

May 2002

PUBLIC HOUSING

HUD and Public
Housing Agencies'
Experiences with
Fiscal Year 2000 Plan
Requirements





United States General Accounting Office
Washington, D.C. 20548

May 31, 2002

Congressional Committees

The Quality Housing and Work Responsibility Act of 1998, commonly referred to as the Public Housing Reform Act (P.L. 105-276), was major legislation designed to improve the quality of public housing and the lives of public housing residents. The act included over 80 provisions that revised key requirements related to the Department of Housing and Urban Development's (HUD's) low-rent housing and tenant-based Section 8 housing assistance programs.¹ The act also gave public housing agencies more flexibility and discretion in using funds to address the needs of low-income families and encouraged resident involvement in housing management.

In an effort to ensure that public housing agencies remained accountable to HUD while exercising these new flexibilities, Section 511 of the act created a new requirement. Beginning in fiscal year 2000, housing agencies managing low-rent or tenant-based Section 8 units have been required to develop and submit five-year and annual plans. Agencies were required to obtain resident participation in developing these plans. The five-year plan is to describe the public housing agency's mission and long-range goals, while the annual plan is to identify objectives and strategies for achieving these goals and to detail the agency's policies and procedures. The annual plan also serves as an application to HUD for some grant funding for agencies with low-rent units. Since housing agencies that administer tenant-based Section 8 units only do not receive this type of funding, they do not use the plan as a grant application. Once a public housing agency has submitted its plans to HUD, HUD must review the plans to ensure that they contain the appropriate information, and either approve them or disapprove them, and notify the public housing agency of deficiencies in the plans that need to be addressed before the plans can be approved.

Section 511 also required us to audit and review a sample of these public housing agencies plans to provide an overview of how the process has worked so far. As agreed with your offices, to fulfill this requirement

¹These programs provide funding to housing agencies with two types of units. Low-rent units, commonly called public housing units, are housing units in buildings managed by public housing agencies for low-income families. Tenant-based Section 8 units are housing units in privately owned rental housing. Through the Section 8 program, public housing agencies make subsidy payments to owners on behalf of the assisted family.

within the required deadline we determined: (1) the status of public housing agencies' fiscal year 2000 plans, (2) HUD's experiences with the fiscal year 2000 plan process and opinions concerning the value of the plans, and (3) selected public housing agencies' experiences with and opinions regarding the fiscal year 2000 plan process. We examined HUD's experiences to provide information on the universe of plans filed, as well as HUD's perspective on the process, while selected housing agencies' experiences were examined for insight into agencies' perspectives on the planning process. In January 2002, in fulfillment of the act's requirement, we briefed your offices on our key findings. We have enclosed the slides from that briefing in appendix I. Also, as you requested at our briefing, we are providing information on the status of the fiscal year 2001 plans and any significant changes in the plan review process.

To determine the status of fiscal year 2000 plans, we analyzed information from HUD's databases and interviewed HUD officials. In examining HUD's experiences with the plan process, we surveyed HUD's 43 Public and Indian Housing field offices and 2 troubled agency recovery centers (hereafter referred to as field locations). These field locations were responsible for reviewing and approving submitted plans. Ninety-six percent of these locations responded to our survey.

To gather detailed information on selected public housing agencies' experiences with the process, we visited eight agencies that we selected based on factors including size and geographic location, as shown in table 1.

Table 1: Eight Public Housing Agencies Visited

Name and location of public housing agency	Size of public housing agency
Moorhead Housing Authority (Minn.)	Small
Bernalillo Housing Authority (N. Mex.)	Small
Tullahoma Housing Authority (Tenn.)	Medium
Muskegon Housing Commission (Mich.)	Medium
Miami Beach Housing Authority (Fla.)	Large
Bridgeport Housing Authority (Conn.)	Large
Atlanta Housing Authority (Ga.)	Extra-large
Phoenix Housing Authority (Ariz.)	Extra-large

Note: We designated public housing agencies as small if they managed 249 or less units, medium if they managed 250-1,250 units, large if they managed 1,251-6,599 units, and extra-large if they managed 6,600 or more units.

Source: HUD databases.

Results in Brief

Most fiscal year 2000 public housing agency plans had been submitted and approved as of January 24, 2002. Of the 4,144 required fiscal year 2000 plans, 98 percent had been submitted to and approved by HUD. The remaining 2 percent had either not been submitted, had been disapproved because of deficiencies, or were being reviewed by HUD. Of these 89 plans either not submitted or not approved, 76 were from public housing agencies that provide only tenant-based Section 8 housing, and 13 were associated with agencies that provide low-rent housing or a combination of the two types. HUD is considering withholding a portion of funding from public housing agencies that did not submit or have approved their fiscal year 2000 plans.

HUD had mixed experiences and opinions regarding the fiscal year 2000 plan process and its value. Field locations that responded to our survey reported that their review of fiscal year 2000 plans was hampered by a number of factors, such as problems transmitting data between public housing agencies and HUD. For the fiscal year 2001 process, HUD took actions to address some problems identified during the fiscal year 2000 process. The field locations believed that the planning process was valuable in helping them identify public housing agencies' needs. However, our survey found that few field offices believed that the plans were very important to tenant-based Section 8-only public housing agencies relative to setting operational priorities. Narrative responses in the survey

indicated that this was because tenant-based Section 8-only agencies do not own or maintain physical assets and do not use their plans as an application for HUD funding. A majority of field locations responded that public housing agencies are implementing their plans but acknowledged that there may be some problems, particularly in fulfilling requirements related to resident participation in the plan process. It is too early to tell whether HUD's actions will resolve problems experienced during the review of the fiscal year 2000 plans, so we are not making recommendations at this time.

The eight public housing agencies we visited had varying experiences and opinions regarding the fiscal year 2000 plan process. Their views differed on the usefulness of the planning process, the level of resources required to prepare the plans, the sufficiency of HUD's guidance on completing the plans, and the difficulty of meeting the resident participation requirement. Larger public housing agencies generally had more positive comments than smaller public housing agencies. In commenting on a draft of this report, HUD generally agreed with its contents.

Background

Under the United States Housing Act of 1937, as amended, Congress created the federal public housing program to assist communities in providing decent, safe, and sanitary dwellings for low-income families. Today, more than 4,100 public housing agencies provide housing for low-income households. Over 3,100 agencies operate low-rent or a combination of low-rent and tenant-based Section 8 units, and about 1,000 provide housing through tenant-based Section 8 units only. Public housing agencies are typically municipal, county, or state agencies created under state law to develop and manage public housing units for low-income families. Housing agencies that participate in the low-rent program contract with HUD to provide housing in exchange for federal grants and subsidies. HUD provides funding to agencies to operate and repair low-rent units through the Operating Fund and the Capital Fund. The Operating Fund provides annual subsidies to housing agencies to make up the difference between the amount they collect in rent and the cost of operating the units. The Capital Fund provides grants to public housing agencies for the major repair and modernization of the units.

Under the tenant-based Section 8 program, eligible households select their own units in the private housing market and receive subsidies to cover part of the rent. Public housing agencies that participate in the tenant-based Section 8 program enter into contracts with HUD and receive HUD funds to

provide rent subsidies to the owners of private housing on behalf of the assisted households.

Fiscal year 2000 was the first year that public housing agencies were required to submit a five-year plan and an annual plan. This requirement only applies to public housing agencies that receive HUD funds to provide housing under the low-rent or tenant-based Section 8 programs. The five-year plan describes the agency's mission and its long-range goals and objectives for achieving its mission over the subsequent 5 years. The annual plan details the agency's immediate objectives and strategies for achieving these goals, as well as the agency's policies and procedures. For agencies that manage low-rent units, the annual plan also serves as the application for the capital fund and public housing drug elimination grant programs.² HUD distributes these grants on a formula basis.³

The Public Housing Reform Act sets forth requirements governing the submission, review, and approval of agency plans. Plans must be submitted to HUD 75 days before the start of the agency's fiscal year. In addition, the plans are to be developed by the public housing agency in consultation with a resident advisory board and be consistent with other HUD-required community planning documents. Public housing agencies are also required to hold a public hearing on the plans and to address comments received during the hearing before submitting the plans to HUD. HUD, in turn, must review submitted plans to determine that they contain the information required by the act, agree with information from other data sources available to HUD such as community planning documents, and comply with other applicable laws. HUD must issue a written notice either approving or disapproving the plans within 75 days of its receipt of the plans. If HUD does not meet this deadline, plans are considered approved.

² The Public Housing Drug Elimination Program (PHDEP) grant provides funds for safety and security activities and was discontinued in fiscal year 2002.

³ A formula grant is one in which each public housing agency receives funds based on a predetermined formula.

Most Public Housing Agencies Have Approved Fiscal Year 2000 Plans, and HUD Is Considering Sanctions against Those That Do Not

For fiscal year 2000, 4,055 required plans had been submitted to and approved by HUD, and 89 required plans had not been approved.⁴ The 89 unapproved plans were in varying stages: 53 plans had not been submitted; 34 plans had been submitted, disapproved due to cited deficiencies, and not yet resubmitted with the deficiencies corrected; and 2 plans were in the process of being reviewed by HUD. Of the housing agencies that should have had approved plans but did not, 76 provide housing through tenant-based Section 8 units only. The remaining 13 manage low-rent units only or a combination of low-rent and tenant-based Section 8 units.

HUD is considering sanctions against all public housing agencies that do not have approved fiscal year 2000 agency plans. Since agencies that manage low-rent units use the annual plan as the application for their capital fund and public housing drug elimination formula grants, HUD does not plan to release the fiscal year 2000 formula grants to agencies without approved plans. Although these grant funds have been committed to the agencies based on the formula allocation, the funds have not been released to agencies without approved fiscal year 2000 plans and are not available for those agencies' use. According to a HUD official, any agency that manages low-rent units and did not submit its annual plan to HUD by September 30, 2001, may lose its capital fund and public housing drug elimination program formula grants for fiscal year 2000. Fourteen public housing agencies may lose about \$2.6 million in fiscal year 2000 capital fund grants and one of these agencies may also lose a \$39,426 public housing drug elimination program grant.⁵

HUD is considering a similar sanction for those public housing agencies that administer only tenant-based Section 8 units and do not have approved fiscal year 2000 plans. While tenant-based Section 8-only agencies make up 24 percent of all housing agencies, they represent 85 percent of agencies without approved plans. For these agencies, HUD could withhold a portion of the administrative fees these public housing agencies receive for managing the tenant-based Section 8 program. In addition, HUD requires

⁴ Data for the 4,144 required plans for fiscal year 2000 are as of January 24, 2002. On March 27, 2002, HUD provided the following information on 4,204 fiscal year 2001 agency plans: 3,355 plans had been approved, 623 plans had either been disapproved or not received by HUD, 196 plans were in the process of being reviewed, and 30 plans were either submitted as part of a consortia or were exempt from the fiscal year 2001 agency plan requirement.

⁵ The public housing agencies' receipt of operating funds was not affected by the status of their plans.

these public housing agencies to have approved fiscal year 2000 plans to be eligible for additional Section 8 vouchers in fiscal year 2002.

HUD Field Locations Had Mixed Views Regarding the Fiscal Year 2000 Review Process but Believe Plans Have Value and Are Generally Being Implemented

The majority of HUD field locations reported that they experienced some problems with the fiscal year 2000 plan review process but were able to complete almost all reviews. Some of these problems were addressed in the fiscal year 2001 process. A majority of respondents reported that the fiscal year 2000 plans were useful in helping HUD field locations identify certain housing agency needs but believed the plans were more important to housing agencies with low-rent units than to housing agencies that administer only tenant-based Section-8 units. Most respondents also believed that agencies are implementing their fiscal year 2000 plans, but many also believed that agencies are having difficulty implementing some portions of the plans.

HUD Field Locations Experienced Problems with Fiscal Year 2000 Plan Review but Approved Almost All Plans

Seventy-four percent of field locations that responded to our survey reported problems or difficulties with the fiscal year 2000 plan review and approval process. For example, over 50 percent of respondents said that the electronic transmission of plans from housing agencies to HUD and the conversion of plans into a readable format once received at HUD had a negative or very negative effect on their ability to review and approve plans. Respondents also reported that HUD-provided guidance on the plan process was less than adequate. One respondent reported that headquarters guidance at the beginning of the process was not very good and was delayed in getting to the field locations, while another reported that changing rules made it difficult to know what the housing agencies should do and what the field locations should look for in reviewing plans.

Changes that have been made for the 2001 plan process suggest that lessons learned and experience gained during the first year resulted in some improvements, but it is too early to determine whether these changes have fully resolved the problems. For example, several respondents reported that technical data transmission and conversion problems were less frequent for fiscal year 2001. They also reported that HUD headquarters had streamlined guidance and provided it in a timelier manner. HUD headquarters officials also cited several initiatives undertaken as a result of lessons learned during the first year, including developing a database to better track agency plan information, hiring a new

contractor to manage the database, and providing consolidated guidance in the form of a desk guide to assist housing agencies and field locations.

Respondents reported that, for fiscal year 2000, almost half of the plans reviewed had to be resubmitted by the housing agencies because of deficiencies. The majority of field locations said that deficiencies requiring correction and resubmission commonly occurred in the plans' sections documenting capital improvement needs, the housing needs of the community, and the fulfillment of resident participation requirements. Among the problems with capital improvement sections were the omission or incompleteness of required documentation, such as plans for the use of the agency's capital funds. Regarding the sections on determining housing needs, some agencies submitted data sources on housing availability that were unclear or conflicted with other local planning documents. Regarding the sections describing resident participation, one field location that has a large number of small housing agencies in its jurisdiction reported that its agencies had trouble finding residents willing to participate in the planning process and that this was reflected in their plans.

HUD Field Locations Generally View Plans as Valuable but Less Important to Section 8-only Agencies

Between 60 and 72 percent of survey respondents indicated they found the plans helpful in identifying public housing agency needs relative to setting operational priorities, developing resident participation, and planning strategically. Some also reported that the planning process helped field locations provide technical assistance to housing agencies on identified problem areas. For example, one respondent reported that the plan review process enabled the field locations to provide technical assistance to public housing agencies in the areas of setting priorities and effective strategic planning.

Responses to our survey suggested that field locations think that the plans are more important for agencies with low-rent units than for agencies with only tenant-based Section 8 units. Specifically, about 70 percent of respondents thought the plans were important in setting operational priorities for agencies that maintain low-rent units, while only 40 percent thought they were important in setting operational priorities for agencies with tenant-based Section 8 units only. One respondent commented that operating a tenant-based Section 8 program has substantially different planning needs than operating a low-rent housing program. According to this respondent, because tenant-based Section 8 units are located in privately-owned housing, there is no "physical asset" for the tenant-based Section 8 agency to maintain, and other problems with being a landlord or

owner are not present. The fact that the plan serves as a grant application for agencies that operate the low-rent program, but not for agencies that operate the tenant-based Section 8 program only, may also contribute to the respondents' opinion that plans are less important to these agencies.

Field Locations Believe Agencies Can Implement Their Plans but Are Having Some Problems

About 72 percent of respondents believed that, for the most part, housing agencies can implement the plans they developed, submitted, and had approved. At the same time, about 54 percent of respondents said housing agencies are having difficulty implementing the resident participation requirement. A recurring theme from several respondents was that housing agencies had difficulty getting residents interested in forming or participating on resident advisory boards. Several respondents emphasized that getting participation in small and tenant-based Section 8 only housing agencies was especially difficult. In addition, some respondents said that it is difficult to get residents appointed to the housing agencies' board of directors in some areas, as is required.

Public Housing Agencies We Visited Had Differing Experiences with the Fiscal Year 2000 Plan Process

Staff at the eight public housing agencies we visited described varying experiences with the fiscal year 2000 plan process. For example, some found the process useful, while others did not; some found HUD guidance helpful, while others did not. Generally, larger agencies had more positive responses than did smaller agencies. While the information collected on our visits cannot be generalized to the universe of public housing agencies, it provides insight into individual public housing agencies' concerns.

The public housing agencies we visited held varying views on the usefulness of the fiscal year 2000 process. Four had positive experiences, two did not, and two had no comment. One of the larger agencies told us that the first year of the plan process was useful because it forced the agency to review and update its policies. This agency also uses the plan as a training aid for newly hired staff and believes the plan is useful as a vehicle for obtaining resident input. The other larger agency said that the plan is useful in the agency's strategic planning. In contrast, the two small agencies we visited reported that they did not find the process useful: One said that it took time away from the staff's essential day-to-day operational duties. The other said it perceived no value in the plan process.

Although the amount and type of resources that agencies devoted to the plan process for fiscal year 2000 varied, seven of the eight public housing

agencies we visited told us they used additional staff or resources in developing their fiscal year 2000 plans. Three of the eight used consultants to develop their plans. One extra-large agency hired an additional staff person specifically to coordinate development of its fiscal year 2000 plans. In contrast to the other seven public housing agencies we visited, a medium-sized agency told us that it did not spend significantly more staff time or additional resources preparing the plans because most of the required updating of operational policies had been completed earlier.

All eight housing agencies we visited expressed some frustration with the quantity or quality of HUD guidance for the first year, particularly regarding the agency plan template that HUD provided electronically to serve as a guide to developing and formatting the agency plans. Although each of the eight agencies had some negative feelings about the template, some balanced their comments with positive remarks. For example, one extra-large agency told us that the template provided guidance for formatting the plan submission. A large agency we visited told us that the template was sufficiently easy to use and added that, in its opinion, HUD had improved the template for fiscal year 2001. On the other hand, one of the small agencies told us that the template does not give individual housing agencies the flexibility to describe unusual situations relating to local needs. In addition, one of the medium-sized agencies told us that the template was not user friendly.

Agencies also had mixed experiences with the resident participation requirement for the fiscal year 2000 plan. For example, one extra-large public housing agency, with a widely dispersed housing inventory and several different types of resident populations, had a positive experience. Staff at this agency said that the resident participation requirement brought together a cross-section of residents that would otherwise not have met and provided these residents with an appreciation of the competing needs of resident populations and the commensurate difficulty the housing agency faced in meeting those needs. The other extra-large agency told us that its experience with this requirement was positive because the planning process generally encouraged resident participation. In contrast, one of the small agencies told us that resident apathy made it difficult to meet this requirement.

Observations

Our work raised questions about the relative value and burden of the planning process for two groups of public housing agencies. Survey responses highlighted questions about the value of the plans to those

agencies that administer only tenant-based Section 8 units, while comments received during our visits to eight agencies suggested that small agencies may find less value in the planning process and that the process puts a greater burden on their resources. As we did not visit a representative sample of small public housing agencies, further examination of these agencies' experiences, including those that provide housing only through the tenant-based Section 8 program, would be needed to determine the value of annual plans to these agencies. As agreed with your offices, we are planning to further investigate the challenges facing small housing agencies, especially the impact and benefits of regulatory and administrative requirements. As many of the smaller agencies provide housing only through the tenant-based Section 8 program, this work might also provide some insights into the usefulness and applicability of the plans for this type of public housing agency.

Scope and Methodology

The mandate in Section 511 of the Quality Housing and Work Responsibility Act of 1998 required that we review and audit a representative sample of the nation's housing agencies that are required to submit agency plans. This is a universe of over 4,000 housing agencies. When we met with you and your office to clarify our reporting requirements under the mandate, we agreed that available resources and reporting deadlines would not permit us to review and audit a representative sample of these housing agencies and their plans. We also agreed that a survey of HUD field locations to assess HUD's management of the fiscal year 2000 agency plan process would serve as a proxy to auditing the universe of housing agencies, as each HUD field location has direct knowledge of all housing agencies within its respective jurisdiction and was responsible for reviewing and approving those agencies' plans. We agreed to supplement this survey by collecting data on the status of all required plans and by visiting a nonrepresentative sample of public housing agencies to gain insight into particular agencies' experiences.

To determine the status of plans submitted to and approved by HUD for fiscal year 2000, we interviewed HUD Public and Indian Housing policy development, Grants Management Center, and program officials. We also obtained data from several Public and Indian Housing databases on public housing agencies and fiscal year 2000 approved plans. We analyzed the data, discussed it with HUD staff, and resolved any discrepancies in the data with HUD staff.

To assess HUD's management of the fiscal year 2000 agency plan review process, we developed an automated survey instrument that we posted on our Web site. We requested that all 43 HUD Public and Indian Housing field offices and both troubled agency recovery centers complete the survey. These HUD field locations are responsible for reviewing and approving agency plans. We sent E-mail messages asking officials at these field offices and recovery centers to fill out the questionnaire. We received responses from 41 field offices and both troubled agency recovery centers, which is a 96 percent response rate. Field locations responding to our survey were responsible for reviewing 4,033 or about 97 percent of the plans required to be submitted in fiscal year 2000. Our survey results reflect the information provided by the HUD officials. We did not independently verify the field locations' responses to our questions.

During the design of the questionnaire, we pretested our questionnaire with officials from two field offices and modified it on the basis of the feedback and comments we received during the pretests. In addition, we obtained comments on the questionnaire from HUD's Office of Public and Indian Housing.

To assess selected public housing agencies' experiences with the fiscal year 2000 agency plan process, we visited eight geographically dispersed agencies with low-rent and tenant-based Section 8 units. We selected the eight housing agencies based on criteria such as size and performance designation, which determines the type of plans each agency is required to submit. We interviewed the executive director or other staff responsible for preparing the agency plans, residents, and resident board members. We also reviewed documents supporting the agencies' fiscal year 2000 plans. In addition, we contacted public housing industry groups to obtain their constituents' perspectives on the first year of the required planning process.

We conducted our review from January 2001 through March 2002 in accordance with generally accepted government auditing standards.

Agency Comments

We provided a draft of this report to HUD to obtain comments. On May 2, 2002, the deputy assistant secretary for policy, programs, and legislative initiatives, Office of Public and Indian Housing, provided oral comments. HUD generally agreed with the draft and provided editorial and clarifying comments that were incorporated in the report, as appropriate.

We are sending copies of this report to interested congressional committees and members of Congress; the secretary of HUD; and other interested parties. We also will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have further questions, please call me at (202) 512-7631. The key contact and other contributors to this report are listed in appendix II.

A handwritten signature in black ink, appearing to read 'P. F. Guerrero', with a stylized, looped initial 'P' and a long horizontal flourish extending to the right.

Peter F. Guerrero
Director, Physical Infrastructure

List of Congressional Committees

The Honorable Barbara A. Mikulski
Chairwoman

The Honorable Christopher S. Bond
Ranking Minority Member
Subcommittee on VA, HUD and Independent Agencies
Committee on Appropriations
United States Senate

The Honorable James T. Walsh
Chairman

The Honorable Alan B. Mollohan
Ranking Minority Member
Subcommittee on VA, HUD
and Independent Agencies
Committee on Appropriations
House of Representatives

The Honorable Jack Reed
Chairman

The Honorable Wayne Allard
Ranking Minority Member
Subcommittee on Housing
and Transportation
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Marge Roukema
Chairwoman

The Honorable Barney Frank
Ranking Minority Member
Subcommittee on Housing
and Community Opportunity
Committee on Financial Services
House of Representatives

Briefing Slides to Congressional Staff on HUD and Public Housing Agencies' Experiences with Fiscal Year 2000 Plan Requirements



Public Housing Agency Plans

HUD and Public Housing Agencies' Experiences with FY 2000 Plan Requirements

Briefing
January 2002

Appendix I
Briefing Slides to Congressional Staff on
HUD and Public Housing Agencies'
Experiences with Fiscal Year 2000 Plan
Requirements



Outline

- Briefing Purpose
- Methodology
- Background Information
- Review Results
- Observations



Briefing Purpose

This briefing provides the results of our review, mandated by the Public Housing Reform Act, of public housing agency (PHA) plans and the plan process. We assessed

- the status of PHAs' fiscal year 2000 plans,
- HUD's experiences with the fiscal year 2000 plan process, and
- selected PHAs' experiences with the fiscal year 2000 plan process.



Methodology – Status of Plans and HUD Plan Review Process

To determine the status of plans submitted to and approved by HUD for fiscal year 2000, we

- interviewed HUD Public and Indian Housing officials:
 - Office of Policy
 - Field Operations
 - Grants Management Center.
- analyzed information from HUD's databases on PHAs and approved plans.

To assess HUD's experience with the fiscal year 2000 agency plan review process, we

- surveyed all 43 HUD public and Indian housing field offices and both troubled agency recovery centers from August-October 2001.



Methodology – PHAs’ Experiences

To assess PHAs’ experiences with the fiscal year 2000 plan process, we

- contacted industry groups, and
- visited eight PHAs and reviewed documents supporting their plans.*

Site Visits: Eight Public Housing Agencies

PHA name and location	PHA Size	Type of plan required
Moorhead Housing Authority (Minn.)	Small	Streamlined Standard
Bernalillo Housing Authority (N. Mex.)	Small	Troubled
Tullahoma Housing Authority (Tenn.)	Medium	Streamlined Standard
Muskegon Housing Commission (Mich.)	Medium	Troubled
Miami Beach Housing Authority (Fla.)	Large	Standard
Bridgeport Housing Authority (Conn.)	Large	Standard
Atlanta Housing Authority (Ga.)	Extra Large	Streamlined Standard
Phoenix Housing Authority (Ariz.)	Extra Large	Streamlined Standard

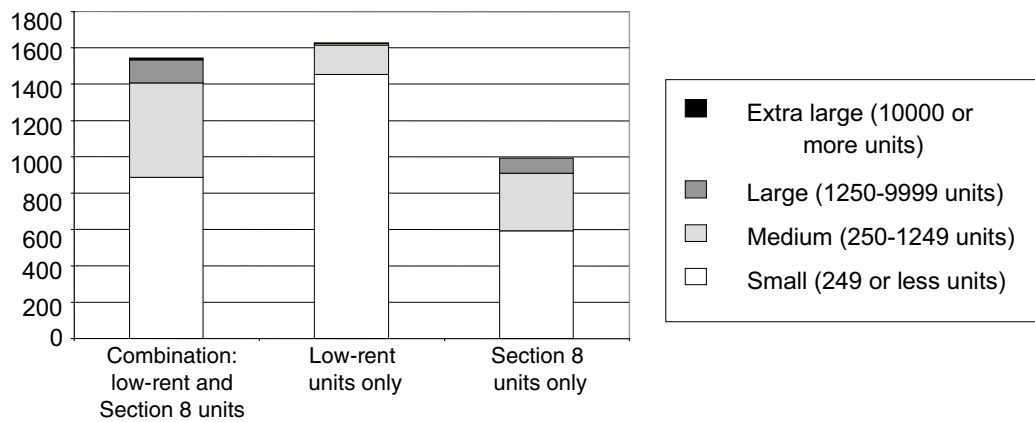
*The results of our visits can not be generalized to the universe of over 4,000 PHAs, but they provide insight into specific PHAs’ concerns.



Background – Universe of PHAs

There are over 4,000 public housing agencies (PHAs). Of these, 1,544 have a combination of low-rent and tenant-based Section 8 units; 1,625 have low-rent units only; and 999 have tenant-based Section 8 units only.* Approximately 70 percent of all types of PHAs are small.

Universe of PHAs, by Type of Units and Size



*Tenant-based Section 8 units are housing units in privately owned rental housing. Through the Section 8 program, PHAs make subsidy payments to owners on behalf of the assisted family. Low-rent units are housing units in public housing that is managed by PHAs for low-income families.



Background – The Public Housing Reform Act

The Public Housing Reform Act*

- was major legislation designed to improve the nature of public housing and the lives of public housing residents,
- included about 80 provisions that revised key requirements related to HUD's public housing and tenant-based Section 8 housing assistance programs,
- gave PHAs more flexibility and discretion in using funding to address needs of low income families, and
- encouraged resident involvement in housing management by requiring resident advisory boards.

* The Quality Housing and Work Responsibility Act of 1998



Background – PHA Plans

To ensure PHAs' continued accountability to HUD, PHA residents, and the public, the Congress included a new requirement in the Public Housing Reform Act (Section 511) that PHAs develop and submit to HUD two plans.

PHA Plans

Plan	Submission frequency	Purpose
Five-year plan	Once every 5 fiscal years	<input type="checkbox"/> Describes mission. <input type="checkbox"/> Describes long-range goals over 5-year period.
Annual plan	Each fiscal year	<input type="checkbox"/> Identifies objectives, strategies, and activities to achieve goals in five-year plan. <input type="checkbox"/> Details policies and procedures. <input type="checkbox"/> Serves as grant application to HUD for <ul style="list-style-type: none"> <input type="checkbox"/> Capital fund program. <input type="checkbox"/> Drug elimination grant program.



Background – PHA Plans

The standard PHA annual plan includes the following 18 components:

- Housing needs
- Financial resources
- Policies on eligibility, selection, and admissions
- Rent determination policies
- Operations and management policies
- Grievance procedures
- Capital improvement needs
- Demolition and disposition
- Designation of housing
- Conversions of public housing
- Home ownership programs
- Community service and self-sufficiency programs
- Crime and safety measures
- Pet policies and rules
- Civil rights certification
- Audit results
- Asset management
- Additional information and attachments (includes resident participation requirements such as formation of resident advisory board)

**Appendix I
Briefing Slides to Congressional Staff on
HUD and Public Housing Agencies'
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Requirements**



Background – PHA Plans

The number of components and other information a PHA is required to include in its annual plan depends on the PHA’s performance designation and/or size.*

Type of Public Housing Agency FY 2000 Annual Plan Required

PHA plan type	Eligibility requirements	Required plan components
Standard PHA plan	Standard-performing and 250 units or more of housing.	All 18 components.
Streamlined PHA plan	High-performing. Less than 250 units and non-troubled. Section 8 only.	10-12 components.
Troubled PHA plan	Troubled. At risk of being troubled.	All 18 components, with some additional information.

*For FY 2000, HUD based PHAs’ performance designation (high performing, standard performing, or troubled) on HUD’s Public Housing Assessment System or a predecessor system. A PHA is designated as troubled if its performance falls below a HUD determined threshold



Background – PHA Plans

PHAs must

- submit 5-year and annual plans to HUD for fiscal year 2000. Plans were due 75 days before the beginning of the PHA's fiscal year,
- develop plans in consultation with a resident advisory board,
- ensure plans are consistent with other HUD-required community planning documents, and
- hold a public hearing on plans and provide a 45-day notice of the hearing.



Background – PHA Plans

HUD must

- issue a written notice either approving or disapproving the plans within 75 days. If HUD does not meet this deadline, plans are considered approved.
- review PHA-submitted plans to ensure that they
 - contain information required by the act (that all appropriate components are addressed),
 - agree with information from other data sources available to HUD such as community planning documents, and
 - comply with other applicable laws.



Background – PHA Plans

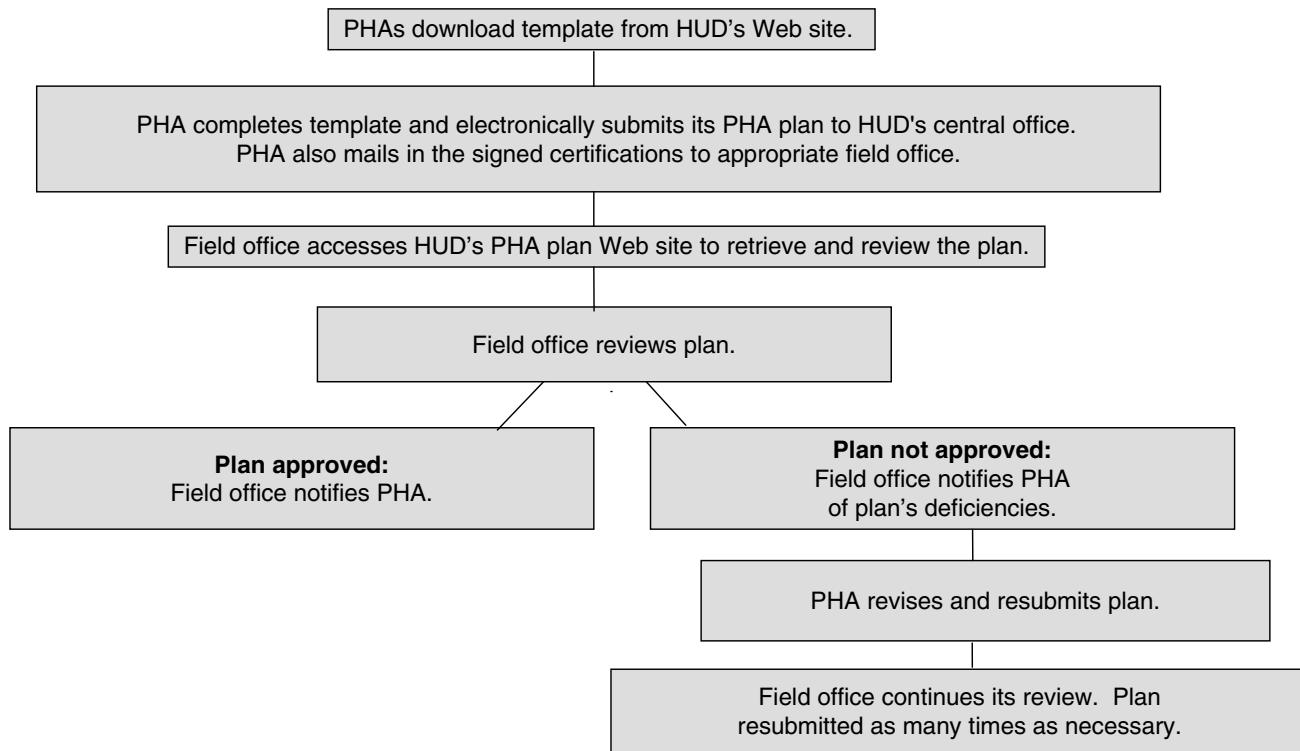
To facilitate the plan development and review process, HUD

- managed its review of fiscal year 2000 agency plans through its 43 Public and Indian Housing field offices and 2 troubled agency recovery centers (TARCs).
- issued guidance establishing requirements and procedures for plan submission and review.
 - HUD required plans in order for PHAs to receive FY 2000 capital fund program (CFP) and public housing drug elimination program (PHDEP) formula grants.
- developed a plan template or form. The template
 - is available on HUD's Web site for all PHAs to download, and
 - lists the 18 components, with instructions for completing each component.



Background – PHA Plans

FY 2000 Agency Plan Review and Approval Process



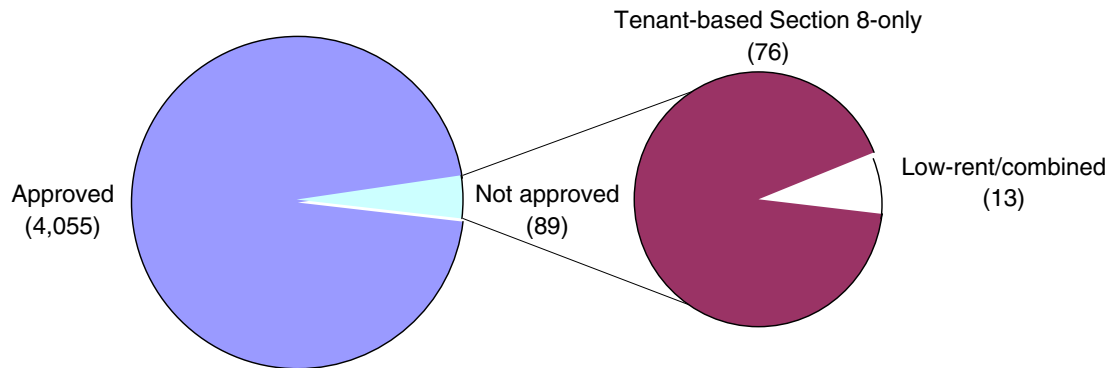


Review Results – Status of Plans

Ninety-eight percent of required PHA plans for fiscal year 2000 had been submitted and approved (as of 1/24/02).

- 76 of the plans that have not been approved are for PHAs with only tenant-based Section 8 units.

Status of Required 5-Year and Annual Plans (4,144 as of 1/24/02)^a



^aForty-nine PHAs were exempt from submitting fiscal year 2000 plans because they did not operate federal low-rent or Section 8 tenant-based voucher programs.

Source: GAO analysis of HUD data.



Review Results – Status of Plans

The 89 fiscal year 2000 plans that had not been approved (as of 1/24/02) were in various stages:

- 2 plans were in the process of being reviewed by the field office.
 - The 2 plans belong to PHAs with only tenant-based Section 8 units.
- 34 plans had been submitted and disapproved due to deficiencies.
 - 28 belong to PHAs with only tenant-based Section 8 units.
- 53 plans had not been submitted.
 - 46 belong to PHAs with only tenant-based Section 8 units.



Review Results – Status of Plans

A HUD official stated that field offices have contacted all PHAs without approved plans in an effort to obtain fiscal year 2000 plans. The official added that 14 Low-Rent/Combined PHAs that did not submit fiscal year 2000 plans by September 30, 2001, may forfeit their fiscal year 2000 formula grant funds.

- Fourteen PHAs may forfeit about \$2.6 million in capital fund program grants.
- One PHA also may forfeit a \$39,426 public housing drug elimination program grant.



Review Results – Status of Plans

A HUD official noted that, as tenant-based Section 8-only PHAs do not receive formula funds, HUD could not take the same action against the 76 tenant-based Section 8-only PHAs that do not have approved fiscal year 2000 plans. To address this issue, HUD

- could withhold a portion of the administrative fees tenant-based Section 8-only PHAs receive for managing the program, pending submission and approval of the required plans, and
- requires PHAs to have an approved fiscal year 2000 plan in order to apply for additional Section 8 vouchers for fiscal year 2002.



Review Results – HUD’s Experience with Plan Process

Seventy-four percent of HUD field offices that responded to our survey reported they experienced problems with the fiscal year 2000 review process. Specific problems included

- data transmission delays. Technical problems occurred during the following steps:
 - PHAs’ transmission of plans to HUD headquarters.
 - HUD headquarters’ transmission of plans to HUD field offices.
 - HUD headquarters’ posting of plan approval notification.
- a general lack of guidance from HUD headquarters, including
 - delayed guidance on how to review plans.
 - changing guidance on how to help PHAs complete plans.



Review Results – HUD’s Experience with Plan Process

HUD took action to address reported problems for fiscal year 2001 plan submissions. Specific changes included

- developing a new database to track plan approval and hiring a contractor to manage it, and
- providing more timely guidance, such as a field office desk guide for reviewing the plans.



Review Results – HUD’s Experience with Plan Process

Survey respondents reported that 49 percent of the fiscal year 2000 agency plans had to be resubmitted. The most common deficiencies for which plans had to be resubmitted related to PHAs’ completion of the following plan components:

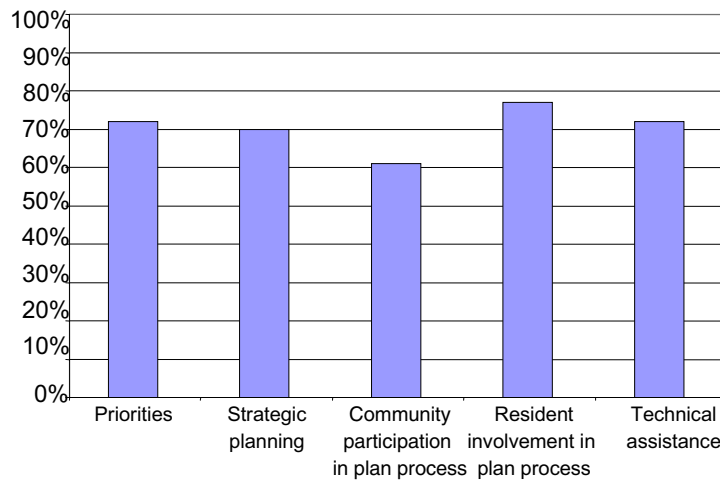
- capital improvement needs.
- statement of housing needs.
- resident participation requirement.



Review Results – HUD’s Experience with Plan Process

A majority of HUD field offices that responded to our survey said plans were useful in helping the field office identify a number of PHA needs.

**Plans Moderately to Extremely Useful in Identifying Specific PHA Needs
(percentage of field offices)**



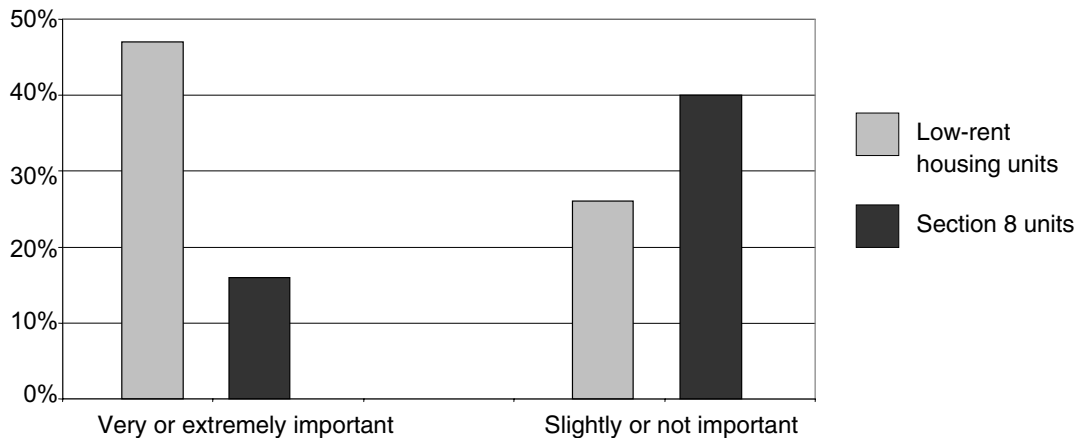
Source: GAO Survey of HUD Field Offices and Troubled Agency Recovery Centers



Review Results – HUD’s Experience with Plan Process

A higher percentage of field offices responded to our survey that the plan was important in helping PHAs set management priorities for low-rent units than for Section 8 units because many components of the plan do not apply to the Section 8 program.

Plan Is Important for Setting Management Priorities for Types of Units
 (percent of field offices)



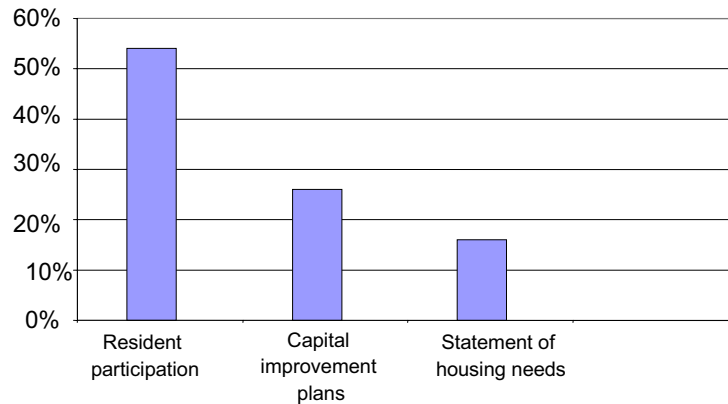
Source: GAO Survey of HUD Field Offices and Troubled Agency Recovery Centers



Review Results – HUD’s Experience with Plan Process

A majority of field offices responded to our survey that PHAs are implementing their fiscal year 2000 plans. The most commonly cited problem areas concerned the following plan components.

Plan Components PHAs Reported Difficulty In Implementing
(percentage of field offices)



Source: GAO Survey of HUD Field Offices and Troubled Agency Recovery Centers

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Review Results – HUD’s Experience with Plan Process

Field offices reported the following reasons for PHAs’ problems implementing particular plan components:

- Resident participation: Resident apathy made it difficult for some PHAs, especially small and Section 8-only PHAs, to fulfill this requirement.
- Capital improvement plans: PHAs were affected by funding constraints or shortages.
- Statement of housing needs: Small and rural PHAs with limited resources had difficulty gathering the relevant information, such as local demographics.



Review Results – PHAs' Experiences

Groups representing PHAs generally agreed that their members found the plan process quite difficult for fiscal year 2000, the first year. Problems cited included the following:

- PHAs were unable to obtain meaningful information from HUD on reasons plans were disapproved.
- Some PHAs found it hard to establish resident advisory boards.
- Small PHAs lacked the resources and staff to complete the plans.



Review Results – PHAs' Experiences

PHAs' assessment of the usefulness of the plans varied at the eight PHAs we visited. Larger PHAs generally had more positive assessments than smaller PHAs.

- Positive remarks: The process and plans
 - helped the PHA get other local funding,
 - forced the PHA to review and update policies,
 - gave PHA residents a vehicle for input, and
 - are used for strategic planning, as a training aid, and as an information source for HUD field offices.
- Negative remarks: The process and plans
 - took time away from other duties, and
 - are not used.



Review Results – PHAs' Experiences

The PHAs we visited could not quantify their precise investments in developing plans. However, the majority of PHAs said preparing the plans required additional staff time or resources.

On the other hand, one PHA said it did not spend significantly more staff time or resources preparing the plans because most of the required updating of policies had already been completed before HUD provided guidance for plans.



Review Results – PHAs' Experiences

The PHAs' we visited assessment of the helpfulness of HUD's template also varied.

- Positive remarks: The template
 - provided guidance for formatting,
 - was sufficiently easy to use, and
 - was improved for fiscal year 2001.
- Negative remarks: The template
 - lacked flexibility,
 - did not sufficiently define terms such as “affordability” and “quality”, and
 - was not user friendly, as PHAs had to go to several HUD sources to complete it.



Review Results – PHAs' Experiences

PHAs' we visited assessment of the resident participation requirement also varied.

- Positive remarks: The resident participation requirement
 - brought a cross-section of residents together, and
 - encouraged resident participation.
- Negative remark: The resident participation requirement
 - was difficult to sustain because of resident apathy.



Observations

At PHAs and HUD offices we visited, we observed that the burden and value of the plans varied.

- Smaller PHAs we visited viewed the process and plans
 - as consuming a larger portion of their resources, and
 - as having limited value.
- Most HUD field offices and some larger PHAs we visited viewed the plans
 - as a valuable tool to help PHAs define their strategic vision and monitor their progress toward management goals, and
 - as having limited value to tenant-based Section 8-only PHAs.



Observations

HUD made changes for fiscal year 2001 plans, including

- improved the template,
- simplified plans for small PHAs, and
- modified requirements for tenant-based Section 8-only PHAs.



Observations

While the vast majority of PHAs have submitted and had their fiscal year 2000 plans approved, tenant-based Section 8-only PHAs have a higher rate of noncompliance. Tenant-based Section 8-only PHAs are

- 24 percent of all PHAs, and
- 85 percent of PHAs without approved plans.

HUD has recently determined that it can sanction tenant-based Section 8-only PHAs that fail to submit plans. HUD

- could withhold a portion of the administrative fee, and
- requires an approved fiscal year 2000 plan for PHAs to be eligible for additional vouchers for fiscal year 2002.

Contact and Staff Acknowledgments

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