the family? What percentage of your families are rent burdened? Will it benefit those families to increase the payment standards? And will it move that needle for those specific families?

Management Plans

Alright, last section, Management Plans. So, what we need to start thinking about as PHAs is what do we do next, right?

Management Plans (Continued)

What can we be looking at to maximize the utilization of your program? And so step 1: It's something I recommend all PHAs is do often is talk to your Field Office about your utilization. If you're not talking to your Field Office about the utilization of your program, they don't know what you're doing, and therefore, they can help you. So, you need to have open dialog with the Field Office about your program's utilization. They can provide resources to you and help you better understand the Two-Year Tool if you need it and help PHAs out. They are there to help you, so talk to your Field Office and then monitor specific areas within your program that affect the utilization, right?

Management Plans: Success Rate

Success rates. Track it. Use your system of record, use the Tool of Tools, use something. You need to know and you need to understand what your success rate is, so you know how many vouchers you actually need to issue, and then do what you can to impact that success rate. Conduct landlord outreach. Talk to residents about how to approach landlords. Review that PIC Notice 2022-18 to see if landlord incentives or paying security deposits is something that you guys can actually do. And then, coming up with a plan to maximize the success rate of your voucher holders because the success rate directly impacts the administrative burden that you're going to have to issue vouchers.

Management Plans: Attrition Rate

Attrition rate: Know what your attrition rate is. Figure out how to manage it on a monthly basis. I would recommend using the dashboard that I talked about earlier so that you know what your attrition rate is. Your attrition rate shows you how many vouchers you should be issuing a month and if you need to issue more vouchers to improve your utilization, the attrition rate is showing you the minimum number of vouchers you need to be issuing to maintain the stability within your program.

Management Plans: Voucher Issuance to HAP Contract Rate

Voucher issuance to HAP Contract, you need to track it. Again, use that, use your system if you have one that tracks it. If not, use that Two-Year Tool. Use the voucher issuance tracking to determine when you need to issue vouchers. If you're looking at, you know, how long it takes. And, you know, it takes 120 days to get most of your families leased up, know that what you're doing here in July is not going to change anything in 2022. But if you have a very impactful voucher issuance to HAP Contract rate percentage, what you're still doing now, can impact your 2022. But if you don't know what those rates are, you don't understand the impact that issuing vouchers is going to have on your program.

Management Plans: Payment Standards

Payment standards. You need to understand your payment standards; you need to understand your PUC. You need to know what the impact and the correlation between the two are going to be so that you know how many vouchers you can issue. You also need to review the PIH Notice 2018-01 and determine what you want to do as a PHA if FMRs drop or if your payment standards decrease in 2022—or 2023.

Management Plans: Utility Allowances

Utility allowances. You need to understand that changes in your utility allowances are going to change your Per Unit Cost as well. Because if your—if your utility allowances go up by $10 and everybody on your program—there's nobody on your program is rent burden. If your utility allowance has gone up $10 across the board, your Per Unit Costs are going to go up by $10 across the board. So, understanding what utility allowance do to your Per Unit Cost is going to be extremely important. And also, determining if you need to make changes to your utility allowance on an annual basis is something to definitely look deeper into as a PHA to understand the impact that it has on your PUC and your program.

Management Plans: Waiting List

Your waiting list. Do you understand how successful applicants—how many applicants from your waiting list actually receive a voucher? Again, use that system of record if it does it or the Two-Year Tool Success Rate Tracking tab. If you don't know how many vouchers you can issue from your waiting list because you're not tracking it, you're really just working in the dark. And so, knowing the data is extremely important to maximizing that success of your program.

Management Plans: Portability

Portability: should you be administering or absorbing? How many vouchers are you losing to your port-outs? How much HAP do you port-outs cost you? Is it excessive? Is it higher than your Per Unit Cost and regular program? Did you or do you need to apply for set-aside funding? They added the option to apply for set-aside funding here in 2022 for this specific reason is gone as that was due last month, but it's something you need to think about next year. Is it costing you to have more—to have an extreme number of ports that are being administered by another PHA? And then, what should you do as a PHA? Should you be absorbing or administering ports? I am recommending a lot of PHAs as of late to start administering ports. I know a lot of PHAs absorb any port that comes through the door. But, you can also think of if you have a sufficient number of ports coming in and you don't have a lot of HAP reserves left in your Two-Year Tool in 2022 or 2033, you may want to consider starting to administer ports for other PHAs instead of just automatically absorbing them. You can create a new revenue stream if you have a sufficient number of ports coming in that you're administering on an ongoing basis. So, it's something to definitely think about and consider. But first you need to understand how many ports you have coming in the door and how many you have going out and how that impacts your utilization. If you're absorbing ports, it's a new lease voucher. If you're administering it, it's still another PHA's voucher and doesn't necessarily impact the utilization of your program. So, knowing what ports do to your utilization is important to maximizing your program's utilization as a whole.

Management Plans: Conversion Activities

If you recently went through a conversion activity or if you're thinking about a conversion activity or planning on a future conversion activity, it's important to know all kinds of information about it. You need to know what's going on and when it's going to take place, what type of conversion is it? Is it a RAD? Is it a TPV? Section 18? Is it a Section 22? If there's anything related to conversions happening to your program, look into it. See when things are supposed to happen and talk to your Field Office about it, because they will help you. Then, get an understanding of, okay how's it going to impact my HAP and my voucher utilization? Is everybody at the PHA talking? Is everyone aware? Don't let things happen in a vacuum. And then, what kind of capacity and resources are going to be needed to have a successful conversion? It's important to understand that if you're getting—if you're doing a big Section 18 conversion where you're getting 200 vouchers, you need to make sure you have enough HCV capacity to do all of the work that goes with that. If it's a Section 18, we're talking about eligibility, we're talking about issuance of a voucher, we're talking about our FTA tracking, HQS inspections, contract, and leasing. If you are adding 200 new vouchers to your program, you need to make sure you have sufficient staffing to take that on. Because if you're just going to layer it on top of the staff that you already have, you’re probably going to be setting yourself up for a problem, because you're just adding more work to your staff without adding capacity or resources to the HCV team. So, keep that in mind when you're doing conversion, specifically, with TPVs. And also as it relates to RAD, are you applying an OCAF to your RAD contracts at the annual anniversary date? It's something I see some PHAs not doing, but it's something that's extremely important to do on an annual basis.

Management Plans: Project-Based Vouchers

In terms of project-based vouchers and planning for it, right? Do you have enough HAP available to pay for new PBV units coming online? Did you apply for set-aside funds for units that are under AHAP? Do you need to hold back the issuance of vouchers to cover new PVV units coming online? And are project-based vouchers something the PHA should be considering long term for future improved utilization? Having hard units tied to the voucher program is, in my opinion, a good thing as it relates to maximizing the utilization of your program. So if you have PBVs coming online or should you be PBV’ing, that's something you need to be discussing internally when you're talking about the management of your voucher program.

Management Plans: Policies

And then lastly, your policies. For success rates, do you have policies that are restricting successful lease up? Do you have policies that are above and beyond HQS? What's your policy on voucher extensions? Your attrition rate: Do you have policies that are too strict that are requiring residents to provide more documentation than you need? What's your policy regarding missed HQS inspections and annual reexamines? What are your policies that might be preventing you from improving the utilization of your program? Additionally, your policies as it relates to payment standards, are they too high, are they too low? Should I be looking at exception payment standards? Should I be looking at Small Area FMRs? Those are all things management of HCV Programs need to be discussing as it relates to the policies of your program. Utility allowances: Do I need to apply the utility allowance annually because it’s what we've always done? Should we change the utility allowance? Looking at those things on an annual basis, instead of just doing what you've always done, is important to maximizing your program. When we're talking waiting lists and success rates from waiting list, do you have preferences or policies that make your waiting list more difficult than it should be? How are your preferences interfering with—or interfacing with conversions or other community priorities are things you need to be looking at as it relates to waiting list preferences.

Management Plans: Policies (Continued)

And then finally, talking about policies that relates to conversions, specifically to RAD. Do you have a phase-in period? Is it a 3-year or a 5-year? Do you have a chapter in your admin plan? Do you have a chapter about PBV in your admin plan if you're looking at doing PBVs and what should it say?

Next Steps

So, those are really things that you should be thinking about as a PHA managing a voucher program. So, your next steps are really to analyze your data. Find out what you can get from your system. Work on the Two-Year Tool. Make sure you're using that Two-Year Tool. And then use the Tool of Tools, Payments Standards Analysis, to run some analyses on the impact that payment standard changes have on your program, specifically as it relates to your PUC and specifically as it relates to the percentage of families on your program, that are rent burdened. I'll stress this again: talk to your Field Office. They're there to help you. Reach out to them when you have problems, if you need help, if you don't understand something; work with your Field Office. Complete a management plan. Look at the slides that we just went over and analyzed what you have going on with your program as it relates to all of the things we've kind of discussed today. Then, make decisions on how to maximize your utilization. Implement your plan and help families and communities secure housing.

Thank You and Q&A

And so, I thank you for hanging in there with me, and we'll see if—we'll open it up to questions and see if there's any questions in the chat and do some question and answer.

Here's a question: So, what do we do when the 110% of the Fair Market Rent is below the market rents? So, if your payment standards are below Small Area FMRs at 110 or below your market rents, you have an option to apply for what's called the Streamline Waivers. With a Streamline Waiver—yeah, I think it's PIH Notice 2022-09—it allows you to implement a payment standard of up to 120% of the FMR. The application to do that is due on September 30th and it has a deadline of being able to utilize that through the end of December.

So if you're a PHA or your market rents are than your market is as asking for those—for your units, then, I would consider looking at PIH Notice 2022-09 and applying for the Streamline Waivers so that you can increase your payment standards and hopefully put them more in line with where the market rents actually are. That's a great question. But you're running out of time to do it.

Alright, so we haven't had any additional questions in the chat, so I'm going to go ahead and end today's session. So, thank you all so much for your time. And appreciate it and good luck and talk to your Field Office. Look at your data and do the best you can to house as many families as possible. Thank you, guys, for your time and have a great afternoon.