VIA ELECTRONIC MAIL

October 5, 2015

D.J. LaVoy
Deputy Assistant Secretary, Real Estate Assessment Center
U.S. Dept. of Housing and Urban Development
550 12th Street, SW
Washington, DC 20410

Dear Deputy Assistant Secretary D.J. LaVoy:

The National Association of Housing and Redevelopment Officials (NAHRO) represents more than 3,100 agencies and over 20,000 individual members and associates. Collectively, our membership manages over 970,000 public housing units, or approximately 83 percent of the entire inventory. Given the extent of this portfolio, the assessment of the Public Housing Program is of particular importance to the organization.

The Public Housing Assessment System (PHAS) is one of the primary means by which the Department of Housing and Urban Development (HUD) measures the performance of public housing authorities (PHAs). As the most significant oversight structure in place for the public housing program, PHAS has become the driver for much of the policy that guides the program, setting performance targets and standards for all aspects of the operation and management of public housing. Because of its significance to the public housing program, NAHRO takes a keen interest in ensuring that the regulations governing the assessment of the public housing program create a clear, accurate, and reasonable system for measuring the performance of PHAs.

Since its introduction, NAHRO has expressed a broad range of concerns about the Interim PHAS rule, especially in regard to the structure of the Capital Fund indicator. A total of 10 points are available for this indicator, which is scored at the PHA portfolio level. Five points are allocated to timely obligation of funds, with PHAs that obligate at least 90 percent of their funds within 24 months receiving full points. Agencies failing to reach this threshold receive no points. The remaining five points are assigned to a sub-indicator that measures the overall occupancy rate. Agencies with occupancy at or above 96 percent receive the full five points, those with occupancy between 93 and 96 percent receive two points, and those below 93 percent receive no points.

First, NAHRO remains troubled by the threshold structure of the Capital Fund indicator, which creates an artificial tie between the timely obligation and occupancy sub-indicators. By recognizing the two measures as distinct sub-indicators, the Department acknowledges that they provide different information. Therefore, to bar a PHA from receiving points for one sub-indicator based on a failure to perform adequately on the other is inherently illogical and unfair. Stated simply, PHAs should not be able to lose more points than they can gain...
under any sub-indicator. Such a structure creates a double jeopardy situation and muddles the picture of performance which the assessment is intended to create.

Furthermore, NAHRO continues to be concerned about the flawed construction of the Capital Fund occupancy indicator. By penalizing PHAs for vacancies considered “allowable” under the Operating Fund regulations, the PHAS rule creates an inherent policy contradiction which PHAs must navigate. Furthermore, by using a point-in-time snapshot approach to data gathering rather than truly measuring what happened during the course of the year, HUD is relying on an imprecise measurement. The rationale behind the inclusion of the occupancy indicator in the Capital Fund indicator is unclear, especially when occupancy is also scored in the Management Operations indicator which includes an adjustment for allowable vacancies. NAHRO remains uncertain as to why occupancy is scored twice with different methodology when doing so does not improve the assessment of PHA performance in any way.

For three of the previous four years, HUD has reinstated points allocated to the occupancy sub-indicator of the Capital Fund for all PHAs that received points for the timeliness of obligation sub-indicator. PHAs were awarded the points automatically in 2012 on the grounds that PHAs needed time to adjust to the new rule, and for 2014 and 2015 “as regulatory relief from a non-statutory element of PHAS… intended to help lessen the impact of decreases in funding in recent appropriations acts. Adding automatic points for the occupancy sub-indicator will allow PHAs to focus on the statutory criteria for assessing performance under the Capital Fund Indicator, which is timely obligation of the Capital Funds and will in no way limit HUD’s oversight and monitoring of PHAs” (emphasis added). While we are pleased that the Department has reinstated the points for these three years, NAHRO is disappointed that the measures put in place have only been temporary, and that more significant changes are not being enacted, especially in light of continued decreases in appropriations for the Public Housing Capital Fund.

Instead of continuing to retroactively reinstate Capital Fund Indicator points for the occupancy sub-indicator, we urge HUD to remove the sub-indicator entirely. One possible substitute could be a sub-indicator measuring rates of expenditure. Rather than a distant proxy or a backhanded mechanism to force PHAs to use their Capital Funds for HUD-specified, rather than locally-determined, purposes, a sub-indicator measuring timeliness of expenditure is a directly applicable indicator of whether PHAs are meeting their responsibilities under the Capital Fund program. In addition, PHAs should be allowed to appeal these indicators in cases where they have been approved by HUD for extensions to their Capital Fund obligation and expenditure timelines.

NAHRO is deeply interested in helping HUD ensure that a clear, accurate, and reasonable system for measuring the performance of PHAs exists. Sadly, the Capital Fund indicator currently does not meet this threshold. We urge HUD to pursue both long-term and short-term action immediately to ensure that PHAs are evaluated in a fair and meaningful way.

Please feel free to call me at 202-580-7213 if you have any questions or would like to discuss this further. Thank you for your time and consideration on this important matter.

Sincerely,

Eric Oberdorfer
Policy Advisor, Public and Affordable Housing
National Association of Housing and Redevelopment Officials