

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
2011 Summary Statement and Initiatives
(Dollars in Thousands)**

PUBLIC HOUSING CAPITAL FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2009 Appropriation	\$2,450,000	\$104,335	\$4,000,000 ^a	\$6,554,335 ^b	\$6,389,072	\$3,206,565
2010 Appropriation/Request	2,500,000 ^c	128,346	...	2,628,346 ^c	2,603,346	4,044,000
2011 Request	<u>2,044,200^c</u>	<u>...</u>	<u>...</u>	<u>2,044,200^c</u>	<u>2,024,200</u>	<u>4,394,000</u>
Program Improvements/Offsets	-455,800	-128,346	...	-584,146	-579,146	+350,000

a/ Includes \$4 million in supplemental funds under the American Recovery and Reinvestment Act, 2009 (Recovery Act).

b/ The fiscal year 2009 Appropriation includes a \$14.6 million non-expenditure transfer to the Working Capital Fund. These amounts are excluded from carryover, obligations and outlays in this account, but are reflected in the Working Capital Fund account.

c/ The fiscal year 2010 Appropriation includes a \$25 million non-expenditure transfer to the Transformation Initiative. The fiscal year 2011 Appropriation includes a \$20.4 million non-expenditure to the Transformation Initiative. These amounts are excluded from carryover, obligations and outlays in this account, but are reflected in the Transformation Initiative account.

Summary Statement

The Public Housing Capital Fund supports the Department's mission to promote safe, decent affordable housing through a comprehensive, formula-driven program that finances public housing modernization and management improvement activities. For fiscal year 2011, the Department is requesting \$2.044 billion for the Public Housing Capital Fund to address the needs of the public housing portfolio. This request considers the additional \$4 billion appropriated for the Capital Fund in the fiscal year 2009 Recovery Act as well as the fiscal year 2011 Budget request to fund 100 percent of operating subsidies.

The Public Housing Capital Fund protects and enhances the nation's public housing stock, a tremendously valuable affordable housing resource, which serves approximately 1.1 million families. The importance of continued investment in our public housing stock has never been more pressing in light of the current financial and economic hardships. The need for decent, safe and affordable housing units has never been more apparent. In fiscal year 2009, 84.5 percent of public housing units met HUD's physical standards, as opposed to 82 percent in 2001. While this highlights the Department's accomplishments towards improving units, it also shows there is still work to be done. When considering current changes in demographics and the economic outlook, it is reasonable to expect more people than ever will be looking for affordable housing and the Department needs to be at the forefront in addressing these needs. With more than half of public housing units constructed prior to 1970, these older units require continued investment to remain viable. Without this inventory, many families would face homelessness or other worst case housing scenarios. Investments in this program are projected to improve the percentage of projects that meet uniform physical condition standards and improve the homes of public housing tenants. For additional information about public housing tenants see the table within this section, entitled Public Housing Tenant Characteristics 2009.

Public Housing Capital Fund

The Capital Fund provides funds annually via a formula to more than 3,100 Public Housing Authorities (PHAs) across the country. The Quality Housing and Work Responsibility Act (QWHRA) authorized the Capital Fund and expanded the scope of predecessor programs by consolidating all public housing capital programs (except the HOPE VI program) into one program and allowing greater local flexibility in decisions on major capital initiatives and management improvements undertaken by PHAs. Capital Fund grants may be used to support the following activities: (1) development, financing and modernization of public housing projects; (2) vacancy reduction; (3) deferred maintenance; (4) planned code compliance; (5) management improvements, including those that support resident participation; (6) demolition and replacement; (7) resident relocation; (8) capital expenditures for resident empowerment assistance and self-sufficiency; (9) capital expenditures for security and safety, and (10) homeownership. A successful program initiative within the Capital Fund is the Capital Fund Financing Program (CFFP), which authorizes PHAs to borrow funds conditioned on a promise to pay the debt service from future Capital Fund grants.

The Department continues to monitor and report to Congress quarterly on PHAs obligations and expenditures of Capital Fund grant amounts. The Department will impose sanctions against PHAs that do not obligate in accordance with statutory deadlines, including withholding grant funds and deducting 1/12th of grant allocations for each month the affected PHAs exceeds the statutory deadline for obligating their Capital Fund grants. In addition, the Department will recapture funds not expended by the statutory deadline. The vast majority of PHAs comply with both the obligation and expenditure deadlines.

Of the \$2.044 billion requested, nearly \$2 billion will fund capital grants. The Budget also requests \$8.82 million for the cost of administrative and judicial receiverships, \$20 million for emergency/disaster reserves and \$15.3 million for the financial and physical assessment support for public housing.

Pursuant to Sections 9 and 30 of the United States Housing Act of 1937, the Department continues to expand the CFFP, which allows PHAs to borrow from banks or issue bonds using their Capital Fund grants as collateral or debt service, subject to annual appropriations. In this way, PHAs are able to leverage the Capital Funds provided by the Department to accelerate improvements that otherwise would be postponed well into the future. As of October 2009, HUD approved 116 transactions in which a total of more than 200 PHAs are participating (some of these transactions include pools of multiple PHAs). The total amount of loan and bond financing approved to date is approximately \$3.65 billion. The CFFP has evolved such that PHAs are further leveraging their Capital Fund dollars by combining CFFP with Low-Income Housing Tax Credits (LIHTC).

American Recovery and Reinvestment Act (Recovery Act)

The Public Housing Capital Fund received \$4 billion in Recovery Act funding to rehabilitate and retrofit public housing units. PHAs are using these funds to increase energy efficiency, improve vacant units, make critical safety repairs and improve the overall state of the nation's public housing stock. A total of

\$2.98 billion has already been awarded by formula to 3,134 PHAs to enable them to address their backlog of rehabilitation needs. Another \$995 million in competitive grants has also been awarded to PHAs. The Department's fiscal year 2011 Operating Fund request provides full funding to ensure PHAs have the resources necessary to operate and maintain public housing, while completing the transition to asset management. When underfunded, PHAs transfer approximately 10 percent from their Capital Fund to the Operating Fund in order to fund on-going agency operations. By fully funding the Operating Fund, the Department eliminates the need for these transfers and increases the Capital Fund resources available to address capital needs.

High Priority Performance Goal: Rental Assistance

The Department is pursuing a goal to increase affordable rental assistance by 207,000 units to a projected total of 5.46 million families. Public Housing will be a contributor to this effort. The strategies will include continued implementation of asset management to incentivize PHAs to make vacant units available for occupancy and this effort will be assisted through the capital funds provided through the Recovery Act.

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Only about one in four families that are eligible for HUD rental assistance programs receives assistance. The number of families struggling to make ends meet in the face of severe rent burdens has increased substantially during this decade. One of HUD's critical strategic goals is to catalyze affordable rental housing and to restore the federal leadership on affordable housing issues.

High Priority Performance Goal: Energy and Green Retrofits

The Department is collaborating with the Department of Energy (DOE) to support weatherizing one million homes per year by enabling the cost effective energy retrofits of a total of 1.1 million homes in fiscal year 2010 and fiscal year 2011. Of this number, HUD will complete cost effective energy retrofits of an estimated 126,000 HUD-assisted and public housing units. Apart from our joint energy retrofit goal with DOE, HUD will complete green and healthy retrofits of 33,000 housing units.

The largest number of retrofits will be in the Public Housing inventory followed by the Multifamily Inventory as well as significant contributions through the HOME Investment Partnerships Program (HOME) and the Office of Healthy Homes and Lead Hazard Control (Healthy Homes). Following is a broader discussion of energy conservation activities through Public Housing initiatives.

Public Housing Initiatives

There are approximately 8,000 public housing projects, representing 1.2 million units. These projects provide an important national resource to needy families. Full funding of the Operating Fund Program is essential to allow PHAs to provide basic management and maintenance services to residents, complementing the following other management initiatives:

- *Full Implementation of Asset Management:* Beginning in 2007, the Department has fundamentally changed how public housing is evaluated, monitored and funded. Under asset management, PHAs now receive Operating funds on a project-by-project basis. They are also required to provide annual project-level financial reports and provide management services according to the needs of each project. In 2011, both the Department and PHAs will complete the transition to asset management.
- *Conversion to Property-Based Rental Assistance [Under Section 8(o) (13)]:* Beginning in fiscal year 2011 the Department proposes to initiate phase one of a multi-year effort called the Transforming Rental Assistance (TRA) initiative. An estimated 280,000 public housing units will convert to property-based rental assistance. The Administration will transmit proposed legislation to amend the project-based voucher program under section 8(o) (13) of the U.S. Housing Act and authorize the long-term property-based rental assistance contracts (with a resident mobility feature) that would be funded by the Budget request. This conversion will begin the process of moving all rental assistance programs under one platform, greatly simplifying program administration. Additionally, by converting to project-based assistance, PHAs will be able to access private capital to finance capital needs at levels not possible under current public housing program rules and funding systems. The Budget includes \$350 million for this initial conversion effort, which is estimated to leverage \$7.5 billion in private debt to address current public housing capital needs. The project-based approach to funding is consistent with asset management principles, providing access to capital markets to finance the backlog of needs, improving housing conditions for tenants, increasing opportunities for income mixing, and introducing greater market discipline among the private entities that own or manage the converted properties. Because of necessary processing steps, the actual outlay impact in 2011 from converting 280,000 units of public housing to Section 8 assistance will be minimal.

Public Housing Capital Fund

Converting public housing to project-based Section 8 also works towards another long-term goal of the Department: deregulation of PHAs. Many PHAs, in particular small PHAs (<250 units), historically have problems with meeting and understanding overly prescriptive regulatory requirements. Relating to core compliance monitoring, HUD's level of effort for small PHAs is grossly disproportionate to the level of risk, total units involved, and subsidy dollar volume. The very nature of conversion essentially 'deregulates' PHAs, who will now be subject to the same rules observed by non-profits and other owners in HUD's assisted housing programs.

In the first year, HUD will prioritize for conversion: (1) public housing that is owned by agencies that do not operate Housing Choice Voucher programs or (2) multifamily projects that are owned by PHAs. Shortly, the Administration will transmit to the Congress proposed legislation to amend the project-based voucher program under section 8 (0)(13) of the U.S. Housing Act.

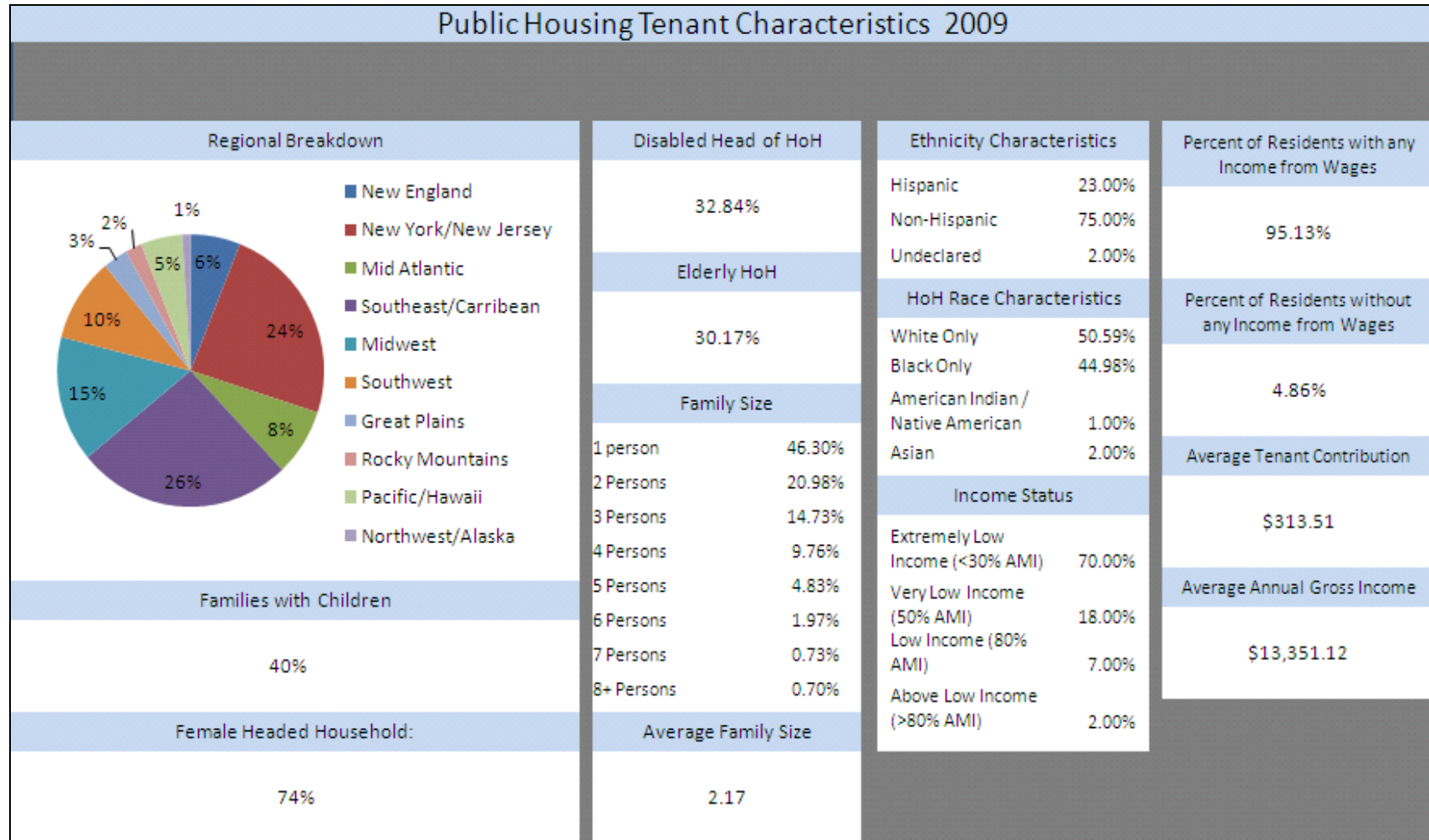
- *Energy Conservation:* As PHAs transition to asset management, or convert to property-based rental assistance, the Department will continue to make energy efficiency a high priority. The Department has received prestigious awards for its efforts in energy efficiency, including; an Energy Star Special Recognition Award, The Galaxy Star of Energy Efficiency Award from the Alliance to Save Energy and a nomination for the Presidential Award for Leadership in Federal Energy Management.

The Recovery Act of 2009 included a \$995 million Capital Fund Recovery Act Competition Grant. A component of the competition grant was 'Creation of Energy Efficient, Green Communities' with funding availability in the amount of \$600 million. The competition grant facilitates transformational energy efficiency and 'green' retrofits to substantively increase energy efficiency and environmental performance of public housing properties and thereby reduce energy costs, generate resident and PHA energy savings, and reduce Green House Gas emissions attributable to energy consumption. The Department obligated the funds by September 30, 2009. PHAs now have 1 year to obligate the award and 3 years to expend.

Additionally, the Department is also exploring opportunities for improving energy efficiency in small PHAs. Small PHAs are challenged by the need to tackle higher energy costs and a backlog of aging energy infrastructure without the resources available to larger PHAs. Leveraging using third party financing of energy projects, remains the most viable opportunity under current Capital Funding levels for improved energy efficiency in PHAs. As a community, however, small PHAs have been underserved by the energy industry and HUD's utility incentives, specifically related to energy performance contracting (EPC) since its inception. As of 2008, only 17 PHAs under 250 units have participated in an EPC at an average project cost of approximately \$800,000. Of the 3,100 PHAs in HUD's public housing inventory, 2,300 are small PHAs under 250 units.

The Department is committed to streamlining the EPC process, enabling small PHAs to self-develop energy projects and, creating local energy and green jobs. The Department is exploring scalable approaches to select EPC projects without jeopardizing project integrity or savings. The scalable approaches under deliberation consider: adaptation of the best energy improvements for small PHAs; selection of building types; and, simplification of the PHA submission and Field Office approval process for use of HUD's incentives. The Department's EPC streamlining initiative will expand the opportunity to address basic energy and utility system replacement needs with minimum risk, improve the quality of life for the residents, and demonstrate PIH's continuing conservation commitment to reduce utility consumption and carbon emissions.

Finally, significant investments in energy conservation measures are anticipated under the new TRA initiative. As part of this initiative, PHAs will be required to complete "green" physical needs assessments of properties converted to property-based rental assistance.



Source: 2009 Public and Indian Housing Information Center (PIC) data
 HOH is Head of Household
 AMI is Area Median Income
 Wages from non-elderly non-disabled households

Public Housing Capital Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Budget Authority</u>	<u>2008 Carryover Into 2009</u>	<u>2009 Total Resources</u>	<u>2009 Obligations</u>	<u>2010 Budget Authority/ Request</u>	<u>2009 Carryover Into 2010</u>	<u>2010 Total Resources</u>	<u>2011 Request</u>
Formula Grants	\$2,341,258	\$18,103	\$2,359,361	\$2,332,425	\$2,380,835	\$24,825	\$2,405,660	\$1,979,593
Emergency/Disaster Reserve	20,000	22,508	42,508	14,918	20,000	27,498	47,498	20,000
Technical Assistance ..	10,000	6,716	16,716	5,173	...	11,563	11,563	...
Resident Opportunities and Supportive Services	40,000	40,909	80,909	40,566	50,000	40,210	90,210	...
Administrative Receivership	8,820	3,979	12,799	4,633	8,820	8,166	16,986	8,820
Working Capital Fund (transfer)	14,577	...	14,577	...	...	...	...	...
Neighborhood Networks .	...	2,073	2,073	2,050	...	...	...	...
Financial and Physical Assessment Support ...	15,345	9,897	25,242	12,326	15,345	12,916	28,261	15,345
Tenant Opportunity ....	...	150	150	...	...	150	150	...
Recovery Act	4,000,000	...	4,000,000	3,976,982	...	3,018	3,018	...
Transformation Initiative .....	...	...	...	...	<u>25,000</u>	...	<u>25,000</u>	<u>20,442</u>
Total	6,450,000	104,335	6,554,335	6,389,073	2,500,000	128,346	2,628,346	2,044,200
FTE	<u>2009 Actual</u>	<u>2010 Estimate</u>	<u>2011 Estimate</u>					
Headquarters	100	104	102					
Field	<u>182</u>	<u>200</u>	<u>177</u>					
Total	282	304	279					

**PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Formula Grants	<u>Amount</u>
2009 Appropriation	\$2,341,258
2010 Appropriation/Request	2,380,835
2011 Request	<u>1,979,593</u>
Program Improvements/Offsets	-401,242

Proposed Actions

The Department proposes approximately \$2 billion for Public Housing Capital Formula Grants in fiscal year 2011. This amount will assist Public Housing Authorities (PHAs) in accommodating their annual accrual repair needs. In recent years budgetary challenges encountered by PHAs towards modernizing their portfolios have resulted in numerous PHAs transferring Capital Funds towards daily operations. The Capital Fund is a formula driven program based on need and designed to assist PHAs towards improving Public Housing. The Capital Fund program protects and enhances a valuable affordable housing resource.

There remains an estimated \$18-24 billion backlog of modernization needs that PHAs are trying to address through the American Recovery and Reinvestment Act of 2009 (Recovery Act). In 2009, the Department awarded the \$4 billion to assist in enabling PHAs to address the backlog of capital needs and support energy efficient, green communities and other priority investments.

Between 2000-2008 PHAs funged more than \$1.9 billion of Capital Funds to cover operating expenses. This resulted in fewer dollars being spent on accrual and modernization needs. For the second time since fiscal year 2002, the fiscal year 2011 Budget fully funds the Operating Fund, which alleviates the past practice of using Capital Funds to cover operating expenses. The continued full funding of the Operating Fund in the fiscal year 2011 Budget along with the \$4 billion provided by the Recovery Act gives PHAs the necessary resources to make critical investments in public housing to ensure its long term viability.

Moving-to-Work (MTW)

Section 204(a) of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (P. L. 104-134, hereinafter "MTW Statute") provides that an agency participating in the MTW demonstration program may combine public housing operating and capital funds provided under Section 9 of the U.S. Housing Act of 1937 (the "1937 Act") and voucher program funds provided under Section 8 of the 1937 Act "to provide housing assistance for low-income families, as defined in section 3(b)(2) of the 1937 Act, and services to facilitate the transition to work on such terms and conditions as the agency may propose and the Secretary may approve."

The MTW language above is intended to allow for the use of appropriated funds beyond Sections 8 and 9 of the United States Housing Act of 1937, provided the agency in the MTW demonstration program uses its combined funds to provide housing assistance for low-income families, as defined in section 3(b)(2) of the

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1937 Act, and services to facilitate the transition to work, whether or not any such use is authorized by Sections 8 or 9 of the 1937 Act, and provided such uses are consistent with other requirements of the MTW Statute and have been proposed in an agency's Annual MTW Plan and approved by HUD.

MTW agencies have used the flexibility provided in innovative ways to assist their clients. The following are a few examples of the innovative activities MTW agencies have engaged in with their broader use authority:

- Some agencies have expanded housing opportunities and encouraged self sufficiency by shifting the award of a voucher from individual households to service providers, who in turn have the responsibility for creating supportive housing opportunities. The service provider "sponsors" can then offer units to hard-to-house households. The sponsor-based voucher allows assisted families to make use of the subsidy while receiving both services and shelter. The goal is that service providers help to cycle such participants from the street to a more permanent housing situation.
- Other agencies have or plan to increase housing choice by utilizing funds combined under MTW authority to develop housing for low-income persons, This permits agencies to increase their ability to leverage funding opportunities, develop a better housing product and locate assisted housing in lower poverty areas.

The Department seeks to continue to expand the MTW program. The fiscal year 2009 appropriations act required the addition of three MTW agencies in fiscal year 2009 and the fiscal year 2010 appropriations act allows HUD to add three more.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Emergency/Disaster Reserve	<u>Amount</u>
2009 Appropriation	\$20,000
2010 Appropriation/Request	20,000
2011 Request	<u>20,000</u>
Program Improvements/Offsets .....	...

Proposed Actions

For fiscal year 2011, the Department requests \$20 million in funding to respond to emergencies and natural disasters excluding Presidentially declared disasters. The Department is not requesting funding set-aside for Presidentially declared disasters. Prior to 2008, the United States Housing Act of 1937 contained Section 9(k) which provided for a set-aside for emergencies and natural disasters. Since 2000, Congress has appropriated funding in the Capital Fund to address emergencies and natural disasters, separate and apart from the Section 9(k) authorization. Section 2804 of H.R. 3221—the Housing and Economic Recovery Act of 2008—repealed Section 9(k) of the United States Housing Act of 1937 thereby eliminating the authorization for this set-aside.

The exclusion of Presidentially declared disasters in this set-aside is based on the Department’s recent experience that it is impossible to predict the need for funding for Presidentially declared disasters and that it creates confusion for the Department to request such funding when other agencies within the Federal Government receive separate appropriations to respond to Presidentially declared disasters. In order to avoid potential redundant appropriations, which makes PHAs ineligible for other funding, the Department is not seeking funds for Presidentially declared disasters. Instead PHAs should have access to the same funding that other public entities have to receive disaster funding from the Federal Emergency Management Agency under the Robert T. Stafford Relief Act.

The fiscal year 2010 appropriation permits PHAs to spend emergency/disaster reserve funds on safety and security measures intended to address crime and drug use problems. The Department will allocate funds from the fiscal year 2010 appropriation to PHAs via a competitive process. The 2011 Budget eliminates this allowable use of the emergency/disaster reserve funds because it is an eligible use of Capital Fund formula grants.

**PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Technical Assistance	<u>Amount</u>
2009 Appropriation	\$10,000
2010 Appropriation/Request .....	...
2011 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

Starting in fiscal year 2010, several of the Department’s technical assistance activities will be funded through the Department’s Transformation Initiatives agenda. Examples of projects that could be undertaken with Transformation Initiative funding with respect to the Capital Fund include: 1) the development of a public housing portfolio management system; 2) developing a PHA generated Physical Needs Assessments (PNAs) tool; 3) developing a module in the Public and Indian Housing Information Center (PIC) for Moving-To-Work Agencies; 4) expansion of broadband access in public housing; and 5) alternative finance underwriting technical assistance. More details on the overall transformation initiative and these projects are in the justification for the Transformation Initiative account.

In fiscal year 2009, technical assistance contracts included: 1) the capital needs study; 2) the rent study; 3) technical assistance and training to troubled housing agencies; 4) energy performance contract review; and 5) energy conservation benchmarking and other program-related technical assistance/trainings. These initiatives, among others, are examples of innovative approaches to solving longstanding public housing questions, such as, identifying the backlog of capital needs, examining alternative rent structures, and reviewing energy performance contracts to evaluate return on investments. The initiatives supported by technical assistance funding enable expert analysis of public housing programs and guidance and training to PHAs.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Resident Opportunities and Supportive Services	<u>Amount</u>
2009 Appropriation	\$40,000
2010 Appropriation/Request	50,000
2011 Request	<u>---</u>
Program Improvements/Offsets	-50,000

Proposed Actions

No funds are requested for this activity in fiscal year 2011. Self-sufficiency activities are currently an eligible expense under the Operating Fund. The Department encourages PHAs to use their resources to fund activities that result in the best outcomes for their tenants.

To better align with the Department’s priorities in 2008, the Department redesigned the ROSS program to no longer provide funding for the direct delivery of services, but instead to fund the salaries of Service Coordinators for family and elderly programs. The Service Coordinators’ role is to leverage resources available from local community partners and connect residents to existing services that will help residents move along the spectrum of self-sufficiency.

The fiscal year 2009 Notice of Funding Availability (NOFAs) offered approximately \$12 million for Public Housing Family Self-Sufficiency (PH FSS) and \$28 million for the re-structured ROSS Service Coordinators (ROSS-SC) program. This amounts to the total of \$40 million appropriated in 2009. PH FSS, there were 274 applications requesting \$16 million for PH FSS. Award announcements were made on January 12, 2010 for 207 awards utilizing nearly the entire \$12 million allocated. For the ROSS-SC program, 343 applications for a total of \$108 million were received. The Department anticipates that the full \$28 million will be awarded in early 2010.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Administrative Receivership	<u>Amount</u>
2009 Appropriation	\$8,820
2010 Appropriation/Request	8,820
2011 Request	<u>8,820</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Department is requesting \$8.82 million to support the costs of administrative and judicial receiverships. These funds will allow the Department to provide contract support, and also support HUD operational expenses related to the administration of receiverships.

The Department enters into an administrative receivership when a Public Housing Authority (PHA) has systemic, long-standing, severe management, financial, and physical problems. Due to the severity of these problems extraordinary levels of expertise and resources are necessary in order to improve the quality of life for the PHA's residents. When the Department places a PHA in an administrative receivership, the Department takes complete control over a PHA's management and operations, or control over one program. A judicial receivership is entered into when a Federal or state court deems it is necessary to intervene in a PHA's management and operations. As of June 2009, the Department has five PHA's under administrative receivership, and an additional three under judicial receivership.

Contract Support

The Department will provide contract support to PHAs under receivership based on the specific needs and circumstances of the PHA. Based on the experience the Department has had with past and current receiverships, the Department anticipates providing contract support in five major areas: Financial, Systems, General Management, Section 8 Voucher program and Asset Management.

The Department will provide financial management services, through procurement actions, to allow the PHA to attain operational and economic recovery that is sustainable. Such services will include but not be limited to, updating and keeping all financial records and reports current, restructuring the financial division of the PHA including recruitment and training, establishing accounting control measures, ensuring compliance with Generally Accepted Accounting Principles (GAAP), submitting accurate financial audits and achieving regulatory and Annual Contributions Contract (ACC) compliance.

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The Department will provide systems support, through procurement actions, which will provide the PHA with assistance in updating and upgrading systems. This support may include implementation services, data conversion and training for end users. Areas of systems support could include all program and operational areas of the PHA.

The Department will provide general management services, through procurement actions, in a number of areas. These areas include, but are not limited to, maintenance, modernization, development, administrative and human resources, demolition and disposition, capital improvements, grant administration, occupancy and procurement.

The Department will also provide asset management support, through procurement actions, to assist with the implementation of asset management. This will include but not be limited to, staffing, organizational and operating policies and procedures, inventory management and long-term planning.

HUD Resources

In addition to contract support, the Department invests significant existing resources, including HUD personnel delegated with authority to oversee and manage the day-to-day operations of the PHA, during the receivership. These resources include salaries and expenses for full-time employees (FTE) that are assigned to work on receiverships for months and years at a time. To that end, a significant number of FTEs are invested, along with associated travel and expenses.

Figure 2: PHAs under Receivership (as of 12/31/09)		
Name	Locale	Start Date
<u>Administrative</u>		
East St. Louis Housing Authority	East St. Louis, IL	October 1985
Wellston Housing Authority	Wellston, MO	July 1996
Housing Authority of New Orleans	New Orleans, LA	February 2002
Virgin Islands Housing Authority	St. Thomas, VI	August 2003
Detroit Housing Commission	Detroit, MI	July 2005
<u>Judicial</u>		
Chicago Housing Authority (Partial)	Chicago, IL	1987
Housing Authority of Kansas City	Kansas City, MO	1993
Chester Housing Authority	Chester, PA	1994

Accomplishments

During fiscal year 2008, HUD was able to return both the Riviera Beach Housing Authority and Sarasota Housing Authority back to local control. In addition to that success, through the funding provided in fiscal year 2009, the Department has been able to make significant progress at a number of PHA's under receivership. A few of these accomplishments are as follows:

- The Detroit Housing Commission (DHC) has benefited greatly from contract support and has completed transition of updated policies, procedures and processes, which includes internal controls. This will serve to ensure DHC's books and records are capable of presentation in conformity with GAAP.
- The Housing Authority of New Orleans (HANO) is aggressively moving forward with public housing redevelopment. Work continues towards the redevelopment of four major public housing communities in New Orleans. In the aggregate, funds committed for this endeavor include \$300 million in low-income housing tax credit equity, \$150 million in Federal housing funds, and more than \$100 million in Community Development Block Grant funds. Supporting this effort is HUD's commitment of \$1.6 million worth of receivership funds towards the procurement of a team of expert mixed-financing/mixed-income development professionals.
- The East St. Louis Housing Authority performance in fiscal year 2009 continues to be acceptable. Asset management conversion is on schedule and results of June and July 2009 assessments show the Authority performing in a status of: "Standard Performer" in the public housing program, and in a status of "High Performer" in the assisted rental housing program.
- The Virgin Islands Housing Authority (VIHA) shows signs of continued operational and loss mitigation improvements. The Housing Choice Voucher Program funding utilization rate rose to 93 percent as of August 2009. In line with this performance trend, HUD assessment protocol (SEMAP) shows the Authority operating in a "Standard Performer" status. Rent collections continue to improve as demonstrated by VIHA's collecting to date approximately \$485,000 in delinquent rental payments. In addition, six long-standing lawsuits (some of them exceeding 11 years) against the Authority have been successfully mediated and settled over the past months.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

working capital Fund (transfer)	<u>Amount</u>
2009 Appropriation	\$14,577
2010 Appropriation/Request .....	...
2011 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

In fiscal year 2011, information technology related activities will continue to be funded through the Department’s Transformation Initiatives. Examples of projects that would be undertaken with Transformation Initiative funding with respect to Information Technology (IT) include:

- The next generation voucher management system which will improve oversight, monitoring, information sharing through improved data accessibility and reporting;
- Public housing portfolio management system will provide an improved data system that enables the Department closely examine Capital Fund and HOPE VI expenditures and how these expenditures impact the public housing portfolio;
- A new module within the Recovery Act Management Performance System (RAMPS) will provide the Department with the ability to collect energy efficiency data; and
- Moving-To-Work (MTW) adaptive enhancements systems that will provide the ability to accurately track the demographic traits of residents participating in the MTW program.

More details on the overall transformation initiative and these projects are in the justification for the Transformation Initiative account.

In fiscal year 2009, the Office of Public and Indian Housing accomplished the following:

- Award of two contracts for upgrading IT Infrastructure (Enterprise Architecture) for PIH systems;

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- 90 percent completion of the Department's Uniform Physical Inspection Condition Standards (UPCS) Inspection Software version 4.0 of the Physical Inspection system enabling real time data entry error checking capability and optimizing the Time Stamp Analysis for enhanced inspection tracking and validation;
- Implementation of income verification using the National Directory of New Hires (NDNH) for Multifamily Housing and improved PIH wage matching; and
- Implementation of electronic income verification for families referred by the Department of Homeland Security's (DHS) Federal Emergency Management Administration (FEMA) for temporary housing assistance through the Disaster Housing Assistance Program (DHAP) to help eliminate fraud, waste and abuse.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Financial and Physical Assessment Support	<u>Amount</u>
2009 Appropriation	\$15,345
2010 Appropriation/Request	15,345
2011 Request	<u>15,345</u>
Program Improvements/Offsets .....	...

Proposed Actions

Funds are requested to support the on-going activities of the PIH Real Estate Assessment Center (REAC), which include the inspection, assessment, monitoring and recovery of PHAs. The Department proposes \$15.3 million for Financial and Physical Assessment Support in fiscal year 2011. Financial and Physical Assessment Support is necessary to provide to PIH a timely and accurate assessment of the Department's real estate portfolio using physical, financial, management and resident satisfaction assessments. The assessments performed and data provided renew public confidence in the stewardship of these funds by assuring that the right families get the right benefit level.

This set-aside supports systems that assist HUD and PHAs in the oversight of the public housing program. For example the Enterprise Income Verification (EIV) system permits selected PHA staff to verify the wage and some of the other incomes of public housing residents to ensure that housing subsidies are accurately paid. Another example is the Financial Assessment Subsystem for Public Housing (FASS-PH), one of the subsystems of the Public Housing Assessment System (PHAS), which enables the Department to evaluate the financial health of the public housing portfolio. This system provides various analyses to aid in the improvement of PHA financial condition and guidance in identifying possible instances of waste, fraud, and/or abuse. These functions assist the Department in distinguishing between PHAs that are financially healthy and compliant and those that present a high degree of financial risk.

In fiscal year 2009, funds were spent developing and maintaining systems in several business areas. Initiatives include the Comprehensive Compliance Monitoring System (CCMI) that is working towards standardizing monitoring review checklists and protocols for all PIH review areas; the Integrated Assessment System (NASS) that performs an assessment of mission critical information and is used to aggregate performance scores from the other performance subsystems (including Physical, Financial, Management and Resident Satisfaction); the Financial Assessment Subsystem which assess the financial condition of properties; and PHAS Business support, which assists the Physical Assessment Subsystem (PASS) staff in designing business support tools in order to process inspections.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Recovery Act	<u>Amount</u>
2009 Appropriation	\$4,000,000
2010 Appropriation/Request .....	...
2011 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

In the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Public Housing Capital Fund received \$4 billion to rehabilitate, retrofit and develop public housing units. PHAs are using these funds to increase energy efficiency, improve vacant units, make critical safety repairs and improve the overall state of the Nation’s public housing stock. A total of \$2.98 billion has already been awarded by formula to 3,134 PHAs to enable them to address their backlog of rehabilitation needs. Another \$995 million was awarded competitively by September 30, 2009.

In addition to formula funds, the Recovery Act provided \$995 million in competitive funding to PHAs for capital and management activities authorized under Section 9 of the Housing Act of 1937 in accordance with four funding categories: 1) Improvements Addressing the Needs of the Elderly and Persons with Disabilities (\$95 million); 2) Public Housing Transformation (\$100 million); 3) Gap Financing for Projects Stalled Due to Financing Issues (\$200 million) and; 4) Creation of Energy Efficient, Green Communities (\$600 million). The competition enabled PHAs to target specific needs for Capital Funds so the types of activities completed will vary.

The Department has begun setting up the mechanisms necessary to track, monitor and evaluate a PHAs use of Recovery Act funding as they begin to expend Recovery Act funds. Beginning in fiscal year 2010, the Department will be able to determine a PHA’s effectiveness in the use of its Recovery Act funds.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Transformation Initiative	<u>Amount</u>
2009 Appropriation .....	...
2010 Appropriation/Request	\$25,000
2011 Request	<u>20,442</u>
Program Improvements/Offsets	-4,558

Proposed Actions

In fiscal year 2011 technical assistance activities will be funded through the Department’s Transformation Initiative. The Transformation Initiative allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve performance and test innovative ideas. HUD requests Congress to authorize an agencywide HUD Transformation Initiative (TI) Fund equal to 1 percent of the agency’s total budget to be funded by transfers from program accounts. HUD proposes to use these funds for four complementary purposes: Research, Evaluation and Performance Metrics; Program Demonstrations; Technical Assistance and Capacity Building; and next-generation Information Technology.

Examples of projects that could be undertaken with Transformation Initiative funding with respect to the Capital Fund include: 1) the development of a public housing portfolio management system; 2) developing a PHA generated Physical Needs Assessments (PNAs) tool; 3) developing a module in the Public and Indian Housing Information Center (PIC) for Moving-To-Work Agencies; 4) expansion of broadband access in public housing; and 5) alternative finance underwriting technical assistance. More details on the overall transformation initiative and these projects are in the justification for the Transformation Initiative account.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Justification of Proposed Changes in Appropriations Language**

The fiscal year 2011 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined.

For the Public Housing Capital Fund Program to carry out capital and management activities for public housing agencies, as authorized under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) (the ``Act") ~~[\$2,500,000,000]~~\$2,044,200,000, to remain available until September 30, ~~[2013]~~2014: Provided, That notwithstanding any other provision of law or regulation, during fiscal year ~~[2010]~~ 2011 the Secretary of Housing and Urban Development may not delegate to any Department official other than the Deputy Secretary and the Assistant Secretary for Public and Indian Housing any authority under paragraph (2) of section 9(j) regarding the extension of the time periods under such section: Provided further, That for purposes of such section 9(j), the term ``obligate" means, with respect to amounts, that the amounts are subject to a binding agreement that will result in outlays, immediately or in the future: Provided further, That up to \$15,345,000 shall be to support the ongoing Public Housing Financial and Physical Assessment activities of the Real Estate Assessment Center (REAC): Provided further, That of the total amount provided under this heading, not to exceed \$20,000,000 shall be available for the Secretary to make grants, notwithstanding section 204 of this Act, to public housing agencies for emergency capital needs [including safety and security measures necessary to address crime and drug-related activity as well as needs] resulting from unforeseen or unpreventable emergencies and natural disasters excluding Presidentially declared emergencies and natural disasters under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 5121 et seq.) occurring in fiscal year ~~[2010]~~2011: [Provided further, That of the total amount provided under this heading, \$40,000,000 may be for grants to be competitively awarded to the public housing agencies for the construction, rehabilitation or purchase of facilities to be used to provide early education, adult education, job training or other appropriate services to public housing residents: Provided further, That of the total amount provided under this heading, \$50,000,000 shall be for supportive services, service coordinators and congregate services as authorized by section 34 of the Act (42 U.S.C. 1437z-6) and the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4101 et seq.)]: Provided further, That of the total amount provided under this heading up to \$8,820,000 is to support the costs of administrative and judicial receiverships: Provided further, That from the funds made available under this heading, the Secretary shall provide bonus awards in fiscal year ~~[2010]~~2011 to public housing agencies that are designated high performers. (Department of Housing and Urban Development Appropriations Act, 2010.)

Explanation of Changes

Eliminates Early Childhood Education, Job Training Facilities set-aside.

Eliminates the Resident Opportunities for Self-Sufficiency set-aside, which is an allowable expense in the Operating Fund.

Elimination of "safety and security measures" as an eligible use of the emergency/disaster reserve set-aside.

Public Housing Capital Fund

PUBLIC HOUSING CAPITAL FUND
Crosswalk of 2009 Availability
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2009 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Formula Grants	\$2,341,258	...	...	...	\$18,103	\$2,359,361
Emergency/Disaster Reserve	20,000	...	...	...	22,508	42,508
Technical Assistance	10,000	...	...	...	6,716	16,716
Resident Opportunities and Supportive Services	40,000	...	...	...	40,909	80,909
Administrative Receivership	8,820	...	...	...	3,979	12,799
Working Capital Fund (transfer)	14,577	...	...	...	...	14,577
Neighborhood Networks .....	...	...	...	...	2,073	2,073
Financial and Physical Assessment Support	15,345	...	...	...	9,897	25,242
Tenant Opportunity .....	...	...	...	...	150	150
Recovery Act .....	...	\$4,000,000	...	...	...	4,000,000
Transformation Initiative .....	...	...	...	...	...	...
Total	2,450,000	4,000,000	...	...	104,335	6,554,335

Public Housing Capital Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Crosswalk of 2010 Changes
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 President's Budget Request</u>	<u>Congressional Appropriations Action on 2010 Request</u>	<u>2010 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Formula Grants	\$2,199,835	\$2,380,835	...	...	\$24,825	\$2,405,660
Emergency/Disaster Reserve	20,000	20,000	...	...	27,498	47,498
Technical Assistance .....	...	...	...	...	11,563	11,563
Resident Opportunities and Supportive Services .....	...	50,000	...	...	40,210	90,210
Administrative Receivership .....	...	8,820	...	...	8,166	16,986
Working Capital Fund (transfer) .....	...	...	...	...	...	...
Neighborhood Networks .....	...	...	...	...	...	...
Financial and Physical Assessment Support	15,345	15,345	...	...	12,916	28,261
Tenant Opportunity .....	...	...	...	...	150	150
Recovery Act .....	...	...	...	...	3,018	3,018
Transformation Initiative .....	...	<u>25,000</u>	...	...	...	<u>25,000</u>
Total	2,235,180	2,500,000	...	...	128,346	2,628,346