

PHOENIX HOUSING AUTHORITY

CASE STUDY FIELD NOTES

BACKGROUND

The Phoenix Housing Authority (PHA) owns and operates 2,615 units of public housing and administers approximately 4,700 Section 8 Vouchers. In addition to its federal public housing, the agency also owns 236 units under the Section 8 New Construction program as well as 935 “affordable” units that were acquired with city-backed general obligation bonds. The agency contracts for the management of its bond-financed properties and self-manages the rest.

The agency has a long history of stable and competent management. It is a High Performer under the Public Housing Assessment System (PHAS), with a 2001 score of 29 (out of a possible 30) under the Management Operations component.

The public housing program consists of 1,776 units of family housing, 400 units of elderly housing, and 439 scattered site units, most of which are single family homes. The agency has one HOPE VI project, which it is in the process of redeveloping, but has no other “distressed” properties. All of the agency’s properties exhibit strong curb appeal and are often among the best-maintained rental housing in the neighborhoods where they are located.

Organization

The agency is a department of city government and all employees are city employees, subject to the same personnel rules. The director of the PHA also serves as the director of the Housing Department, which has responsibilities for administration of the Federal HOME program and for other local housing initiatives.

The city operates under a city manager form of government, with a nine member council (which includes the mayor). Eight council members are elected by districts and the mayor runs city-wide.

As a function of being a city agency, the board of the agency is the city council. The council is scheduled to meet every Tuesday (Policy) and Wednesday (Formal) for twelve months of the year (off for a short summer recess). Items generally requiring city council approval include the annual budget, agency policies, the Annual Plan, and various HUD submissions such as PHAS. The city council must also approve all purchases over \$5,700 (see discussion below under procurement). Before an item comes before the full council it is first addressed in subcommittee. The subcommittee, like the board itself, meets twice each month. For all board agenda items, the agency must prepare an agenda package. Staff report that there are few public housing items that appear on the agenda and those that do are routinely passed with little or no public

discussion (frequently, these items are placed on the “consent” agenda). Most of the items that appear before the council, in fact, are related to housing development activity outside the public housing program, e.g., local housing activities. There is some staff time required in preparing agenda items and in fielding questions from council members and their staff, particularly as items come before the subcommittee.

The PHA is the most decentralized large agency in the case study group. Except for staff assigned to the Scattered Sites program, all maintenance staff are site-based. The housing managers are responsible for rent collections, recertifications, maintenance, unit turnover, and resident relations. The main functions that are centralized are personnel, purchasing, budgeting, accounting, payroll and administration of the waiting list.

Budgeting and Financial Management

The agency maintains the most advanced property-based budgeting and accounting system among the case study group, which is consistent with its more decentralized organizational structure. Because there are fewer centralized functions that deliver property management services, there are fewer “allocations” to make.

Typically, the agency does not subsidize the public housing program with Section 8 administrative fee income and, with the exception of about \$250,000 that supports resident initiatives as well as direct and indirect administrative costs, the Capital Fund is used almost exclusively for capital items.

Because the agency is part of city government, some financial activities are performed by the city’s finance department. The city is essentially responsible for all financial and accounting services. Housing Department Accounting staff is responsible for all federally-required reports, including year-end financial statements. The city’s Finance Department will process checks, but the Housing Department Accounting Section staff is responsible for all of the “front-end” paperwork for payments.

The agency’s Allowable Expense Level for FY 02 is \$294.65 PUM. The agency also receives \$12.14 PUM in various add-ons, for a combined Operating Fund total of \$306.79 PUM. In comparison, GSD’s most recent operating cost model estimates that the agency should receive around \$322 PUM, exclusive of taxes and utilities, and adjusted for 2002.

REGULATORY ENVIRONMENT

This section of the case study field notes reviews the 14 areas of operating regulations that, compared with assisted housing, are unique to public housing.

1. Cooperation Agreement with Welfare Agency

The agency reports that there is no material cost related to the on-going implementation of this requirement but that, in fact, they benefit from the agreement (for example, there is a monthly meeting with both agencies to review their cooperative data sharing efforts).

2. Deconcentration

All properties fall between the established income ranges; hence, there is no cost to this regulation.

3. Grievance Policy

The agency has a three-person grievance panel that includes a resident, someone from within the property management division and an objective third-party, which may be someone from another City department or an outside agency. Grievances may take 1 ½ to 2 hours, with another several hours for writing up the results.

The agency reports 13 formal grievances in the past year. The agency attributes this low number to the fact that it follows sound lease enforcement practices. Many issues are resolved informally before a formal grievance is filed.

4. Pets

The agency reports that this policy has minimal cost impact, mostly in preparing the “pet addendum” for each resident with a pet and in staff time needed to collect the deposit. The agency has adopted a fairly standard pet policy (no pet more than 25 pounds, \$100 deposit, inoculation, etc.). There are only 48 family/senior households (approximately 1.8% of all families/seniors) with registered pets, of which maybe half are families.

5. Rent Rules

With the exception of the flat rents, which the agency reports extra time required on the part of staff calculating the amount, the agency regards the four “unique” rent rules to be not materially significant in terms of costs.

- **Income Disregards.** A total of 46 families have income disregards. No material cost reported.
- **Minimum Rents.** The agency has adopted a \$25 minimum rent. There are 48 households paying this minimum rent, of which seven requested hardship exemptions. No material costs reported.
- **Imputed Welfare Income.** There are eight families with imputed welfare income. No material costs reported.
- **Choice in Rents.** A total of 20 households have chosen the “flat rent” instead of the income-based rent.

An additional half hour is assumed to be required for explaining/calculating the different rent rules per household.

6. Section 3

The agency uses its resident economic initiatives program as a tool for achieving Section 3. It has also recently begun incorporating Section 3 in its procurement practice. It reports no material cost in implementing this regulation.

7. Maintenance Wage Rates

Maintenance wage rates are determined in accordance with collective bargaining and not affected by HUD's wage rate determinations. Essentially, the city submits, and HUD approves, the agency's collective bargaining agreement as the "prevailing wage."

The agency does obtain wage rate determinations for maintenance related contracts, and conducts wage monitoring of those contracts, but there are few such contracts since the agency contracts for so few services through the operating budget.

8. Procurement

The agency is governed by city procurement rules, which requires formal bidding for any item of more than \$5,700. The agency does not actually bid out this work, which is handled by two separate city agencies. The agency does not get charged for this service from the city.

In terms of what would be required by federal regulations, the agency reports that there were no purchases in the operating budget in the past year that exceeded \$100,000 and therefore would have required formal bidding.

9. Waiting List

The agency has chosen to continue to maintain a centralized waiting list, which it feels serves it better. Elderly applicants may choose a development of their choice when applying centrally. Family applicants are given two offers and if an applicant rejects the second offer the applicant is removed from the waiting list.

10. PHAS

Excluding the REAC physical inspection (which is the same for public and assisted housing), the three remaining elements of PHAS are: financial, operations and resident survey.

- Financial. The agency reports that the data necessary to compile the PHAS year-end financial report is easily obtained, but might represent one week of a staff-person's time.
- Management Component. While the agency reports that there were modest one-time expenses related to customizing their management information system to produce the required PHAS reports, it believes that the PHAS indicators are essentially the same as they would use absent PHAS to monitor property performance.
- Resident Survey. The agency reports that it spends modest efforts to publicize the resident survey.

11. Annual Unit Inspections

The agency long had a policy of annual unit inspections and, in fact, inspects units quarterly, which it feels is essential to its successful lease enforcement efforts. These inspections are performed by the on-site management staff. The "extra" cost that the agency reports with respect to the public housing requirement for unit inspections is the extra time it takes to conduct an inspection using the new UPCS standards. It estimates that it takes an extra 15-30 minutes per inspection.

12. Annual Plan

Preparation of the Annual Plan is essentially coordinated and prepared by the Supervisor of Resident Services. The plan process begins early in the year with monthly meetings with the Resident Advisory Board. Prior to meeting with the Advisory Board, the agency also assembles an internal strategic planning task force that is charged with reviewing agency-wide goals/initiatives/policy changes for the upcoming year. As the strategic planning committee comes up with recommendations for certain topical areas, these recommendations then get aired by the RAB. The RAB meetings take about 1 ½ hours a month and are taped. Generally three to four months prior to the start of the year the agency distributes a draft copy of the Annual Plan to the RAB for review. It is the RAB that actually conducts Annual Plan review meetings at each property.

The Agency conducts one formal, publicly advertised meeting on the Plan, for which 50-60 people typically attend. The agency reports that this meeting generally is quite routine. Following the public meeting, the agency prepares the Annual Plan template for approval to the city council, which is generally passed on the consent agenda.

After approval by the city council, the agency does not report any significant problem in electronically submitting the Annual Plan.

The agency reports the equivalent of one half-time staff position is about the effort required in preparing the plan annually, including all the meetings with the RAB. This includes approximately 25% of the Supervisor of Resident Services time, who has primary responsibility for preparing the plan.

13. Tenant Participation Requirements

The agency believes strongly in tenant participation in agency decision-making. It encourages the formation of resident councils (all major properties have established councils). Although it provides modest organizing support, it largely expects the resident councils to run their own elections.

For many years, the agency has provided established resident councils with \$3 per unit annually (PUA) in council funding. In the current year, the agency has decided to award the resident councils with \$19 per unit annually (out of the \$25 PUA that HUD provides PHAs) to support their resident participation activities, which is in addition to the \$3 PUA that it has always provided to the councils.

14. Young Disabled

The agency applied in late-1997 to designate its four senior public housing properties (400 units) for “elderly-only” and, at the time, also requested an allocation of 200 section 8 certificates. The agency’s application was approved, subject to a request by HUD to retain two of the buildings (136 units) as “mixed-population.”

It should be noted that the agency also is the recipient of a ROSS “service coordinators” grant that provides services in each of the senior buildings and that may help with the mixed-population situation.

The agency reports that the mixed-population buildings affect costs in two ways: first, they report that the work is more stressful to site-based administrative staff (the agency uses essentially the same ratio of staff to units but feels that the work is more demanding in the mixed-population buildings) and, second, that the mixed population buildings have higher cleaning and janitorial costs, which appear to run about \$6 PUM higher in these mixed-population buildings.

In the "mixed population" buildings, 48% are aged 18-61, with 19.9% under the age of 50. In the "senior-only" buildings, 15% are aged 18-61, with 4.8% under the age of 50. The turnover in the two building types is nearly identical. In FY 02, the turnover rate was 13.2% for “mixed population buildings and 15.4% for “senior only” buildings.

OPERATING ENVIRONMENT

This section of the case study field notes reviews those areas of a PHA’s operating environment that, beyond any differences in federal regulations, could result in operating costs that are higher than private operators of assisted housing, particularly non-profit operators.

1. Employee compensation

As mentioned previously, the agency contracts with a private firm to manage its bond-financed properties. The agency does not dictate to this firm the wages that must be paid but allows it to pay according “to the market.” As a basis for comparison, the agency’s wages for site-based maintenance and management staff appear 30% higher than the agency’s contract manager. Additionally, employee benefits amount to around 34 percent of salary, compared with around 26 percent paid by the private manager of the bond-financed properties.

The agency also has more generous vacation, holiday, and other leave policies.

2. Organization and Work Rules

The agency’s organizational structure is more similar to a comparably-sized private operator than found in the other case study agencies. The agency’s site managers have far more authority and responsibility to manage their properties than their public housing peers. Additionally, the agency employs few specialized maintenance crafts positions and instead relies predominantly on a more general, skilled, building maintenance type job classification to perform most work orders, which is the norm in private housing but less so in large public housing.

Despite the agency’s relative organizational flexibility (as compared with other PHAs), centralized administrative and non-property specific costs amount to about 31% of the agency’s operating budget, exclusive of PILOT and utilities, or around \$92 PUM.

3. Resident Programs and Initiatives

While the agency believes strongly in promoting economic self-sufficiency and in general service coordination, it generally does not fund those activities out of the operating budget. Mostly, it seeks outside funding. The operating budget only supports (1) the \$3 PUA funding to the resident councils, (2) the \$25 PUA that HUD provides PHAs for resident participation (of which it gives \$19 PUA to the resident councils to spend), and (3) the coordinator of resident services (who is actually charged to “administration” and not the tenant services line item in the HUD budget). The agency also spends about \$200,000 annually out of the Capital Fund to support a resident economic development program that provides subsidized employment and training opportunities for residents.

Mostly, the agency partners and coordinates with existing service providers to help residents access needed services. It frequently provides space on-site at a nominal charge to local agencies to operate programs that benefit residents (Head Start, adult education, youth programs, etc.).

4. Population Housed

With the elimination of federal preferences in the late 1980s, the agency has been attempting to achieve a broader mix of incomes. It has three preferences for admission: displaced by government action, working, and resident of Phoenix. The first preference has highest priority and the other two are of equal weight. The agency does not incur any additional costs to operate public housing by choosing to serve families that might be more needy among the eligible population.

5. Security and Crime

With rare exception, the agency does not spend funds – operating or capital – on either contract security or law enforcement. In previous years, the agency did experiment with hiring off-duty police officers, with Drug Elimination Grant funds, at some of its family properties but ended that arrangement because it felt it was not effective. Some 10-15 years back, the agency did have a more serious crime/drug problem, and it worked closely with local law enforcement to eliminate that problem. The agency is extremely serious about enforcing the lease and works quite well with local law enforcement with any crime problems. Its largest security expenditure is for two retired police officers (community safety workers) who help the site managers investigate criminal activity and act as liaisons with the police department.

Crime in its properties is reported to be lower than in the surrounding neighborhoods where public housing is located.

6. IT

(Note: This section is reserved pending review of IT survey.)

7. Legal Costs

The agency does not report any material or extraordinary legal costs associated with the management of its public housing. It spends about \$0.36 PUM in the operating budget on legal costs, which includes general legal services (provided on a charge-back basis from the city) and evictions, amounts which are well within what local operators spend. The agency does not also remember any recent “Freedom of Information” request.

In keeping with the above, the agency does not report any particularly difficult time in pursuing eviction cases through the court system. The agency has a good reputation for property management and for fair dealings with residents. It generally feels that the court treats it fairly.

8. Other local mandates

Other than the fact that the agency is an arm of city government, for which it must abide by city personnel and procurement rules, the only other notable “local mandate” that may

affect costs is the agency's scattered site homeownership initiative. The agency attempts to use its roughly 450 unit scattered site program (truly single family homes throughout the city) as a stepping stone to homeownership. Over the years, it has sold 40-50 of these homes to residents and offers various homeownership training classes. The cost of this initiative has not been determined.

Incidentally, the city has procurement preferences for MBE/DBE firms but does not apply these preferences to public housing because of the use of federal funds.

9. Responsiveness

With regard to responsiveness, the agency strives to maintain at least the same level of service as private housing. It desires to maintain well-looking properties and cannot "afford" the public embarrassment of poorly run housing. However, it does not appear that the agency is providing any service above and beyond what the private market provides.

**REGULATORY WORKSHEET
PHOENIX HOUSING AUTHORITY**

CATEGORY	DESCRIPTION	ANNUAL	PUM
1. Cooperation with Welfare Agency	No additional cost reported	\$0	\$0
2. Deconcentration	No additional cost reported	\$0	\$0
3. Grievance Policy	13 grievances @ \$500 each (10 hours per grievance at \$50/hr burdened rate)	\$6,500	\$0.21
4. Pet in Family Housing	48 families with pets x 1 hour x \$20/hr to discuss/prepare lease addendum	\$980	\$0.03
5. Rent Rules <ul style="list-style-type: none"> • Imputed welfare income • Income disregards • Minimum rents • Choice in rents 	Additional half-hour per household x \$20/hr	\$26,150	\$0.83
6. Section 3	No additional cost reported	\$0	\$0
7. Section 12(a) Wage Rates	No additional cost reported	\$0	\$0
8. Procurement	No additional cost reported (no purchase with operating funds in excess of \$100,000)	\$0	\$0
9. Waiting lists	No additional cost reported	\$0	\$0
10. Young-disabled in Elderly Buildings	To be discussed	TBD	TBD
11. PHAS	Approximately one-quarter of position (520 hours x \$40/hour burdened rate)	\$20,800	\$0.66
12. Annual Unit Inspections	2,615 inspections x 0.50 hours x \$20/hr labor	\$26,150	\$0.83
13. Annual Plan	Approximately one-half time position (1,040 hours at \$40/hr burdened rate)	\$41,600	\$1.33
14. Resident Participation Requirements	Covered under Annual Plan	\$0	\$0
TOTAL		\$122,180	\$3.89