

Proposed Revisions to the PHAS Rule

Navigating the PHAS & SEMAP
for Commissioners
October 27, 2008

Public Housing Assessment System (PHAS)

- Grows out of HUD's duty to oversee expenditure of federal funds and successfully administer federal public housing program in accordance with law
- Before PHAS there was PHMAP – Public Housing Management Assessment System – Same purpose, a little simpler

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Statutory Basis for PHAS

- PHAS like PHMAP based in federal statute – Section 6j of the United States Housing Act of 1937 (42 U.S.C. sec 1437d(j))
- Statute requires HUD to develop and publish "indicators to assess the management performance" of PHAs

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Section 6(j): Overview

- In particular HUD must use a number of specified indicators
- Plus any other factors the HUD Secretary deems appropriate
- HUD also required to adopt regulation for designating troubled PHAs – “serious and substantial failure to perform” as measured by the performance indicators

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Indicators in Section 6(j)

- Vacancies – number & percent, progress to reduce in last 3-years
- Capital funds unobligated after three years
- Percent of rents uncollected

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Indicators in Section 6(j) (cont'd.)

- Utilities consumption
- Vacant unit average turnaround time
- Maintenance work orders outstanding, progress to reduce in last 3 years

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Indicators in Section 6(j) (cont'd.)

- Percentage of units PHA fails to inspect within specified time
- Extent that PHA provides effective economic self-sufficiency programs
- Opportunities for resident involvement in administration of public housing

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Indicators in Section 6(j) (cont'd.)

- Effective screening and eviction policies, other anticrime strategies
- Coordination of anticrime strategies with local gov't and residents
- Extent to which PHA is providing "acceptable basic housing conditions"
- Any other factors the HUD Secretary deems appropriate

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The statute also --

- Contains detailed provisions for dealing with troubled agencies.
- Requires flexibility to ensure PHAs not penalized for matters beyond their control
- Requires that scoring reflect physical condition and neighborhood environment

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PHAS Regulations

- Sec. 6j implemented by HUD as PHAS in regulations found at 24 Code of Federal Regulations Part 902
- State that purpose of PHAS is to improve delivery of services and enhance trust in public housing system
- Describe PHAS as “strategic measure of a PHA’s essential housing operations”

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Current PHAS Indicators

- Physical condition
- Financial condition
- Management operations
- Resident service and satisfaction

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Role of REAC, UPCS

- Regulations designate HUD Real Estate Assessment Center (REAC) as responsible office for assessments
- Physical condition standards applied in the regulation are the Uniform Physical Condition standards (UPCS) applicable to all HUD assisted housing

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Utility of PHAS

- PHAS has never been without controversy (e.g., UPCS scoring)
- But PHAS can be useful to commissioners as an “objective” standard

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PHAS is Agency Wide

- PHAS does not contemplate shift to asset management
- HUD is revising PHAS as part of asset management
- Whatever its form Commissioners may use PHAS for management information

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Background on Proposed Rule

- Form HUD-5834 published February 8, 2008
 - Modeled on Form HUD-9834, used by the Office of Housing to evaluate the management performance of multifamily properties
- Proposed PHAS rule published August 21, 2008, comments were due October 20, 2008
 - NAHRO's comments were developed with input from a stakeholder working group

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HUD's Goal for PHAS

- To improve “the delivery of services in public housing”
- To “enhance trust in the public housing system”
- To “provide a management tool for measuring performance”

Implementation of New PHAS

PHA FYE	Last PHAS Score	Transition Year	Implementation of New Scoring
6/30	7/1/06-6/30/07	7/1/07-6/30/08	7/1/08-6/30/09
9/30	10/1/06-9/30/07	10/1/07-9/30/08	10/1/08-9/30/09
12/31	1/1/07-12/31/07	1/1/08-12/31/08	1/1/09-12/31/09
3/31	4/1/07-3/30/08	4/1/08-3/30/09	4/1/09-3/30/10

Transition Year Notice

- PHAs will not be issued a new PHAS score
- PHAs not required to submit management operations information or RASS
- PHAs are required to submit unaudited and audited financials
- A troubled PHA may petition for the removal of troubled designation any time after fiscal year end

PHAS Indicators

- Physical (30 points)
 - Financial (20 points)
 - Management Operations (40 points)
 - Capital Fund (10 points)
- The Resident Service and Satisfaction Indicator is dropped

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Scoring

- Individual AMPs will be scored on the physical, financial, and management indicators
 - HUD will use a weighted average calculation to arrive at an Agency score
- The PHA as a whole will be scored on the Capital Fund indicator
- Scores under the management review and physical inspection indicators are carried forward when no review is conducted during the subject year

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Classifications

- High performing
PHA overall score of 90 percent or greater
- Standard
PHA overall score of at least 60 percent and at least 60 percent for each of the four PHAS indicators
- Substandard
PHA overall score of at least 60 percent and a score of less than 60 percent under one or more of the physical, financial, or management operations indicators
- Troubled
PHA overall score of less than 60 percent or fail the Capital Fund indicator

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Physical Indicator

- No change in the protocol for independent inspections
- No change in the frequency of inspections
- Inspections performed based on AMPs

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Financial Indicator

- Three measures:
 - Quick ratio
 - Months expendable net assets ratio
 - Debt service coverage ratio
- Accounts receivable, rent collection, and expense management moved to management operations

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Management Operations Indicator

- Based on information obtained during onsite review using Form HUD-5834
- No PHA self-certification
- Scores performance, not compliance
- Adjustment for physical condition, neighborhood environment
- Automatic "A" in some categories if score well in others

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Management Operations Subindicators

- Appearance and Market Appeal / Security (6)
- Follow-up and Monitoring of Project Inspections (not scored)
- Maintenance and Modernization (6)
- Financial Management (8)
- Leasing and Occupancy (18)
- Tenant / Management Relations (2)
- General Management Practices (not scored)

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Capital Fund Indicator

- Timeliness of obligation
Grade A if obligated 90 percent or more of grant amount for grants with obligation end dates during the assessed fiscal year; otherwise grade F
- Timeliness of expenditure
Grade A if expended 100 percent of grant amount for grants with expenditure end date during assessed fiscal year; otherwise grade F
- Data come from LOCCS

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NAHRO Comments in Part

- Delay implementation
- Adopt 3-2-1 rule from multifamily side
- Do not penalize PHA for factors beyond their control:
 - Residents block access to units
 - Age of buildings
 - Financial indicator during any prorated year should be advisory only

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NAHRO Comments in Part (cont'd.)

- General concern about subjectivity of inspectors; call for transparency in terms of QC / appeals process
- Accept physical inspection results from other entities
- Rule is silent on its applicability to mixed-finance projects; silent on how CFFP debt-service payments will be assessed

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Substantial Default

- Moved to new Part 907 – Substantial Default by a Public Housing Agency
- Provides criteria and procedures for determining and declaring substantial default by a PHA

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