

Each story-led activity is meant to highlight the key points you learned within the *Lead the Way* curriculum and help you apply what you have learned. Story-led activities can be completed as part of the online learning experience, or as a handout to be completed offline individually or as a group. Below is a story you can read individually or as a group. Questions about the story follow each segment. A key with question answers and explanations can be found on page 4. Public housing agencies depicted in these stories are fictional, and any resemblance to real agencies is coincidental and unintentional.

## Denton Housing Authority

Denton County is a beautiful place. The mixed suburban and urban community is nestled in a wide river valley in the western United States. The community is vibrant with a growing tech industry, but decades of declining manufacturing and agricultural work have left generations of families underemployed. The Denton Housing Authority is an efficient organization trying to make the most of its limited resources. In addition to five housing developments in the metro area, Denton has a fairly large Housing Choice Voucher program, as well as some mixed-income properties. The CEO, Constance Medina, has been a strong director and has a good relationship with the board. Historically, the Housing Authority has been a high performer, but recently its scores have been slipping, and the Authority is teetering dangerously close to a troubled designation. Its budget has also been in the red for a number of months. Something has to happen soon to turn things around, or the Housing Authority will be in serious trouble.



Each month, Constance Medina, CEO of the Denton Housing Authority, sends a packet of materials to the board ahead of their meeting. This packet includes the monthly budget overview, a contracting and procurement record, reports from executive staff on programming outcomes, and requests for approval on various documents and expenditures. For the fifth month in a row, the budget overview is in the red—expenses exceed revenues. When Constance reviews this with the board at the meeting, she receives little guidance or insight about turning it around. The board wants to be helpful, but seem too out of the loop to be helpful. Constance explains that rent revenues have been low, and overhead expenses, including payroll and maintenance costs, have been high.

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**1 What is one strategy a commissioner should not consider to be better informed about the issues the PHA faces?**

- a. Request additional monthly reports, including a detailed financial report
- b. Dive deep into one aspect of the PHA, and leave the rest of the oversight and financial management to someone else
- c. Meet with the annual auditor and review the audit to have a clear picture each year of the financial health of the PHA
- d. Request, review, and understand your agency's performance assessment indicators

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**2 Given the information you heard, what strategy can Denton Housing Authority employ to increase revenues?**

- a. Consider raising minimum rents and evaluate rent collection to ensure that rents are coming in on time
- b. Cut supplemental funding from state or local government agencies
- c. Seek less expensive building and maintenance contracts by asking for discounts from family members in these businesses

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**3 Given the information that you heard, what strategy can Denton Housing Authority employ to decrease expenses?**

- a. Maintain all existing contracts—changing contractors or contract terms can be a costly process
- b. Avoid any capital improvements that will cost the PHA funds
- c. Consider reducing management and line staffing levels, and contracting maintenance with an external company

Denton Housing Authority has followed the same process for years. Annually, 50 percent of housing units are randomly selected for inspection to determine if they are up to Uniform Physical Condition Standards. The Authority's maintenance team is responsive to maintenance requests that come in—they follow an as-needed, on-demand maintenance plan. Vacant units are occupied within two months, and rents are collected on time. Accounts payable does run behind from time to time, and is sometimes delayed by up to 60 days—but bills are always eventually paid. HUD reports are always turned in promptly.

The CEO, Constance Medina, knows that improvements can always be made—that's true for any business, but she's confident that the PHA is run well. However, the Authority's PHAS score has been dipping, and it currently has a score of 60.

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**4 Which of the following is a true statement regarding the Denton Housing Authority's effort to achieve a strong PHAS score?**

- a. Denton Housing Authority does a good job at inspecting a large number of housing units annually
- b. Denton Housing Authority's as-needed, on-demand maintenance plan is a good way to be responsive to the physical needs of the units
- c. Vacant units are occupied rapidly, ensuring that there is no loss of rental revenues
- d. Rents are collected on time

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**5 True or False: The Denton Housing Authority is designated as "troubled" based on its score of 60.**

- a. True
- b. False

Constance Medina has informed the board that the PHA has dropped from a high performer to a standard performer for the Housing Choice Voucher Program. Its SEMAP score is 83 – well below the "high performer" threshold of 90. On a number of indicators this year, it did not perform as well as it has in the past.

This year, the Denton Housing Authority could not verify that it completed Housing Quality Standards inspections for a sample of Housing Choice Voucher units. It also could not verify that the PHA correctly adjusts annual income and utility allowances at each family's admission and annual reexamination. Most detrimental to its score, the Denton Housing Authority could not demonstrate that it had entered HAP contracts for the number of units reserved under its Annual Contributions Contract.

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**6 Denton Housing Authority is struggling with the all of the following SEMAP Indicators, except:**

- a. HQS Quality Control Inspections
- b. Lease Up
- c. Determination of Adjusted Income
- d. Correct Tenant Rent Calculations

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**7 Why was the fact that the Denton Housing Authority could not demonstrate that it had entered HAP contracts for the number of units reserved under their Annual Contributions Contract most detrimental to its score?**

- a. Lease-up, the indicator associated with this issue, is 15 points. This is a large portion of the score.
- b. Lease-up is the most important indicator.
- c. If a housing agency misses the lease-up indicator, the agency will lose those units reserved under the ACC for HAP contracts that do not have contracts in place.

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**8 How should the Denton Housing Authority expect HUD will respond to its failing indicators?**

- a. HUD will cut Housing Choice Voucher funding for the program
- b. HUD staff will provide recommendations for improving failing SEMAP indicators and assist in preparing a Corrective Action Plan (CAP)
- c. HUD will shut off communication with the Housing Authority as punishment for its poor performance
- d. None of the above



## Answer Key

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**1 What is one strategy a commissioner should not consider to be better informed about the issues the PHA faces?**

- a. Request additional monthly reports, including a detailed financial report

**Try Again.** This is a step the board should take. The board should request monthly financial, Asset Management, contracting and procurement, obligation and expenditure, and compliance reports—not only a budget overview. This won't provide enough information for informed advice.

- b. Dive deep into one aspect of the PHA, and leave the rest of the oversight and financial management to someone else

**Correct.** This is not a strategy a commissioner should employ. While you may wish to be more involved in some aspects of the PHA than others, it is important that all board members engage in the essential oversight and financial management responsibilities of the board. Commissioners should ask questions, draw on their fellow commissioners' expertise, and ask executive staff to explain anything they don't understand.

- c. Meet with the annual auditor and review the audit to have a clear picture each year of the financial health of the PHA

**Try Again.** This is a step a commissioner can take to be better informed.

- d. Request, review, and understand your agency's performance assessment indicators

**Try Again.** This is a step a commissioner can take to be better informed. The board may need to request these from their CEO.

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**2 Given the information you heard, what strategy can Denton Housing Authority employ to increase revenues?**

- a. Consider raising minimum rents and evaluate rent collection to ensure that rents are coming in on time.

**Correct.** Given that the Denton rent revenues have dipped, the board might request these steps to increase revenues.

- b. Cut supplemental funding from state or local government agencies

**Try Again.** From the scenario, we do not know if this strategy will help the Denton Housing Authority. However, the board might consider obtaining supplemental funding, not cutting it, to increase revenues.

- c. Seek less expensive building and maintenance contracts by asking for discounts from family members in these businesses

**Try Again.** The PHA should always comply with the conflict-of-interest guidelines and ethical practices that are contained in their bylaws and federal, state, and local regulations, even if it's troubled. See the Ethics Section to learn more.

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**3 Given the information that you heard, what strategy can Denton Housing Authority employ to decrease expenses?**

- a. Maintain all existing contracts—changing contractors or contract terms can be a costly process

**Try Again.** From the scenario, we do not know if this strategy will help the Denton Housing Authority. However, the board might consider re-evaluating all of its existing contracts for cost and necessity. The PHA should not shy away from the hard work of renegotiating contracts.

- b. Avoid any capital improvements that will cost the PHA funds

**Try Again.** It is important to continually maintain safe and sanitary housing. Sometimes this requires expenditures by the PHA. These should not be avoided, even during a tight financial season. In fact, some improvements, such as measures to reduce energy costs, can save the PHA money. The board should look to reduce expenditures in other ways.

- c. Consider reducing management and line staffing levels, and contracting maintenance with an external company

**Correct.** Given that Denton's overhead expenses—particularly payroll and maintenance—are high, the PHA has some difficult decisions to make regarding salaries and lay-offs.

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**4 Which of the following is a true statement regarding the Denton Housing Authority's effort to achieve a strong PHAS score?**

- a. Denton Housing Authority does a good job at inspecting a large number of housing units annually

**Try Again.** Denton should inspect all units annually using the UPCS protocol. A statistically valid sample of the units in the PHA's public housing portfolio is selected for independent physical inspections.

- b. Denton Housing Authority's as-needed, on-demand maintenance plan is a good way to be responsive to the physical needs of the units

**Try Again.** The PHA should perform routine maintenance on all properties, units, and systems throughout the year. An on-demand system is helpful to respond to resident concerns, but it should be combined with routine maintenance.

- c. Vacant units are occupied rapidly, ensuring that there is no loss of rental revenues

**Try Again.** A two-month turnaround is too long. Vacant units should be occupied quickly so that rental revenues remain high, and so that families in the community are not un-housed for longer than necessary.

- d. Rents are collected on time

**Correct.** Denton Housing Authority collects rents on time. This is an important strategy to help achieve a high MASS indicator score.

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**5 True or False: The Denton Housing Authority is designated as "troubled" based on its score of 60.**

- a. True

**Try Again.** As a commissioner of the Housing Authority, she cannot enter into a contract where she has an interest. According to HUD's Housing Choice Voucher program regulations, a conflict of interest exists.

- b. False

**Correct.** To have a "troubled" designation, a PHA must have a PHAS score below 60. A score of 60 is not yet designated as "troubled."

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**6 Denton Housing Authority is struggling with the all of the following SEMAP Indicators, except:**

- a. HQS Quality Control Inspections

**Try Again.** HQS Quality Control Inspections is a problem area for the Housing Authority. The Denton Housing Authority could not verify that it had completed inspections for Housing Quality Standards for a sample of units.

- b. Lease Up

**Try Again.** Lease-up is a problem area for the Housing Authority. Denton Housing Authority could not demonstrate that it had entered HAP contracts for the number of units reserved under their Annual Contributions Contract.

- c. Determination of Adjusted Income

**Try Again.** Determination of Adjusted Income is a problem area for the Housing Authority. Denton Housing Authority could not verify that it correctly adjusts the annual income and utility allowances at each family's admission and annual reexamination.

- d. Correct Tenant Rent Calculations

**Correct.** There is no indication in the information provided that the Authority struggles with Tenant Rent Calculations.

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**7 Why was the fact that the Denton Housing Authority could not demonstrate that it had entered HAP contracts for the number of units reserved under their Annual Contributions Contract most detrimental to its score?**

- a. Lease-up, the indicator associated with this issue, is 15 points. This is a large portion of the score.

**Correct.** Lease-up is 15 points. This is a very large portion of a 100-point score. Missing all points on this indicator will drop a PHA from a "high performer" to a "standard performer."

- b. Lease-up is the most important indicator.

**Try Again.** All of the indicators are important, even if they do not all have the same score designation.

- c. If a housing agency misses the lease-up indicator, the agency will lose those units reserved under the ACC for HAP contracts that do not have contracts in place.

**Try Again.** The housing agency will lose those points as well as its "high performer" designation, but it can work to improve its score.

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**8 How should the Denton Housing Authority expect HUD will respond to its failing indicators?**

- a. HUD will cut Housing Choice Voucher funding for the program

**Try Again.** HUD will not immediately cut the program. It will work with the Authority to help improve its score.

- b. HUD staff will provide recommendations for improving failing SEMAP indicators and assist in preparing a Corrective Action Plan (CAP)

**Correct.** Progress on the CAP can be submitted monthly to HUD.

- c. HUD will shut off communication with the Housing Authority as punishment for its poor performance

**Try Again.** HUD will not cut off communication. In fact, HUD will become more involved as a resource to help the PHA improve its score.

- d. None of the above

**Try Again.** A correct response is included in this list.