

BOARD COMMISSIONER TRAINING

Overview of the LIPH Program and ACOP



2021

Developed in 2021 using HUD's Lead the Way training, adapted by Econometrica, as well as other sources.

ECONOMETRICA, INC.

Learning Objectives

After completing this module, you should be able to:

1. Discuss the history of public housing in the United States.
2. Understand the meaning and relevance of the Declaration of Trust.
3. Identify the different program funding mechanisms for public housing.
4. Understand the meaning and relevance of Asset Management to your PHA.
5. List strategies for improving asset management projects.
6. Understand the basic content of the ACOP and the elements of it that the Board can change.
7. Discuss how HUD evaluates the public housing assets and program at your PHA.



Agenda



- Low-Income Public Housing (LIPH) Overview
- Public Housing/Asset Management
- Capital Fund
- Admissions and Continuous Occupancy Policy (ACOP)
- Public Housing Program Assessment

Types of Public Housing

Low Rent Housing – “Public Housing”

Housing Choice Vouchers – “Section 8”



Public Housing Overview



Statutes and Regulations

U.S. Housing Act of 1937:

- Established permanent public housing funded by the federal government.
- Allows creation of municipal housing organizations/corporations (PHAs).
- Goal is to provide decent and affordable housing for all citizens.
- Created the Public and Indian Housing program.
- Now provides affordable housing to more than 2.9 million families.



Statutes and Regulations (Cont.)

Key Statutes and Regulations:

- Quality Housing and Work Responsibility Act of 1998
- Fair Housing Act, Civil Rights and Disability Laws
- Title 24 Code of Federal Regulations (CFR)
- Annual Appropriations law
- State laws and local ordinances
- Annual Contributions Contract (ACC)



Annual Contributions Contract (ACC)

- Mechanism for receiving HUD funding.
- The ACC provides the terms and conditions between the PHA and HUD.
- HUD and the PHA's authorized official enter a Consolidated ACC.



Declaration of Trust (DOT)

- PHAs must have a Declaration of Trust (DOT) on every public housing property owned.
- The DOT restricts the PHA from transferring, selling, mortgaging, etc. the properties without first getting HUD approval.
- HUD is assured by the DOT that the property is operated as public housing and in accordance with the ACC.



Public Housing Basics

- **Purpose:** Provide decent, safe, sanitary rental housing for low-income families.
- **Ownership:** Funded by federal government. Established by state law. PHA holds property title but prohibited from leasing, selling, or mortgaging property under Annual Contributions Contract (ACC) without HUD approval.
- **Financing:** By federal subsidy (operating, capital, and special purpose), rental income from tenants and grants.



Public Housing Basics (Cont.)

- **PILOT:** Payments in lieu of taxes to the city instead of taxes for local public services.
- **Rent:** Based on 30 percent of a family's monthly adjusted income.
- **Duration:** As long as compliant with lease.
- **Resident Services:** Programs that provide families with services and promote self-sufficiency.



Low Rent Housing Program Funding

- Operating funds from HUD are provided each year along with dwelling rents that are used to sustain operating budgets.
- Funds are restricted for the use of the Low Rent Housing Program (aka Public Housing) only.
- Capital Fund awards are also provided by HUD annually based upon a funding formula for all public housing ACC units.
- Competitive grants are also available:
 - Resident Programs – Family Self-Sufficiency (FSS), Resident Opportunities and Self-Sufficiency (ROSS).
 - Emergency, Disaster, Safety and Security, Lead-Based Paint, Housing Related Hazards Capital Funds.
 - Neighborhood Networks.
 - Choice Neighborhood Grants.

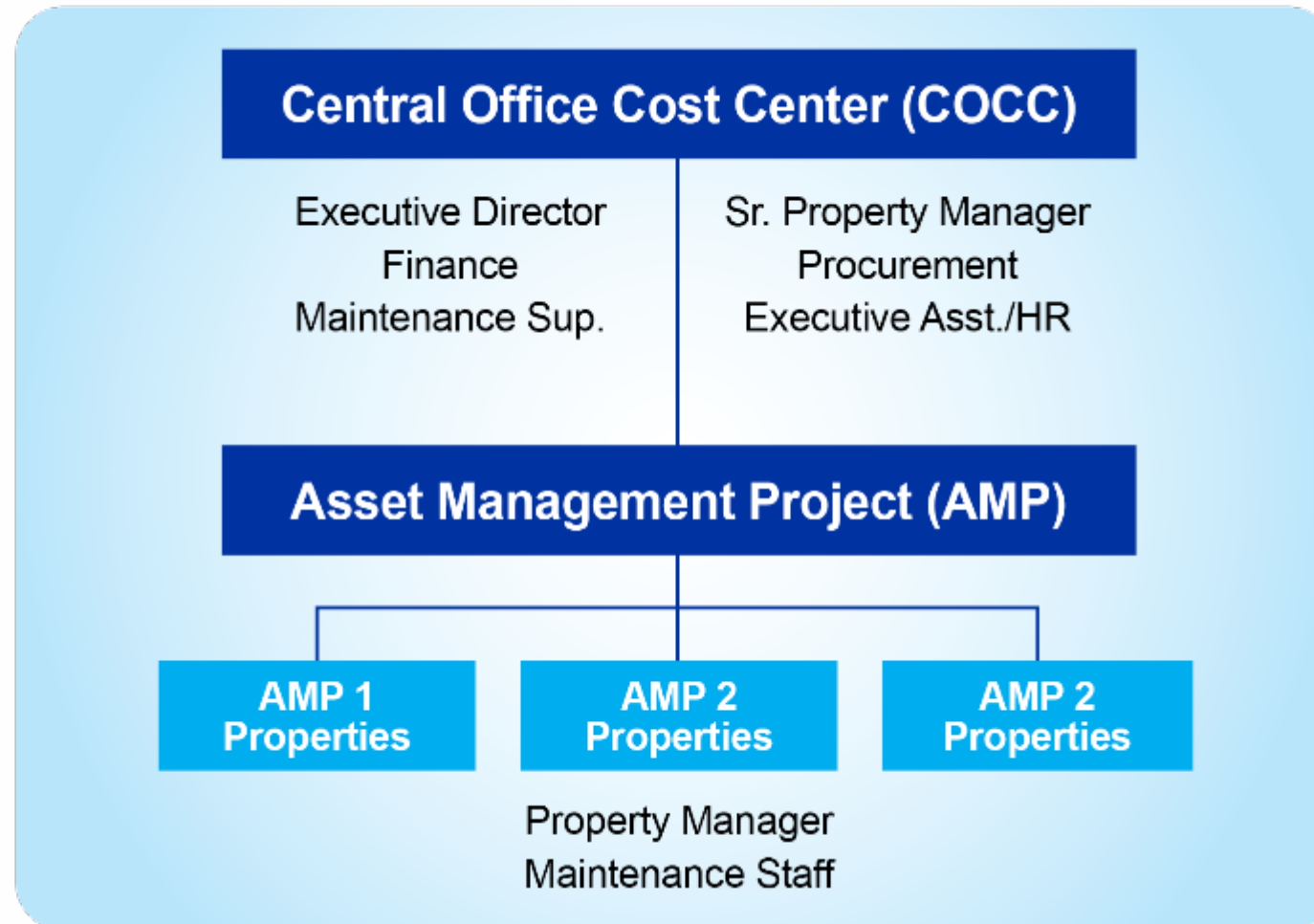




Public Housing/ Asset Management



Components



Project-Based Budgeting

- Each AMP has an approved operating budget at the project level.
- Section 11 of the Annual Contribution Contract (ACC) Paragraph (D) states:
 - *“The HA shall not incur any operating expenditures except pursuant to an approved operating budget.”*
- Project-level budgets:
 - Must be approved by the board each Fiscal Year (FY).
 - Should reconcile with the Financial Data Schedule (FDS).



Project-Based Management

- Similar to private property management.
- Project dedicated management and maintenance personnel who frequently work at the site.
- Site staff have authority and responsibility for day-to-day operations.
- Supplies and procurement property-based and driven.

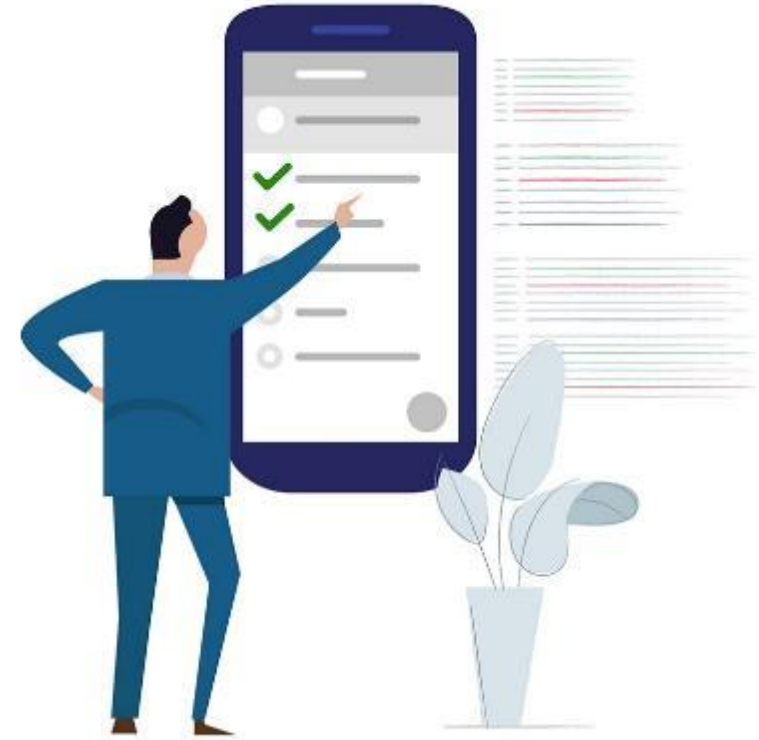


Role of the Commissioner in Asset Management

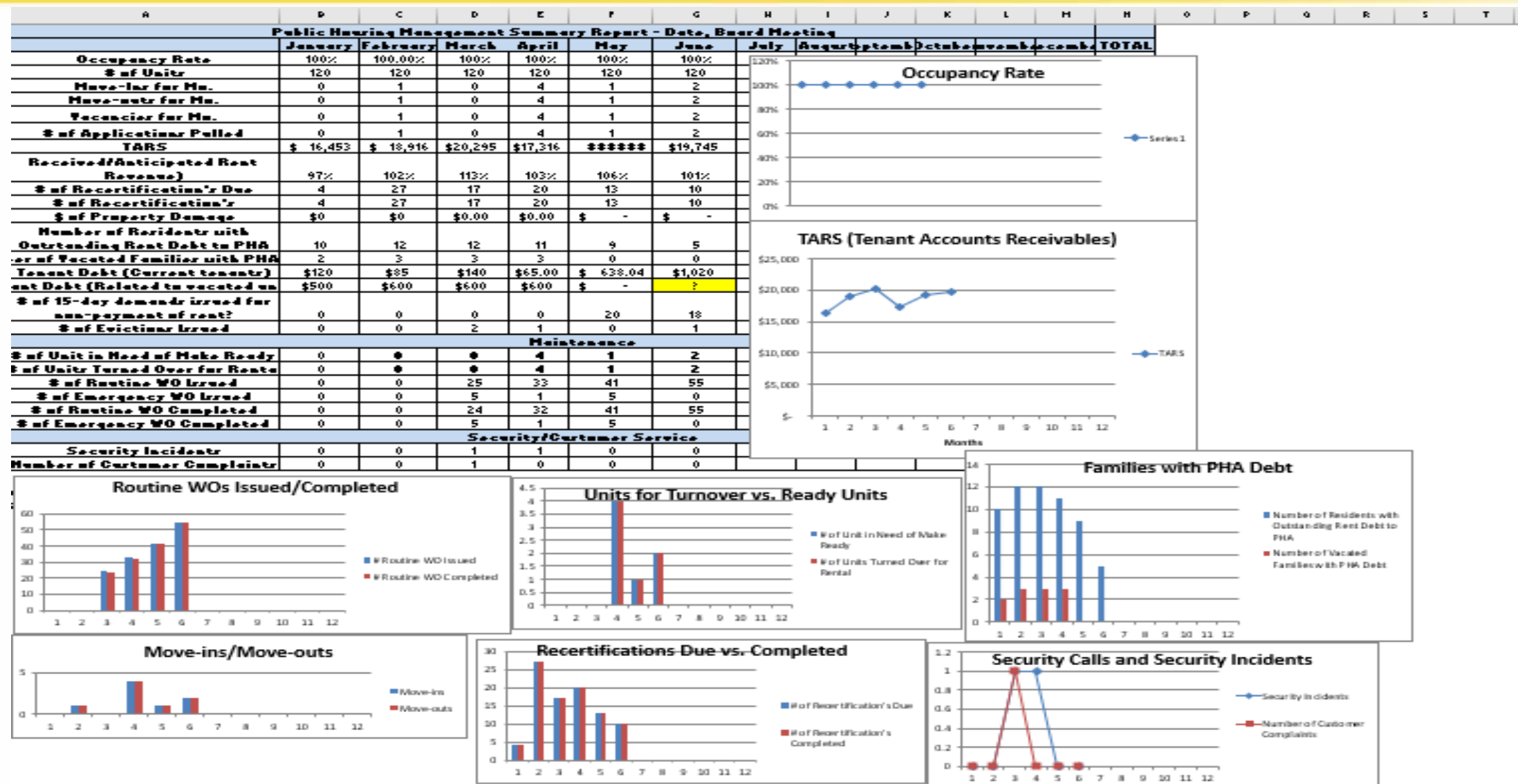
Commissioner Role	PHA ED/Staff Role
Assure agency practices align with the mission and goals of the agency overall.	Prepare monthly and annual project-level budgets.
Review and approve annual project-level and portfolio-wide budgets.	Manage against those budgets when operating their development.
Review monthly the status of these budgets at the project-level and portfolio-wide.	May involve recommending capital fund usage or project repositioning.
May involve proposing development or rehabilitation goals.	Possible policy recommendations regarding the property management.
Policy decisions that may effect management.	

What Should the Board Review for Public Housing Asset Management?

- The Board should review the following reports at every meeting (monthly):
 - Financial Reports.
 - Asset Management Reports.
 - Occupancy
 - Delinquencies
 - Work orders – emergency, versus preventative
 - Contracting and Procurement Reports.
 - Compliance Reports.



Asset Management Report



Strategies for Improving Asset Management

- Monitor each AMP's building and infrastructure conditions.
- Use scarce resources effectively and efficiently.
- Establish goals for weak performance areas.
- Match actual performance against stated goals.
- Determine the reason for failure if goals are not being met.
- Look for patterns and trends.
- Develop a comprehensive plan for facility and infrastructure maintenance.
- Develop a data-driven process for use of capital funds.
- Be familiar with every property - only then are you in a position to make decisions about it.

Question #1



Which of the following is a benefit of the asset management model?

- a) A centralized management means fewer budgets and management systems to monitor.
- b) When one property is failing, you can use the surplus from another property to help make up the budget gap.
- c) The board can identify which properties are costing more than they earn and should be closely reviewed.
- d) PHAs no longer have flexibility to decide and debate the future of an AMP – failing properties should be closed.



Capital Fund



Capital Fund Basics

- HUD capital funding for PHAs is distributed through a formula that pays for the following types of activities:
 - Development.
 - Financing.
 - Modernization.
 - Management improvements.
 - Safety and security measures.
 - Homeownership activities.
 - Improvement of energy and water-use efficiency.
- No more than 20% may be used for operating expenses.
- No more than 10% for administration costs.
- Do not exceed 10% for management improvements.



Ineligible Activities

- Not Related to Public Housing.
- Not in 5-Year Action Plan.
- More than Modest Design.
- Benefitting Other Programs – such as HCV, etc.
- Duplicate Funding.
- Soft Costs that do not upgrade or improve the operation or management of the public housing programs.



Such as: security guard salaries, general remedial education, job counseling or placement, supportive services to residents, health, wellness or educational programs, passenger and non-passenger vehicles.

Obligation and Expenditure Requirements

Capital Fund Formula (CFF) Grants

Obligation Requirements	Obligation Timeframe	Expenditure Requirements	Expenditure Timeframe
90% or more of authorized CF grant.	24 months from obligation start date.	100% of authorized CF grant.	48 months from obligation start date.

- HUD will withhold the PHA's next CF grant until the PHA obligates at least 90 percent of its prior grant.
- PHA will lose 1/12th of the CF for each month of noncompliance of the next CF grant.
- HUD will recapture any unexpended CF monies by the expenditure end date.

Penalty Application Example

Example: The PHA failed to obligate at least 90 percent of a FY 2017 CFF grant by the obligation end date of July 10, 2019.

What happens?

1. Continue to obligate the noncompliant grant until it demonstrates a 90 percent obligation.
2. The PHA achieved the 90 percent obligation on October 12, 2019—3 months and 2 days after the obligation end date.
3. HUD penalizes the PHA for 4 months' worth of grant monies on the following year's (FY 2020) CFF grant.

Penalty Application Example: Penalty Calculation and Implementation

$$\text{Reduced grant amount} = \text{Authorized amount of new grant} - \left(\frac{\text{Authorized amount of new grant}}{12} \times \text{penalty months} \right)$$

- FY 2020 formula grant is \$360,000.

$$\begin{aligned} \text{Reduced grant amount} &= \$360,000 - \left(\frac{\$360,000}{12} \times 4 \text{ months} \right) \\ &= \$360,000 - (\$30,000 \times 4 \text{ months}) = \$360,000 - \$120,000 \\ &= \mathbf{\$240,000 \text{ New FY Grant Amount}} \end{aligned}$$

- HUD executes new FY 2020 ACC Amendment and recaptures \$120,000 penalty.
- HUD notifies the Real Estate Assessment Center and the PHA's FY 2020 Public Housing Assessment System is reduced.

Maximum penalty is 100 percent of the next year's CF grant.

Capital Fund Grant Planning Process

✓	Key Components
✓	Needs Assessment (e.g. PNA or CNA) and Energy Audit
✓	Draft 5-Year Action Plan
✓	45 Day Notice
✓	Public Hearing and RAB Consultation
✓	Board Resolution Approving 5-Year Action Plan
✓	Environmental Review(s) as applicable

Monitoring Capital Fund Performance

Strategies to monitor compliance and obligation of Capital Program Funds:

- Review 5-Year Plan annually to confirm alliance with PHA goals and allowable program costs and cost reasonableness.
- Monthly reporting/obligation & active project updates.
- Review and budget or plan modifications throughout the year.
- Evaluate procurement timeliness and effectiveness.
- Confirm contract oversight and management



Question #2



Which activity is not allowed under the Capital Fund program?

- a) Renovation work for one of the public housing sites.
- b) Installation of energy efficient new windows.
- c) Capital fund personnel staff salaries.
- d) Purchase of a van for resident services activities.
- e) Software for a financial software upgrade based upon audit recommendations.

Question #3



90% of a given Capital Fund award must be obligated within 24 months of the grant award and 100% expended within 48 months.

- a) True
- b) False

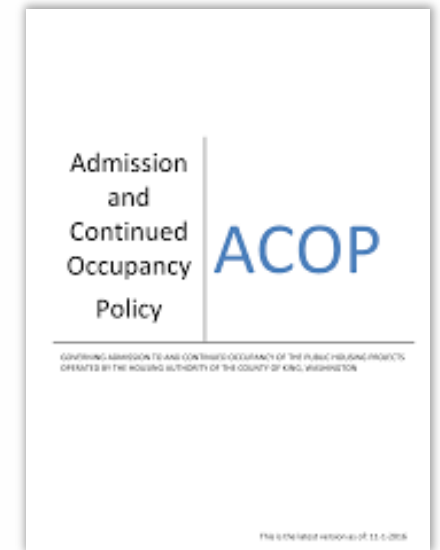


Admissions and Continuous Occupancy Policy (ACOP)



ACOP Overview

- PHA's written policies and procedures to operate their public housing program within federal law and regulations.
- Required by HUD.
- Every public housing authority (PHA) must have one and keep it current.
- Either provided or at least certified to in Annual PHA Plan.
- Must be made available to the public for review at any time and open for public comment when changed.
- Adopted by Board and used to guide the operations of the public housing and related programs.



ACOP Overview (Cont.)

- Must be in accordance with HUD regulations and requirements.
- Available for public review and adopted by Board.
- Includes PHA policies pertaining to:
 - Selection and admission of applicants from PHA waiting list.
 - Screening of applicants for tenancy.
 - Occupancy standards and policies.
 - Assisting families claiming illegal discrimination.
 - Informal review/grievance hearing procedures.
 - Rent determinations.
 - Procedural guidelines.
 - Violence Against Women Act (VAWA).



Eligibility/Admissions Criteria/Policies

Federal law dictates some policies for admission to public housing. These include:

- Lifetime sex offender registrant.
- Methamphetamine production.
- Within three years of eviction from federally assisted housing for drug-related crimes.
- Currently engaged in illegal drug use or threatening activity.



Tenant Preferences and Waiting Lists

- Waitlist – centralized or site based? When to open and close the waitlist? When to purge?
- Preferences - Discretionary policies should balance protection of all residents, maintaining safe, decent and sanitary housing for all, with assisting vulnerable populations.
- HUD requires that at least 40% of public housing families admitted are extremely low-income (ELI) = 30% or below medium income.



Occupancy Standards, Income Determination, Pets and Terminations

- Minimum and maximum residents per bedroom/unit.
- Number of unit offerings prior to removal from the waitlist.
- Minimum rent.
- Income standards, determination and verification of income and other key family status and information and rent are primarily dictated by HUD.
- Pets – how many, what kind, deposits, penalties
- Many terminations are federally dictated, but the Board may include additional lease violations, such as late payments, fees, etc.

 Bedrooms	 Number of Persons
1	3
2	5
3	7
4	9
5	11



Leasing, Inspections and Reexaminations

- Security Deposits – How much? When must they be paid?
- Late fees and other fees – damage fees, the timing of repayment, accrual policies, etc.
- Smoke-Free policy – overall smoke-free requirements are dictated by HUD, but exactly how they are implemented and repercussions for non-compliance are Board decisions.
- Inspections and reexaminations are primarily dictated by HUD with some nuances determined by the Board.



Violence Against Women Act (VAWA)

- Enacted in 2013
- Provides housing protections for victims of domestic violence, dating violence, sexual assault and stalking.
 - Can't be denied assistance due to domestic violence, etc.
 - Can't be denied on-going assistance or evicted if you are a victim of domestic violence, etc.
 - May divide a lease in order to evict a perpetrator
 - Allow for transfer of one or more members of a household to keep them safe from domestic violence.

Question #4



The Board can determine who the PHA can admit and not admit into public housing

- a) True
- b) False

Question #5



Are residents allowed to smoke in public housing?

- a) Yes
- b) No

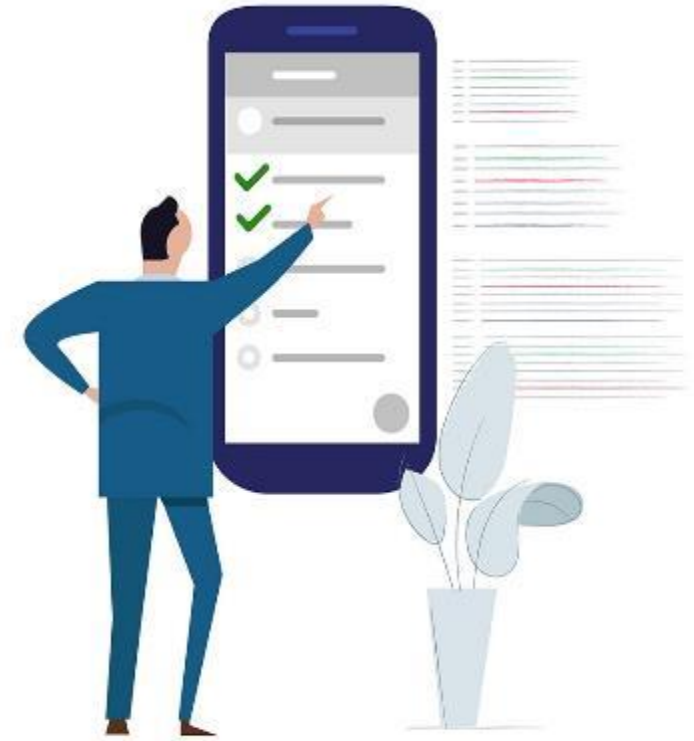


Public Housing Performance Assessment



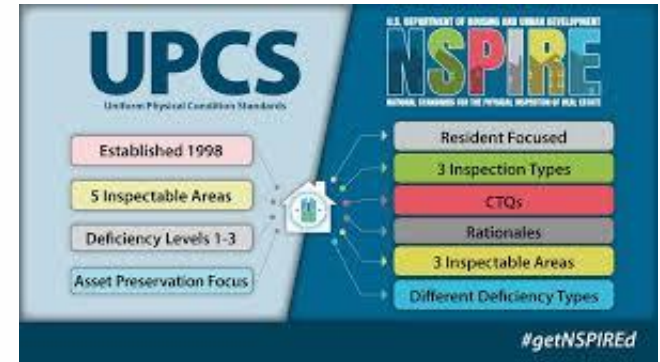
Public Housing Performance Assessment

- Uses the Public Housing Assessment System (PHAS) indicators for each AMP.
- Public Housing Assessment System (PHAS) – 100 points
 - PASS – Physical Assessment Subsystem – 40 points
 - FASS – Financial Assessment Subsystem – 25 points
 - MASS – Management Assessment Subsystem – 25 points
 - CFP – Capital Fund Program – 10 points
- Scores are by AMP and by PHA in total
- Below 60 = “troubled”
- Above 90 = “high performer”



Improve Physical Performance

- PASS – Physical Assessment Subsystem
 - Understand/comply with Uniform Physical Condition Standards (UPCS) and inspect all units annually using UPCS
 - Examine Capital Fund use and prioritization
 - Compare maintenance to new development resources. Is it underfunded?
 - Maintain accurate PIH Information Center (PIC) building and unit inventory
 - Perform routine maintenance on all properties and systems throughout the year
 - Repair issues connected to health and safety concerns immediately



Understand Financial Performance

Quick Ratio (QR)

- Liquidity
- Current assets

Months Expendable Net Asset Ratio (MENAR)

- Adequacy or reserves
- Operate using net available resources

Debt Service Cover Ratio

- Capacity to cover debt
- Ability to meet regular debt obligation

Understand Financial Performance (Cont.)

- **FASS – Financial Assessment Subsystem.**
 - Measures the financial condition of each AMP.
 - Determined by data reported to HUD in the Financial Data Schedule (FDS).
- **Strategies to Improve FASS.**
 - Maintain accurate financials
 - Submit financials on time
 - Increase QR
 - Increase MENAR

Understand Management Performance

- MASS – Management Assessment Subsystem
 - Assesses AMP and PHA management operations
 - Occupancy, Tenant Accounts Receivables (TARS), Accounts payable
 - Determined by data reported to HUD in FDS
- Strategies to Improve MASS
 - Increase the number of occupied units
 - Collect rents on time
 - Reduce accounts payable by paying bills on time
 - Review and understand maintenance reports
 - Know the amounts and status of your Capital Fund Program (CFP) grants
 - Closely review construction contracts

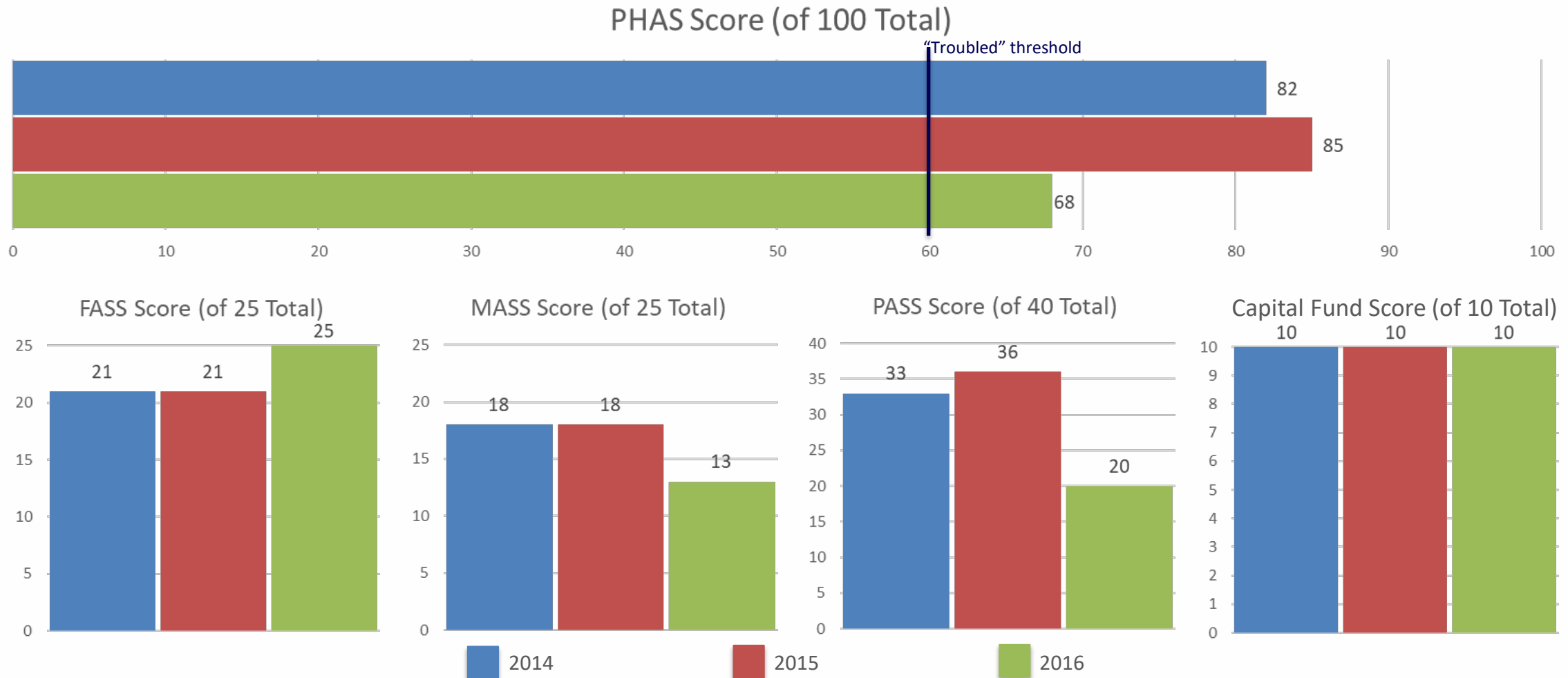


Understand Capital Fund Performance

- CFP – Capital Fund Assessment Subsystem
 - Examine the obligation rate for the Capital Fund program.
 - High score if PHA obligates 90% or more quickly/no more than two years after funds awarded
 - Encourages PHAs to modernize units and improve occupancy
- Strategies to improve obligation of Capital Program Funds increase unit occupancy
 - Plan use of funds
 - Track obligation end dates and progress against them
 - Report monthly to Board
 - Evaluate procurement timeliness and effectiveness
 - Operate a well-planned vacancy reduction program
 - Reduce turnover time
 - Have residents ready for move-in



PHAS Tracking Example



A total PHAS Score of less than 70 is considered "Substandard." A total score of less than 60 denotes "Troubled."

Question #6



What is not a corrective action the board should consider for a troubled AMP?

- a) Improve the quality of the failed units so that it can have 100 percent occupancy
- b) Use the funds from an AMP that is financially performing very well to cover the shortfalls with this troubled AMP
- c) Increase rents to improve revenue, as long as they remain reasonable
- d) Close the AMP if the PHA is unable to make it financially viable

Question #7



What steps should the board take to address the needs of a troubled AMP at a PHA?

- a) Balance the budget for the AMP by creating a shared vision of the property's future
- b) Facilitate building and infrastructure improvements that meet both housing quality standards and the tenants' current and future needs
- c) Hire additional staff so that each AMP, including the troubled AMP, has dedicated personnel equipped for the task
- d) Establish a core project team with staff from maintenance, engineering, finance, tenant services, and information technology, as well as tenant stakeholders
- e) All of the above

Thank you
for your commitment and service to
your PHA and its residents!

