VIA ELECTRONIC MAIL

September 19, 2011

Regulations Division, Office of General Counsel
U.S. Department of Housing and Urban Development
451 7th Street SW, Room 10276
Washington, DC 20410-0500

Re: Docket No. FR-5361-P-01, “Public Housing: Physical Needs Assessment”

To Whom It May Concern:

The National Association of Housing and Redevelopment Officials (NAHRO) is pleased to submit comments in response to the Department of Housing and Urban Development’s (HUD’s) proposed revisions to the regulations governing physical needs assessments (PNAs) undertaken by public housing agencies (PHAs). Collectively, our membership manages over 970,000 public housing units, or approximately 83 percent of the entire inventory. Not surprisingly, our membership has a vested interest in the outcome of this proposed rule.

The development of the PNA is obviously critical to the future preservation of the public housing portfolio. As HUD clearly recognizes, PNAs are an essential real estate practice for gathering information that will help owners and managers of public housing make strategic decisions for expending their available resources in a targeted manner. As such, the quality of the PNA tool developed by HUD and its contractor is of great importance to NAHRO and its members.

NAHRO has long believed that the PNA tool should balance a range of interests. Although it should be sufficiently standardized to provide consistent information, it must be flexible enough to allow each PHA to capture data relevant to its individual circumstances. And while the tool should produce an assessment of a quality accepted in other sectors of the real estate industry, it should not be burdensome for an agency to complete, whether through the use of its own staff or a specialized contractor. It is with these principles in mind that we offer the following comments:

Akinola Popoola, PHM, President; Betsey Martens, Senior Vice President; David Allen Brown, PHM, SHM, Vice President-Member Services; Larry Hopkins, Vice President-Community Revitalization & Development; Clifton C. Martin, CMPO, SPHM, PHM, Vice President-Professional Development; Elizabeth C. Morris, Vice President-International; Dianne Quast, PHM, Vice President-Housing; J. William Quirk, Vice President-Commissioners; Saul N. Ramirez, Jr., Chief Executive Officer

e-mail: nahro@nahro.org  web site: www.nahro.org
NAHRO recognizes that by understanding the effects that higher quality improvements can have on future energy consumption, PHAs can make decisions that maximize the value of their subsidy dollars. At the same time, PHAs should maintain the flexibility to continue preexisting practices regarding energy audits that have proven effective. For example, linking energy audits with PNAs could present challenges since not all providers are capable of performing both services. Many PHAs receive free energy audits performed by utility companies and would prefer not to pay for a service they currently receive for free. And the quality of PNAs could potentially suffer if PHAs have fewer qualified PNA providers to choose from as a result of needing to procure a firm also capable of conducting an energy audit.

As green technology is rapidly advancing it makes more sense to evaluate energy retrofits at the point in time that agencies are ready to fund the work so that they are looking at the most advanced solutions. HUD anticipates that a new industry will evolve as a result of this rule that will combine energy specialists with building engineers in partnerships, or one entity that will be able to perform the PNA review and Energy Audit under one engagement. Since these arrangements are currently rare, it will be some time until the cost savings anticipated by HUD actually are a reality.

**Appropriate qualifications for a PNA provider**

The proposed rule should allow for flexibility in the selection of the PNA provider. While some of our PHA members inform us that their own Requests for Proposals include qualifications that are more restrictive than those contained in the proposed rule, others are concerned that overly restrictive requirements will not be workable in certain markets. Others tell us that the proposed rule’s requirements could be excessive depending on the building type and construction. For example, high rise concrete constructed buildings have to meet higher levels of building codes in some communities than smaller frame construction buildings. We must also note that overly restrictive requirements may make it virtually impossible for small agencies in rural areas to procure PNA services at a reasonable price point, thus increasing the burden on agencies that were not previously required to conduct PNAs.

**Appropriateness of PHA staff performing PNAs used for internal strategic planning purposes, PNAs used to directly support a funding or financial transaction, or both**

Although NAHRO understands the Department’s interest in creating a standardized PNA that can be aggregated at the national level, we continue to believe that creating a tool that informs individual agencies’ capital planning must be the paramount objective of the PNA. The PNA should not focus on double-checking the accuracy of the recent Capital Needs Assessment but should instead provide each PHA with detailed information about the physical needs of
individual properties in its portfolio. In addition, NAHRO does not believe the PNA should serve as an additional oversight tool or be used for the purpose of allocating subsidy. Furthermore, prioritization of capital projects should remain under local control. Finally, the tool must be both flexible and sophisticated enough to accurately capture not only the future needs of the property, but to provide users with sufficient information to assess the relative impacts of a range of potential improvements.

Implications of adopting a requirement that PHAs use independent third-party providers to conduct their PNAs and to what extent such a requirement would affect the compliance burden on PHAs and the validity of the PNA data

Conducting a high quality assessment requires the use of a well-trained professional. Although some PHAs may have a qualified individual on staff, others will need to contract out the work of the inspection. It is likely that the PNA will be most burdensome on small agencies, which often will not be able to complete the inspection using only in-house staff resources. Although they may be able to achieve some efficiencies through joint procurement with nearby agencies, the relative costs are still likely to be higher for these agencies based on the larger sample of units needed to accurately represent their small portfolios. Although NAHRO believes that a professional, industry-quality PNA is essential, this standard is significantly higher than that imposed by existing regulation and the Recovery Act. For many PHAs, the tool developed by the Department is likely to be significantly more intensive and require more resources than their previous assessments, and successful implementation will hinge on direct funding for these efforts.

Our members feel strongly that PHAs should be allowed to perform PNAs in-house. Many agencies have the capacity and desire to do this and should be permitted to do so. A hard and fast requirement to retain a third party provider would drive up costs and increase the burden placed on agencies, particularly smaller PHAs. And while there is value in gaining an outsider’s perspective, many PHAs feel the 5 year requirement is unnecessarily frequent. In any case, the third party provider is going to rely heavily on data accumulated by the PHA staff, who know their buildings better than any consultant.

NAHRO thanks you for your consideration of our comments. If you require additional information from NAHRO on this matter, please do not hesitate to contact us.

Sincerely,

Jeff Falcusan
Director of Policy and Program Development