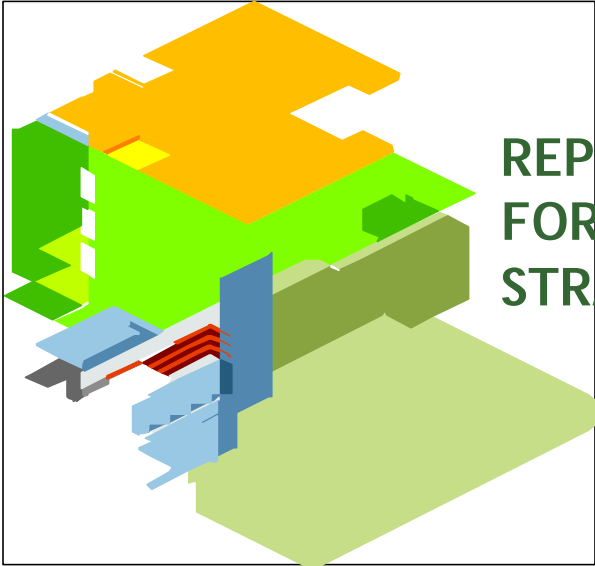


# Community Solutions



## REPOSITIONING PUBLIC HOUSING FOR THE FUTURE: STRATEGIES & PRACTICES

**Innovative Strategies  
at the Housing Authority of  
Portland & the  
Louisville Metro Housing  
Authority**

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# **Reshaping Public Housing: Innovative Strategies**

## **Introduction**

Since the mid-1990s, several pieces of legislation addressing public housing and community development as well as a range of reforms within the U.S. Department of Housing and Urban Development (HUD) have had profound effects on the daily operations of public housing agencies (PHAs) across the country. The federal government created the HOPE VI program in 1993, to fund both physical and managerial improvements to severely distressed public housing sites. Three years later, the Moving to Work (MTW) demonstration program freed high-performing PHAs from certain regulatory and reporting requirements, allowing those authorities to experiment with innovative programming and improve cost effectiveness. In 1998, Title V of the Quality Housing and Work Responsibility Act (QHWRA) relaxed regulations on all PHAs, for example easing agencies' ability to link tenants with services and participate on mixed-finance development projects.

In the midst of this policy context, though, PHAs continue to face the challenge of declining federal support. Both the Public Housing Capital and Operating Funds are shrinking, and the HOPE VI program now receives just one-fourth of the support it did three years ago. Still, authorities nationwide are finding creative ways to maximize the flexibility allowed by new regulatory reforms and pursuing innovative strategies to improve the efficiency and effectiveness of their operations, and to increase their ability to reach and serve households in need.

This case study highlights two examples of innovation: the Housing Authority of Portland (HAP) and the Louisville Metropolitan Housing Authority (LMHA). Both authorities are using a Moving to Work (MTW) designation to strategically employ limited revenues and resources. Both are using countywide jurisdiction to expand housing opportunities and choice for low-income households, and to deconcentrate poverty and public housing units throughout their metropolitan regions. Both are overseeing vast affordable housing or scattered site public housing programs. Both are following formal or informal strategic plans. And both are adjusting management and accounting practices in anticipation of upcoming federal regulatory changes. As a result, both agencies can provide many lessons for other jurisdictions and for HUD.

## **Today's Context for Public Housing Administration**

The late 1990s saw a flurry of legislative activity aimed at reforming operations within the U.S. Department of Housing and Urban Development (HUD) and improving the management, operation, and condition of public housing. Many early reforms stemmed from recommendations made by the National Commission on Severely Distressed Public Housing, established by Congress in 1989, and from research conducted by the National Academy of Public Administration (NAPA). The Commission, charged with both identifying problematic public housing complexes and also presenting a plan for revitalizing those developments, submitted its findings and proposals in 1992; NAPA issued its own HUD-sponsored report in 1994.

Congress acted upon several Commission recommendations with the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act of 1993. A primary vehicle for addressing distressed public housing was the new HOPE VI program, designed to support physical and management improvements, as well as social and community services, at the nation's worst sites.

The American Community Partnerships Act of 1995 enacted a number of proposals (many outlined in *HUD Reinvention: From Blueprint to Action*, published earlier that year) that affected – both directly and indirectly – the operations and services of public housing agencies (PHAs). To streamline housing and community development program delivery, the Act authorized the consolidation of HUD programs into performance-based funds. The Act also restructured FHA – into the Office of Housing within HUD – to increase its effectiveness at providing homeownership opportunities for low- and moderate-income, and minority, households. Other priorities included fostering partnerships with lower levels of government, private developers, lending institutions, and nonprofit organizations (including universities and foundations). To provide “maximum flexibility” in administering block grants and other subsidy programs, the Act made it possible for local governments and PHAs to use up to 15 percent of rental certificates for project-based assistance, and also to incorporate rental subsidies into homeownership program (letting recipients put voucher dollars toward mortgage payments).

A final goal of the American Community Partnerships Act was to “open housing markets” to minority and low-income households. This built upon a string of fair housing bills passed in the late 1980s. These included the Fair Housing Amendments Act (1988), which outlawed discrimination in housing based on family status or disability and accelerated the fairly drawn-out adjudication process for claims. One year later, the Financial Institutions Recovery, Reform, and Enforcement Act strengthened reporting requirements mandated by the Home Mortgage Disclosure Act and made publicly available, for the first time, the detailed disposition of individual loan applications by the race, gender, and income level of the applicant as well as by the location of the property. These initiatives complemented others encouraging the deconcentration of poverty in public housing projects and the development of mixed income communities using the HOPE VI program.

To build on these reforms and give selected PHAs additional flexibility in program implementation and oversight, Congress authorized the Moving to Work (MTW) demonstration program through the Omnibus Consolidated Rescissions and Appropriations Act of 1996. The 32 MTW sites, the majority of whom joined the program in 1996, now have the opportunity to create and test innovative, locally planned housing and self-sufficiency strategies for low-income families. Through the program, participants (all high-performing authorities) are able to negotiate agreements with HUD which may exempt them from existing public housing and tenant-based Housing Choice Voucher rules, or permit them to combine operating, capital, and tenant-based assistance monies into a single agency-wide funding source. Such exemptions and allowances are meant to reduce organizations' administrative and reporting costs, and therefore increase their costs effectiveness and ability to provide housing choices as well as employment and educational incentive programs for low-income families.

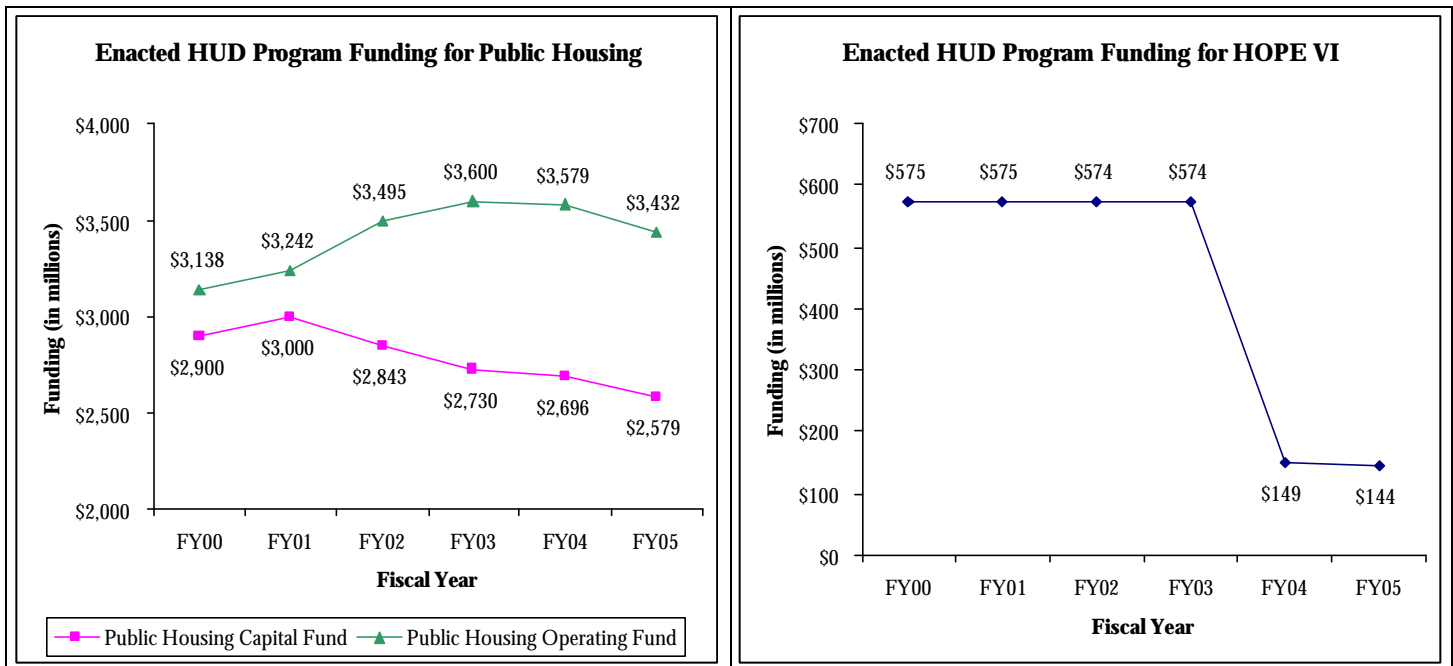
More recently, Congress began extending some of these benefits to all public housing authorities in the Quality Housing and Work Responsibility Act (QHWRA) of 1998. Title V of the QHWRA specifically addressed affordable housing issues and empowered public housing authorities in a number of ways. For one thing, the Act expanded housing authorities' ability to manage their properties and assets by reducing certain regulations and controls. Authorities can now admit households at a wider range of incomes (up to 80 percent of the area median) and use flat rents, making it easier (and more financially attractive) for upwardly mobile households to stay. These changes also enabled authorities to deconcentrate poverty by accommodating tenants with a greater mix of incomes, and to encourage tenants' transition to self-sufficiency.

Secondly, the Act gave authorities more flexibility in how they could use or leverage federal assistance. One especially powerful "capital raising instrument" created through the Act was the ability of PHAs to borrow bank financing or secure bond funds against a portion of their pledged Public Housing Capital Funds (General Counsel's Office comments on the Millennial Housing Commission,

<http://66.102.7.104/search?q=cache:b4DPkcU3958J:www.mhc.gov/statements/clpha.doc+federal+funding+for+public+housing+over+time&hl=en>),

QHWRA reforms, coupled with MTW innovations and HOPE VI support for massive redevelopment, are creating an exciting new environment for public housing management. And the new managerial and financial flexibility is especially important as federal support for public housing continues to decline. The Public Housing Operating Fund has been shrinking since Fiscal Year 2003; the Capital Fund since Fiscal Year 2001. Even more dramatic, the HOPE VI program has received *no* funding in any Presidential budget request since Fiscal Year 2004. Though the program was ultimately funded by Congress each year, its current capacity is just 25 percent of what it was in Fiscal Years 2000 to 2003.

### Enacted HUD Program Funding (in millions)



<b>Program</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
HOPE VI	\$575	\$575	\$574	\$574	\$149	\$144
Public Housing Capital Fund	\$2,900	\$3,000	\$2,843	\$2,730	\$2,696	\$2,579
Public Housing Operating Fund	\$3,138	\$3,242	\$3,495	\$3,600	\$3,579	\$3,432

Sources: <http://www.nlihc.org/news/111501chart.htm>; <http://appropriations.senate.gov/releases/record.cfm?id=190334>; [http://www.cpha.org/uploads/CLPHA\\_Budget\\_Summary\\_2.9.05.pdf](http://www.cpha.org/uploads/CLPHA_Budget_Summary_2.9.05.pdf); <http://www.nlihc.org/advocates/publichousing.htm>.

*NOTE: Dollar figures represent raw appropriation numbers and are not adjusted for inflation.*

In addition to these cuts, the administration also removed \$340 million from the Drug Elimination Program (DEP) over the same time period. DEP funded measures to improve security at public housing sites, which could include youth services, job training and employment preparation, and after-school programming. (Responsibility for these activities shifted to PHAs' shrinking operating funds.)

Where does this leave public housing authorities? On the one hand, significant challenges – most notably cuts in operational and capital funding – are forcing agencies to serve households in need with fewer resources. At the same time, upcoming regulatory reforms will further hamper those dollars agencies do receive. The planned shift from portfolio-based accounting to project-based accounting, for example, will limit authorities' ability to distribute funds between projects in their portfolio (or subsidize low-performing properties with revenues from high-performing properties); PHAs can now only transfer net revenues from one project to another.

On the other hand, however, public housing authorities also face a range of new opportunities. While regulatory changes will force agencies to transform the way they do business, new practices may help increase efficiencies and improve property management. Recent reforms have also encouraged PHAs to partner with other affordable housing providers and community developers, blend public housing subsidies with other federal funding streams (including Low Income Housing Tax Credits (LIHTC) and Community Development Block Grant (CDBG) dollars), and leverage public housing subsidies to generate public and private dollars for redevelopment and revitalization projects. The Moving to Work demonstration program has given participating agencies even greater ability to test innovative managerial and operational approaches.

The Housing Authority of Portland (HAP) and the Louisville Metropolitan Housing Authority (LMHA) are two agencies currently taking advantage of these opportunities. Together, they demonstrate a range of ways to partner with local public, nonprofit, and private entities in order to manage and develop both public housing units as well as non-public affordable housing units. Together, they illustrate how others might adjust administrative and accounting practices in preparation for the shift to project-based accounting. Together, they show how strategic planning can equip others to respond to present needs and prepare for future needs. Most importantly, together they confirm that innovative strategies can reshape, and are reshaping, public housing.

## Housing Authority of Portland: An Overview

The Housing Authority of Portland (HAP) is one of four authorities active in the Portland

### HAP Summary

**Jurisdiction:** Multnomah County

**Public Housing Units:** 2,400

**Affordable Housing Units:** 4,000

**Section 8 Vouchers:** 7,900

**Number of Employees:** 285

**Budget:** \$90,000,000

Metro Region, serving all of Multnomah County. (The other three are the Housing Authority of Clackamas County, the Washington County Housing Authority, and the Vancouver Housing Authority (serving Clark County, Washington).)

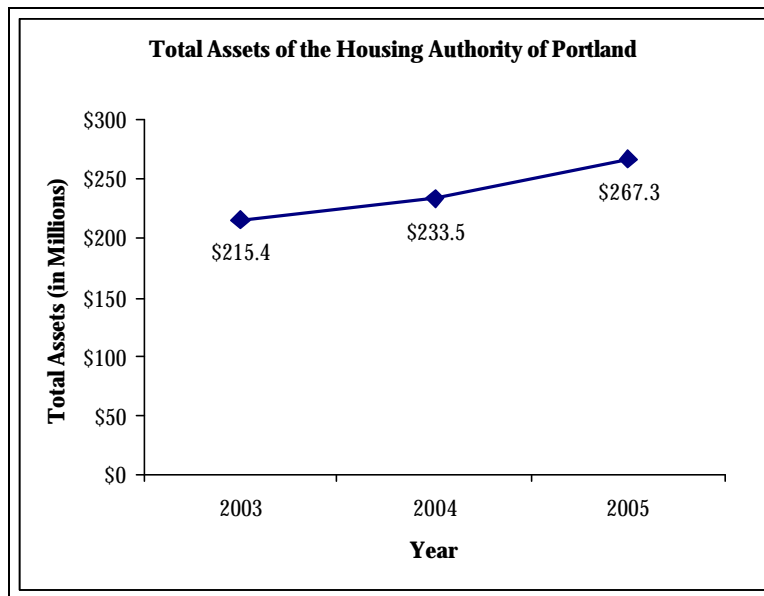
Today, the agency oversees roughly 2,400 units of public housing, 4,000 additional units of affordable housing, and 7,900 Section 8 rent assistance vouchers. HAP is an active Moving to Work (MTW) site with block grant authority.

HAP's MTW program is focused primarily on reducing costs

and achieving private sector efficiencies (while still effectively serving low-income clients).

To reach this goal, HAP created a five-year Strategic Plan in 2002 and has since reformed its approach to public housing management and maintenance, and enhanced its innovative affordable housing program. The agency has also begun regularly assessing capital improvement needs (in both public and affordable housing units), strengthened its strategic partnerships with nearly 100 local agencies and nonprofits that provide services outside of HAP's core competencies, restructured programming to better reward self-sufficiency among recipients, pursued project-based budgeting, initiated a competitive process to assign project-based Section 8 vouchers to existing and under-development affordable housing complexes (mostly non-HAP owned), and experimented with other cost reduction strategies.

Such strategic initiatives (along with favorable housing market conditions) have steadily improved the agency's financial position in recent years. Between 2003 and 2005, HAP's total assets increased by \$51.9 million – thanks at least in part to a \$38.0 million investment in the agency's active New Columbia HOPE VI project (slated to be completed in 2006) and bond financing.



Source: Housing Authority of Portland Financial Statements

Favorable operating income and non-operating support from HUD and the City of Portland helped boost agency net assets to \$97.9 million in 2005 – up from \$73.7 million two years before. Capitalized improvements at the New Columbia site and in other public and affordable housing properties similarly increased HAP’s capital assets.

This financial picture was realized despite some significant challenges facing HAP (and countless other housing authorities across the country) since the 1980s. These gains are largely due to notable innovations and agency reforms implemented throughout the last fifteen years.

## Two Decades of Innovation

Since 1991, the Housing Authority of Portland (HAP) has nearly doubled the number of households (from 8,500 to more than 14,000) and residents (from 20,000 to over 33,000) it serves. One cause for the increase was HAP’s becoming responsible for all of Multnomah County, including the nearby city of Gresham, in 1992. This brought roughly 50,000 additional households and 150,000 additional individuals under HAP’s jurisdiction. Of the county’s households, over 25,000 had incomes below \$10,000 in 1999; that year, nearly 60,000 had incomes below 50% of the county median (\$20,639).

### Snapshot of HAP Jurisdiction Before and After Expansion

	City of Portland (1990)	Multnomah County (2000)
Size (sq. miles)	134	465
Population	437,398	660,486
Median Household Income	\$25,592	\$41,278
Population Living Below Poverty	14.5% (62,058 people)	12.7% (81,711 people)

*Sources: U.S. Census, Multnomah County.*

As HAP grappled with these dramatic new demands, the agency also underwent significant organizational transformations. As Executive Director Steve Rudman explains, HAP has long been trying “to think more in terms of lines of business, not necessarily funding sources but topical.” Departmental restructuring was meant to help the agency balance and manage its two principal responsibilities: housing and services. In 1994, HAP created a new Department of Public Housing, charged with administering public housing funds and overseeing property management, maintenance, and tenant selection; the Section 8 program was moved into a separate Department of Section 8 Housing. One year later, HAP added a Department of Housing Services and Community Relations to determine tenants’ service needs and to meet those needs with model programming designed to improve and sustain residents’ quality of life and also encourage self-sufficiency.

Not only residents’ self-sufficiency but the agency’s own self-sufficiency received increasing focus starting in the late 1980s and throughout the 1990s. Along these lines, HAP established a Department of Planning, Development, and Intergovernmental Relations in 1988 “to pursue the HAP mission outside the federal support franchise,” to realign the

agency “to the local community rather than the national picture,” and to pursue non-federal funding opportunities (*Challenges and Change: The Housing Authority of Portland, Reporting Our Progress from 1991-2001*, pages 3 and 4).

One of the Department’s earliest initiatives was an affordable housing program initiated under then-Executive Director Donald E. Clark in 1989. Using its bonding authority to raise local funds and working closely with public and private partners, HAP began developing and acquiring affordable housing units (outside its public housing program), contracting with private property managers to oversee individual developments. The two-fold goal of the program was to meet existing housing needs and generate unrestricted revenue to support other HAP activities.

In 1995, HAP hired the consulting firm of Barney and Worth to solicit feedback from community leaders, HAP residents and employees, local developers, public officials, civic activists and nonprofits on the agency’s role in the community. One of the primary recommendations coming out of this review was a suggestion to expand the affordable housing program. In response, HAP moved the program from the Department of Public Housing to the Department of Planning, Development, and Intergovernmental Relations, the department charged with all policy analysis and community planning responsibilities and therefore better equipped to oversee the program’s expansion. The agency also started utilizing low-income housing tax credits, and grants and loans from the City of Portland and the Oregon Department of Housing and Community Services to augment bond funds.

HAP currently owns or is developing (solely or in partnership with private investors) roughly 4,000 units of non-public affordable housing. The existing affordable housing portfolio currently contains 3,440 multifamily units (2,944 of which receive no subsidy from the state or federal governments) and 411 units for individuals and families with special needs. The program’s diverse portfolio – affordable housing units are in buildings of all sizes; some properties were straight acquisitions, others included substantial rehabilitation, and some properties were newly built by HAP – serves not only very poor households and individuals with special needs but also working households (those earning up to 80 percent of the area median income) in both urban and suburban markets. (Many of the newer developments are located not in Portland but in eastern Multnomah County, or previously unserved areas.)

The agency became a Moving to Work (MTW) site in 1999. MTW status – designed to reduce agencies’ administrative costs and increase agencies’ flexibility in responding to local needs and priorities – freed HAP from certain regulations and reporting requirements. Most importantly, MTW enabled HAP to transfer federal funding between its public housing and its resident services operations.

A \$35 million HOPE VI grant was added to this mix in 2001, which HAP received to redevelop the 82-acre, 478-unit, World War II-era Columbia Villa development in North Portland. This \$150 million project (funded also with \$20 million from the City of Portland and other regional sponsors) will transform the site into New Columbia, a mixed-income community with 850 affordable and market-rate rental and homeownership housing units (including 239 on-site public housing units and 131 on-site project-based Section 8 units). Unlike its predecessor, New Columbia will also be fully integrated into its surrounding

community and include comprehensive social programs. The development is slated for completion in 2006.

In many ways, such departmental innovations – HAP’s organizational restructuring, reorientation from national to local needs, new affordable housing program, and participation in the Moving to Work demonstration and HOPE VI program – were necessitated by a range of challenges impacting HAP and its existing or potential clients. The resulting reforms, however, not only increased agency efficiency and effectiveness, but also, importantly, prepared the agency to respond to a new round of challenges currently affecting the agency.

### **Present Challenges and the Current Responses**

“The housing conditions challenging HAP in the early ‘90s were substantial” (*Challenges and Change: The Housing Authority of Portland, Reporting Our Progress from 1991-2001*, page 10). Among these challenges were shifting federal priorities and reduced federal spending – both of which translated into less support for HAP programs and services. At the same time, state and local budget crises and a downturn in the local economy reduced tenant incomes (and therefore their contributions to rent) and additionally created a greater need for housing subsidies among area households, many of whom also saw incomes fall.

The agency continues to grapple with widespread affordability issues and declining federal support. At the same time, a soft rental market is putting extra strain on the agency’s affordable housing portfolio – which competes directly with other private housing – as units become harder to occupy and rents increasingly fail to keep pace with operating costs. And HAP risks losing a powerful tool in its arsenal: its MTW designation, which is set to expire on March 31, 2006. (The agency is pursuing several avenues to extend or make permanent its MTW status and thereby maintain the fungibility and flexibility that MTW provides.)

While many of these challenges are beyond the agency’s control, HAP is doing what it can to continue responding to local needs, and maintaining or improving service delivery and HAP-owned real estate. In the words of Executive Director Rudman: “Over the next several years, major external forces will have a significant impact on HAP’s operations and budget. While they are conditions over which HAP has very little control and for the most part result in lower revenue, they provide an opportunity to transform HAP into an agency whose operations blend the best of public and private practices.” To do this, HAP is streamlining operations, analyzing creative financing strategies for future capital improvements and redevelopment projects, continuing to focus on local conditions and resources, and pursuing partnerships with public, private, and nonprofit entities.

First, the agency is in the midst of a transformation to “tighten ship.” Since 2002, the agency eliminated 75 positions, including posts from the deputy director level on down. Every administrative department faced staff and other budget cuts, significantly reducing the agency’s overhead costs (by 20%) and operating costs (by approximately 13%). HAP has also reorganized parts of the agency to further increase efficiencies.

Second, HAP is looking to balance HUD funding with financing from other sources. The agency relies on bond financing, Low Income Housing Tax Credits (LIHTC), Community

Development Block Grant (CDBG) dollars, and, increasingly, on other mixed financing strategies (modeled after its HOPE VI development).

Third, just as HAP is trying to become less financially reliant on HUD, the agency is also trying to become less tied to a HUD-based agenda. For example, HAP is crafting an expanded role for itself – as an asset in the city’s and county’s neighborhood revitalization efforts and housing or homeless service delivery programs. For example, starting in January 2006, all four rental assistance programs in the county (previously run by HAP and two other parties) will transfer to HAP and the agency will administer the unified program under intergovernmental agreements with the City of Portland and Multnomah County. This new system will make it easier to align these resources with the policy goals of Portland, Gresham, and the county. And as HAP sets its own agenda, the agency is increasingly cognizant of Portland’s new homeless initiative targeting CDBG and other development dollars towards permanent supportive housing for chronically homeless individuals and families; of Gresham’s focus on revitalization within the city’s new Rockwood Urban Renewal District; and of the county’s emphasis on housing people with special needs and ex-offenders.

Finally, HAP continues to leverage the expertise of others to best meet its residents’ needs. The agency currently works with over 100 public, private, and non-profit organizations that provide direct supportive services to individuals and families living in HAP-managed units. Such cooperation only grew stronger after a 2004 strategic assessment of all HAP services, which encouraged the agency to focus on its core strengths (providing low-income housing, securing funds to provide essential services for residents) and contract with others to provide direct services. This is increasing efficiency, improving services, and reducing the demands on HAP staff. Beyond direct service, HAP is also collaborating with local community development corporations (CDCs) on development and rehabilitation projects, particularly through the agency’s new approach to distributing project-based Section 8 vouchers to non-HAP-sponsored developments. (The agency’s MTW agreement allows it to convert more than 20 percent of all Section 8 vouchers into project-based subsidies.)

### **Guiding Change: A New Strategic Plan**

To chart its course into the future, HAP developed a five-year Strategic Plan. Implemented in 2002, the plan provides a new, concrete vision for the agency as well as direction for achieving the agency’s mission. The plan’s four initiatives address necessary steps to promote successful residency and move households towards self-sufficiency; to blend the best practices of public and private real estate management and development; to maximize organizational effectiveness; and to position the agency as an affordable housing leader and advocate.

The agency’s “successful residency” goal is two-fold: to serve existing residents by providing services enabling many to reach self-sufficiency; and to better meet community needs by allowing more households to utilize subsidized units and vouchers (thanks to increased turnover). Over the next five years, the agency plans to triple the number of households participating in its Opportunity Housing Initiative by expanding its GOALS family self-sufficiency program, partnering with public, private and nonprofit service-providers, and restructuring rent policies to better reward the transition to independent living.

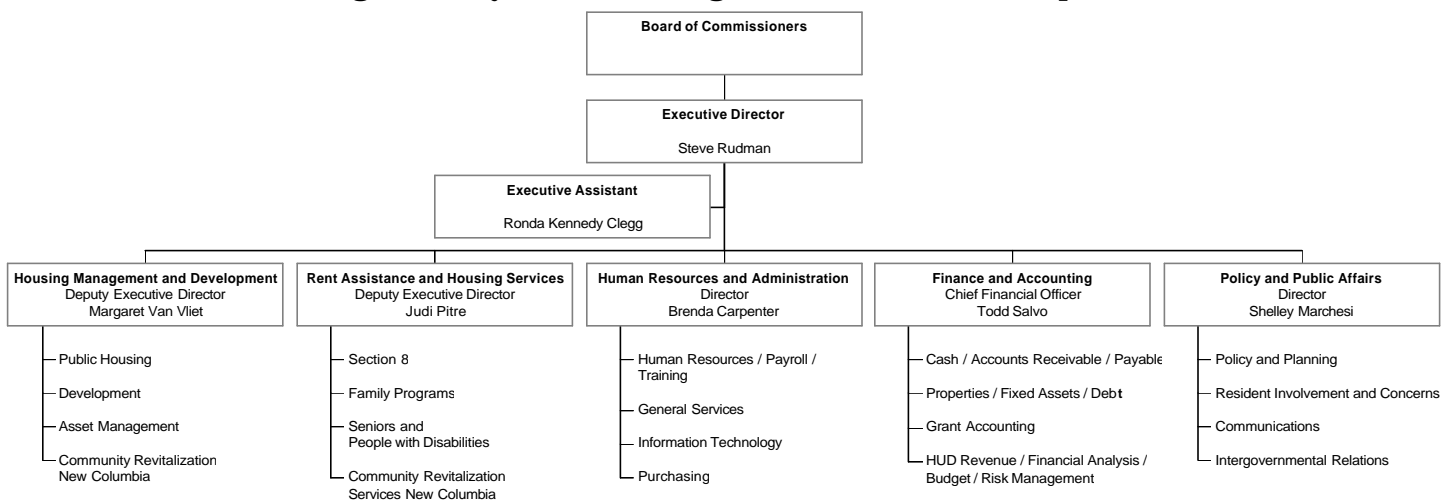
Incorporating leading development and management models from the public and private real estate sectors has prompted important reforms to the agency's public housing program. One major change has been the agency's shift to a site-based management and accounting system for public housing developments. Annual goals outlined in the strategic plan (and successfully implemented) include adjusting the roles and responsibilities of HAP's central office and on-site staffs, negotiating with unions to increase employee efficiency and create two new labor classes (to help reduce maintenance costs), and developing the capacity to forecast revenues and costs by property. An awareness of how each property is performing has also helped the agency craft a disposition plan for under-performing scattered-site units.

The plan also encouraged capital needs assessments and the development of capital improvement plans for each public housing development. In Fiscal Year 2006, over \$5 million in capital work was already in progress and nearly \$11 million slated for the future as part of the agency's Future Year Capital Plans (2006-2009). Additionally, in response to these assessments, the agency is pursuing more HOPE VI monies for qualified developments (such as the Iris Court cluster) and evaluating the applicability of mixed financing for those facilities in need of major improvements but unlikely to receive HOPE VI funds (such as Maple Mallory).

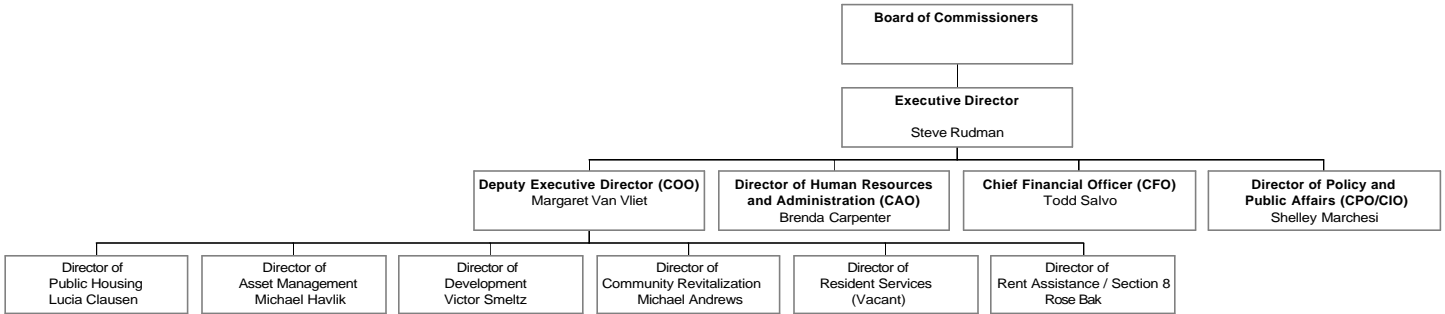
Similar thinking is transforming the affordable housing program as well, and integrating it and the agency's public housing program into one coordinated real estate effort. For example, HAP is exploring how to utilize inactive (due to the redevelopment at Columbia Villa site) public housing subsidies in existing affordable housing developments. The site-based management and project-based accounting approach long used for the affordable portfolio, as well as discussions for refinancing or disposing of under performing affordable housing properties, made initiating similar reforms to the agency's public housing portfolio much easier.

The agency's organizational structure has been adapted to reflect and implement these strategic initiatives. By January 2006, HAP will have fully shifted to more of a corporate model: with essentially a Chief Operating Officer, Chief Financial Officer, Chief Administrative Officer, and Chief Policy and Public Affairs Officer; or with just four (down from nine) positions reporting directly to the Executive Director. HAP is also removing barriers to cooperation between once-separate operating units.

### Housing Authority of Portland Organizational Chart as of April 1, 2005



## Housing Authority of Portland Organizational Chart as of January 1, 2006



“Breakthrough teams” are evaluating how departments might conduct their business more efficiently and improve operations and resident services, and have already tackled challenges from streamlining monthly accounting requirements for affordable housing properties to filling vacant public housing units more quickly.

### **The Strategic Plan in Action Management and Maintenance**

*We’ve transformed how we do business in public housing. We are one of the first housing authorities in the country to move to site-based management.*  
Executive Director Steve Rudman

As HAP’s Strategic Plan has long predicted, the federal government will soon be shifting from a portfolio-based to a project-based accounting model – in terms of both federal requirements and funding decisions. As a result, the plan has helped HAP implement changes in anticipation of this shift. Closely linked to accounting changes have been adjustments in how HAP manages and maintains its portfolio.

With outside technical assistance, HAP was able to move to a site-based management approach in April 2005. (HAP has found that as projects become increasingly different from one another – in terms of subsidy, financing structure, resident population, housing type, etc. – site-based management and maintenance makes more and more sense.) Today, one Director of Public Housing oversees two property managers, who each supervise HAP-employed site managers at individual properties. (Property managers are responsible for areas including roughly 25 properties and 1,000 units; individual site managers are responsible for 1 to 7 properties and roughly 100 to 150 units.) Most recently, site managers have assumed responsibility for property-specific applications and waiting lists, as well as all responsibilities associated with tenant turnover.

### **Transition to Site-Based Management Timeline**

<b>Month</b>	<b>Milestone</b>
Jan. 2004	Planning begins for transition to site-based management model for public housing portfolio
June 2004	Site-based management model pilot begins in the West Area, with roughly 600 units. This pilot includes having maintenance staff report to site-managers and shifting vacate and preventive maintenance functions to site-based oversight.
Sept. 2004	Site-based management model implemented across the entire public housing portfolio of 2,300 units. Three regions (East, West and North) are consolidated into two regions (East and North/West) and two management positions (property manager and maintenance supervisor) are eliminated.
Dec. 2004 to Feb. 2005	Intensive community process conducted including a wide range of community partners, such as the Portland Police Bureau, Office of Neighborhood Involvement, Legal Aid, tenant advocates, social service providers, representatives from programs working to end homelessness, etc.
Feb. 2005	Criteria for Residency finalized which clearly outlines the process and criteria that will be used for all applications submitted for public housing.
Feb. 25, 2005	Last Meeting in Official Community Input/Involvement Process
March 2005	HAP's Board of Commissioners approves policy modifications needed to implement the site-based application and waiting list system; Computer system modifications needed to shift to new system are complete; All public housing applicants on the central waiting list receive packet that provides information, and a return response required application, for the new site-based application and waiting list system.
March 10, 2005	Special Meeting with representatives from Legal Aid and the Oregon Law Center
April 2005	New Admissions and Program Compliance Coordinator hired to monitor waiting lists, compliance, etc.; HAP contracts with private screening company who will screen all applicants for public housing using the Criteria for Residency developed by HAP; Central intake office is eliminated and staff redeployed.
May 2005	Private screening company screens first public housing applicants and meets with HAP staff to review process and ensure that both parties are on the same page.
Summer 2005	PH site managers will assume responsibility for new site-based application and waiting list system.
Fall 2005	Lease revision planned; Site-based rent collections system implemented.

*Source: Housing Authority of Portland MTW Annual Plan, FY 2005.*

HAP also changed its work order system to a site-based model in September 2004. On-site maintenance workers develop a “customer service relationship” with residents, and schedule and perform all work. (HAP no longer has a centralized maintenance staff.) At the same time, HAP integrated its preventative maintenance approach with its site-based management initiative. On-site staff members now utilize tenant complaints as “early warning signals” of future problems and necessary capital maintenance, and follow up each with a formal inspection and all necessary work.

Ultimately, as HAP’s public housing is increasingly managed like private real estate developments and the agency’s own affordable housing portfolio, HAP is increasingly able to “leverage efficiencies and blend expertise between both real estate portfolios.”

## **Future Development and Financing**

As capital assessments have found, much of Portland's public housing – primarily built from the 1940s through the 1980s – is in need of some degree of capital work. (One extreme example is the Iris Court cluster, a high-poverty development built in the 1940s, which includes 105 units considered to be in worse shape than the recently demolished Columbia Villa.) Taken together, the cost of all work necessary to redevelop projects or to keep projects viable in the long term “far outstrips” available resources (a challenge faced by many housing authorities nationwide).

To stretch resources further, HAP is exploring a range of innovative financing strategies, many demonstrated by its first HOPE VI project (the redevelopment of Columbia Villa into New Columbia). One alternative used at New Columbia was the securitization of capital grants. While promoted by HUD as a means to address significant physical distress, securitized capital grants obligate resources (for up to 20 years) to a small segment of an agency's overall portfolio and therefore limit a PHA's ability to use those resources for its other properties. For these reasons, HAP prefers to pursue other ways – also modeled by New Columbia – to leverage public and private financing. The agency's “mixed-finance” approach blends federal housing subsidies with tax credits, mortgage or bond financing, and local funding. Mixing incomes within individual developments also allows HAP to generate additional support (namely, revenues from higher-end units) for low-cost housing.

Another way to access additional funds is to bring the agency's “banked” public housing units back on-line. In recent years, HAP lost 93 units included in its Annual Contributions Contract (ACC) in the process of redeveloping the Columbia Villa site, and an additional 123 units by bringing other units into compliance with Americans with Disabilities Act (ADA) requirements, renting units to service providers, selling scattered site properties, and creating office space for HAP management staff.

To reactivate these “banked” units (which is within the agency's authority), HAP is looking to dispose of some of its under-performing assets. HAP has found that a few of its affordable housing units targeting households at 80 percent of the area median income (and not subsidized by federal or state grants) are not generating funds to support other agency objectives, such as housing for individuals with lower incomes, as expected. These properties – some older buildings, some overleveraged buildings purchased in the late 1980s and early 1990s – are facing increased competition from private developers providing units for similar rents, preventing HAP from raising rents (already at market rates) to cover increasing expenses.

Nearly 200 scattered site public housing units have also proven costly to manage and maintain. By selling some of these units (to residents or to other affordable housing providers) and some affordable housing units, HAP will be able to either buy down debt on units within its portfolio or acquire new properties debt-free – both of which could constitute “new” public housing units. (Disposing of the agency's scattered site portfolio will require an extensive public process.)

## **The Louisville Metropolitan Housing Authority (LMHA): An Overview**

Today, the Louisville Metropolitan Housing Authority (LMHA) administers more than 4,500

### **LMHA Summary**

**Jurisdiction:** Jefferson County

**Public Housing Units:** 4,500

**Affordable Housing Units:** 0

**Section 8 Vouchers:** 9,000

**Number of Employees:** 365

**Budget:** \$94,000,000

public housing units and manages over 9,000 Section 8 vouchers. Both of its programs – public housing and rental assistance – are run countywide from one center of operations established just two years ago through a merger of the city-based and county-based authorities (the Housing Authority of Louisville and the Housing Authority of Jefferson County). The new combined agency, led by Executive Director Tim Barry, is staffed by 365 individuals and advised by a 9-member

bipartisan Board of Commissioners (appointed by the Mayor, whose jurisdiction is also countywide). In addition to its regular administrative and property management tasks required to run its programs, LMHA is also acting as master developer, partnering with Community Builders, to transform two large public housing sites (Park DuValle and Clarksdale) into high quality, mixed-income communities (made possible by City of Louisville Community Development Block Grant (CDBG) funding, tax credits, and federal HOPE VI dollars).

Before the merger, the Housing Authority of Louisville had received a Moving to Work (MTW) designation in 1996, which made the authority eligible for exemptions from existing public housing and tenant-based Housing Choice Voucher rules and allowances to combine operating, capital, and tenant-based assistance dollars into a single agency-wide funding source. The city-county merger in 2003 extended these benefits to one-time county programs. (Prior to the merger, the county was largely responsible for the rental voucher program; the city was largely responsible for public housing.) The new distinction also made one-time county revenues – particularly Section 8 Administrative Fees earned since 2003 – available for public housing-related efforts.

In the last two years, LMHA has taken advantage of this new flexibility to pursue two of the goals explicitly stated in the Quality Housing and Work Responsibility Act (QHWRA) of 1998: to reduce the concentration of poverty in public housing; and to transform the existing public housing stock. The fungibility of federal funds (allowed through MTW) has enabled LMHA to expand its scattered site public housing program – both in number and into areas where no public housing had previously existed. Having more scattered site units has eased the agency's relocation efforts, necessitated by the large-scale redevelopment of older public housing sites. With relocation challenges lessened and funding easily transferable between programs, LMHA is now considering further expanding its scattered site inventory and revitalizing three other problematic public housing developments.

### **Reinvention: The City/County Merger**

LMHA represents the combined forces of the Housing Authority of Louisville and the Housing Authority of Jefferson County. These separate entities were joined through a merger in early 2003, approved by Louisville Metro Mayor Jerry Abramson and the Louisville Metro Council. The agency received its first joint fiscal disbursement from the U.S. Department of Housing and Urban Development (HUD) in July 2003, and spent the

remainder of that year and 2004 bringing the staff and functions of the city and county authorities under central management.

This merger began, at least in spirit, almost 50 years earlier. In 1947, Louisville and Jefferson County officials first began discussing consolidating the two governments – to improve service delivery and the region’s competitive advantage. While a merger was defeated by the public in the 1950s and by state legislators in the 1960s, consolidation advocates scored their first success in 1975 when the city and county school districts merged. This hard fight would lay important groundwork for subsequent cooperative efforts. Ten years later, after another dismissal by the state legislature and two failed referenda, city and county officials passed the Louisville-Jefferson County Compact, which enacted a tax sharing plan and consolidated certain government functions. Like the school district merger, the Compact increased city and suburban residents’ and officials’ comfort with integrating services and resources. In 2000, the voters passed a referendum; in 2003, a city-county merger was enacted.

### **Timeline of Louisville City-County Merger**

<b>Year</b>	<b>Event</b>
1947	First recorded call to consolidate city and county governments
1956	Failed merger referendum
1969	Consolidation plan proposed but killed by state legislature
1975	County and city school districts merge
1980	Another call for local government reform and consolidation dies in the state legislature
1982	Failed merger referendum
1983	Failed merger referendum
1983-85	City actively seeks to annex unincorporated parts of Jefferson County
1986	Louisville-Jefferson County Compact passed, introduces tax sharing plan and brings end to annexation efforts; eight government functions are merged including planning commission
1996	Jefferson County Governance Task Force recommends further city-county consolidation measures; never enacted
1998	Louisville-Jefferson County Compact renewed
1998	New task force is formed to study merger, release recommendations in 2000
2000	<i>Cornerstone 2020 Plan</i> completed and adopted by planning commission
2000	Successful passage of referendum of City-County merger
2003	City-County merger enacted

*Source: Louisville Metro Mayor’s Office.*

Through the merger, the city became six times larger geographically (growing from 61 to over 385 square miles) and more than doubled in population (increasing from roughly 250,000 to nearly 700,000 people). The city could also now benefit more fully from recent suburban population and job growth, and higher suburban incomes and home values.

### Snapshot of Louisville Before and After the 2003 Consolidation

	Former City of Louisville	Metro Louisville
Size (sq. miles)	60	385
Population	256,000	694,000
Annual Income	\$28,843	\$39,457
Population Living Below Poverty	24%	12.4%

Sources: Louisville Metro Mayor's Office, Brookings Institution, Urban Institute.

For the county, the merger meant improved public services in expanding unincorporated areas – a long-time demand of suburban residents. (The merger allowed existing suburban governments, fire protection districts, sanitation districts, water districts and other special taxing or service districts to retain their charters and nearly all of their functions. Eleven of the county's 94 suburban cities chose to voluntarily dissolve or merge with another suburb.) Lastly, as a unified and diverse region, Louisville Metro gained a new reputation as a destination city for residents, businesses, and visitors – similar in size to Seattle, Boston, Denver, and Washington, DC, and larger than nearby Nashville.

The area housing authorities faced similar dramatic changes as a result of their own merger. Prior to becoming part of the Louisville Metro Housing Authority (LMHA), the Housing Authority of Louisville primarily focused on public housing and had less than 300 Section 8 vouchers (which it had received in the late 1990s as part of the authority's HOPE VI projects); it could also do no scattered site housing outside of the city boundary. In contrast, the Housing Authority of Jefferson County had few public housing units but had 8,000 Section 8 vouchers that they distributed in three programs (one for the city, one for the county, and one for housing authority sites).

### Comparison of Pre- and Post-merger Housing Authorities

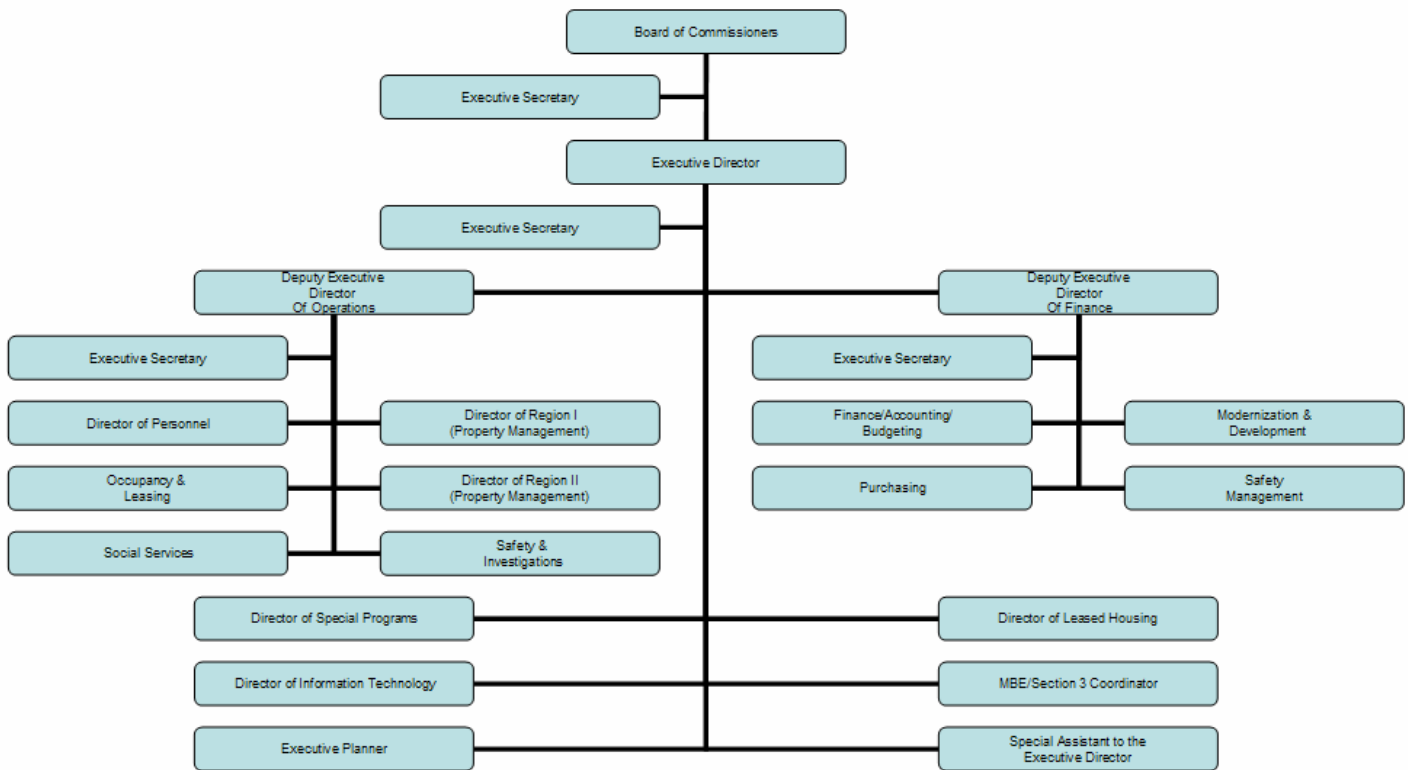
	Housing Authority of Louisville	Housing Authority of Jefferson County	Louisville Metro Housing Authority
Employees	297	68	365
Public Housing Units	6,000	200	4,561 (1,116 razed)
Section 8 Certificates	250	8,000	9,200
Budget	\$53 million	\$44 million	\$94 million
Board of Commissioners	7 bipartisan members appointed by Mayor	5 bipartisan members	9 bipartisan members appointed by Mayor
Hope VI Initiatives	Park DuValle and Clarksdale	None	Park DuValle and Clarksdale
Moving to Work Designation	Yes	No	Yes

Sources: LMHA, HUD-Kentucky Field Office, and the Courier Journal.

In some ways, even after the merger, LMHA is still two operations. It is physically split between the two original buildings and employees are still represented by two unions. (Certain employees were transferred between offices in an effort to integrate the staff despite

the split between two buildings.) However, the merger did effectively bring all operations under central control. All employees were blended into a new organizational structure, split between operations, finance, and strategic planning and public relations. To decrease fears among members of both staffs (but particularly those at the much smaller Housing Authority of Jefferson County), Housing Authority of Louisville and new LMHA Executive Director Tim Barry promised no layoffs and equalized the benefits of all employees (which meant an improved package for county staff). In a similar way, the two separate boards were blended into one Board of Commissioners.

### Louisville Metro Housing Authority Organizational Chart



### Present Challenges and Responses

Not surprisingly, LMHA faces many of the same challenges as the Housing Authority of Portland (HAP). It has not been immune to federal funding cuts and it, too, oversees a number of outdated public housing projects – built nearly sixty years ago and in various stages of disrepair. And just as the two currently benefit from the flexibility provided by a Moving to Work (MTW) designation, LMHA, like HAP, faces the potential and imminent expiration of its MTW status. (This has particularly severe consequences for LMHA, which relies heavily on MTW regulatory and funding allowances to carry out many of its current innovative strategies.)

Also like HAP, though, LMHA is responding aggressively in the face of these challenges. The recent merger further served as an opportunity to streamline LMHA operations. While no staff positions were lost, individual roles and responsibilities were rethought and

reorganized. For example, the Offices of Safety & Investigations and Social Services, within the agency's Operations Cabinet, are closely linked to both the Section 8 and public housing programs; the Directors of Strategic Planning and Public Relations, reporting directly to the Executive Director, can inform the activities of the Operations Cabinet as well as the Finance Cabinet (charged with modernization and development responsibilities).

Importantly, the housing authority merger and the larger city-county merger brought all one-time city and county housing-based information and planning functions under centralized control. This enabled, for the first time, all one-time city and county programs to work – in concert – towards the same goal: to deconcentrate LMHA units and, as a result, have fewer units located in high poverty areas. Only by knowing the current locations of existing Section 8 and public housing units throughout the county could the agency effectively identify underserved areas; only with countywide jurisdiction could the agency actually locate scattered site units in those underserved areas outside of the city. LMHA has taken advantage of both of these realities to institute new countywide planning functions and to begin redistributing its resources and units. As Executive Director Tim Barry explains, LMHA is now “on a mission to go where we've never gone before.”

While still one of its tools, LMHA is maximizing the benefits of its MTW designation. The agency is countering funding cuts by flexibly using the resources it does receive. For example, LMHA is transferring excess Section 8 Administrative Fees into its public housing program, putting these and capital program dollars towards the purchase or lease of new scattered site housing units.

The agency is also starting to prepare for the expected shift to project-based accounting. On-site and central maintenance staff members are now charging materials and services to the appropriate site, and finance employees are categorizing LMHA-owned properties and equipment by site. (Much work remains, however. For example, LMHA has not yet changed how responsibilities are shared between the central office and on-site offices. More information, direction, and training from HUD would help finalize the agency's transition.)

Lastly, LMHA is restructuring operations to increase management efficiencies in the long run. The agency is targeting underperforming large public housing sites – which drain agency resources by requiring substantial maintenance and upkeep, and that fail to provide safe and quality environments for LMHA tenants – for reinvention. LMHA is also incorporating innovative approaches into its scattered site program as that program expands, which enables the agency to contract out certain managerial responsibilities wherever possible.

### **Guiding Change: A Clear Vision for the Future**

With the Louisville Metro Housing Authority barely two years old, the agency has not yet had the chance to complete a formal strategic plan. While definitely something the agency will pursue “when the dust settles,” LMHA is successfully operating for the time being by having established clear priorities – fashioned based on the local needs of LMHA tenants and the larger community, and crafted in cooperation with the Louisville Metro Mayor Jerry E. Abramson and LMHA Board of Commissioners. A subsequent planning process will help clarify the secondary steps necessary to achieve these goals.

LMHA's present priorities reflect many of the lessons learned first by the Housing Authority of Louisville and later the merged authority through participation in the HOPE VI-sponsored redevelopment of the Park DuValle and Clarksdale sites. Most importantly, the HOPE VI program has long recognized something that traditional public housing did not: that mixed uses and mixed incomes create sustainable neighborhoods. In other words, public housing units are viable in the long term, and tenants are successful at achieving self-sufficiency, if both are fully integrated into the larger community. Taking advantage of its MTW-enabled funding flexibility, and through insightful leadership, LMHA is working towards a new model of public housing that takes this lesson to heart.

First, the agency is considerably expanding its inventory of scattered site public housing units and locating many new units in previously underserved areas and within larger, private apartment buildings. This disperses public housing units and better integrates existing units into the community. It also allows for more outside management of these subsidized units.

Secondly, LMHA plans to further deconcentrate its public housing by reinventing three of its large-scale projects. Together, Sheppard Square and Parkway Place (both built in 1943) and Iroquois Homes (built in 1953) include roughly 1,600 units for families. The agency would replicate the model in place at Park DuValle and Clarksdale – innovative financing schemes that leverage public and private resources, successful partnering with professional developers – to transform each into mixed-income, mixed-use communities. All public housing units would be replaced on a one-for-one basis, some on-site and others through the scattered site program.

### **Shifting to Scattered Site**

Louisville's scattered site public housing program, begun in 1974, now includes over 500 units. And that number has roughly tripled over the last three years. The rapid expansion of the steadily growing program was largely the result of ongoing work at the agency's two HOPE VI sites, and LMHA's commitment to replace all lost public housing units on a one-for-one basis (mainly through the scattered site program). It was also made possible by the agency's MTW designation. New acquisitions are paid for out of existing funding sources, including Section 8 Administration Fees and Capital Improvement Program dollars that can be transferred into the public housing program (the case with all fees earned prior to 2003 and those fees earned after 2003 thanks to MTW fungibility allowances).

As has always been the case, LMHA is very careful about where scattered site units are located. Close proximity to hospitals and public transportation, for example, have long been important criteria. More recently, the number and scale of public housing and Section 8 units in the vicinity has become equally important (as the agency seeks to deconcentrate its operations). In fact, most new units have been placed in areas where LMHA was not active and that had no or few public housing units. (This was made possible for the first time by the city-county merger, which extended the agency's jurisdiction and enabled LMHA to locate scattered site public housing units outside of the city.)

LMHA buys these and other new scattered site properties directly, using what Executive Director Tim Barry calls "the stealth approach." The authority does not lie about its purchases or hide behind shadow buyers. Rather, LMHA simply goes about its business

quietly. (As providing public housing units to low-income households is entirely within the agency's mission, it is not obligated to initiate public processes to approve the location of individual purchases.)

### **Community Reception**

At first, the program was not well received by the larger community. As affects the work of most public housing agencies nationwide looking to extend their programming and services into new neighborhoods, not-in-my-backyard (NIMBY) backlash from residents stifled much of the program's early expansion. Today, partially due to the agency's "stealth approach" and partially due to other innovations, the larger public's reception of new scattered site units is much better.

For example, LMHA is appealing new neighbors by utilizing its exemption from certain rules and regulations (as an MTW designated site). The agency has instituted a cap on the number of Section 8 units in projects including at least 100 units and using Low Income Housing Tax Credits. The new limitation – that no more than 25 percent of units be subsidized – seeks to help the agency avoid simply reconcentrating poverty at these sites or creating problematic conditions. At the same time, the cap stems neighbors' concerns about the new developments and tends to lessen community opposition to the projects. (In reality, at 25 percent, the cap is still higher than would ever be reached (as it is unlikely that more than 25 Section 8 Voucher holders would choose to live in the same building) and therefore does not infringe on individuals' fair housing rights or work against the agency's overall mission.)

### **Management Challenges**

LMHA, much like the Housing Authority of Portland (HAP), has found that scattered site units (whether public housing units or non-public affordable housing units) present a number of managerial challenges. In HAP's case, the agency is planning to dispose of a few of its affordable housing units and replace them with units clustered together in larger developments – to make site-based management easier. In contrast, LMHA is committed to expanding its scattered site inventory and therefore facing the related logistical challenges more directly.

As Executive Director Tim Barry concedes, one advantage of large-scale public housing sites over scattered-site units is that they are easier to manage. However, LMHA, being committed to increasing its scattered site inventory, is beginning to plan for ways to make the management of dispersed units more efficient. One strategy is to buy scattered site units that can easily be managed by entities other than LMHA. For example, many new units are part of larger, privately owned and operated buildings. In these instances, LMHA contracts with the property owners to manage the public housing units in addition to their non-public housing apartments.

A second strategy is to use scattered site crews (comprised of LMHA staff) to oversee property management and maintenance. The agency is exploring establishing regional operations to direct scattered site crews working in areas with clusters of units. (This regional approach would be similar to that used by various parks departments – where every park has its own maintenance shed that is further supported by a regional shop.) These regional offices would eventually replace LMHA's central maintenance operations.

## **Conclusion**

Today's context for public housing agencies (PHAs) and the work that they do is both challenging and changing. Federal cuts to the HOPE VI program, the Public Housing Capital and Operating Funds, and the Section 8 Voucher Program, and growing numbers of people in poverty are forcing authorities to do more with less. At the same time, new legislation addressing public housing and community development and reforms within the U.S. Department of Housing and Urban Development (HUD) have transformed several rules and regulations dictating how PHAs operate. While some reforms (such as those outlined in Title V of the Quality Housing and Work Responsibility Act (QHWRA) of 1998) equally affect all housing authorities nationwide, others (such as those afforded by participation in the Moving to Work (MTW) demonstration program) are limited to a select group of agencies.

In this environment, many authorities are creatively utilizing new regulatory reforms to improve organizational efficiency and effectiveness, and expand their reach. This case study documents the work of two such agencies, the Housing Authority of Portland (HAP) and the Louisville Metro Housing Authority (LMHA).

While these two entities are both successfully responding to local needs, they are doing so in drastically different ways. As a result, they effectively demonstrate the range of decisions facing housing authorities today. Should PHAs seek to deconcentrate public housing units through expanding scattered site programs (as LMHA is doing) or aim to increase efficiencies by consolidating units at fewer sites (as Portland is exploring)? Should PHAs reorganize operations to match the organizational structure of many private companies (as Portland is doing) or focus on retaining all employees (as LMHA has done)?

These cases also raise a number of important issues that deserve ongoing exploration – as they reflect debates currently underway at authorities across the country. How important is a strategic plan in directing agency activity? What role do (or can) public opinion and stakeholder support play in ongoing PHA operations? How powerful is the regulatory and funding flexibility afforded by the MTW program? Who should develop or manage PHA-owned housing – authorities themselves or contracted partners? And how can authorities go about crafting an effective financial strategy?

## **The Role of the Strategic Plan**

Both cases demonstrate the importance of a strategic plan. In 2002, HAP implemented a five-year Strategic Plan. That plan has guided the agency through organizational restructuring and the shift to site-based management and project-based accounting, as well as fostered ongoing capital needs assessments and helped HAP align its goals with city and county priorities. While LMHA has not yet created a formal strategic plan (having just finalized a city-county merger in 2003), the agency has set clear priorities (to expand its scattered site program and reinvent older, large public housing projects) that act as an informal strategic plan and are sufficient to shape organizational activities.

**Questions:** When is a strategic plan necessary? What can a strategic plan do for an authority? How does a PHA go about creating one? Who is involved in the strategic

planning process? How does capital planning get incorporated? How many years should a strategic plan address?

### **The Role of Public Opinion and Stakeholder Support**

The two cases are focused on public opinion and stakeholder support in very different ways. A top concern for officials at LMHA in recent years, as they merged two authorities together, was maintaining the support of city and county workers, residents, and political leaders. The agency's close ties to Louisville Metro (Mayor Jerry E. Abramson sits on LMHA's Board of Commissioners) has enabled LMHA to expand its operations geographically, as have strategies that recognize area residents' concerns (such as not concentrating public housing or Section 8 units in any one neighborhood, capping Section 8 units in LIHTC-supported projects, and using a "stealth" approach to acquire new units). HAP, in contrast, builds popular support through its partnerships with over 100 agencies and by consciously linking its own goals with those of Portland and Gresham, as well as Multnomah County.

**Questions:** How can PHAs build public and stakeholder support? What role can public opinion or stakeholder support play as agencies reform operations? As agencies develop in new neighborhoods? As agencies integrate public housing into the larger community?

### **Moving to Work (MTW) Status**

For both HAP and LMHA, participation in the Moving to Work (MTW) demonstration program is making transformation possible. HAP currently uses its MTW designation to share funds between its public housing and resident services programs. At the same time, MTW flexibility (coming at a time of funding cuts) provided a new reform mentality at the agency, and has since prompted HAP's restructuring into a more private sector-style organizational set-up, shifting to project-based accounting and site-based management, and expanding its programming supporting and incentives encouraging self-sufficiency among residents. To LMHA, MTW fungibility – which allows LMHA to share funds between its public housing, Section 8, and capital programs – has been invaluable as the agency expands its scattered site program.

**Questions:** Is innovation possible without MTW designation? Where would HAP or LMHA have been if they had not been included in the demonstration program? Is this an affirmation of MTW flexibility and fungibility? Does this suggest that MTW should be spread to other authorities rather than ended? Is it feasible not to renew MTW for participating agencies?

### **The Development Decision**

All agencies debate whether or not to contract out development responsibilities. LMHA has successfully partnered with Community Builders on two HOPE VI projects and would happily do so again on subsequent redevelopment ventures. This saves staff time and agency resources, and the agency can avoid all of the "start-up costs" associated with learning a new skill. On the other hand, HAP considers development to be one of the agency's core competencies, and therefore acts as its own developer on HOPE VI and other

projects. One side benefit is that HAP has become an expert in obtaining non-HUD funding (a key piece of any HOPE VI-funded undertaking).

**Questions:** When should development responsibilities be conducted internally? When should they be contracted out? What should dictate the decision (internal capacity, nature of the development project, etc.)?

### **The Management Decision**

Similarly, all agencies grapple with how to best manage PHA-owned units. HAP, for example, has recently shifted to a site-based management approach for overseeing – directly – its public housing and affordable housing units. At the same time, the agency is working to centralize its inventory in fewer locations to increase efficiency. Alternatively, LMHA is expanding its scattered site program and seeking management efficiencies even as it decentralizes operations. One strategy is to purchase a few units within larger, non-PHA developments and to contract out management responsibilities to the private entity overseeing the rest of the building. The agency is also tackling the logistical challenges of scattered site units by creating regional management oversight internally.

**Questions:** When should management responsibilities be handled internally? When should they be contracted out? What should dictate the decision? What are other techniques for sharing management responsibilities?

### **The Financial Decision**

As funding cuts and regulatory reforms continue, agencies' financial strategies becoming increasingly important to ensuring success. LMHA is beginning to think strategically about its various sites based on financial performance, and targeting underperforming sites for reinvention. HAP has gone even further, transitioning to project-based accounting (ahead of federal rule changes), drafting annual capital improvement plans, disposing of underperforming affordable housing assets, strengthening underwriting practices, and looking to new funding streams (like LIHTC and CDBG) for support.

**Questions:** How do PHAs go about crafting a financial strategy? Who should be used as advisors? What tools (computer, accounting, etc.) can be used?