Background Information
Project Based Asset Management of Public Housing and Recent Efforts to
Re-federalize Fees Paid into Central Office Cost Centers

Origins of Asset Management:
- Asset management was proposed in the Harvard Cost Study authorized by the Conference Report of the 1999 HUD Appropriations Bill that recommended that “[a] shift to a property-based model for public housing must be accompanied by major changes in how HUD manages and evaluates PHAs.”
- Introduced to the public housing program in 2007 as a means of giving “greater attention to the performance of each public housing project,” asset management shifted funding, budgeting, accounting, and management to the property level to create a system that would simultaneously improve transparency and performance in the public housing program and provide PHAs with an incentive to increase efficiency.
- In 2007, HUD mandated that PHAs with over 250 units of public housing transition to this new Project Based Asset Management model. This meant an asset management fee and fee-for-service methodology would be implemented for accounting of revenues and expenses on a per property basis, a monumental shift for PHAs.
- Part of the agreement was that PHAs, through the fee-for-service model and the creation of a Central Office Cost Center (COCC), be able to earn and retain “de-federalized” fees resulting from cost efficiencies.

HUD OIG 2014 Report:
- A 2014 report from HUD’s OIG recommended that HUD “re-federalize” fee revenues that PHAs’ COCCs have earned since they began implementing asset management.
- HUD and industry groups responded by noting the government-wide effort, under the direction of the Office of Management and Budget (OMB), to use fee-for-service models whenever appropriate to incentivize efficient program management and operations.
- The program office noted that no federal restrictions are placed on how recipients may use management fees earned as a result of participation in HUD’s multifamily programs or on development fees earned from tax credit properties.
- Regardless, on April 1st 2016, HUD issued a letter informing PHAs that they had come to an agreement with the OIG, and that HUD will begin a rulemaking process to re-federalize fees paid into the COCC.

Impact on PHAs:
- Re-federalizing fees earned by PHAs through asset management may penalize PHAs that have spent significant resources switching to asset management and have managed their finances appropriately and in line with the law and HUD guidance.
- PHAs would be treated differently than other contractors of the federal government, reflecting a fundamental misunderstanding of the relationship between HUD and PHAs.
- Re-federalizing fees will significantly impact PHAs’ ability to use fee-based revenues to pursue affordable housing developments outside of public housing and Section 8 programs, greatly decreasing their ability to meet the needs of their communities, especially in this time of limited funding.
- This could increase the possibility of the recapture of these funds, resulting in negative repercussions for long-term PHA financial planning.

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