



What Can We Learn About Asset Management from Public Housing?

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HUD Public Housing

Transition to asset-based (project) management

- HUD has been able to move some PHAs to a fairly comprehensive approach to asset management.
- Early adapters whose operating subsidy was scheduled to decline could “stop their losses” by implementing HUD-mandated asset management requirements.



HUD Public Housing

The “Stop Loss” Requirements

- There were 18 requirements. Some were quite specific to public housing.
- Three were instructive for any multifamily manager/owner:
 - The process for monitoring property performance
 - A management plan for each non-performing property
 - An asset management strategy for each property



HUD Public Housing Monitoring Property Performance

- PHAs applying for “Stop Loss” had to provide examples of
 - Regularly reviewed monthly management reports re: financial, physical, utility consumption and management performance of each project,
 - Periodic reports used to identify non-performing properties

What Is Non-Performing?

- Public Housing:
 - 7 indicators
- NeighborWorks
 - 7 indicators
- Sample Nonprofit
 - 6 indicators



HUD Public Housing 7 Performance Indicators

Indicator	Non-Performing
REAC physical Inspection	< 70
Crime and drugs	> 120% of surrounding community
Occupancy	< 95%
Rent arrears	> 7%
Vacant unit turnaround time and work order completion	“D” on PHAS
Utility consumption	> 120% of agency average for similar prop
Other	Major management problem(s)



NeighborWorks

National Real Estate Programs

7 Performance Indicators


Indicator	Non-Performing
Net Cash Flow	< GPI
Debt Service Coverage	< 1.1
Operating Expenses	> 97% GPR
Vacancy Loss	> 5%
Collection Rate	< 93% GPR
Turnover	> 50%
Average Days Vacant	> 30 days

Scored by property and portfolio: by indicator and overall

Sample Nonprofit Watchlist

6 Performance Indicators

Indicator	Non-Performing
Physical Condition	Significant capital improvements needed w/in 24 mos
Mortgage/Capitalization Status	Mortgage or fin status at risk; recap can't address physical needs
Reserve Status	Balance well below needs; no ability to raise deposit
Financial Position	Property in workout w/lender
Site Staff Performance	Poor performance or vacant position
Client/Stakeholder Satisfaction	Actively seeking alternatives



Many organizations
monitor performance,
but then what?

HUD Public Housing Management Plan for Non- Performing Properties

Includes:

- set of recommendations
- measurable goals that address the area(s) of non-performance



HUD Public Housing Asset Management Plan for All Properties



- Includes
 - Current condition/status
 - Basic plan for
 - Ongoing Repair
 - Rehabilitation
 - Repositioning
 - Replacement
 - Disposition

Where is your portfolio?

1. No monitoring or planning
2. Some monitoring, as required by others
3. Monitoring developed for our portfolio
4. Some monitoring and planning as required by others
5. Monitoring and planning developed for our portfolio
6. Measurable outcomes are a result of ongoing monitoring and planning



Switching Gears

- Take a look at the difference in how not-for-profits and public housing authorities handle some key asset management functions and tasks.

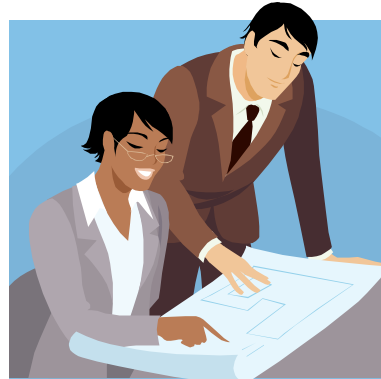


Think about which organization has the “superior” approach from an asset management perspective

Planning and Documentation

Not-for-profit

- Multiyear pro formas are the financial operating roadmap
 - Not always realistic
 - Not routinely used
- Capital planning is not routinely required; documentation of improvements inconsistent
- R/R based on formula or “plug”



Public housing

- Multiyear operating proformas not used
- Capital planning is routine and imposed
 - Strong documentation of systems and improvements



Measuring Outcomes

Not-for-profit

- Investor and other stakeholders often set outcomes.
 - Don't always communicate until property is in trouble
 - Variable among stakeholders
- Non profit must create systems to measure and monitor

Public Housing

- 7 key measures are imposed
- Only one stakeholder to satisfy although field offices variable
- Ability to waive requirements for strong performers



Stakeholder Relationships

Not-for-profit

- Many with different goals
- Arms length until goals aren't met
- Regular reporting
- LP may replace GP (often the not-for-profit) in dire cases

Public Housing

- Fewer with more common goals
- HUD has more hands on involvement
- Regular reporting
- Non-performers punished
- In dire cases, HUD becomes receiver



Financial Resources

Not-for-profit

- Often limited
- Modest property reserve balances (greater in LIHTC properties)
- Property operating subsidy streams reasonably predictable
- No fungibility

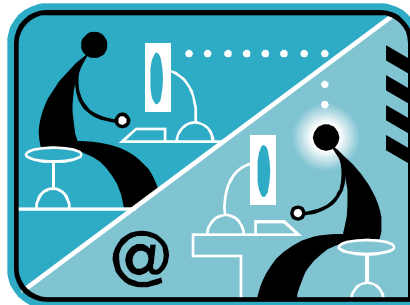
Public Housing

- Variable among Housing Authorities
- May have larger capital fund balances
- Operating subsidies determined by Congress at less than formula needs
- Fungibility (but being curtailed)

IT Systems

Not-for-profit

- IT support frequently outsourced
- Software systems vary, but comfortable buying “off the shelf”



Public Housing

- Strong focus on creating custom systems and/or reports by using staff position(s) to meet HUD reporting requirements

Maintenance Management

Not-for-profit

- Modest work management and work order systems
- May need to know multiple local building, health and safety codes/laws

Public Housing

- Imposed reporting on routine and emergency work order performance as well as unit turnover time
- Need to meet UPCS standards



Procurement

Not-for-profit

- Purchasing policies are broad
- Use budget as purchasing guide
- “Just in Time” purchasing to limit inventory

Public Housing

- Strong process with recent relaxation of bidding limits
- Allows both controls and constraints
- Moving towards smaller inventories and broader staff spending authorities



Marketability

Not-for-profit

- LIHTC properties
 - Many function like market rate properties - need
 - Strong curb appeal
 - Retention strategies
 - Multiple outreach/ marketing strategies
 - Periodic upgrades



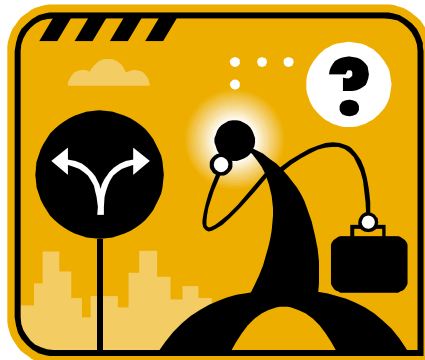
Public housing

- Low rent public housing
 - Less focus on curb appeal (large applicant pool)
 - Greater emphasis on Fair Housing
 - Curing functional obsolescence part of capital planning

Project Course Correction/ Repositioning

Not-for-profit

- Cliffs bring early opportunities for some change
- No fungibility among assets



Public housing

- No stakeholder deadlines for change
- More flexibility
- Also, potential for more inertia, lack of attention

Industry Context

Not-for-profit

- Often compete with peers for resources
- Several industry groups with variable influence on resource allocations



Public housing

- Member of large industry subgroup
- Connected to a broader base of local support, but subject to local expectations
- Advocates see more access and accountability issues for public housing tenants