

AN OPERATIONS GUIDE FOR  
RESIDENT MANAGEMENT CORPORATIONS

*A GUIDE FOR PUBLIC HOUSING RESIDENTS*

U.S. Department of Housing and Urban Development

Office of Public and Indian Housing

Office of Resident Initiatives

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## 1.0 WHAT IS RESIDENT MANAGEMENT ALL ABOUT?

### 1.1 Introduction

In twenty years time, the public housing resident management movement in the United States has grown from infancy to an impressive maturity. In the early days of struggle, public housing residents banded together in St. Louis and Boston to protest against the physical and social deterioration of their homes and to assume the responsibility of management. Others soon followed their example, and a cadre of capable managers developed who were willing and able to not only improve conditions in their own developments, but share their knowledge and experience with others around the country.

Resident management has proven itself by improving the living conditions in the developments where it has been tried - repairs have been made, maintenance has been provided, physical improvements have been done, rent receipts have increased, and vandalism has decreased. But more importantly, resident management has demonstrated its potential by improving lives - employment rates have increased, children are staying in school, teenage pregnancy rates have dropped, and residents have gained confidence in their abilities to determine their own futures.

HUD is a staunch supporter of the resident management movement, as well as of other programs to benefit public housing residents. An Office of Resident Initiatives has been created to administer these programs, with assistance from a network of Resident Initiatives Coordinators (RICs) in HUD's Regional and Field Offices. The RICs are available to provide direct assistance to residents and resident groups, and can be of immense help to those interested in resident management.

HUD has sponsored preparation of this guidebook to help residents and resident groups who want to undertake resident management in their developments. This guidebook will tell you how to get started and what needs to be done to manage housing. It shows you how Resident Management Corporations can organize businesses and social services and take advantage of homeownership opportunities for residents of public housing. It will also provide important information for city officials, housing authority staff, and HUD staff working with resident management groups.

For additional information, contact your housing authority or the Resident Initiatives Coordinator in the local HUD Field Office.

HUD is preparing the following additional guides for RMCs:

1. "A Guide to Financial Management for Resident Management Corporations"
2. "A Guide to Resident Job Training and Development"
3. "A Guide to Resident Participation in Public Housing"

## 1.2 The History of Resident Management

Resident management in public housing dates back to the early 1970s. Conditions in some public housing became so bad, residents decided to take action to save their housing. The Bromley-Heath Tenant Management Corporation in the Boston area faced many problems. Residents had earlier organized to get a health clinic and a day care center. When the group heard of a pilot resident management program, it seized the opportunity and asked to be the site for the demonstration. In 1973, after three years of training to learn how to undertake property management functions, the Tenant Management Corporation signed a contract with the Boston Housing Authority to manage three housing developments. Since then the Tenant Management Corporation has directed rehabilitation and beautification programs as well as a Community Patrol. Bromley-Heath even started its own radio station.

In St. Louis resident management got started at Cochran Gardens as a reaction to intolerable living conditions. Apartments in the public housing development were rundown. There was violent crime, prostitution and drugs. Of 704 units, 250 were vandalized and could not be rented. The final straw was a rent increase.

Residents were outraged and went on a rent strike in 1969. They formed their own organization and learned how to collect rents, select residents, and provide maintenance and security. Residents proved they could be good managers and provide other needed services. In 1976 the resident group negotiated a contract with the housing authority to manage the property.

The Cochran Gardens Resident Management Corporation has a long list of successes that go beyond housing management. They have:

- built 775 units of low-income housing,
- converted a school into 40 units of senior-citizen housing,
- built the Malcolm X Community Center and run recreational programs and day care,
- provided job training, and employment in businesses they have created. One is a janitorial services business, another does catering, and another installs cable television.

Encouraged by the actions of resident management groups, HUD and the Ford Foundation sponsored a demonstration program from 1975 to 1979. Seven sites received an average of \$2.7 million in Jersey City, Louisville, New Haven, New Orleans, Oklahoma City, and Rochester. The grants were used to fix up rundown housing, train residents, and provide some social services.

From 1985 to 1988, the National Center for Neighborhood Enterprise organized a resident management program for 12 public housing sites. The program emphasized building the capacity of resident groups to manage public housing and to provide economic development and homeownership. Six grants went to existing Resident Management Corporations, and six grants to new ones. This program showed that residents can improve their housing conditions and neighborhoods. It takes time and effort; it requires a learning period and training and technical assistance.

In the 1980's, a bipartisan consensus emerged around the nation that housing policy should go beyond helping the poor to helping the poor help themselves. The Housing and Community Development Act of 1987 specifically encourages resident management. Among the many Congressmen who supported the legislation was Jack Kemp, now the HUD Secretary. He strongly supports resident management as part of a "Resident Initiatives Program."

At a convention on resident management and urban homesteading held in Rosslyn, Virginia on March 6, 1989 Secretary Kemp said:

*"I want a HUD that champions your cause of jobs, resident management, homeownership, empowerment, and opportunity. I want a HUD that will clear the logjams, remove the impediments, cut the red tape, and make things happen. Wherever a resident council has demonstrated management capability and meets the requirements of the HUD regulations, I will support its right to obtain a full management contract, and I won't let politics or bureaucracy or inertia block your efforts.*

*I pledge to you my best efforts to help bring all public housing up to decent standards. I will also make sure that your transition to full self-sufficiency is aided with proper and prudent levels of HUD resources."*

In 1988, HUD made grants for training and technical assistance to 27 public housing resident groups for up to \$100,000. Further grants were made: 35 in September 1989 and another 37 groups in April 1990. As of mid-1990, a total of 100 groups are training for resident management.



Homeownership can be a final step in this process. The Housing and Community Development Act of 1987 provided a "right to buy" for public housing residents. The first program to transfer public housing ownership to a Resident Management Corporation is at Kenilworth-Parkside in Washington, D.C. Cochran Gardens and Carr Square in St. Louis are also moving towards homeownership.

Resident management is still quite new in many communities. Resident groups will use many different approaches. Many of the earlier resident management pilot programs were in communities with large public housing developments. However, there are many small and medium sized housing authorities where conditions may be quite different. Public housing in Boulder, Colorado or Greenville, North Carolina has its own characteristics, which differ from those in Newark or Chicago. Each local group will need to consider what is appropriate to meet its needs, and programs will differ from community to community.

The National Association of Resident Management Corporations (NARMC) has been formed by resident managers and board members with experience in public housing resident management. The NARMC, which held its first, national conference in April 1990, will be helping resident groups in the goals of providing self sufficiency for public housing residents. NARMC's address is 4510 Quarles St. Washington, D.C. 20019.

### 1.3 HUD's Office of Resident Initiatives

In July 1989, HUD formed the Office of Resident Initiatives to coordinate programs for public housing improvement. Programs of the office include:

- Resident management
- Homeownership opportunities
- Public housing drug elimination grants
- Economic development including job training and development
- Supportive services

HUD's Resident Initiatives Coordinator (RICs) in 10 Regional Offices, 6 Offices of Indian Programs and 53 Field Offices are the key HUD people working with local residents and housing authorities to make the resident management program work. If you are interested in resident management and need information, contact the Resident Initiatives Coordinator in the HUD Regional or Field Office. Your local housing authority can refer you to the right HUD Field Office.



#### 1.4 Resident Management for Indian Public Housing

Residents of Indian public housing on reservations can also participate in the resident management program. The approach may be different from resident management in a city with multifamily public housing. Indian housing is typically single family homes on scattered sites, and about two-thirds of Indian housing was built under the Mutual Help Program, a lease-purchase arrangement leading to home ownership. Indian resident management programs will need to adapt to the particular issues and concerns of Indian residents in their different housing situations.

Indian housing residents can contact their Indian Housing Authority or the Resident Initiatives Coordinator (RIC) in the HUD Indian Field Offices for information.



### **1.5 What Makes Resident Management Successful?**

From the experience over the past 15 years in about two dozen housing developments, some ideas of what makes resident management successful are beginning to emerge . (Note: see bibliography). These are:

- vision of what will make the community better and defined goals to make the vision a reality
- effective community organizing
- cooperative relationships between the housing authority and residents
- strong leadership including a strong board
- ties to local foundations, businesses, and universities
- good resident management training programs
- patience, faith, and lots of hard work.

#### **Vision and Goals**

Community change starts when people develop the idea that they want things to be different. Whether it is one person, or a group of neighbors, a vision of what the community can be is formed. This vision attracts and inspires others who then are willing to put in the time and effort it takes to make the change possible. As a resident council forms it needs to develop a vision and set down its goals on how to improve the community. The goals give the organization's members direction and purpose.

#### **Effective Community Organizing**

The most important factor for successful resident management is community support by the residents of the development. Your resident council will be successful in making conditions better if the residents of your development understand what you are doing and support your program. This means the resident council has to be effective in community organization.

Communication is the key to community organizing. Resident councils use a variety of methods to build community support. At Cochran Gardens in St. Louis, there are floor captains who know their neighbors. Other

councils have board members who represent each major building or building entrance.

Two-way communication makes resident management work: from residents to the board, from the board to residents. Flyers, newsletters, community meetings, bulletin boards, visits all help to increase communication. But mainly community organizing involves one-to-one relationships of trust. Board members and resident leaders should be people known and respected in the development who keep in touch with their neighbors.

### **Cooperative Housing Authority and Resident Relationships**

The foundation of a strong resident management program is a cooperative relationship between the resident council and the housing authority. This is a key finding of a 1981 evaluation study by the Manpower Demonstration Research Corporation.

In fact, relationships between residents and housing authorities are not always cooperative. At times residents have organized rent strikes and the relationship with the housing authority has been difficult. Some housing authorities are not sympathetic to resident management. Others limit the amount of activities and independence of resident councils.

HUD regulations for resident management require public housing authorities to be supportive of resident interest in forming a Resident Management Corporation. The public housing authority must negotiate in good faith with resident councils, and "make every reasonable effort to come to terms with the Resident Management Corporation" (24 CFR Part 964).

Residents, in turn, have responsibilities in this cooperative relationship. The residents must form an organization, determine the feasibility of undertaking housing management, learn how to manage housing, and work out a contract with the housing authority for specific management tasks.

Whether the relationship between the housing authority and the resident council is "close" or "somewhat distant," both need to cooperate. Residents need the help and assistance of the housing authority to learn the ropes of housing management. The housing authority needs the skills of residents, and the close relationship to others in the housing development to make housing management work better at the site.

## **Strong Leadership Including a Strong Board**

Resident management requires strong leadership. But this leadership must be more than just one or two people who carry the load. The organization needs a strong board made up of residents willing to take the time to learn about resident management. The board should work together finding ways to resolve the inevitable differences of opinion that emerge.

Board training is one of the essential parts of the process. The technical assistance grant requires that the resident council hire a Housing Management Specialist (or Training Consultant) to assist them. One of the key activities of the Housing Management Specialist is training the board.

Resident councils, as they mature, need to bring in "new blood" so the organization continues. Some resident leaders will move on to other positions in the program. For example, many volunteer board members apply for paid staff positions when the resident council begins to manage property or start businesses. If hired, they must resign from the Board, and their former positions filled, so that new leadership develops.

## **Ties to Local Foundations, Businesses, and Universities**

Resident councils with ties to other local organizations are more successful than those which limit their ties to the housing authority. Initially the resident council may focus much of its attention on the housing authority and HUD. However, in the long run, the council will be better off when it expands the base of support.

Resident councils have received help from local colleges and universities for training and preparing grant applications. Other councils have gone to local foundations for help in funding health clinics or starting a day care program. In other public housing developments, the housing authority and residents arrange with the Private Industry Council for special outreach offices on the site for job training programs.

## **Good Resident Management Training Programs**

Resident management requires many different skills which a good training program can help residents develop. The organizing resident council needs to learn how to work together as a functioning board. Some of the skills are very basic, but essential ones that persons in the smallest and the biggest businesses need to learn: how to listen and communicate well, how to develop a consensus, how to deal with differences without becoming divisive, how to run an effective meeting. Other skills are more technical:

how to set policy, how to set objectives, how to develop a budget.

The Housing Management Specialist and other training consultants will be key training resources for the resident council. In learning property management tasks, the public housing authority can be a real help. Some RMCs have developed innovative "dual management" processes where housing authority staff work side by side with residents as they learn property management skills.

## **1.6 Overview of the Resident Management Process**

Resident management involves several stages. No two councils will go through the stages in the same way, or the same sequence, and each will have its own way of doing its work. Therefore, use this book as a general guide, not a cookbook. The general process is shown in Figure 1.

### **1. Organize The Resident Community.**

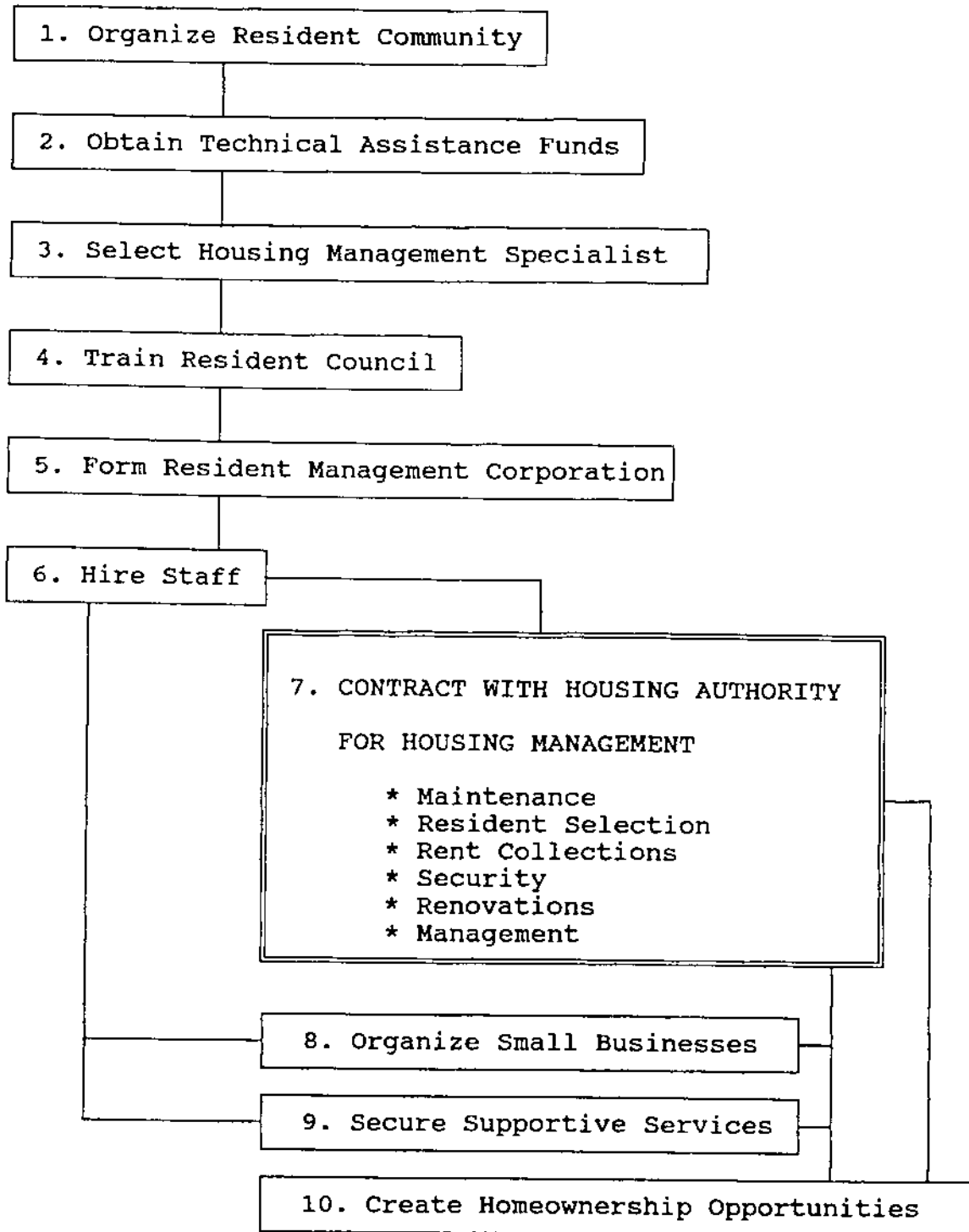
Resident management begins with community organizing. This means getting together a resident council which can represent residents of the housing development. Then you need to identify issues people care enough about to be willing to help change the situation (like security, drug dealing, elevators that don't work, need for daycare, inadequate maintenance or graffiti and trash in the halls). At this stage, you may want to form a resident council or increase the efforts of an existing resident council.

### **2. Obtain Technical Assistance Funds**

Resident councils have found many ways to get resources for what they decide they want to do. Some have held bake sales and used the proceeds to have their board visit public housing developments with resident management. Other councils have applied to local foundations for grants, or involved the local university. State and local governments are also possible sources of funds.

HUD provides technical assistance grants of up to \$100,000 for resident councils. The resident council prepares and submits an application to HUD when HUD issues a notice that funds are available. Typically, the money is used to hire consultants to train the resident council and to organize for resident management.

Figure 1: RESIDENT MANAGMENT PROCESS



### **3. Select a Housing Management Specialist**

All resident councils involved in HUD's resident management program must hire a Housing Management Specialist to train board and staff members as appropriate. Once funding is received, the Housing Management Specialist or Training Consultant is selected by the council's board in a competitive procurement process. A Request For Proposal (RFP) for a Housing Management Specialist is issued which includes a statement of work and the selection criteria. The RFP is then advertized, submitted proposals are evaluated, and the best proposer is selected.

### **4. Train the Resident Council.**

This step is very important and can take up to two years or more. The Housing Management Specialist or Training Consultant teaches the resident council how to act as a board of directors, how to hire staff, the requirements of property management, finance and accounting, and how to carry out other activities like forming businesses. The resident council goes through a planning process to identify its goals and programs it wishes to carry out and the feasibility of meeting these goals through a resident management program.

### **5. Form a Resident Management Corporation.**

If the resident council decides to proceed with forming a Resident Management Corporation (RMC) as a non-profit organization, it will need a democratically elected board of directors made up of about 5 to 15 volunteer residents. The board directs the organization. The Housing Management Specialist will assist the organization in making this decision and getting legal assistance in creating a non-profit corporation under the laws of the state.

### **6. Hire Staff for the Corporation.**

Paid staff do the day to day work of the organization. The board of directors hires the director who in turn hires other staff. To the extent possible, those hired should be residents of the housing development who are capable or who will be trained for the job. In this way resident management can provide employment for public housing residents.

### **7. Contract With the Housing Authority for Housing Management**

The RMC, in consultation with the housing authority, decides how many of the housing management tasks it wishes to undertake, such as property

maintenance, screening applicants for rental units, collecting rents, or security patrols. The RMC and the housing authority negotiate a contract and a budget for these functions.

#### **8. Organize Small Businesses**

Many resident organizations (but not all) start small businesses such as a painting company, a small grocery store, a catering service, or a laundromat. These businesses provide jobs for residents as well as needed services for the housing development. This helps to build wealth within the community.

#### **9. Secure Supportive Services**

Some resident organizations have made extensive efforts to get needed supportive service programs for residents of the housing development. For example some have worked to get a health clinic established. Others have established recreation programs, job training programs, anti-drug and alcohol programs, or daycare and Headstart programs. Each resident council will differ in whether they wish to get involved in these activities and which ones are needed.

#### **10. Create Homeownership Opportunities**

A long range goal can be homeownership. If a Resident Management Corporation is successful for three years, it may apply to buy the development from the housing authority. The RMC then sells the units to the residents with proper safeguards for residents who do not wish to purchase their units or who cannot afford them. There are other HUD homeownership opportunities as well which are described in Chapter 6.

These ten steps are the general idea. Chapter 2 explains these steps in greater detail.





## 2.0 HOW TO ORGANIZE AND ESTABLISH A RESIDENT MANAGEMENT CORPORATION

### 2.1 Organizing the Resident Community

Residents have used many techniques for organizing. For example, at the A. Harry Moore housing development in Jersey City, a group of residents held a series of meetings with the housing authority to decide what to do about livability and safety in the development which had gone from bad to worse. They agreed to establish a "lobby sitting" program. Three to four volunteers set up a card table in the building lobby to monitor visitors from 7:00 to 11:00 pm six days a week. The lobby patrol improved security in the building. It also improved the sense of neighborliness.

The housing authority, which supported resident management, painted the hallways to get rid of the accumulated graffiti. Everyone could see the improvement. In return, residents worked hard to keep the halls clean and free from new graffiti.

At Kenilworth-Parkside in Washington, D.C. the community organizing began with a tutoring program called College Here We Come. Since its beginning in 1974, about 600 students from the program have been admitted to colleges.

At Bromley-Heath in Boston early organizing occurred to get a health clinic in the housing development. When residents heard about a demonstration program for resident management, they took the initiative and asked the housing authority to be part of it.

### **Communication**

Communication is the lifeblood of community organizing. Start with the people who know and trust you: your friends down the hall, relatives in the development, the women you know at church. Get them fired up. Start knocking on doors. Talk to residents in the laundromat or wherever they meet. Use flyers, notices and, the telephone. Invite some people in for coffee or hold meetings to discuss what people are concerned about and what can be done to make things better.

At first there is likely to be a lot of despair. "No use trying." "They painted the walls once and two days later there were all those names again." "Why should I even try?" Keep going. Think about what to do

when you get these comments. Talk with the others who are organizing so that this despair does not get you down.

### Issues

Most people who have done community organizing agree on one thing: you have to find specific issues that people are really concerned about. You need to identify what issues are so important that people will give their support to make a change. It may be drugs or crime. It may be poor maintenance, trash in the halls, and graffiti on the walls. It may be a need for day care so that mothers and fathers can go to work, or job training so people can get better paying, more secure jobs.

Once you have identified the issues, the resident council can organize around these needs. It is also necessary to form a vision and goals. A council needs to not only know what it does not like, but also what it wants and where it wants to go.

Just talking with people is a good way to find out what issues are really important. Community meetings are another method used by resident councils. Some councils conduct a survey of residents. Questionnaires are distributed to each resident and then picked up later by a building captain.



## Organization

The group of residents who are interested and committed to the idea of resident management will need to form an organization which we will call a Resident Council. In the early stages of its development, the Resident Council does not need to incorporate. That may be done later. Many housing developments already have Resident Councils.

It will be necessary to hold elections so that the board is democratically chosen. The organization must be representative of the residents it is serving. If the Resident Council includes several housing developments, then representatives from each development should be represented. It is also necessary to decide what officers to have (president, vice president, secretary/treasurer is a good start) and to formally elect the officers.

The resident organization needs to develop a strong board of directors. The board does not have to be large. One of the most successful is Cochran Gardens Resident Management Corporation in St. Louis which has only five members. Many very effective boards have from six to 12 members. If the board is larger than that, it may be necessary to have an Executive Committee to act between meetings of the board.

The board must represent the residents in the development. Effective board members have the trust and respect of residents. They keep in touch with their neighbors and understand what are the concerns and issues in the development.

The organization will need strong leaders who can be advocates for resident needs. As the organization develops, it is very important to develop leadership.

There are a growing number of examples of resident management throughout the country. The following brief case studies of resident management in Seattle, Washington; Dallas, Texas; and Boulder, Colorado are examples of programs in different communities.

## HIGH POINT COMMUNITY COUNCIL

Seattle, Washington

High Point is one of four, large family developments owned by the Seattle Housing Authority. The 716 units of rental housing were constructed in 1942. The units are one and two story walk-up apartments.

High Point has a long standing history of resident involvement going back to the 1960's with the establishment of the High Point Community Council. Soon after its creation, the Council began to work closely with the High Point Neighborhood House, a social service agency that provides information and referral services, food and clothing, counseling, transportation, and outreach for Seattle residents. The Neighborhood House assisted greatly in the development of the High Point Community Council.

The Council has become an organized voice representing all High Point residents. Other activities and programs the Council has become involved in over the years include the establishment of a produce market, a laundry facility, and a "Say No! to Drugs" program.

The High Point residents have a good working relationship with the Seattle Housing Authority. The Community Council has monthly meetings with the Housing Authority to discuss community issues. These meetings are run by residents.

The High Point Community Council and residents at High Point take an active interest in issues impacting their community. Examples include successfully retaining a Metro bus route and meeting with the City Council regarding Block Grant funds.

It's through the residents' sincere involvement in their community and the Housing Authority's willingness to facilitate cooperation that High Point seeks Resident Management. In 1988 High Point received a \$100,000 grant under HUD's Resident Management Program to help achieve their goal of resident management.

## RHOADES TERRACE

Dallas, Texas

Typically, the successful creation of any resident council comes down to the leadership and initiative of one individual. In the case of Rhoades Terrace, a 394 unit public housing development in Dallas, Mrs. Jesse Toles is that leader. She began to organize the residents because she was fed up with the deplorable living conditions caused by drugs and violent crime in her development.

She can be seen every day walking the grounds of Rhoades, keeping an eye out for any suspicious individuals and assuring the safety of all Rhoades residents. The Rhoades Terrace Resident Management Corporation now functions as a liaison between the residents and the Dallas Housing Authority on such issues as maintenance and security facilitating dialogue and expediting results. The development has been completely renovated within the last five years, and the residents intend to keep it that way.

Rhoades has received a technical assistance grant for \$50,000 from HUD to explore converting the development to resident management. Rhoades is in the process of hiring a consultant to aid in designing a management plan. When asked why the residents want to manage Rhoades, they say they want to instill pride in their homes and in their own lives.



## BOULDER RESIDENT REPRESENTATIVES COUNCIL

### Boulder, Colorado

The Boulder Resident Representatives Council was formed fourteen years ago. It represents approximately eleven public housing sites and two assisted housing sites in the Boulder area. The Council was originally created by public housing residents to voice concerns about their homes to the Boulder Housing Authority.

The Council has progressed to the point where it now seeks to subcontract with the Housing Authority to take responsibility for certain housing management services which the Housing Authority has been providing. The Council wants to do specific management tasks such as tenant turnover services, landscaping, and building maintenance. Additionally, the Council wants to provide community services such as child care and health care.

The Boulder Resident Representatives Council was awarded a technical assistance grant of \$54,000 in 1988 and \$45,000 in 1989 under HUD's Resident Management Program. The grants are being used to promote resident management and other resident activities throughout the Boulder Housing Authority.

### **2.2. Obtaining A Technical Assistance Grant**

The Resident Council needs resources to do its work: both technical assistance help and funds. A good place to start is the housing authority. It may provide space for meetings; a staff person who can help the Resident Council organize, plan and write for grants; provide training and even funds for a Resident Council from the Comprehensive Improvement Assistance Program (CIAP), operating funds, or Section 8 reserve funds. Also, the housing authority may provide funding support for the Resident Council activities up to \$3.00 per housing unit.

There may be a local college or university that can provide assistance in such tasks as developing a needs survey of residents, or planning a day care program. Local companies may be willing to help with either staff resources, funds, or building materials. Service organizations (like Rotary, Kiwanis, or Lions) can be asked to help. The local bar association may be able to find legal assistance, and the local organization of certified public accountants could be asked to provide someone to help prepare budgets. It helps if you can make a clear and concise statement of what the Resident Council is, what it intends to do, and what specific help is needed.

State and local government may also be sources of technical assistance or funds. For example, the city or county may be able to provide funds from the Community Development Block Grant program.

### **HUD's Technical Assistance Grants**

A Resident Council or an already established Resident Management Corporation (RMC) may apply to HUD for a technical assistance grant to help get started in resident management. These grants for up to \$100,000 for any one public housing development are made once a year. Your housing authority is required to help your Resident Council if it is interested in resident management, and may have someone who can help in writing federal grant applications.

The grant is made directly from HUD to the Resident Council to provide training and technical help to build the capacity of the Resident Council to undertake resident management.

The following training is required for councils that receive a Technical Assistance Grant:

- HUD regulations and policies governing the operation of low income public housing,
- HUD regulations and requirements on the Public Housing Resident Management program,
- Financial management, including budgetary and accounting principles and techniques,
- Capacity building to develop the necessary skills to assume management responsibilities at the development.

There are also a number of activities that are permitted under the grant. They include, but are not limited to:

- Assessment to determine the feasibility of resident management,
- Activities to create a Resident Management Corporation,
- Activities to make housing management work,
- Economic development planning,



- Administrative costs for resident management training.

### **Feasibility Studies and Community Assessment**

The Resident Council is required to study the feasibility of undertaking resident management. Here are some questions to answer in such a study:

- What are the goals of undertaking resident management?
- What are the needs of the residents in this development?
- Which specific property management functions should residents do (for example, maintenance, rent collection, screening residents, security patrols)?
- What are the advantages and disadvantages of resident management for this development?
- What kinds of staff and organization are needed to carry out the functions?
- What supportive services programs should be developed for this development?
- How should these services be provided?

In other words, the feasibility study will help your Resident Council decide whether they wish to go ahead with resident management. If so, the feasibility study will be a blueprint of how to do it. The feasibility study and the training of the Resident Council go hand in hand. The purpose here is not to spend a lot of money on a paper study which ends up on a shelf. The feasibility study is an effort by the Resident Council, working with the public housing management specialist or Training Consultant, if desired, to understand its roles, functions, responsibilities, and possibilities.

### **Training**

A primary activity in this stage is to train the residents on the Resident Council Board. A public housing management specialist or Training Consultant must be hired by the Resident Council to train the board and help the Resident Council become familiar with the principals and practices of resident management. Eventually the specialist will assist in developing a housing management contract with the housing authority.

## **Creating a Resident Management Corporation**

The grant may be used to pay for help for setting up the Resident Management Corporation. Examples of such help include:

- Paying a lawyer to prepare incorporation papers for the Resident Management Corporation and to prepare by-laws
- Developing a reliable budgeting and accounting system,
- Finding insurance and bonding (but not paying for such bonding),
- Developing personnel policies and other management tools.

## **Housing Management**

If the RMC is ready to contract with the housing authority for housing management, the grant may be used to develop the housing management contract. The grant may not be used to pay for salaries for security, maintenance, rent collection, or other housing management services. These should be paid from a contract with the housing authority for such housing management services.



Examples of eligible grant activities are:

- Preparing and negotiating a housing management contract with the housing authority,
- Developing budgeting, accounting and auditing procedures,
- Developing personnel policies and procedures,
- Preparing management procedures for housing management,
- Determining the need for services such as day care, health clinics, better security, or job training.

### **Economic Development**

The grant may also be used to help start businesses to provide jobs for residents and local services for the housing development such as a laundromat or a convenience store. Grant funds may not be used for either capital expenses or operating expenses for a new business. Funds are to be used for planning or for management or legal assistance in setting up the business. Examples of activities are:

- Developing business plans or doing market studies,
- Hiring a lawyer to help with legal matters for a new business,
- Organizing a co-op food store or a janitorial maintenance firm.

### **Administration**

The grant may also be used to pay for administrative costs of resident management. Examples of activities include:

- Preparing plans and reports,
- Hiring consultants, including the services of a bookkeeper or accountant,
- Telephone, printing, office supplies and furniture,
- Travel that is approved by HUD for training, conferences, or site visits to other RMCs.

In short, the grant is to be used to help the Resident Management Corporation get started and build capacity for resident management..

### **Ineligible Costs**

The grant may not be used for some activities including:

- Entertainment, including food and beverages,
- Purchase of land or buildings,
- Physical improvements to dwellings,
- Activities not directly related to resident management such as lead-based paint testing and removal,
- Operating capital for businesses,
- Buying cars, computers, and other capital equipment with a value over \$300 (unless approved by HUD). If you need a computer or other capital equipment for the period of the grant, it may be best to lease the equipment.
- Architectural and engineering fees,
- Salaries for Resident Council or Resident Management Corporation staff who are doing security, maintenance, or functions other than grant administration (administrative costs related to eligible activities are permitted).

## **2.3 Applying for a Technical Assistance Grant**

### **Qualifications**

In order to receive a technical assistance grant, you need an organization that represents public housing residents. This organization does not have to be incorporated (which means you do not have to file legal papers with your state). However, there are certain rules to make sure your council fairly represents residents in the development. The organization must:

1. Represent the residents in the development the grant is applied for.

A development may be one or several buildings, or it may be a group of

row houses, or different buildings in the community that are "scattered site" buildings. The organization may represent residents in more than one development, or all the residents of the housing authority. However, it has to fairly represent the residents who will benefit from the grant.

2. Have a governing board whose members are democratically elected.

The voting membership of the board must be residents of the development(s) that will benefit from the grant.

3. Adopt written procedures for the election of officers.

Elections must be at least once every three years.

If you already have a Resident Council or some other group that includes site residents, make sure you meet the above rules. If you don't have an organization, you will need to organize residents and form a Resident Council.

### **Application Process**

If your organization has not prepared a grant application before, you will want to get some help. The local housing authority and the HUD Resident Initiatives Coordinator can explain the requirements and assist in preparing the application. You may be able to get assistance from a person experienced in proposal writing from a local university or community organization such as United Way. The key parts of the application are a statement of the activities the Resident Council proposes to carry out and a budget. These requirements are explained in a "Notice of Funding Availability" (NOFA) which HUD issues announcing the availability of funds, the application requirements, and deadlines for applications. Read the NOFA carefully and follow the instructions exactly. Since HUD has to strictly comply with the NOFA, make sure all requirements are totally completed.

This is a competitive process, so you will want to show local support to strengthen your proposal. Be sure to include letters of support from the housing authority, local government, and other organizations who may be involved with your Resident Council. Include a resolution from the Resident Council and any other information that shows resident support of the proposal (such as a result of a survey, newspaper articles, or petition). These will weigh in your favor when HUD reviews the proposals.

## **Grant Award**

The HUD Field Offices and HUD Headquarters in Washington, D.C. review the proposals and a final selection is made by Headquarters. If your Resident Council is awarded a grant, an agreement is made between HUD and your Resident Council. Before signing the grant, HUD will provide instructions in how to prepare a work plan and a detailed budget. A work plan outline is contained in the Appendix.

The Resident Council will also need to provide information about a financial management system that meets the standards of the Office of Management and Budget Circular A-110, "Grants and Agreements With Institutions of Higher Education, Hospitals, and other Nonprofit Organizations." If the Resident Council has a system for handling money, it should discuss these requirements with its accountant. If the Resident Council is unfamiliar with the procedures, the housing authority's financial officer can assist the residents in meeting these requirements. (See also Chapter 3.8 Financial Management)

### **2.4 The Public Housing Management Specialist**

The Resident Council must hire, by a competitive procurement process, a public housing management specialist or a Training Consultant to assist them. This is a person or company experienced in public housing and government programs who will help the Resident Council to organize and decide what it wishes to do. A key role of the public housing management specialist or Training Consultant is training the board and staff.

Some activities a housing management specialist or Training Consultant might carry out under the technical assistance grant include:

- Set up a training program for the board and staff,
- Provide general advice and help to the board and staff,
- Assist the group in conducting its feasibility study to decide what housing management functions the Resident Council can and wants to do,
- Provide advice on how to organize the RMC,
- Suggest ways of electing board members that give residents fair representation,

- Help set up the RMC by preparing articles of incorporation, by-laws, and applying for non-profit status known as 501(c)3 (or assist the council in getting legal assistance to do these tasks),
- Develop a housing management operations plan, and select and train the staff,
- Help the RMC to negotiate a contract with the housing authority for housing management of the development.

### **Selecting the Public Housing Management Specialist**

HUD requires Resident Councils who get a grant to hire a public housing management specialist. This is done in consultation with the housing authority, but the Resident Council or RMC makes the selection.

An open, competitive process must be used in hiring the public housing management specialist. The first step is to prepare a Request for Proposal (RFP). This is a one or two page statement describing the training and consulting services needed, and qualifications for the position. Send the Request for Proposal to candidates for the position.

Ask other resident managers, the housing authority, and the HUD Resident Initiatives Coordinator to suggest some public housing management specialists. The position should also be advertised in the local newspaper and/or national newspapers such as the "Commerce Business Daily."

A selection committee of the Resident Council then reviews the applications and selects the top candidates for interviews. The entire Resident Council may wish to participate in the interviews and make the final selection. The public housing management specialist should be someone residents can work with and who understands resident needs.

## **2.5 Training. The Key To Effective Resident Management**

### **Why Train?**

Managing public housing is a complicated and difficult business. There is much to learn. The training program will show board and staff what to do and how to avoid mistakes. The training will help the board work together

as a team. A well-run resident organization becomes the "tool" through which residents can achieve their goals for improving the development. (See HUD Training Notice in the Appendix.)

### **Setting up a Training Program**

The first training program should focus on the board and include all board members. The training starts with basics such as how to run a meeting. It may include ground rules for conducting meetings, working together as a team, and how to overcome conflict.

The major emphasis is on board duties and responsibilities. Board members will learn about the resident management program: what it is, and how it works. The board will learn how to set policy and provide oversight (that is, making sure staff follows board policy). The board will learn the difference between policy it is responsible for, and day to day operations which are the responsibility of staff.

The board is ultimately responsible for making sure that Federal rules and regulations are followed. Board members will need to know what are eligible and ineligible activities, and what procurement procedures must be followed. The board should also discuss and develop a code of ethics for board members which states clearly principles about conflict of interest.

The initial training will take from one to two years. The board may continue to have training after that. The board and the public housing management specialist will review the results of training and decide what further training is needed at the end of the first year.

A second training program will be needed for the paid staff. This training teaches skills needed for carrying out specific housing management tasks. For example, the maintenance staff can learn how to fix faucets or replace doors and locks. The housing authority's maintenance supervisors can help in this type of skills training.

Another way staff can continue to learn and improve their skills is through on-the-job training. Each staff position should have training opportunities. Once the staff person masters the position, he or she can be ready for promotion within the RMC to the next level.

Le Claire Courts in Chicago uses a unique on-the-job training system called "dual management." Housing authority staff work side-by-side with RMC "interns" for up to a year. The housing authority staff teach the RMC staff housing management functions. This approach works where the RMC and



the housing authority have a cooperative relationship.

Training should provide needed skills to all levels of RMC employees, whether manager or custodian. All supervisory personnel will need a knowledge of general management concepts. Specialized training, such as budgeting, purchasing, maintenance, and personnel work should be available to those in these positions.

Training of security personnel is an especially sensitive area. This training may be done in cooperation with the housing authority security staff and local police or private security firms.

For training assistance, the RMC can get help from the housing authority as well as outside sources, for example the state labor department or local unions will know of resources for craft training.

Once the training programs for the RMC board and staff are set up, the RMC can think about training for establishing resident-oriented businesses (such as a painting company or child care) to provide needed services. Later, the RMC may wish to organize about homeownership opportunities.

### **Resources for Training**

Each community has many training resources. The RMC Director and the public housing management specialist need to find these resources. RMC Director Irene Johnson at the Le Claire Courts in Chicago found that valuable community resources do exist but must be pursued. The potential sources listed below are examples of community training resources:

- Use the HUD technical assistance grant to get started,
- Seek Comprehensive Improvement Assistance Program (CIAP) funds from the PHA and make training a part of the management improvement program; also consider use of operating funds or Section 8 reserve funds,
- "Piggyback" on housing authority training by sending RMC staff to housing authority training programs,
- Pursue local Community Development Block Grant funds,
- Contact technical training schools and community colleges,
- Review available craft union training programs,

- Contact the Small Business Administration about training programs,
- Contact foundations, private corporations, and local businesses for help in training and possible grants,
- Request training help from local service clubs or professional organizations,
- After the RMC is functioning, budget for continued training.

## **2.6 Forming the Resident Management Corporation**

The Resident Council must form a Resident Management Corporation if it wishes to enter into a housing management contract with the housing authority. HUD regulations require the housing authority to be supportive of tenant interest in forming a Resident Management Corporation. There should be a continuing dialogue between residents and the housing authority as the RMC is set up. The goal is to have a cooperative, working relationship between the RMC and the housing authority. The public housing management specialist and the HUD Resident Initiatives Coordinator can provide guidance and information about HUD requirements.

### **The HUD Requirements**

HUD requirements for a Resident Management Corporation include the following:

- The RMC incorporate as a non-profit corporation,
- The RMC have a democratically elected board of Directors,
- Voting members of the board are residents of the housing development served.

If there are several existing Resident Councils, a single Resident Management Corporation may serve the Resident Councils. However, the Resident Councils must approve setting up the RMC. In many cases, the Resident Management Corporation and the Resident Council are one and the same.

Requirements for incorporation differ somewhat from state to state. The Resident Council should get legal help in incorporating the RMC. The public housing management specialist or legal counsel for the housing authority can help the RMC apply for non-profit status with the Internal Revenue Service. The RMC should file an application for what is known as a 501 (c)3 organization (i.e. non-profit).

RMC requirements are found in the Code of Federal Regulations, 24 CFR Part 964, (See Appendix).

### **The RMC Board of Directors**

The board of directors is a major key to a successful RMC. Voting board members must be residents of the development. The board may have non-voting members who are from local government or community organizations who are not residents. For example, the Bromley-Heath RMC in Boston has added appointive, non-voting members to bring special expertise to the board. Le Claire Courts RMC has an advisory board which helps the RMC.

The election process is very important. Elections must be held at least every three years and must be free and open with full resident participation encouraged. The Jersey City RMCs use local Board of Elections voting machines placed in the lobby of the buildings. The annual secret ballot election at Bromley-Heath is conducted by the League of Women Voters, with a 70% voter turnout.



The board sets the policies for the RMC and selects a manager capable of carrying out the policies. The basic operating plan, with its goals and objectives, is established by the board. The board should evaluate how well the goals and objectives are being met and provide new direction to the manager as appropriate. The annual budget and its periodic review is another way for the board to know how well the RMC functions.

The board should be large enough to represent each development and the interests of the residents within them. However, the board should not be so large that it is difficult to get agreement on key issues. Cochran Gardens RMC in St. Louis has only five board members. A board of eight to twelve is a good working group. If the board is very large, it will be more difficult to get consensus on issues. Large boards often have an executive committee of four to six members who may act for the board between meetings. Their actions are reported and reviewed at the next full board meeting.

The board should set and enforce meeting attendance requirements. For example, some boards replace members if they miss more than two consecutive meetings without a good reason. Others require an alternate attend if a member has to miss a meeting.

Length of board member terms can be staggered so there is continuity on the board. For example, the board can have three year terms with one third of the members being changed or renewed each year.

Residents are more likely to accept policies made and explained by their fellow neighbors who are on the RMC board. Residents should feel they have direct representation on the RMC board. This gives the RMC and its policies a distinct advantage over the more remote housing authority. The board may also bring focus to basic non-housing needs of the residents and help provide direct services to meet those needs.

## **2.7 Liability Insurance and Fidelity Bonding**

Before the RMC may assume its management responsibilities, it must provide "fidelity bonding" and insurance. Fidelity bonding is insurance that protects the RMC, HUD, and the housing authority against loss, theft, embezzlement, or fraudulent acts by the RMC employees. A more complete statement of insurance requirements is found in a HUD Notice titled "Insurance Requirements for Resident Management Corporations." (See the Appendix.)

The RMC must have a fidelity bond covering all employees in an amount not less than 10% of all development-related cash flow. General liability insurance, covering bodily injury and property damage, is also required. The housing authority's insurer may be willing to extend coverage to the RMC. For example, the Boston Housing Authority provides general liability, fire, and extended coverage to the Bromley-Heath RMC. However, if there is a high deductible, the RMC will need additional coverage.

Insurance coverage must be selected through a competitive bidding process. The public housing management specialist or the housing authority can assist the RMC in this process.

State law will require Workers' Compensation coverage. Auto liability coverage is also required if RMC staff will be driving vehicles. Fire and extended coverage for the housing development is the housing authority's responsibility. The RMC may want its own "business property" coverage or a comprehensive policy to cover fire, theft and liability. These insurance costs are legitimate budgeted expenses and are eligible to be included in the management contract with the housing authority.

## **2.8 Developing a Housing Management Operating Plan**

### **Why a Housing Management Operating Plan?**

The RMC is not an end in itself. Mildred Hailey of Bromley-Heath calls the RMC a "tool" to achieve resident goals. To reach its goals, the RMC needs a written plan that will serve as a guide to the activities and actions of the RMC. Without a Housing Management Operating Plan, it is too easy to get distracted by worthy proposals that come to the board, but are not aimed at the board's goals. The plan provides a focus for the RMC.

### **Plan Contents**

The basic goals are set by the RMC board. These might be "reducing crime and drugs" or "improving the appearance of the development" or "creating jobs for residents."

Each goal will have specific objectives. An objective is like a target. For example, an objective might be "to hire and train four residents as building custodians within six months." Now this is an objective that the board can clearly tell whether it is reached. At mid year the board can review the Operating Plan and ask, "Did we meet the custodian objective of hiring

and training four residents?"

Working with the public housing management specialist, the RMC staff and board prepare the Housing Management Operating Plan. Periodic review of activities comparing the plan to actual performance will keep the RMC staff "on track."

What goes into the Housing Management Operating Plan? This will depend on the specific situation which each RMC faces. Table 2-1 is a sample table of contents.



Table 2-1

HOUSING MANAGEMENT OPERATING PLAN  
(SAMPLE CONTENTS)

- 1.0 A statement of purposes and goals
- 2.0 The organizational structure - board and staff
- 3.0 The relationship with the housing authority
- 4.0 Housing management functions and objectives
  - Administration - budgeting, personnel, etc.
  - Operations - rent collection, admissions, resident issues
  - Security and safety of residents
  - Maintenance - day-to-day, preventive
- 5.0 Renovations - Comprehensive Improvement Assistance Program and other funding sources
- 6.0 Business development and training
- 7.0 Supportive services
  - Recreation
  - Daycare
  - Education
  - Health care
  - Drug abuse counseling and services
  - Job training and placement
- 8.0 Homeownership opportunities
- 9.0 First year action plan
  - Activities
  - Budget
  - Management plan
- 10.0 Plan for periodic evaluation of objectives

## **2.9 Negotiating A Housing Management Contract with the Housing Authority**

The housing management contract is a legal agreement between the RMC and the housing authority in which the RMC agrees to carry out specific management services. To develop the contract, the RMC and the housing authority must agree which property management functions the housing authority will continue to do and which ones the RMC will start to do. For example, the RMC may do day-to-day maintenance and uncomplicated repairs, but the housing authority may do repairs which require special skills like electrical work.

### **What Comes First?**

Before the actual management contract is negotiated, an active Resident Council must take all steps required in setting up an RMC as discussed above, and be trained by a public housing management specialist. With cooperation and assistance from the housing authority during this process, a Housing Management Operating Plan is developed, and then a contract is negotiated with the housing authority.

### **Negotiating the Contract**

The RMC has two goals in negotiating the housing management contract. The first is to meet the objectives described in the Operating Plan. The second is to develop a good working relationship with the housing authority. Both the RMC and the housing authority will want a contract which satisfies each party.

The management contract is a legal, binding document that determines which functions are done by the RMC and which ones are done by the housing authority. Whatever the contract says, the housing authority still has to meet its obligations to HUD. The RMC should seek independent legal counsel to review the draft document and review the final contract before signing it. Once the functions to be performed by the RMC and the housing authority are defined, the budget for the development is allocated to the RMC and the housing authority accordingly.

### **Contract Contents**

A typical contract will address the following subjects. Those indicated by an asterisk (\*) are requirements of the contract (see 24 CFR, 964.27).



- Identification of the properties to be managed,
- Statement of compliance with all applicable laws,\*
- Statement of budget handling responsibilities,\*
- Definition of other RMC and housing authority responsibilities,
- Determination of personnel and wage matters,
- Specification of required accounts and records,
- Provision for audits and program evaluations,\*
- Insurance requirements,
- Conflict of interest definition and prohibition,
- Provision of office space by the housing authority,
- Contract start and ending dates,
- Provision for use and retention of financial reserves by the RMC.\*
- Provision for the PHA to review the management corporation's performance at least annually,\*
- An agreement between the PHA and the RMC on financial incentives, if applicable,\*
- Provision that all activities will be carried out in conformance with civil rights and anti-discrimination legislation,\*
- Statement of what records must be kept by the RMC and made available to the PHA and HUD,\*

In addition, all special provisions should be included. For example, a dual management plan used by Le Claire Court in Chicago to transfer management functions from the housing authority to the RMC in phases is described in its management contract.

## **2.10 Hiring the RMC Staff**

### **Determining Staffing Patterns**

With the help of the public housing management specialist and the housing authority if appropriate, the RMC board decides what staff positions are needed. The staffing pattern is based on the property management and other activities the RMC has specified in the Housing Management Operating Plan. The staffing pattern where the RMC has agreed to collect rents and do daily and preventive maintenance for a 300-400 unit development might be as follows.

#### **Example of a Staffing Pattern**

- RMC manager
- Secretary
- Housing counselor
- Bookkeeper (1/2 time)
- Maintenance supervisor
- Custodians/maintenance workers (4)

Prepare an organization chart to show each portion and the relationships between each position. The overall objective of the staffing pattern is to enable the RMC to carry out the Housing Management Operating Plan. Begin with a few staff positions; add positions as needs become apparent.

### **Qualification Requirements and the Hiring Process**

The RMC board should adopt a personnel policy for hiring staff. (See Section 3.7 Personnel). The first person hired by the board is the RMC manager. This should be a qualified resident of the development. If a board member is selected, the person will have to resign his or her position on the board. This is to avoid a conflict of interest.

The RMC manager usually then hires staff while following the personnel policies set by the board. Federal nondiscrimination rules must be met. However, priority is given to residents of the development.

Have a probationary period of six months to make sure that the employee and the position "fit". Union negotiation may be necessary, especially in filling maintenance positions. There should be ongoing training for all positions. Wages must meet federal standards, which usually means meeting "prevailing wage rates," which HUD or the housing authority can provide.

## **Conflict of Interest**

The RMC board should develop and adopt a statement concerning conflicts of interest. The basic idea of a conflict of interest policy is that board members should not receive personal or financial benefit from actions of the board. For example, the RMC should not grant a contract to a firm in which a board member has some participation, nor should a person be both an employee of the RMC and a board member.

Two basic principles to follow in avoiding conflict of interest are:

- Board members should not receive RMC compensation for board services. (They may receive reimbursement for travel expenses while on RMC training or business, however.)
- The RMC should not employ members of the board or family members of the board. A family member is a relative, such as a brother or sister, or someone who lives in the same household as the board member.

## **Waiver of Regulatory Requirements**

The legislation that established resident management includes a clause that allows HUD to waive regulatory requirements that "unnecessarily increase the costs or restrict the income of a public housing project" (U.S. Housing Act of 1937 as amended by the Housing and Community Development Act of 1987; Section 20, (d) (1) appended). In order to obtain a waiver, a resident management corporation or a public housing authority must make the request to HUD. Residents who will be affected must be notified and they must have an opportunity to comment on the proposed waiver.

The waiver of rules applies to regulations, and not to requirements that are written into law. HUD may not waive any requirement concerning income eligibility for public housing, protection of residents or applicants for public housing, or rights of employees for organizing or collective bargaining.

### **3.0 HOW TO CARRY OUT PROPERTY MANAGEMENT TASKS**

#### **3.1 Overview of RMC Property Management Functions**

The Resident Management Corporation may contract with the housing authority for all property management tasks, or for only some tasks. Usually the RMC will take on those tasks it can do best because of being on-site and in close touch with residents, and because of the skills the RMC possesses. For example, the RMC may wish to do screening and selection of residents, day-to-day maintenance, rent collection, and vacant unit clean up and inspection.

The housing authority will often continue to do those tasks which it can do best because of its experience or greater size. For example, the housing authority may be able to get discount prices on purchases because it is a large-volume purchaser, or it may have licensed electricians who can do electrical repair work.

The exact housing management tasks will vary, depending on the size of the development, the condition of the property, and other characteristics of each development. There are basic functions, however, that are a part of property management responsibilities. These are divided into two categories: line and staff functions.

#### **Line Functions**

Line functions directly involve providing housing services for residents and include:

- Resident occupancy (resident screening, rent collection, eviction),
- Resident services (including recreation and community activities),
- Security (including anti-drug programs),
- Maintenance (day-to-day, major, preventive),
- Major renovations.

## **Staff Functions**

Staff functions are those needed to support the line activities, and are carried out by "office" personnel. They include:

- General management (supervision, liaison with the RMC board and the housing authority),
- Personnel (administering the personnel policy),
- Training (may be a part of personnel),
- Financial management (budget preparation, accounting, reporting),
- Purchasing (may be a part of financial management),
- Legal (may be through contract).

## **3.2 Resident Occupancy**

Resident occupancy includes the following activities: admissions, rent collection, annual income verification, and evictions.

An important goal of the RMC is to have full occupancy of the development with good tenants who like where they are living. Good tenants take care of their apartments, pay their rent on time, and help make the development a community.

Full occupancy is important because it means there will be more income to keep up the development. It is also important because vacant units may be broken into, vandalized, and be used for criminal activity eroding the sense of secure living conditions. Furthermore, the rental income provides the "life-blood" of the RMC. The RMC keeps certain income that exceeds expenses. (See Chapter 3.8, Financial Management). Therefore, if the RMC has rent-paying residents satisfied with their housing, the result is higher income and lower expenses, with more excess earnings retained by the RMC.

HUD has specific rules for occupancy that must be followed. The rules apply to eligibility, selecting residents, determining annual income, setting the amount of rent, utility allowances, lease provisions and terminations. (Refer to "The Public Housing Occupancy Handbook: Admission," August 1987, Handbook 7465.1 Rev-2; "The Public Housing Occupancy Audit

Handbook," June 1988, Handbook 7465.2 Rev-1; "The Public and Indian Housing Occupancy Reporting Handbook," January 1988, Handbook 7465.3.)

The following dialogue is from a "60 Minutes" television broadcast of November 30, 1986 in which Morley Safer interviewed Bertha Gilkey and other residents from the Cochran Gardens Resident Management Corporation.

Safer: How do the rules here at Cochran compare with the housing authority's rules.

Resident: Well, we don't usually make rules that are different from the housing authority's rules. We just make sure that we enforce ours, you see.

Safer: Why can't they be enforced by the housing authority when they're the management?

Resident: Because the tenant management is here, and there are people doing things that you just don't want to live next door to. The housing authority does not live here, and they will let them get away with a lot of stuff.

### Admissions

HUD requires a written admissions policy and procedures which are followed fairly for all residents. The HUD requirements for public housing apply.

- Resident income at admission cannot exceed the income limits determined for the area by HUD.
- RMCs, like housing authorities, must follow nondiscrimination requirements of Federal, state and local law. There can be no discrimination because of race, color, national origin, religion, creed, sex, age, handicap, or familial status.

- Preference is given to families: (1) who are paying more than 50 percent of their income for housing, (2) who live in substandard housing, or (3) who have to leave their homes involuntarily such as families displaced by fire. It also includes a family which leaves its home because of actual or threatened physical violence.

The RMC board should adopt a written admissions policy. Start with the existing housing authority policy and adapt it to what fits the situation in your development.

The RMC can set up an admissions committee to draft the policy for board approval. The admissions committee can review applications. It may wish to interview the applicants. If possible, the interview should be done in the applicant's home, especially if the application has raised some doubts about the suitability of the applicant.

The admissions procedures should include an orientation session for the new resident welcoming him or her to the development while making clear what is expected. Orientation should cover the lease provisions and the rules the RMC has developed for residents. It's a good idea to develop a resident guide describing the groundrules and giving helpful information such as phone numbers for the housing authority, fire, and police, and social service offices.

When the RMC at LeClaire Courts first started enforcing standards to cut crime and drugs, there was a higher than usual rental turnover. However, the "get tough" approach has made the development safer and paid off in the long run. The RMC must set the "tone" from the beginning. New residents should understand the high standards the RMC has adopted and agree to live up to them.

This is another segment of the "60 Minute" program.

Gilkey: We didn't just fix up Cochran. We changed the people. We changed the thinking of the people. We sit down with our people and we reeducate our people and we train them how to live. We taught them how to live in public housing, how to use the incinerator. OK, the proper way to use it. How to dispose of their garbage... If they're tearing out the walls, the old walls, when you put in new walls, they're going to tear them out.

Safer: ...The city still provides maintenance staff, but it's all overseen by the residents. That seems to make the difference. That, and a careful screening and selection process.

Gilkey: We look for people who are willing to buy in to our concept.

Safer: When you say "buy in," you don't mean for money?

Gilkey: No. I mean the standards that we have been able to develop in Cochran. Such as, be willing to sweep their own hall. Everybody has a certain day they have to sweep their own hall. Be willing to look out for their neighbor. Being willing to supervise their children. Being willing to be a good neighbor and be a good ally in the community.

## Rent Collection

Rent collection is a key activity in which the RMC can play a constructive role. RMC staff can visit with residents who are having difficulty in paying their rents. RMCs have found they cannot be lenient on overdue rents. However, they can help residents budget better or direct them to social service agencies if they are in a temporary jam.



RMCs may decide not to receive rent payments at their offices, but use a bank or other financial institution to receive rent payments. This reduces the security problem involved in handling cash at the RMC office. The bank will keep accurate records and provide the RMC with an accounting of rents received. RMC staff can follow up with residents who are late.

The rent collection policy must be: (1) firm, (2) fair (apply to all equally and consistently), and (3) known to all. As an important source of income for the RMC, rent collection must be given high priority.

It is helpful to set up rent collection performance standards. The RMC should not tolerate nonpayment and chronic late payment. There will be times, however, when a resident, through some misfortune, is unable to pay the rent. In such cases, a standard repayment policy over a set period of time can apply.

The Jersey City Housing Authority established rent collection performance standards for the Booker T. Washington RMC for rent collections. The performance standard used is the percent of units behind in their rent by 30 days and by 60 days for all housing authority developments for the past year. Usually the RMC keeps its percent of back rents below the target performance standard.

### **Annual Income ReExamination and Unit Inspection**

HUD regulations require a reexamination of resident household income once a year. This is another function that the RMC can undertake. HUD also requires each housing unit be inspected once a year.

### **Grievance Process**

In enforcing rules and carrying out its management functions, the Resident Management Corporation needs to have a grievance procedure for residents to follow if they disagree with a particular action. The RMC must offer residents a grievance hearing for any adverse action. The best policy is for the RMC to establish the process before a grievance comes up so that there is an orderly and fair process for handling such matters.

### **Evictions**

Evictions are never pleasant but are necessary under some conditions. Examples of lease violations that could result in eviction include: (1) nonpayment of rent, and (2) persistent behaviors that disturb or threaten other residents including drug related activity. Clear standards must be set

by the RMC board and known to all residents. The RMC's basic goal of creating a pleasant living environment requires a willingness to evict when necessary for the well-being of the community.

Due process must be followed when it is necessary to evict. The RMC board should develop a policy after first consulting with the housing authority and HUD about federal, state and local laws and regulations regarding evictions. The RMC staff carry out the policy. RMC staff must be trained to follow proper procedures. For example, these might include notifying the resident in writing stating the cause of eviction. If the problem is not resolved, the RMC staff gets the necessary court order for eviction which is carried out by a law officer.

If the HUD field office has determined there must be a "due process" hearing before eviction, the RMC may go directly to court for eviction of the tenant. It does not matter whether eviction is for non-payment of rent or for some other reason such as causing a disturbance. If the HUD field office has not issued a due process determination, the RMC must provide opportunity to the resident for a grievance hearing for any eviction including non-payment of rent. For evictions, follow HUD regulations which are available from the HUD field office or the housing authority.

A hearing before a panel made up primarily of residents can be effective in determining whether eviction should take place.

Another segment of the "60 Minutes" program focused on the evictions policy.

Safer: Once in Cochran, the main emphasis is on child control. The whole family can be evicted if one child is considered a menace. That is, possession of drugs, a weapon, stealing, or just for being what used to be called "incorrigible."

These two young men got into trouble. Bertha Gilkey had pleaded for leniency once before. But this time the Board of Directors seemed determined to deal out harsh punishment. In the end, the families of both boys had to go.

Manager: I've counseled them. The Social Services Director counseled them. I don't have any more counseling for this family. I just want this boy to know that I will be serving termination at the end of the month.

Resident: Both families?

Manager: Yes.

Gilkey: It can be heartbreaking. But the policy is that you have to be responsible for the people in your household. The only way that you can keep Cochran a neighborhood and not a project is the people have to be taught to be responsible, Morley. Just because we're poor doesn't mean we shouldn't be responsible.

### 3.3 Maintenance

#### Daily Maintenance

Daily maintenance is the most visible activity the RMC can undertake. If done well, good maintenance can have a real impact on the daily lives

of residents. A well maintained development has clean halls, well kept grounds, and graffiti removed quickly. Residents will be able to see that conditions are improving. Residents can be hired to do the daily maintenance. Residents can learn from on-the-job training from a maintenance supervisor with experience.

Custodians can be trained to handle routine repairs such as a dripping faucet. The RMC staff will need to develop a "Work Order" system where requests are written down, put in priority order, and assigned by the supervisor. The RMC board should set up performance standards for the response time for work orders. For example, the amount of time for a certain type of work order might be, "less than 24 hours." In its oversight role, the RMC board can ask for a written report at the end of each month of the number of work orders unfilled and the average response time for work orders completed.

### Basic Principles of Maintenance

The following are the basic elements of an effective maintenance system. Tasks should be performed efficiently and effectively.

1. Procedures for establishing the workload for each day.
2. Procedures for scheduling and assigning tasks, and assigning the resources available (personnel, equipment, supplies).
3. Procedures for supervising work activity and monitoring performance including collecting data on the nature and time to complete tasks and their costs.

### Maintenance Requiring Special Skills

A higher skill level is required for more complicated repairs, emergency repairs, or preparing a vacant unit for rental. Some housing authorities have "maintenance mechanics," a jack-of-all-trades position. A resident who starts as a custodian can move up to this level with training.

More technical maintenance is occasionally needed that requires special equipment or a licensed technician. The RMC has two choices. It can use the housing authority specialists or it can use an outside contractor. The RMC should determine which one will provide the best quality service at a reasonable price.

It will probably be necessary to work closely with the local unions for agreement on job titles and pay levels. At Bromley-Heath in Boston, the RMC worked closely with its staff and local unions to decide how to classify positions. The Bromley-Heath maintenance workers decided to form a separate union rather than join existing craft unions. In this way the workers would have flexibility in the type of work they could do, and the RMC would have to work with only one union rather than several. Whatever the union situation, federal law requires the payment of "prevailing wage rates" to meet requirements. HUD and the housing authority has information on how to establish the prevailing wage rates and will help the RMC to set up the wage standards.

### **Preventive Maintenance**

Preventive maintenance is especially important for the long-range well-being of the development. The budget for the development should include an amount for preventive maintenance each year. A regular schedule is then set up for inspection to determine the need for items like painting, termite control, or roof repairs and gutter replacement before major, costly damage occurs.

The housing authority can help the RMC set the schedules and estimate costs. Alternatively, the RMC can hire its own professional assistance.

One of the responsibilities of the RMC board is to make sure the staff prepares a Preventive Maintenance Plan. The board should review the plan to be sure it is up to date, and is being properly followed. Preventive maintenance is a matter of keeping things in good conditions in order to avoid big problems in the future.

### **3.4 Betterments and Additions**

Many public housing developments receive improvements above and beyond daily maintenance or even the preventive maintenance. For example, the grounds around the development may need a playground installed, new landscaping, and a park built. The development may need a new lobby area and new storm windows put in every apartment. Another example is vacant units needing major renovation before they can be occupied.

## Comprehensive Improvement Assistance Program (CIAP)

To help housing authorities fix up developments, HUD has a Comprehensive Improvement Assistance Program (CIAP). Each year housing authorities submit applications. HUD awards funds on a competitive basis. There is never enough money for all the requests. Competition for CIAP funds is severe, both among housing authorities and between developments within a housing authority. Your development may not get all the funds it wants. Therefore, the RMC must establish priorities for the needed improvements.

Since it is the housing authority that prepares the CIAP application it is essential the RMC work very closely with the housing authority. There may be other housing developments needing CIAP funds in addition to your development. The RMC should make sure it gets an opportunity for a fair share of the funds by its participation in the preparation of the CIAP application.

The RMC should make certain that residents are involved in deciding what improvements are to be made. HUD requires resident consultation in developing a CIAP application (See HUD Handbook, 7485.1 Revision 4, Chapter 5-1.) The RMC can set up a CIAP Committee to get improvement ideas. Committee members should talk with residents to get their views. Another way to get resident input is to survey all households in the development.



## Setting Priorities

With so many ideas for improvement, it will be necessary to rank the list of improvements. The RMC will need a qualified housing professional to inspect the buildings. The housing authority may have on its staff an architect, an engineer, or a certified housing management specialist. These specialists can prepare a list of needed improvements. Alternatively, the RMC may wish to hire its own expert to inspect the building. The following are suggested guidelines to help prioritize building improvements.

- First Priority: Code violations which are an immediate threat to resident health or safety and require emergency action. This includes housing where tests indicate children have elevated blood lead levels because of lead-based paints. Other include missing railings or smoke-detectors, fire hazards, and blocked exit ways.
- Second Priority: Physical problems which could cause structural damage and threaten the health or safety of residents. Examples of these include roof leaks, dry rot, serious foundation cracks, and roof drainage problems.
- Third Priority: Unrentable units - these need to be brought back to income-producing status as quickly as possible. Examples of problems which might prevent unit rentals include damaged floors or walls, and broken windows or doors.
- Fourth Priority: Cosmetic fix-ups. These can be very helpful in quickly showing improvement is on the way and improving morale. Examples include fresh paint, new counter tops, and new floor finishes.
- Fifth Priority: Code violations or other problems which do not appear to endanger lives in any way. Examples of this type of problem are noisy duct work or substandard room dimensions.

If your housing development is old or in need of significant repair, the Comprehensive Improvement Assistance Program will be a high priority focus of the RMC. The housing management role of the RMC will be easier if the development is first fixed up. There will be fewer repairs caused by outmoded systems. Residents will be more interested in keeping up a spruced up apartment than one that is run down.

## **Eligible CIAP Management Improvement Activities**

CIAP funds can be used for activities other than physical improvements. The following management improvement and resident training functions are eligible CIAP costs. (See HUD Handbook 7485.1 Rev.-4, Chapter 2-3.b.)

- Resident programs and services such as hiring staff to coordinate drug education or training for a Resident Council or RMC,
- Providing adequate security for residents and the development,
- Improving resident selection or eviction procedures,
- Helping to reach the occupancy goal of 97 percent (i.e., 3 percent or less of the units vacant at any one time). This could include quicker preparation of vacated units, or outreach programs to potential residents.
- Improving rent collection procedures so that late rents do not exceed 10 percent of monthly charges,
- Strengthening the maintenance program including daily maintenance, responses to resident requests, and preventive maintenance,
- Resident training related to either physical or management improvements at the development,
- Technical assistance to the RMC. This means the hiring of a consultant to help the RMC can be paid for as part of the CIAP,
- Economic development activities related to CIAP renovations.

CIAP funds may not be used for some expenses. For example, direct social services to residents are not eligible, although a social services coordinator can be paid for through the CIAP. Ongoing expenses of the RMC are not eligible. However, specific activities of the RMC may be paid for with CIAP funds. For example, the RMC may wish to hire a consultant to help develop resident selection and eviction procedures. Another example, is to use CIAP funds for training for maintenance staff. The RMC could also use CIAP funds to develop a business plan for a company that refurbishes apartments for the housing authority. This



company could then develop an ongoing contract with the housing authority.

### 3.5 Security and Anti-Drug Programs

*"Public housing is not for drug pushers... Public housing is for low-income families."*

Bertha Gilkey, Chairperson, Cochran Gardens Resident Management Corporation, St. Louis, Missouri

#### **Introduction**

Security is a major problem in many public housing developments. People live in fear of their apartments being broken into, or being robbed when they go out at night. For resident management to be able to work, the development has to become safer. Residents need security.

Residents have started to work with local police and housing authorities to make their homes safe again. One way to reduce crime is to issue identification cards to residents and post a guard at the building entrance at night. Other ideas include resident patrols, new security lighting, or developing recreation for youths who might otherwise get into trouble.

Resident Management Corporations are getting tough on residents involved in illegal activities. Resident groups develop clear rules. New residents agree to uphold the rules. Residents are evicted if they violate the rules.

The Cochran Gardens RMC set up a program employing young people to fix up apartments. Bertha Gilkey described how they did it. "We used modernization money to hire kids that were breaking into the apartments, vandalizing them, using them as dope dens. Once we renovated those apartments, they weren't broken into. Nobody messed with them."

Local law enforcement agencies as well as the housing authority's security force have major responsibilities in fighting crime and drugs. Residents can help. It is not a matter of taking over security. It's a matter of working together with local law enforcement agencies.

Resident Management Corporations can develop programs for increasing security and fighting drugs. Programs address the problem using three different approaches: housing management, enforcement, and prevention.

Housing Management: Resident screening procedures, swift eviction procedures, refurbishing vacant units used by criminals.

Enforcement: Resident patrols and "crime watches," hotlines to report drug or criminal activity, increased police protection.

Prevention: Youth sports, teen clubs, Boys and Girls Clubs, job training and counseling, job creation programs.

#### Bromley-Heath Resident Management Corporation

Bromley-Heath in Boston was known as the "concrete jungle" because of crime and drug dealing. Through the efforts of Mildred Hailey and Milton Cole, of the Bromley-Heath Resident Management Corporation, the crime wave was dramatically curbed.

Bromley-Heath is a pioneer in tenant patrols. Their community patrol uses volunteers to walk the streets and alert police about crime. Residents also mark their valuables. For residents who don't want to patrol the streets, but want to do something, the RMC has a unique program. The Window Watch Campaign uses volunteers who keep an eye out of their windows at assigned times and report suspicious activity.

At first these patrols were at odds with the police. However, the RMC and the police are now allies. Residents coordinate efforts with the police, and they help train residents in security.

Prevention programs targeted toward youth include a sports jamboree. Family days and cookouts encourage the residents to meet and greet each other, and that results in an increased sense of community. For drug addicts there are support groups as part of a drug rehabilitation program.

## **Public Housing Drug Elimination Program**

In 1989 HUD provided \$8.2 million for grants to public housing agencies to fight drugs. In 1990 there was about \$100 million. Grants are made to housing authorities which may contract with Resident Management Corporations. This is a good opportunity for an RMC to develop a drug and security program. HUD strongly encourages innovative programs developed jointly by the RMC and the housing authority.

Some of the eligible activities are as follows:

### Security Personnel

The housing authority or the RMC may hire security personnel such as security officers or investigators. Some RMCs hire off-duty narcotics officers to develop plans or carry out investigations. The grant can also be used to pay for additional police or housing authority security.

### Resident Patrols

The grant may pay for organizing, training and equipping resident patrols of volunteers. These costs can include uniforms or two-way radios or other needed equipment or training.

### Physical Improvements To Enhance Security

The grant is not intended for fixing up buildings. However, the grant can be used for improvements such as installing security lighting, bolts, locks, or security doors in a building lobby.

### Innovative Approaches

If the RMC has a good idea for reducing drugs or security, it could be eligible. These programs can include innovative ways to prevent drug-related crime such as a recreation program, or a way of creating jobs, or a program to make family life stronger.

## **How to Participate**

Ask the HUD Resident Initiative Coordinator or the housing authority about the due date and requirements for applying for a Public Housing Drug Elimination Program grant.

The housing authority submits the application to HUD. The RMC should work closely with the housing authority in preparing the application. The RMC should review the grant proposal and pass a resolution of support to be included with the application.

If the RMC carries out activities with grant funds, there must be a written agreement between the housing authority and the RMC. The agreement defines specific activities the RMC will do, and includes a budget. This can be prepared after the housing authority receives the grant.

There is also a HUD Drug Information and Strategy Clearinghouse which provides housing officials, residents and community leaders a source of information and assistance on drug abuse prevention and trafficking control techniques. The Clearinghouse provides referrals, HUD regulations and legal opinions, resource lists, and a newsletter, "Home Front", with innovative program ideas and announcements. Call (800) 245-2691, or write to P.O. Box 6424, Rockville, MD 20850.



### Kenilworth-Parkside Resident Management Corporation

Residents in Kenilworth-Parkside in Washington, D.C. decided to fight back against the crime and drug use that gave their development such a bad name. The Resident Management Corporation formed in 1982 by Kimi Gray has reduced crime by 75 percent.

The Kenilworth-Parkside Substance Abuse Program and the Teen Council have joined efforts. They focus on family participation, jobs, and cultural pride. The program includes prevention, referral to treatment programs when needed, and creating positive goals for residents.

The services include:

- Drug abuse seminars for all residents

- Training for all block and floor captains about drug abuse using small group seminars

- Family relationship seminars for residents

- Special group sessions for women

- "The Babies Project", an education program for pre-school age children

- Programs for the elderly

- Summer Youth Leadership Academy focusing on leadership development as well as drug abuse

- Two homework centers open four days a week

- Weekly recreational and cultural trips

### **3.6 General Management**

#### **Selecting the Manager**

The day-to-day management of the RMC is carried out by its staff. The RMC manager is the person responsible for general management. One of the most important tasks of the RMC board is to select the RMC manager (or director). The board should hold the manager accountable for meeting the goals and objectives established by the board.

The RMC board should prepare a written description of the RMC manager position. The board should meet with the RMC manager and review the board's goals and objectives at the beginning of the year. At the end of the year the board then reviews the performance of the manager and indicates the level of satisfaction with the work he or she is doing. If there are areas needing improvement, the board should discuss these with the manager. Specific goals can then be set for the next year.

If the manager is not able to meet the goals and objectives, the RMC board should review the manager's performance more frequently. If performance continues to be unsatisfactory, the board has the difficult, but necessary, task of replacing the manager.

Organizations work best when the board and its manager work together in harmony. A manager has many responsibilities, and no one is perfect. The board should work constructively with the manager to improve performance. The focus should always be on the results the board wants. A set of performance standards for the manager helps both the board and the manager focus on an objective set of criteria for the job.

#### **Roles of the RMC Manager**

The RMC manager's responsibility is primarily to see that the corporation is managed properly according to the policies the board has adopted. The board sets policy, the staff carries out policy. The RMC manager achieves this through staff he or she hires. Some RMC boards may wish to be involved in the hiring process for the staff. If so, the board should discuss the hiring process with the RMC manager to work out a mutually agreeable approach. It is important that the board not undermine the RMC manager.

Through an open and continual communication with RMC staff, the manager is fully aware of how well assigned tasks are carried out. The manager, in turn, keeps the board fully informed.

The manager should maintain a good working relationship with the housing authority and with HUD representatives. Further, the managers of successful RMCs such as the LeClaire Courts in Chicago or Bromley-Heath in Boston nurture good relationships with outside agencies. They get to know staff in local government agencies, private foundations, and service clubs. Through these connections these successful RMC managers are able to get support from these outside organizations.

It is essential the manager have adequate secretarial and bookkeeping services. Depending on the size and complexity of the development, it may be necessary to employ an assistant for the manager. The manager needs to avoid getting bogged down in routine, day-to-day matters which can take up time from doing the bigger tasks of planning, directing and controlling the RMC staff.

### 3.7 Personnel

The RMC should establish written personnel policies. The RMC board has a key role in setting the personnel policies. The RMC manager and staff can develop the personnel policies, but it is the board that adopts and sets the policy. The board may wish to set up a Personnel Committee to propose the policies to the entire board and to serve as a "watchdog" committee thereafter. The housing authority can help by providing policies they use and HUD requirements that must be met.



The personnel policies should list the steps to follow in the hiring process. These steps include: (1) creating and describing the positions, (2) setting the job qualifications and levels, (3) advertising for applicants, (4) screening or testing applicants, (5) interviewing finalists, (6) hiring on probation for a period of time such as six months, (7) and promoting to a permanent status upon satisfactory completion of the probation period.

The personnel policies should also cover the following:

- Provide for salary levels, with in-grade and cost-of-living increases,
- Prohibit all discrimination based on race, religion or age, but
- Give preference to qualified residents,
- Establish working hours and other conditions,
- Require a performance evaluation system,
- Define vacation and sick leave,
- Define other fringe benefits (health insurance, retirement),
- Establish sanctions, such as suspension, and when and how applied,
- Set forth procedures to be followed in the firing process,
- Establish a grievance procedure.

Wage rates for maintenance staff should be at the local, prevailing wage rates. The Housing Authority or the HUD RIC can provide the annual Maintenance Rate Determination which is based on a survey of housing authorities. RMCs may pay more than the established rate, but not less. An exception to the rule is that RMCs may request permission from HUD to permit resident to volunteer a portion of their labor. This may make it possible to offer a wage rate that is acceptable to the staff person, but within budget limits.

The RMC board should establish clear, no conflict-of-interest rules for RMC board members and the staff. RMC employees should not be a part of the immediate household of a board member. If board members are selected for staff positions, they must resign from the board.



The RMC manager or a top-level employee should be designated as personnel officer. In most instances, the personnel officer will have other duties. In large RMCs with a staff over 25, the position of personnel officer could be full time with the responsibility for seeing that personnel policies are properly followed. Personnel records are to be carefully maintained, including individual personnel files. Then when a question arises, such as earned leave time or promotion eligibility, there is a clear record of staff service.

### **3.8 Financial Management**

#### **Purpose of Financial Management**

Financial management means accounting, planning and management of the funds received and disbursed by the RMC. The RMC board is responsible for seeing there is a reliable financial management system. Board members do not have to learn to be accountants. The job of the board is to make sure there are good financial systems in place, review and approve operating budgets, and review financial reports. The board also makes sure funds are used wisely, and there is no fraud or abuse.

The board is the watchdog on finances. How does the board do this? Remember, you need not know all the details. The board needs to know the requirements for a good financial management system. It has to take enough interest in the financial reporting to have an understanding of the RMC's finances, and as a result of its review of periodic financial reports, know the right questions to ask.

#### **Basic Requirements of A Financial Management**

A good financial management system has the following parts.

##### **1. Competent Staff**

The RMC staff is responsible for operating the financial management system. The Resident Management Corporation will need a trained bookkeeper to maintain the financial records. The board may wish to hire a certified public accountant as an advisor. The housing authority's finance department is also a good source of help. The housing authority staff is already familiar with public housing accounting methods and can advise the RMC staff on procedures and interpretations of the regulations.

## 2. Internal Controls

Internal control means procedures for safeguarding funds against fraud and embezzlement. The most effective way to have internal controls is to separate duties about cash. Have different people do different functions. An ideal system separates three functions: (1) authorizing transactions, (2) keeping books, and (3) handling funds. When one person controls two or more of these functions, the risk of fraud and abuse is increased. If the RMC staff is too small to separate duties, closer board supervision is needed.

Here is an example of how this might work. For a purchase of cleaning supplies, the maintenance supervisor calls three suppliers and gets a low price quote. Since he has an established budget for purchasing supplies, he creates an order for the supplies. The original order is sent to the supplier with copies going to the RMC, the bookkeeper, and the receiving clerk.

When the supplies are received, the maintenance person responsible for receiving supplies checks the shipment to make sure that the quantities agree with the order, notes that the goods have been received, and sends the invoice to the bookkeeper who checks the unit prices, extensions and discount terms, and prepares a check. The RMC bookkeeper sends the check, along with a copy of the authorized purchase order and the receiving record to the RMC Manager who authorizes payment by signing the check and forwards it to the RMC Treasurer for countersignature. The signed check is then sent to the supplier. the transaction is posted on the RMC's book of accounts which are audited periodically by an accountant.

As discussed in Section 2.7, the RMC must provide fidelity bonding and insurance. This is to protect HUD and the housing authority against loss, theft, embezzlement, or fraud by the RMC or its employees.

## 3. Budgeting

Budgeting is a key process in financial management. The board should learn how the budgeting process works, and participate in the budgeting process. The budget is simply a plan for how funds are to be spent.

#### 4. Accounting

The RMC board must keep in touch with the income and expenses the RMC is responsible for. The board needs to know where the RMC gets its money and how it spends it. All financial transactions must be recorded in the books of account. Income and expense categories set by HUD for public housing should be used. The RMC accounting system must be compatible with the housing authority's accounting system.

#### 5. Monitoring Income and Expense Against the Budget

The RMC must live within its budget. The RMC bookkeeper should prepare monthly reports that show the actual expenses compared with the budgeted expenses. The board should review the reports to determine if the RMC activities are going according to the budget. If expenses are over or under budget, corrective action should be taken, or the budget adjusted.

#### 6. Reporting the Results of Operations

HUD requires financial reports on a regular basis. The RMC staff prepares the reports. The board reviews and approves the reports and sends them to the housing authority which sends the reports to HUD.

#### 7. Obtaining an Audit

Each year the financial statements of an RMC managing a housing development must be audited. The audit is done by a licensed, certified public accountant selected by the RMC. The audit results are presented in an audit report to the RMC board. The RMC board must provide copies of the audit report to the housing authority and to HUD within 30 days of receiving it.

After receiving the audit report, HUD will notify the RMC and the housing authority of any actions required. HUD will indicate the time allowed to take corrective actions. HUD will also follow up to be sure the actions are carried out.

### **Resources for Financial Management**

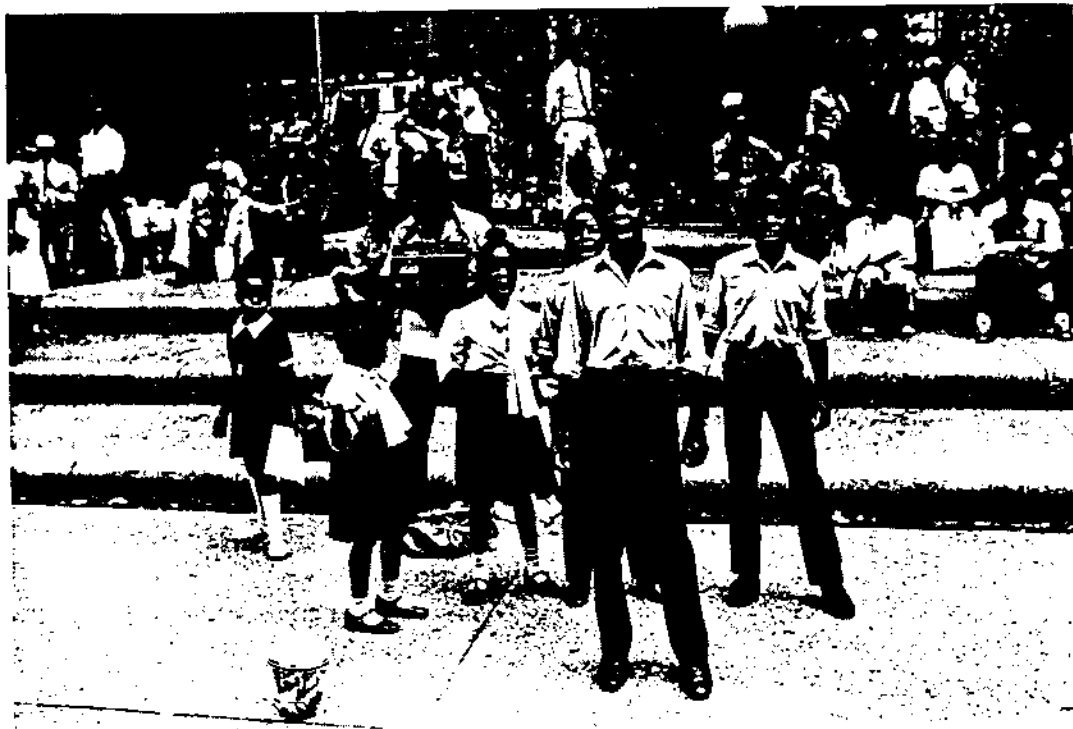
Cooperation between the Resident Management Corporation and the housing authority is essential in setting up the RMC financial management system. HUD procedures and account categories used for public housing financial management are the basis for RMC financial management. The board can get advice from the housing authority financial officer or from

its own accountant in setting up the financial management system.

HUD's "A Guide to Financial Management for Resident Management Corporations" explains the procedures in considerable detail. It is for RMC and housing authority staff. There are also three public housing handbooks that are helpful: HUD Handbook 7510.1, "Low Rent Housing Accounting Handbook," HUD Handbook 7475.1 Rev., "The Financial Management Handbook," and HUD Handbook 7475.13, "Performance Funding System Handbook."

### **HUD Requirements for a Technical Assistance Grant**

The Technical Assistance Grant (TAG) is a contract directly between HUD and the resident group. The funds do not pass through the housing authority. The grant follows government procedures for nonprofit corporations described in the Office of Management and Budget (OMB) Circular A-110, "Grants and Agreements with Institutions of Higher Education, Hospitals, and other Nonprofit Organizations." An important companion document is OMB Circular A-122, "Cost Principles for Nonprofit Organizations."



Before signing a contract for the Technical Assistance Grant, HUD requires the resident group to submit a detailed work plan and budget. The budget is a plan. It is a recipe which shows what is to be done, and how much money will be spent for each activity. The board should review and approve the budget before sending it to HUD.

### Competitive Bidding Required

Board members should be aware of the requirements for procurement. Unless there is prior approval by HUD, open and competitive bids for any service or purchase over \$5,000 is required. For example, in hiring a consultant as their Public Housing Management Specialist, the resident group must use a competitive process.

A possible procedure to meet that requirement is as follows:

1. Prepare a Request For Proposal (RFP) that states the services requested and the qualifications needed by an applicant. Define the criteria to be used to select the consultant.
2. Advertise the Request for Proposal by sending copies to housing consultants, and advertising in the local newspaper.
3. Review the qualifications received and interview the top candidates. Use the written criteria set up in step 1 to rate the candidates.
4. Select the consultant.

HUD will require reports that show the actual outlays of funds compared to the budgeted amounts. For example, if the budget shows \$35,000 for board training, then the report will show actual payments for up to \$35,000 at the end of the grant period. If the situation changes, HUD's Resident Initiative Coordinator should be consulted to approve a budget change.

### **HUD Requirements for a Housing Management Contract**

Before contracting with the housing authority, the resident group will form a nonprofit corporation. The Resident Management Corporation then negotiates a contract with the housing authority. The housing authority agrees to pay the Resident Management Corporation for the services it performs in carrying out housing management.

The housing management contract between the housing authority and the RMC should spell out the duties and responsibilities of each. These should

cover the day to day operation of the development. The contract should also describe the time table for preparing budgets, the accounting system, and reporting and monitoring of the RMC's financial management activities.

As the housing authority's agent, the RMC must set up and maintain complete and accurate financial records. As mentioned before, the financial system must:

- Provide an effective system of internal control,
- Provide budgetary control of the RMC's housing management activities,
- Provide financial data needed to record transactions in the books of account in a manner prescribed by HUD,
- Permit a timely and effective audit.

The financial management system developed during the Technical Assistance Grant phase is used for the Housing Management Contract.

### **Preparing the Operating Budget**

The Operating Budget is the financial plan for the next year. Before preparing the plan both parties decide which activities the RMC will do, and which activities the housing authority will continue to perform. This is a joint effort in which both the RMC and the housing authority work together to assure both organizations reach their goals.

There are three major pieces of an Operating Budget: income, expenses, and the HUD operating subsidy.

#### **1. Estimating Development Income**

The major source of housing authority income is rent from tenants. Smaller amounts come from the interest earned on investments and other charges.

#### **2. Estimating Development Expenses**

Each housing management activity will have a "price tag." Operating expenses include such items as administration, utilities, routine maintenance (for example, cleaning the halls or cutting the

grass) and non-routine maintenance. Capital expenses are major, once-only items such as replacing the roof. All operating expenses of the development are included in the budget, regardless of whether the activity is done by the RMC or the housing authority.

### 3. Determining the Operating Subsidy

The amount of the HUD Operating Subsidy is determined by the Performance Funding System formula. Under the Performance Funding System, HUD sets an Allowable Expense Level (AEL) for the development. Utility expenses (such as gas and electricity) and auditing costs are computed separately. The Operating Subsidy is the difference between the Allowable Expense Level plus utility and audit costs, minus estimated operating income.

$$\text{Operating Subsidy} = (\text{Allowable Expense Level} + \text{Utility Cost} + \text{Audit Expense}) \text{ less } (\text{Estimated Income})$$

#### **Allowable Expense Level**

The Allowable Expense Level (AEL) is important because it is figured only once. It then determines the financial baseline used to compute the amount of the HUD Operating Subsidy received in future years. The Allowable Expense Level is based on the routine operating expenses of the RMC development in the year before starting the first housing management contract. (This applies to all contracts after October 1988).

To establish the Allowable Expense Level, the RMC and the housing authority's accountants need to review each expense item. They decide an appropriate amount to assign to the RMC development. Some expenses are directly assigned. For example, the salaries of the maintenance staff of the RMC development is 100% an expense to the development.

Some expenses are assigned to the RMC development on a percentage basis. For example, suppose the RMC development has one-tenth of the total number of public housing units in the community, and the units are similar in age and condition. Then 10 percent of costs for the housing authority's central office overhead might be assigned to the RMC development.

The Annual Operating Subsidy for the RMC development is a very important figure. It is a key part of the budget submitted to the housing

authority and HUD. Once set for the year, HUD will not increase the operating subsidy. The RMC has to manage its finances wisely and live within its budget. Better yet, the RMC should strive to increase income and reduce expenses and come up with a net operating surplus. The RMC gets to keep any net operating surplus. This is the reward for doing property management well.

The Operating Budget (form HUD-52564, Operating Budget) is prepared using the same procedures the housing authority has always used. The RMC manager together with the RMC staff will prepare the budget. The RMC staff and the housing authority staff will need some working sessions to develop the budget. The RMC board reviews and approves the budget.

The President of the RMC board and the Executive Director of the housing authority then sign form HUD-52564, Operating Budget. The RMC board formally adopts a resolution approving the budget. The housing authority board adopts a similar resolution. The budget must be submitted by the housing authority to HUD as it does with the housing authority budget.

### **Excess Income**

A key idea about public housing financing that the RMC board needs to understand is this.

**If the RMC improves the financial condition of the development through better management, the RMC keeps the net operating income surplus. This is a financial incentive for the RMC to be a good property manager. The RMC can use this net operating income surplus to improve the development. For example, the RMC could start a day care program, put in new play equipment, or open a grocery store.**

The details of how this incentive works and the amount provided to the RMC are contained in the new HUD guide, "A Guide to Financial Management for Resident Management Corporations."



## **Income From Sources Other Than Housing Management**

Resident Management Corporations can have income from activities other than the contract with the housing authority. The RMC may have businesses. It may receive funds from private foundations, from other Federal programs, or from the City. The RMC may participate in Federal day care programs and receive funds from there.

The RMC must keep all accounting records, cash and investment accounts for the housing management separate from any other funds or enterprises. Funds from other sources should be kept in separate bank accounts. The financial management system developed for housing management can be adapted to provide financial control over these other activities.

The bank or financial institution used by the RMC must be insured by the Federal Deposit Insurance Corporation.

### **Summary**

As a board member, here are some important points to remember.

1. The RMC board is a watchdog on the finances of the program.
2. The board makes sure a financial management system is developed and implemented by the staff.
3. The board sets financial policy, and participates actively in the budgeting process.
4. Yearly an independent audit is done by an accountant selected by the RMC.

### 3.9 Purchasing

The government has procedures for purchasing which the RMC must follow. The purpose of these procedures is to make sure purchases are for the lowest price. The rules also guard against favoritism. The RMC will need to purchase supplies, equipment and services. These purchases must be accomplished in an orderly and efficient manner. Purchasing rules are found in HUD Handbook 7460.8, Procurement Handbook for Public Housing Agencies, and HUD Memorandum for Regional Administrators - Regional Housing Commissioners of July 21, 1989, "Public Housing Resident Management Procurement Policies". OMB (Office of Management and Budget) Circular A-110 has requirements to be followed by the RMC as a non-profit grant recipient. For example, contracts in excess of \$5,000 cannot be awarded to single bidders without sponsoring agency (HUD) approval.

The RMC staff should prepare a purchasing policy for RMC board approval. The objectives of the policy are to set up a purchasing program that assures honesty and products or services that meet the RMC's needs at a reasonable cost. The policy should follow federal rules for purchasing.



## **Purchasing Methods**

It may be easiest and most efficient to use the purchasing procedures already in use by the housing authority. RMC staff can be trained in purchasing procedures by housing authority staff.

The first step in purchasing products or services is to prepare specifications of what is needed. For example, when buying cleaning supplies, the specification are: the type of cleaner, the brand name, and the size of the container. "3 gallons of #5 cleaner by Brandname."

The specifications for the Housing Management Specialist will be more detailed as will be the specifications for fixing up run-down apartments, or installing a new roof.

There are at least three types of purchasing procedures: (1) small purchase procedures for low cost items, (2) general purchase agreements with regular suppliers, and (3) competitive bids for infrequently purchased items or services.

### Small Purchases

A petty cash system can be used for occasional, small purchases up to a set amount (\$50 or \$100). The board can authorize such an account and replenish it when it is depleted. Usually only one or two employees are authorized to use the fund.

### General Purchase Agreement

For most regularly used office or maintenance supplies, a General Purchase Agreement is practical. The RMC negotiates a contract with several suppliers such as hardware stores, building materials stores, or office supply stores. The contract should provide a discount price for items purchased under an "open-ended" purchase order. The store bills the RMC monthly.

### Competitive Bidding

In competitive bidding the RMC advertises for goods or services and selects from the bids received. A Request For Proposals (RFP) is prepared which describes the services needed. The RFP is sent to likely providers and advertised in the local newspaper and/or the Commerce Business Daily or other national newspapers. The RMC reviews the proposals and usually interviews the three best proposers. The RMC may wish to negotiate with the finalist concerning the extent and quality of

service, as well as cost. This method may be ideal for selecting professional services, such as the Housing Management Specialist, or architecture, engineering or data processing. The basis for evaluating proposals should be established beforehand and closely followed.

When large item, firm, fix-price contracts are involved (e.g., construction or rehabilitation), the formal advertising method is most appropriate. Detailed, carefully drawn specifications may be required and these can be made available separately to prospective bidders responding to the advertisement. Sealed bids should be required and opened at a previously specified time. The low bid need not be selected if it is not responsive to all elements of the specifications. In some cases, the RMC may wish to reject all bids received and review all aspects before rebidding.

For purchases that are not large enough to warrant the competitive bidding process, another small purchase procedure is "reasonable solicitation". This involves three or more letters or telephone requests (carefully recorded) for bids. The board should set dollar limits for this use and should provide for its regular monitoring.

For large items such as replacement stoves or refrigerators, the HUD consolidated supply program (CSP) can be used through the housing authority. The CSP permits purchases directly from the supplier at prices that have been established. Since this is a national program, the prices are generally more favorable than local "bargains." However, a comparison of CSP versus local prices should be made.

The purchasing option that is used should be based on board policy. The manager, or designated employee, should supervise the purchase process and make certain that careful records are maintained.

### 3.10 Legal Services

The Resident Council will need legal help to set up the Resident Management Corporation. The RMC must follow state laws as well as HUD regulations. The RMC will also negotiate contracts. It will have to follow the regulations of the Internal Revenue Service.

The Housing Management Specialist can guide the RMC through most of these requirements. To avoid potentially harmful mistakes or omissions, however, it is wise to have an experienced legal counsel to make certain that legal requirements are met.

In the early stages of forming the RMC, the legal counsel for the housing authority can provide valuable guidance. As the RMC actually gets underway, the RMC will need its own legal advisor. This is particularly true when the RMC negotiates a contract with the housing authority. It is a conflict of interest for the housing authority attorney to advise both sides in a contract negotiation.

As with the procurement of other services, the hiring of an attorney should be done competitively. Prepare a Statement of Qualifications, send it to attorneys who are known to be qualified in this area of law, and ask for the submission of qualifications. The housing authority attorney may be able to recommend attorneys familiar with housing issues and HUD rules. Other sources for recommendations are the HUD Area or Regional Counsel or the local Bar Association.

The RMC will need legal advice from time to time. For example, the RMC attorney should review contracts before they are signed. Should the RMC decide to undertake ownership of the development, legal advice must be used.

Since legal advice is a continuing, but usually not a full-time need, the RMC may wish to have an attorney available on a modest retainer. The RMC should explore with the Bar Association and local legal firms the availability of "pro bono" or free service -- at least for some routine activities.

## 4.0 HOW TO DEVELOP SUPPORTIVE SERVICES PROGRAMS

### 4.1 Why Develop Supportive Services

Many resident groups get started because there is a pressing need for services like day care, health clinic, job training, recreation programs for youth, and drug counseling. At Bromley-Heath in Boston, residents first organized to start a health clinic. They also set up a community center and special tutoring programs for the community's youngsters.

Kimi Gray explains how the Kenilworth-Parkside RMC in Washington, D.C. responded to health care needs.

*"We found a lot of our children were undernourished. A lot of parents weren't going to get prenatal care. A lot of them weren't being seen by doctors at all. We had a lot of venereal disease on our property, and people were not taken care of. So we set up our own health center.*

*We have a physician that provides basic health care and services to residents of the community. He conducts physicals, prescribes medicines and makes referrals, handles minor complaints and supervises a senior citizens exercise program. He also does home visits. That is something that doesn't take place in a public housing development, and my senior citizens love him to death."*

There is another reason to develop social service programs. For the RMC to be effective it needs the support of residents. The best way to develop solid support is to provide services people really need. A specific need, like a day care center, can be a way to rally residents.

### 4.2 Role of the Resident Management Corporation

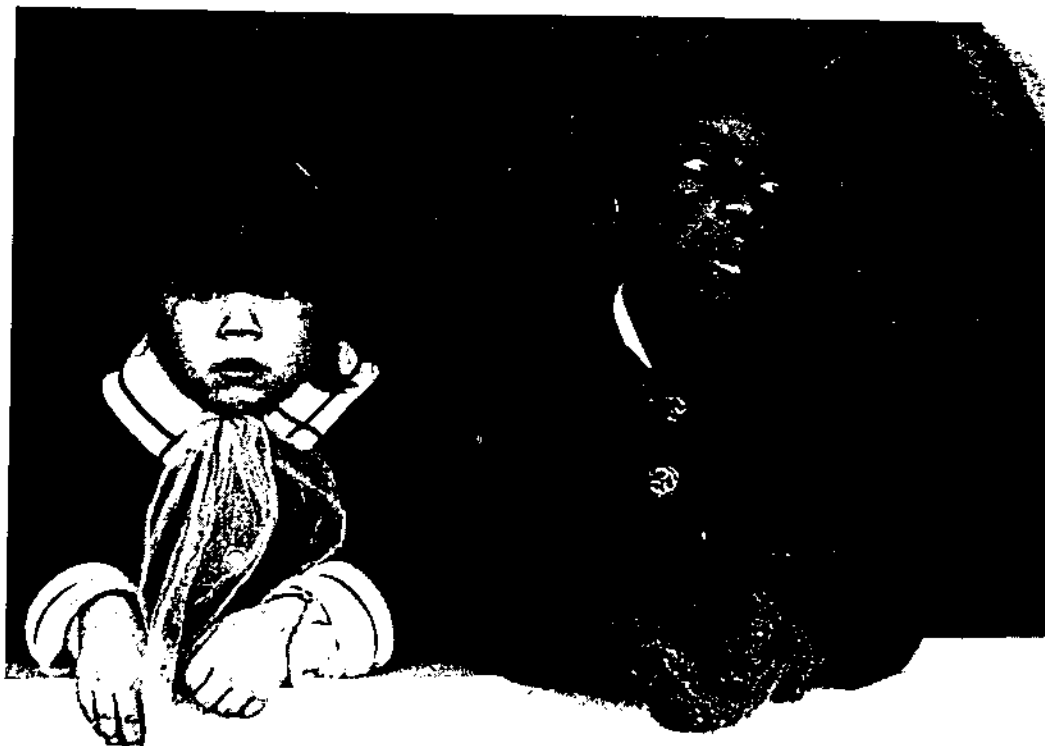
Supportive services have never received much funding from housing authorities or HUD. Public housing started as a housing program, and most of the funds are used to either build housing, modernize the older developments, or provide an annual operating subsidy. Housing authorities and HUD have extremely limited funds for supportive services. Housing authorities have provided limited recreation programs and resident

participation programs.

However, public housing resident groups have been able to get funds from other sources such as other federal programs, state and local government, foundations and other private sources for needed supportive services. Being a community-based organization, the RMC is in a good position to apply for such programs. A useful role for the RMC is to be a facilitator to get supportive service programs located in or to serve the public housing development. The RMC may wish to hire a grant writer to search for grants and write applications for the RMC.

The RMC can be an advocate to get social service agencies to provide services to the development. In one housing development, residents were able to get a food stamp office on site. Residents previously had to make a long bus ride to the food stamp office, and sometimes they would get there only to find out they did not have the proper information and documents. The residents were able to get the on-site office because they were organized, identified a problem, and then went to the agency and asked for the office.

While the Technical Assistance Grant may not be used for providing direct supportive services, funds from the grant can be used to conduct a needs assessment, plan for supportive services, and develop supportive services programs.



## **Supportive Service Needs Assessment**

An important step in providing the right supportive services is to find out what residents need. A supportive service needs assessment is a study which will identify these needs. Funds from the Technical Assistance Grant may be used to hire a consultant to prepare a needs assessment. RMC Board members can help in the study by talking to residents to find out what they want. The RMC may wish to conduct a survey of residents.

The needs assessment should first describe present services. Next resident needs should be described based on a survey, interviews with residents, and recommendations of social workers who know the development. Finally the needs assessment should recommend what programs would meet the needs of residents.

### **4.3 Public Housing Child Care**

Day care is a very important program in most RMC developments. Day care makes it possible for mothers and fathers to work and not worry about where their children are. A well run day care center provides learning opportunities for pre-schoolers. Some day care centers provide "latch key" programs for children after school so they do not have to be home alone or in the streets.

If the development does not already have day care, the RMC should consider starting one. The needs assessment will show whether this is a concern of residents. If there are many children in the development, and few day care programs in the neighborhood, a day care program is probably needed.

### **Funding Day Care**

One of the problems RMCs have in providing day care is funding to run the programs. HUD awarded \$5 million in fiscal year (FY) 1988, \$5 million in FY 1989, and \$4.7 million in FY 1990 to non profit organizations to establish child care facilities in or near public and Indian housing developments. Child care can also be provided in a family's apartment. Child care grants are authorized by the Housing and Community Development Act of 1987.

The grants are part of the HUD Child Care Demonstration Program to enable the parents or guardians of young children to seek, retain, or train for employment. The demonstration is intended to test whether the



availability of child care services facilitates employment opportunities. HUD day care funds can be used for a variety of start-up costs including minor renovation and operating expenses. Successful grantees were able to demonstrate the ability to sustain the facility after the demonstration phase by commitments from public and private resources. These might include in-kind services, fund raising, job training, or other self-sufficiency programs for public and Indian housing residents.

These programs are not merely custodial, baby sitting care. They are innovative, well-rounded programs that employ trained professionals and involve, to the extent practicable, employment opportunities for both parents and elderly resident of the public and Indian housing developments. In some locations, child care grantees provide referral and other supportive services and activities that are an integral part of the child care program.

RMCs that are not currently participating in the child care demonstration program, may consider establishing a facility on-site or near a development based on resident needs. Possible public or private resources are:

- Health and Human Services, Title XX Program,
- Health and Human Services Head Start Bureau,
- Job Training Partnership Act funds,
- State Welfare Reform Programs,
- Local non-profit and religious organizations,
- Local foundations,
- Housing authority,
- Department of Agriculture meals program for lunches.

HUD encourages housing authorities to provide space for the day care center in their developments. This might be an activity room, or several ground floor apartments joined together. If there is no space available in the development, the day care center should be within walking distance.

The staff for the day care program should include residents from the development. HUD encourages using elderly residents also. The staff will need training. Contact the local community college, or get help from experienced day care centers in the community. Information about this

program is available from the HUD Resident Initiatives Coordinator.

#### **4.4 Job Training and Employment**

Good jobs are another need of residents. There are four areas where the RMC can help residents with receive job training or to get jobs.

##### **Employment with the RMC**

There are a number of jobs to be filled in housing management. Some of these include office positions (secretary, bookkeeper), building maintenance, and repairs. Whenever possible, these jobs should be filled with residents of the public housing development.

##### **Employment in Repair Work in the Development**

When major repairs are made at the housing development, the RMC should encourage the housing authority and the contractor to use residents in its work force whenever possible. This is a requirement of Section 3 of the Housing Act of 1968 when modernization work exceeds \$500,000. For any construction-related contract over \$10,000, the contractor must document affirmative actions to ensure equal employment opportunity. Housing authorities are required to provide every feasible opportunity for minority business enterprises to participate in bidding for modernization work.

##### **Employment in Supportive Services**

Each supportive service program needs staff. Whenever the RMC starts a supportive service program, jobs should be created for residents. If the job requires special skills and outsiders are hired, trainee positions should be created so that residents can learn the skills needed to staff the programs in the development.

##### **Training for Employment**

The RMC can work with the local Private Industry Council to get residents connected to federally-funded job training programs in the community. Private Industry Councils provide pre-employment training, help in looking for a job, and financial assistance to employers who employ eligible trainees. The PIC can be an important resource for the RMC.

#### **4.5 Mental Health Services**

RMCs have also set up mental health programs. At Kenilworth-Parkside the RMC realized a number of residents were clients of the Community Mental Health Center and were having difficulty in independent living. "So we went out and got a psychiatrist who works on our property five days a week, and does home visits according to those we refer him to. Then we do follow-ups to make sure that he and his staff are actually doing this."

#### **4.6 Recreation**

In St. Louis the Cochran Gardens RMC involved youth in planning the Malcolm X Community Center. Now there are athletic events, talent shows, field trips, and a gymnasium with boxing facilities. In Jersey City the housing authority sponsors an Anti-Drug Summer Olympics Day with more than 1,000 residents participating. This is the finale of a recreation program for children in basketball, volleyball, baseball, and track.

#### **4.7 Elderly Services**

Some public housing developments have many elderly residents who need special services. These include Meals-on-Wheels, recreation programs, adult day care, health services, visiting nurses program, transportation and homemaker services. A first step in providing elderly services may be to do a needs assessment to determine what are the support service needs of the elderly in the development, and which needs are not being met.

## 5.0 HOW TO DEVELOP BUSINESSES

### 5.1 Why Develop Businesses?

With all the challenge of mastering housing management, one might ask, "Why should the RMC develop businesses?" The reason is resident management is not just to make housing more livable. It is also a program to help people improve their lives. A key is a good paying job. By developing businesses, a RMC can create jobs for residents. The RMC can own the businesses and earn income to expand its programs. At Cochran Gardens in St. Louis, economic development has been the major focus of the RMC. Residents can learn to run their own businesses.

*"We know that home ownership opportunities are most achievable where residents have access to good paying jobs and job training. That's why an important -- indeed basic -- part of resident management-housing authority partnerships should involve the creation of new business opportunities. You have already demonstrated an entrepreneurial spirit through the creation of resident management maintenance crews, food stores, and day care centers... You have helped give public housing residents the opportunity to work again, and achieve dignity and hope for the future."*

Jack Kemp, Secretary  
Department of Housing and Urban Development

There are at least three good reasons why the RMC should consider developing businesses. First, the businesses will provide needed services for the housing development. For example, a small grocery store operated by residents in the housing development will be a real convenience for residents. Second, the businesses will provide jobs. Third, the businesses will generate income for the RMC which can then develop other programs.

There are opportunities waiting to be developed. Kimi Gray, the Chairperson of the Kenilworth-Parkside RMC in Washington, D.C. talked about creating a business in their development.

*"One of our residents was unemployed, and he had too much pride to go on public welfare, and he also had a good skill. He knew how to make storm doors and storm windows. He had worked for Supreme*

*Aluminum for 15 years. After being fired for being late, he drew unemployment compensation.*

*He and I were talking one day. He said, 'Miss Kimi, I really have something to offer this community.' I said, 'You are right. You do. We are going to renovate that old, abandoned laundry room so you can go into business.'*

*We now call it the Screen Door Shop. This operation repairs and replaces screen doors for the apartments of residents in the community. Staffed by two residents, it provides training for youth in the development. It operates from April to October. Then after October, he comes on our payroll. So he will never be unemployed again. The money he generates from replacing and repairing storm doors represents enough funds to put him on the payroll for the entire winter."*

## **5.2 Types of Businesses**

There are many opportunities for business development by the RMC. It takes some imagination to see these opportunities and turn them into businesses. Three types of opportunities are: (1) businesses related to housing management, (2) businesses that serve resident needs, and (3) businesses that serve a wider market outside the housing development.

### **Businesses Related to Housing Management**

The housing development itself is a place to start when thinking about forming a new business. The Screen Door Shop at Kenilworth-Parkside is one example of turning a housing management need into a business.

Another example is lawn care. At one development the housing authority agreed to pay a resident to mow the lawns. The authority also helped him buy the grass cutter he needed. Once he had experience and equipment, he got contracts with commercial buildings and developed his own business.

Another opportunity is renovating vacant units in housing authority buildings. This is more complicated than day-to-day maintenance, and requires skills in carpentry, plumbing, and electricity. A renovation company, once it gets experience with the housing authority, can seek contracts with private housing management companies.

## Businesses to Serve Resident Needs

From a business perspective, the housing development is a "market" with needs. As the saying goes, "find a need and fill it." RMCs have been successful in starting businesses that provide services which residents want and need. These include grocery stores, laundromats, beauty parlors and barber shops, thrift shops, and coffee shops.

Catering is a business that can serve day care and elderly programs. Kenilworth-Parkside operates a catering business that serves federal and local agencies as well as individuals and foundations. It is operated by residents.

Kimi Gray of Kenilworth-Parkside in Washington, D.C. described how they formed businesses.

*"We have a thrift store. We have taken all donations and have turned those donations into a thrift store that hires our residents. Those persons sort through the clothes, and what is worth buying, they hang, and what is not, they discard. But we never refuse anything.*

*Since starting our thrift store, we have staffed two residents that were previously unemployed. One was an alcoholic. Now he is rehabilitated, works every day, and serves us very well in our thrift store.*

*We have a carry out shop that we call our snack bar, which also staffs two residents. The carry out provides hot and cold sandwiches, breakfasts, lunches and evening snacks for purchase by residents of the community. It operates five days a week from 10:00 am to 7:00 pm, and the residents completely staff it. They manage it. They order the supplies, the entire nine yards, and they love it.*

*We have our own co-op supermarket because in Kenilworth, after the riots, the Safeway was burned down. That was our only way of getting fresh produce every day.*

*We have our own barber shop because we all like to look beautiful. If you look beautiful, you feel*

*beautiful. It is staffed by two residents that are licensed. One has a master barber's license, and the young lady is a graduate of a cosmetology school. The beauty parlor started in 1983. Since then we have had several students that have been encouraged to go to cosmetology school and complete the course."*

### **Businesses that Serve a Wider Market**

Once a business has started that serves the public housing development and gets experience, it can look to a wider market. For example, a painting company, a landscaping business, or catering firm can market its services in other parts of the city.

The Cochran Gardens RMC in St. Louis has gone beyond housing management into housing development. The RMC has built 790 units of housing in a joint venture with McCormack, Baron and Associates.

### **5.3 Starting Businesses**

The Public Housing Management Specialist can help the RMC in identifying resources necessary for planning its business development strategy. During the training and planning period, the resident group can develop ideas for new businesses and social services.

There are many community resources to help the RMC and staff in business development. A very good resource is the Small Business Development Center. These centers, supported by the Small Business Administration, provide consulting help in business planning, marketing, and management. An example of using local resources is in Greenville, South Carolina. The Greenville Technical College provided a special course, "How To Start A Small Business" for public housing residents.

Before starting a new business, it is best to do a business plan. It may be only a few pages, but a written business plan will help the business get off on the right foot. The following is a sample table of contents.

## Business Plan Table of Contents

- 1.0 The Concept
- 2.0 Objectives
- 3.0 Market Analysis
- 4.0 Operations
- 5.0 Marketing
- 6.0 Organization and People
- 7.0 Financial Analysis and Projections
- 8.0 Ownership

Adapted from "Entrepreneuring" by Steven C. Brandt, New American Library, 1983.

### **5.4 Role of the RMC in Business Development**

The RMC as a non-profit organization can set up businesses to provide income. The income from the business (after expenses are deducted) flows to the RMC. Such businesses are under the control of the RMC. Advantages of this approach are that the RMC can control the business activities, income flows to the RMC, and the RMC creates jobs. A number of RMCs use the small business income to fund social service programs for residents.

A different approach is for the RMC staff or consultants to train and coach residents in starting businesses. Here, the businesses will be owned and controlled by the persons who start them. Advantages of this approach are the individuals can develop their own businesses and become independent. Also, the owners can focus on the business and not be diverted by other RMC activities.

Under the HUD Technical Assistance Grant, funds can be used to start businesses. For example, funds can be used to hire a consultant to prepare a business plan. The RMC can also have a market study prepared. Technical Assistance Grant funds can not be used for operating capital for a new business. Nor can the funds be used to purchase capital equipment



such as a truck or kitchen equipment for a snack bar.

These restrictions do not apply to funds the RMC "earns" through its property management contract with the housing authority. Any net operating income surplus can be used by the RMC to start businesses. The RMC can use funds from other sources for business development. For example, the RMC could submit a grant application to a local foundation or apply for Federal funds under other programs.

The RMC can play an important role in making sure that the housing authority regulations do not block legitimate business activity. Most housing authority leases have a rule that prevents residents from operating businesses in their homes. There are good reasons for this rule. Businesses can cause nuisances because of noise, odor, or deliveries.

However, some home businesses will not cause a nuisance to other residents. For example, in Tampa, Florida, Gussie Livingston provides day care in her apartment. The housing authority helped by renovating the unit to meet state licensing requirements. In another case a court upheld a resident who did typing and word processing in her apartment. Other types of activities include book keeping, dress making, baking cakes or limited food preparation. The RMC can work together with the housing authority to develop sensible rules. These rules will allow some home businesses while protecting the other residents from nuisances. HUD is developing policies to encourage resident-owned, small businesses in public housing developments with proper safeguards to avoid nuisance to other residents.



## **6.0 INCREASING HOMEOWNERSHIP OPPORTUNITIES**

### **6.1 The Homeownership Concept**

While homeownership is a goal for most people, it has not been possible for most public housing residents. That is now changing. HUD has a program where public housing residents can become owners. The road to homeownership is not easy. However, there are rewards. Residents can truly control their housing. They will be secure. They can pass on their home to their children. They can sell their home if they wish to move.

The RMC homeownership concept first requires a well-functioning Resident Management Corporation with three years of housing management experience. After planning and approval by HUD, the housing authority sells the development to the RMC. As soon as possible, the RMC sells the housing to the residents.

There are safeguards in this process. Residents in the development must be consulted. There must be public hearings. The rights of other public housing families must be safeguarded. The housing authority must replace the low income housing unit for unit. That way the total supply of low-income units in the community is maintained.

### **6.2 Other HUD Homeownership Programs for Public Housing Residents**

There have been earlier programs to provide homeownership for low-income renters. One is Turnkey III, a lease-purchase program. Local public housing authorities developed new housing and leased it to low-income families over a 15 or 20 year period. From 1968 to 1989, 7,567 units were sold to low-income people. Contact HUD or your local housing authority to determine the status of Turnkey III authorized, but unused units for the local housing authority.

Another homeownership program, known as Section 5(h)) after the section in the Housing Act, allows housing authorities to sell units to residents. HUD continues to pay debt service on the original acquisition or construction cost. A demonstration study by HUD started in 1985 used different methods for transferring title from the housing authority to residents. At the 15 sites in the demonstration program a total of 320 units were transferred to public housing residents by the end of 1989.

### **6.3 The RMC Homeownership Program**

HUD requirements for RMC homeownership are described in the Federal Register of November 3, 1988, pages 4458 - 44561, and in "A Protocol For Homeownership Conversion Application and Approval Under Section 21 of the United States Housing Act of 1937." RMCs considering homeownership should discuss their interest with their Resident Initiatives Coordinator and get these rules. This section summarizes the key points.

#### **Eligible Resident Management Corporation**

The RMC must have at least three years of experience in which it shows its capability to manage public housing. Three years of a successful housing management contract with the housing authority will satisfy this requirement.

The RMC must meet the requirements described in Section 2.6 of this Guidebook. The RMC must be set up as a non-profit corporation, have a democratically elected board of directors, and have voting members who are residents of the property that is managed.

#### **Capability to Undertake Homeownership**

The RMC has to show that it has the ability to carry out the homeownership program. Success in the housing management contract is an important way to show this capability. The RMC should have a well functioning financial management system (See Section 3.8). There should be internal financial controls, systems for accounting and monitoring the use of funds, and annual audits.

The finances of homeownership need to be studied carefully. A financial study is made to show present and future income as well as expenses. The study should determine if residents can afford homeownership. The ability of residents to purchase their housing improves if their incomes are increasing.

A sales price for the development will need to be set. This is done by negotiations between the housing authority and the RMC. It may be necessary to have an appraisal done of the property by a qualified real estate appraiser to determine the value of the property.

The homeownership study should also identify the need for any technical and financial help needed after ownership is transferred from the housing authority to the RMC.

The housing authority must use the money it receives from selling the RMC development to build or purchase housing for low-income families.

#### **6.4 Resale of Housing by the RMC to Residents**

The RMC must sell the units to the residents. The sales to residents should start as soon as possible after the RMC accepts title to the property. There are different ways residents can become owners. Which method to use will depend on the type of housing development, and the wishes of the residents. For example, the development could become a cooperative. In this form of ownership, each family owns a share of the development. If the family moves, it sells the shares. Some cooperatives require the family to offer its shares to the cooperative first.

Another approach is that each family owns its own apartment as in a condominium. A homeownership specialist can advise the RMC and residents and help them decide which approach to use.

Units must be offered for sale in the following order:

1. Residents of the RMC housing development
2. Residents of any other housing authority development
3. Families who receive Federal housing assistance and live in the community
4. Families on the housing authority waiting list.

## APPENDIX A

### RESIDENT MANAGEMENT LAWS, REGULATIONS, AND HUD PROGRAM MATERIALS

#### Introduction

The rules and procedures for the Resident Management Program are contained in the following:

Laws which contain the legal requirements the program must follow,

Regulations which are rules that interpret the law,

Handbooks which explain the regulations in greater detail and explain how to meet the regulations. Handbooks are intended for use by HUD staff, housing authority staff, and RMC staff. Handbooks are technical and lengthy. There are also Notices, and Memorandums which give specific information about the program and supplement the regulations and handbooks,

Guidebooks, such as this guidebook, provide further information. Guidebooks are not as technical as handbooks. They provide general information.

The following is a list of HUD materials for the Resident Management Program.

#### Laws

The legal authority for the program was established in the Housing Act of 1987 passed as Public Law 100-242, February 5, 1988. The law amends the basic housing law known as the United States Housing Act of 1937 as amended by inserting a new Section 20, "Public Housing Resident Management." A copy of Section 20 is found at the end of this appendix.

#### Regulations

The regulations which provide guidance for the Resident Management Program are found in the Code of Federal Regulations, 24 CFR Part 964. A copy of 24 CFR 964 is found at the end of this appendix.

## **HUD Handbooks, Notices, Memorandums**

### **1. Resident Management Technical Assistance Grants**

The 1990 grant application procedures are contained in:

Public Housing Resident Management Technical Assistance Notice of Funding Availability for Fiscal Year 1990; Federal Register, Vol.55, No. 39, pages 6958 -6967.

### **2. Resident Management Corporation Insurance**

"Insurance Requirements For Resident Management Corporations" HUD Notice PIH 90-22(PHA), April 27, 1990. A copy is found at the end of this section.

### **3. Occupancy**

HUD has specific rules for occupancy that must be followed. The rules apply to selecting residents, collecting rents, and evictions. They are found in the following HUD Handbooks.

"The Public Housing Occupancy Handbook: Admission," August 1987, Handbook 7465.1 Rev-2,

"The Public Housing Occupancy Audit Handbook," June 1988, Handbook 7465.2, Rev-1,

"The Public and Indian Housing Occupancy Reporting Handbook," January 1988, Handbook 7465.3.)

### **4. Comprehensive Improvement Assistance Program**

CIAP provides for major renovations in public housing. See:

"Public Housing Comprehensive Improvement Assistance Program," December, 1989, Handbook 7485.1 Rev.-4. Chapters 2 and 5 are included at the end of this section.

## 5. Drug Elimination Program

Information about HUD's Public Housing Drug Elimination Program grant is found in the following regulations:

24 CFR Part 961, Public Housing Drug Elimination Program, Final Rule, Federal Register, Vol. 55, No. 128, pages 27598-27618.

## 6. Personnel Policies

HUD has extensive procedures for housing authority personnel policies. These are contained in the following handbooks.

"Personnel Policies, Part I," Handbook 7401.7.

"Personnel Policies, Benefits," Handbook 7401.7 Part II.

## 7. Financial Management

HUD has a guidebook specifically for financial management for Resident Management.

"A Guide to Financial Management for Resident Management Corporations." It explains the budgeting and accounting procedures in considerable detail. It is for RMC and housing authority staff.

In addition, Resident Councils and RMCs must follow two Office of Management and Budget Circulars.

Office of Management and Budget (OMB) Circular A-110, "Grants and Agreements with Institutions of Higher Education, Hospitals, and other Nonprofit Organizations."

OMB Circular A-122, "Cost Principles for Nonprofit Organizations."

There are also three HUD public housing handbooks that are applicable:

"Low Rent Housing Accounting Handbook," Handbook 7510.1.

"The Financial Management Handbook," Handbook 7475.1REV.

"Performance Funding System Handbook," Handbook 7475.13REV.

## 8. Purchasing

Purchasing rules are found in:

"Procurement Handbook for Public Housing Agencies," April 1987, Handbook 7460.8.

HUD Memorandum for Regional Administrators - Regional Housing Commissioners of July 21, 1989, "Public Housing Resident Management Procurement Policies.

HUD Memorandum for Regional Administrators, Regional Housing Commissioners of April 12, 1990, "Contracting and Pro-Active Monitoring in the Resident Management Program" (plus attachment, HUD letter sent to all Resident Management grantees).

## 9. Child Care

"Public Housing Child Care Demonstration Program; Notice of Fund Availability," July 14, 1989, (Docket No. N-89-1943; FR-267) Federal Register, Vol 54, No 134, pages 29840 - 29349.

## 10. Home Ownership

HUD requirements are described in "Public Housing Homeownership; Notice" in the Federal Register of November 3, 1988, pages 4458 -44561.

HUD Guide, "A Protocol For Homeownership Conversion Application and Approval Under Section 21 of the United States Housing Act of 1937."



## ATTACHMENTS

1. Section 20, United States Housing Act of 1937 as amended, "Public Housing Resident Management."
2. 24 CFR Part 964, "Resident Management in Public Housing," Final Rule.
3. HUD Notice PIH 90-22, Insurance Requirements for Resident Managment Corporations.
4. General Work Plan Outline.
5. HUD Notice PIH 90-53, Training/Technical Assistance Guidance.
6. CIAP Handbook 7485.1REV4, Chapter 2. Eligible Costs; and Chapter 5. Resident/Homebuyer Consultation and Involvement Requirements.

project without obtaining the approval of the Secretary and satisfying the conditions specified in subsections (a) and (b)."

SEC. 122. PUBLIC HOUSING RESIDENT MANAGEMENT.

The United States Housing Act of 1937 is amended by adding at the end the following new section:

"PUBLIC HOUSING RESIDENT MANAGEMENT

"SEC. 20. (a) PURPOSE.—The purpose of this section is to encourage increased resident management of public housing projects, as a means of improving existing living conditions in public housing projects, by providing increased flexibility for public housing projects that are managed by residents by—

- "(1) permitting the retention, and use for certain purposes, of any revenues exceeding operating and project costs; and
- "(2) providing funding, from amounts otherwise available, for technical assistance to promote formation and development of resident management entities.

For purposes of this section, the term 'public housing project' includes one or more contiguous buildings or an area of contiguous row houses the elected resident councils of which approve the establishment of a resident management corporation and otherwise meet the requirements of this section.

"(b) PROGRAM REQUIREMENTS.—

"(1) RESIDENT COUNCIL.—As a condition of entering into a resident management program, the elected resident council of a public housing project shall approve the establishment of a resident management corporation. When such approval is made by the elected resident council of a building or row house area, the resident management program shall not interfere with the rights of other families residing in the project or harm the efficient operation of the project. The resident management corporation and the resident council may be the same organization, if the organization complies with the requirements applicable to both the corporation and council. The corporation shall be a nonprofit corporation organized under the laws of the State in which the project is located, and the tenants of the project shall be the sole voting members of the corporation. If there is no elected resident council, a majority of the households of the public housing project shall approve the establishment of a resident council to determine the feasibility of establishing a resident management corporation to manage the project.

"(2) PUBLIC HOUSING MANAGEMENT SPECIALIST.—The resident council of a public housing project, in cooperation with the public housing agency, shall select a qualified public housing management specialist to assist in determining the feasibility of, and to help establish, a resident management corporation and to provide training and other duties agreed to in the daily operations of the project.

"(3) BONDING AND INSURANCE.—Before assuming any management responsibility for a public housing project, the resident management corporation shall provide fidelity bonding and insurance, or equivalent protection, in accordance with regulations and requirements of the Secretary, and the public housing agency. Such bonding and insurance, or its equivalent, shall be adequate to protect the Secretary and the public housing agency

against loss, theft, embezzlement, or fraudulent acts on the part of the resident management corporation or its employees.

"(4) MANAGEMENT RESPONSIBILITIES.—A resident management corporation that qualifies under this section, and that supplies insurance and bonding or equivalent protection sufficient to the Secretary and the public housing agency, shall enter into a contract with the public housing agency establishing the respective management rights and responsibilities of the corporation and the public housing agency. Such contract shall be consistent with the requirements of this Act applicable to public housing projects and may include specific terms governing management personnel and compensation, access to public housing project records, submission of and adherence to budgets, rent collection procedures, tenant income verification, tenant eligibility determinations, tenant eviction, the acquisition of supplies and materials, and such other matters as may be appropriate. The contract shall be treated as a contracting out of services and shall be subject to any provision of a collective bargaining agreement regarding contracting out to which the public housing agency is subject.

"(5) ANNUAL AUDIT.—The books and records of a resident management corporation operating a public housing project shall be audited annually by a certified public accountant. A written report of each audit shall be forwarded to the public housing agency and the Secretary.

"(c) COMPREHENSIVE IMPROVEMENT ASSISTANCE.—Public housing projects managed by resident management corporations may be provided with comprehensive improvement assistance under section 14 for purposes of renovating such projects in accordance with such section. If such renovation activities (including the planning and architectural design of the rehabilitation) are administered by a resident management corporation, the public housing agency involved may not retain, for any administrative or other reason, any portion of the assistance provided pursuant to this subsection unless otherwise provided by contract.

"(d) WAIVER OF FEDERAL REQUIREMENTS.—

"(1) WAIVER OF REGULATORY REQUIREMENTS.—Upon the request of any resident management corporation and public housing agency, and after notice and an opportunity to comment is afforded to the affected tenants, the Secretary may waive (for both the resident management corporation and the public housing agency) any requirement established by the Secretary (and not specified in any statute) that the Secretary determines to unnecessarily increase the costs or restrict the income of a public housing project.

"(2) WAIVER TO PERMIT EMPLOYMENT.—Upon the request of any resident management corporation, the Secretary may, subject to applicable collective bargaining agreements, permit residents of such project to volunteer a portion of their labor.

"(3) REPORT ON ADDITIONAL WAIVERS.—Not later than 6 months after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall submit to the Congress a report setting forth any additional waivers of Federal law that the Secretary determines are necessary or appropriate to carry out the provisions of this section. In preparing the report, the Secretary shall consult with resident management corporations and public housing agencies

"(4) EXCEPTIONS.—The Secretary may not waive under this subsection any requirement with respect to income eligibility for purposes of section 16, rental payments under section 3(a), tenant or applicant protections, employee organizing rights, or rights of employees under collective bargaining agreements.

"(e) OPERATING SUBSIDY AND PROJECT INCOME.—

"(1) CALCULATION OF OPERATING SUBSIDY.—Notwithstanding any provision of section 9 or any regulation under such section, and subject to the exception provided in paragraph (3), the portion of the operating subsidy received by a public housing agency under section 9 that is allocated to a public housing project managed by a resident management corporation shall not be less than the public housing agency per unit monthly amount provided in the previous year as determined on an individual project basis.

"(2) CONTRACT REQUIREMENTS.—Any contract for management of a public housing project entered into by a public housing agency and a resident management corporation shall specify the amount of income expected to be derived from the project itself (from sources such as rents and charges) and the amount of income funds to be provided to the project from the other sources of income of the public housing agency (such as operating subsidy under section 9, interest income, administrative fees, and rents).

"(3) CALCULATION OF TOTAL INCOME.—

"(A) Subject to subparagraph (B), the amount of funds provided by a public housing agency to a public housing project managed by a resident management corporation may not be reduced during the 3-year period beginning on the date of enactment of the Housing and Community Development Act of 1987 or on any later date on which a resident management corporation is first established for the project.

"(B) If the total income of a public housing agency (including the operating subsidy provided to the public housing agency under section 9) is reduced or increased, the income provided by the public housing agency to a public housing project managed by a resident management corporation shall be reduced or increased in proportion to the reduction or increase in the total income of the public housing agency, except that any reduction in operating subsidy that occurs as a result of fraud, waste, or mismanagement by the public housing agency shall not affect the funds provided to the resident management corporation.

"(4) RETENTION OF EXCESS REVENUES.—

"(A) Any income generated by a resident management corporation of a public housing project that exceeds the income estimated for purposes of this subsection shall be excluded in subsequent years in calculating (i) the operating subsidies provided to the public housing agency under section 9; and (ii) the funds provided by the public housing agency to the resident management corporation.

"(B) Any revenues retained by a resident management corporation under subparagraph (A) shall be used for purposes of improving the maintenance and operation of the public housing project for establishing business enterprises

that employ residents of public housing, or for acquiring additional dwelling units for lower income families.

"(f) RESIDENT MANAGEMENT TECHNICAL ASSISTANCE AND TRAINING.—

"(1) FINANCIAL ASSISTANCE.—To the extent budget authority is available for section 14, the Secretary shall provide financial assistance to resident management corporations or resident councils that obtain, by contract or otherwise, technical assistance for the development of resident management entities, including the formation of such entities, the development of the management capability of newly formed or existing entities, the identification of the social support needs of residents of public housing projects, and the securing of such support.

"(2) LIMITATION ON ASSISTANCE.—The financial assistance provided under this subsection with respect to any public housing project may not exceed \$100,000.

"(3) FUNDING.—Of the amounts available for financial assistance under section 14, the Secretary may use to carry out this subsection not more than \$2,500,000 for fiscal year 1988 and not more than \$2,500,000 for fiscal year 1989.

"(g) ASSESSMENT AND REPORT BY THE SECRETARY.—Not later than 3 years after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall—

"(1) conduct an evaluation and assessment of resident management, and particularly of the effect of resident management on living conditions in public housing; and

"(2) submit to the Congress a report setting forth the findings of the Secretary as a result of the evaluation and assessment and including any recommendations the Secretary determines to be appropriate."

**DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT**

Office of the Assistant Secretary for  
Public and Indian Housing

24 CFR Part 964

[Docket No. R-88-1398; FR-2519]

**Resident Management in Public  
Housing**

**AGENCY:** Office of the Assistant  
Secretary for Public and Indian Housing,  
HUD.

**ACTION:** Final rule.

**SUMMARY:** This rule establishes a new program of resident management of public housing. Under the program, resident councils that represent public housing tenants may approve the formation of a resident management corporation. A qualifying resident management corporation may enter into a management contract with the public housing agency (PHA), establishing the respective management rights and responsibilities of the PHA and the corporation with respect to the public housing project involved. The program will give PHAs and resident management corporations wide latitude in establishing their respective roles and relationships under the contract.

HUD published its proposed rule, entitled "Tenant Management in Public Housing" on July 5, 1983. (53 FR 25278). This final rule implements section 122 of the Housing and Community Development Act of 1987 (42 U.S.C. 1437r).

**EFFECTIVE DATE:** Under section 7(o)(3) of the Department of Housing and Urban Development Act (42 U.S.C. 3535(o)(3)), this final rule cannot become effective until after the first period of 30 calendar days of continuous session of Congress which occurs after the date of the rule's publication. HUD will publish a notice of the effective date of this rule following expiration of the 30-session-day waiting period. Whether or not the statutory waiting period has expired, this rule will not become effective until HUD's separate notice is published announcing a specific effective date.

**FOR FURTHER INFORMATION CONTACT:** Nancy S. Chisholm, Director, Policy Staff, Public and Indian Housing, Department of Housing and Urban Development, Room 4118, 451 Seventh Street SW., Washington, DC 20410, telephone (202) 755-8713. (This is not a toll free number.)

**SUPPLEMENTARY INFORMATION**
**Overview**

This rule implements section 20 of the United States Housing Act of 1937 (the Act). Section 20 was added by section 122 of the Housing and Community Development Act of 1987 (Pub. L. 100-242, approved February 5, 1988). Section 20 establishes a new program of resident management of public housing. Under the program, resident councils that represent residents of a public housing project or projects may approve the formation of a resident management corporation. A qualifying resident management corporation may enter into a management contract with the public housing agency (PHA) establishing the respective management rights and responsibilities of the PHA and the corporation with respect to the public housing project involved. The program provides PHAs and resident management corporations wide latitude in establishing their respective roles and relationships under the contract.

Resident management corporations may retain any income that they generate in excess of estimated revenues for the project. Retained amounts may be used for purposes of improving the maintenance and operation of public housing projects, establishing business enterprises that employ public housing residents, or acquiring additional dwelling units for lower income families.

The program contains special provisions governing HUD technical assistance to resident councils and resident management corporations; HUD waiver of certain non-statutory requirements for resident management corporations and the PHA; and the employment of public housing management specialists to help determine the feasibility of, and to help establish, resident management corporations, and to provide training and other duties in connection with the daily operations of the project.

**Note:** A number of similar terms are used throughout the proposed rule and this preamble, such as "tenant" and "resident", "tenant management corporation" and "resident management corporation", "tenant management" and "resident management", and "tenant organization" and "resident council". These terms are *not* intended to denote different meanings, and may be used interchangeably. They merely reflect the difference in terminology between the provisions of HUD's former rules on Tenant Participation and Management in 24 CFR Part 964—with their emphasis on "tenant"—and the new section 20 of the 1937 Act—which uses the parallel term "resident." Generally, provisions implementing revised Subpart C of this final rule, which incorporates section 20's requirements, use the term "resident".

In HUD's proposed rule, the Department indicated its intention to provide a choice to resident management organizations between entering into management contracts with PHAs under HUD's old rules (with certain proposed modifications) or becoming a "Subpart D" Resident Management Corporation. As further discussed elsewhere in this preamble, the Department has, in response to the public comments, abandoned this formulation in favor of a rule that provides exclusively for resident management contracts reflecting the requirements of the new law. While this change will have no adverse effect upon any existing tenant management contract with a PHA, the rule *will* require that all new contracts, renegotiated contracts, and contract renewals providing for the performance of management responsibilities by resident management organizations adhere to the new statutory requirements for resident management. The proposed rule's "Subpart D" has been removed, and revised Subpart C now reflects requirements applicable to all PHA-resident management corporation contracts entered into after the effective date of this rule.

**Public Comments on the Proposed Rule.**

The Department received 38 comments on the rule, including a considerable number of inquiries and comments from interested members of the Congress and from other proponents of resident management. Several PHAs also commented on the proposal. While many of the comments supported particular features of the proposed rule, substantial opposition was expressed in reference to several points. The Department has reviewed the policies set out in the proposed rule in light of the public comments and has made a number of changes in the rule in response to them, as discussed below.

**I. Form of Resident Management**

As already noted, a number of commenters, including the congressional sponsors of section 20, objected to the proposed rule's offer of a choice to tenant management organizations between "old style" tenant management under Subpart C and the statutory program included in the 1987 Housing and Community Development Act. While HUD continues to believe that section 20 poses no legal barrier to HUD's allowing alternative forms of resident management, the Department has been convinced by the comments that it would be unwise to do so. As commenters observed, HUD's

alternative form of tenant management arrangement would offer a convenient refuge to PHAs who were unwilling to give consideration to the more comprehensive resident management undertakings described in section 20 of the Act. Since the section 20 resident management program is closely related to the capacity of a resident management corporation to undertake the homeownership program provided for in section 21 of the Act, the Department has decided to eliminate the possibility of alternative forms of management and to require that all future resident management contracts adhere to the statutory model, as augmented by the revised Subpart C requirements included in this rule. Existing tenant management contracts entered into under (or predating) HUD's Part 964 as it existed before the amendments made by this final rule will remain valid and unaffected by the requirements of the new rule, except that renewals and renegotiations of those contracts will be subject to the new rule after its effective date.

## II. Duty to Contract vs Duty to Bargain

Several commenters, including members of the Congress, strongly argued that HUD's proposed rule failed to follow section 20 by imposing only a "duty to bargain" on PHAs with reference to entering into a contract with resident management corporations for the provision of management services. These commenters argued that the 1987 amendments constituted a "duty to contract" that HUD should enforce in its rule.

For the reasons set out in the proposed rule, HUD agrees with the commenters that the purpose of section 20 (and its companion authority for resident management corporation-sponsored homeownership in section 21 of the Act) is not to compel a PHA to enter into any particular contract, but is to afford every possible encouragement and impetus to the expeditious conclusion of agreements between PHAs and resident management corporations, thus providing for significant management opportunities for tenant organizations and paving the way for participation in the newly enacted homeownership program.

Accordingly, the Department has augmented the "duty to bargain" language (§ 964.29(a) of the proposed rule—now § 964.27(a)) to impose a higher standard on PHAs that are called upon to negotiate with resident management corporations wishing to provide management services. The revised rule requires the PHA to enter into "good faith negotiations" and to

"make every reasonable effort to come to terms with the resident management corporation." In addition, the revised rule requires the HUD "... shall take such other actions as are necessary to resolve the conflicts between the parties. If no resolution is achieved within 90 days from the date HUD required the parties to undertake or resume such negotiations, HUD shall serve notice on both parties that administrative remedies have been exhausted (except that, pursuant to mutual agreement of the parties, the time for negotiations may be extended by no more than an additional 30 days)."

The Department believes that this revision addresses the legitimate concerns of tenant management groups and their supporters that some PHAs, skeptical about the benefits of tenant management, will summarily reject their offer to contract. Comments calling for binding arbitration are not, in HUD's view, supported by the language of the statute.

Some public comments (generally, from PHAs) objected to the appeals process set out in the rule on grounds that it would be intimidating, and could have the effect of compelling PHAs to enter into contracts. The Department disagrees. Even so, PHAs must recognize that section 20 of the Act represents a strong congressional statement of support for the concept of resident management. There is a clear duty on the part of PHAs to give any resident management proposal sober and affirmative consideration, and to bargain in good faith with duly constituted resident management corporations with the objective of securing a workable and effective contract. The final rule's appeals process and the augmented description of PHA responsibility under the rule are intended to be key elements in the Department's implementation of Part 964.

## III. Autonomy of the Resident Management Corporation

The proposed rule attracted negative comments on a variety of subject areas where commenters believed HUD was imposing too much PHA control over matters rightfully left to the discretion of the resident management corporation.

In § 964.40(b) of the proposed rule (now § 964.33(b)) the Department provided that the PHA and the resident management corporation must agree in advance upon the qualifications, method of search, duties to be assigned and method and amount of payment to be offered to the resident management specialist selected to assist the corporation. In response to the protests

of commenters who believed that the hiring and assignment of duties of the resident management specialist should be principally the responsibility of the resident council, rather than a joint venture requiring step-by-step PHA concurrence, the Department has modified the rule to provide that these several functions associated with recruiting and retaining the management specialist are the responsibility of the resident council. The requirement of consultation with the PHA is retained, but revisions in § 964.33(b) make clear that the essential responsibility lies with the council.

Similarly, commenters objected to the proposed rule's giving PHAs a role in the selection of CPAs for audit requirements associated with resident management operations. Here again, HUD agrees that there is no reason why selection of a qualified auditor should not be vested in the corporation. Section 964.55 of the proposed rule (now § 964.43) has been revised to provide that the CPA is to be designated by the corporation.

Objection was also heard from several quarters concerning the requirement in the proposed rule that a PHA must make a written determination of a resident management corporation's "capability" for satisfactorily performing all management functions covered by the contract. After consideration, HUD agrees with the commenters that this provision is unnecessary and redundant, since the rule clearly contemplates that PHAs and resident management corporations will enter into contracts only (1) after arm-length negotiations designed to assure that both parties are satisfied, and (2) with the full knowledge on the part of the PHA that it remains ultimately responsible for the successful operation of all its projects—including those for which some or all management responsibility has been contracted to the corporation. The requirement of a written PHA determination has been removed.

Finally, the technical assistance that HUD pledged to try to provide under § 964.58 of the proposed rule (now § 964.45) was to be provided "to PHAs for the use of" resident management corporations or resident councils. In response to comments, the Department has revised the rule to provide that, to the extent budget authority is available, HUD will provide financial assistance directly to the management corporations or resident councils for their use in obtaining technical assistance services.

#### IV. Utility Cost Savings

Many commenters noted that the proposed rule inappropriately excluded utility cost savings from excess revenues. In response, the Department has decided to drop § 984.49(d)(2), which would have excluded those costs for purposes of determining income generated by a resident management corporation. (The provision formerly containing this exclusion is now designated as § 984.39(d)). Operating subsidy for a resident-managed project will be calculated in accordance with Part 990, including the provision for HUD sharing with the project of half of any savings or costs attributable to changes in utility consumption.

#### V. Bonding Costs

A commenter suggested that HUD should provide front-end funding for the costs of insurance or bonding associated with resident management operations. The proposed rule anticipated that some resident management corporations might have problems with the front-end costs of purchasing a bond, and provided that such risk protection costs might be included in the management contract.

A resident management corporation is free to negotiate a contract with a PHA calling for front-end payment of these costs, but HUD sees no basis for HUD-paid bonding, or for an across-the-board requirement in the rule that any entity other than the corporation take responsibility for the purchase of a bond. Section 20 envisions a resident management corporation that "supplies insurance and bonding or equivalent protection sufficient to the Secretary and the public housing agency." While there is certainly nothing wrong with arranging for bonding as part of the management contract, the statute clearly depicts the bonding duty as a duty of the corporation—not as a responsibility of HUD or a PHA.

#### VI. Proration of Operating Subsidy

A number of commenters pointed out that unless a resident management corporation's management contract called for the performance of all management responsibilities associated with a project, the statutory and regulatory provisions governing operating subsidy and project income would appear to require overpayment to the resident management corporation, since any retained responsibilities by the PHA would have no recourse to operating subsidy funds.

The Department does not believe that this interpretation is required by the statute. The regulatory instructions for

determining appropriate compensation for management services (now set out in § 984.35 and § 984.39) have been clarified to include authority on the part of the contracting parties—the PHA and the corporation—to provide for appropriate sharing of operating subsidy funds and other sources of income attributable to the managed project, in circumstances where the management contract leaves some part of management responsibility for the project in the hands of the PHA. The purpose of the statutory directions contained in section 20(e), HUD believes, is to make clear that the resident management corporation is entitled to share fully and fairly in the available operating funds for the managed project. Clearly, only when 100 percent of project management responsibility is vested in the corporation does the law require that 100 percent of available operating funds attributable to the project be provided for corporation use.

#### VII. Breach of Management Contract

PHAs suggested that the rule include a provision relating to breach of contract and the right to terminate a contract for cause. This provision is included in the final rule (at § 984.27(d)(6)), as it was in the proposed rule.

#### VIII. Definition of "Project"

Doubts were expressed by some PHA commenters concerning whether scattered site buildings were feasible for resident management. It was also suggested that, at the least, resident management corporations ought to first test their abilities to manage contiguous projects, before taking on the predicted greater complexity of managing scattered sites.

On balance, the Department continues to believe that scattered site buildings may—at least in particular circumstances—be feasible for resident management, and we have determined to leave the definition unchanged so that the broadest possible universe of management opportunities may be available for discussions between particular PHAs and resident management organizations. HUD believes that it is sufficient to leave these matters for negotiation, although the Department recognizes that PHAs may, in some instances, have legitimate budget-related or other objections to proposals calling for scattered site management by resident organizations.

#### IX. Operating Subsidy, Operating Budget, Retention of Excess Income

In addition to the several comments associated with operating subsidy concerns expressed above, several commenters found the portion of the rule on operating subsidy confusing and asked for clarification of issues:

The regulation addresses calculation of the AEL in the first year, a commenter said, but was unclear about how the calculation is to be made in subsequent years. For budget years after the first budget year under management by the resident management corporation, the AEL will be calculated as it is for all other projects in accordance with § 990.105(e)(5). Under this provision, the AEL for the previous year is updated each year by adjusting for any changes in the project's housing stock with reference to such factors as the age of the units, building height and average age, along with an adjustment for inflation.

While the AEL should represent a "normal" year of expenses, a commenter agreed, the term "normal" needs definition in a manner that insures that extraordinary expenses of a previous year are not included. The commenter also asked for special direction for cases where a PHA does not have project-based budgeting, or where only a portion of the project is managed by the resident management corporation.

The Department, as discussed earlier, has clarified the rule with reference to proration of PHA/corporation shared management. With reference to the AEL concerns, we have added a statement that all expenditures which are not normal fiscal year expenditures, as to amount or as to the purpose for which expended, are excluded.

The Department recognizes the difficulty of developing base year expenditures for a project in cases where a PHA does not have project-based budgeting, but we have not provided specific direction for these cases. We have left it up to each project to develop the best information it can document by the records available in each case. The budget which is submitted for the project will reflect all project expenditures and will identify which expenditures are related to the responsibilities of the RMC and which are related to functions that will continue to be performed by the PHA. Project revenues (rent and subsidy) would be divided according to the breakout of expenditures in the budget.

Finally, it was suggested that calculation of the AEL include consideration of the overhead that

PHAs will experience in "servicing the resident management corporation." Omission of such costs, it was argued, would be unfair to the PHA that is attempting to support the resident group in managing a project while also continuing to manage its overall program. The regulation should provide specifically for reimbursement of PHA expenses related to the corporation.

In response to these concerns, we have clarified that the actual expenses for the project upon which the AEL is based should include all project expenses, including the project's share of any overhead or centralized PHA expenditures. To the extent that these public commenters were requesting additional HUD funding to PHAs for the costs expected to be incurred by them in dealing with resident management corporations, the Department cannot provide funds for this purpose. HUD does not provide additional funding to PHAs for costs associated with contracting for services, and will regard resident management contracts in the same way as it does other contracts for services.

Section 964.39(e) of the rule permits resident management corporations to use retained revenues for (among other uses) acquisition of additional dwelling units for lower income families. A clarifying change is made in the final rule stating that corporation-acquired units will not be eligible for payment of operating subsidy.

#### X. Waiver of HUD Requirements

Several commenters suggested additional areas in which waiver of HUD requirements might be considered—including, in some cases, suggested waiver of requirements that section 20 explicitly prohibits, and in other cases, waiver of particular requirements, based on statutory law, that HUD believes cannot legally be waived. In general, the Department will stand ready to review particular waiver requests received in connection with resident management undertakings and will permit the waiver where it is legally possible to do so, and where adequate justification is provided.

Objection was made to HUD's interpretation of the waiver provision in section 20 set out in the proposed rule, where HUD extended the waiver to PHAs only "to the extent the waiver affects the PHA's remaining responsibilities relating to the corporation's project." HUD has deliberately drawn the waiver process provided for in Part 964 narrowly because the Department believes that the process is supposed to be directly associated with the condition of resident

management—i.e., the waiver being requested should relate in some direct way to the fact that a resident-managed project is involved. While it is true that the statute permits waiver of a particular requirement for both the corporation and the PHA, HUD believes that circumstances may exist where the reason given for the waiver request is only applicable (or is more applicable) to the resident-managed project than to the PHA operation as a whole. We are concerned that there may even be cases where the necessity of granting the waiver across-the-board for both the resident-managed and overall PHA operations would have the effect of forcing HUD to deny the request altogether—even though a strong case may have been made for waiver as it applied to the resident-managed project.

Accordingly, the Department has not altered the provision of Part 964 relating to waiver requests. It should be remembered, however, that Part 964 is not the only possible source of access to waiver of otherwise applicable requirements, and nothing in this rule prevents a PHA from requesting a waiver under Part 999, or from coupling such a request with a joint PHA/corporation request made under Part 964. The Department will certainly have no objection, on a proper showing, to affording a PHA access to the same privileges that it agrees to afford to a resident management corporation requesting a waiver—where the PHA's case is equally compelling.

#### XI. Financial Management Requirements

A few commenters suggested that it was inappropriate to subject resident management corporations to the same financial management requirements as are applicable to PHAs. It was suggested that a corporation should be made explicitly subject to OMB Circulars A-110 and A-122, but not to financial management requirements made applicable to PHAs. The commenter argued that even though the corporation was an agent of the PHA, it is in fact an independent nonprofit corporation, and would better be made subject to financial management requirements normally imposed on such entities. The Department agrees that as subgrantees of PHAs, resident management corporations should be made subject to the requirements of A-110 and A-122. The regulation has been revised to add administrative requirements to § 964.43. The section has been retitled accordingly.

In addition, resident management advocates argued that corporations should not have those of its activities

which are unrelated to its management operations subjected to any audit requirements under the rule. The audit requirements in § 964.43 reflect the statutory requirements in section 20(b)(5) of the Act, and therefore have not been revised.

#### XII. Doubts about Resident Management

Comments in this subject area ranged from several supporters of resident management who condemned the proposed rule as excessively negative and antiresident management, to others who claimed that the rule's "whole thrust" runs counter to "HUD's previous espousal of professionalizing the field of public housing management." What the Department is saying in the proposed rule, this commenter exclaimed, is "never mind professional requirement or prerequisites—anyone can be a manager."

It is an adequate answer to these general comments to say that the rule (1) closely tracks the essentials of section 20 of the Act; (2) continues to encourage and promote tenant participation and management of public housing as a worthwhile goal; (3) preserves an appropriate major role for PHAs by recognizing their equal status in the complex process of making resident management a reality. Finally, neither the rule nor the statute on which it is based is silent on the subject of the need for preserving professional requirements associated with the management of public housing.

A few PHAs suggested that tenant management corporations be given "absolute responsibility" under their management contracts and that the PHAs be "relieved" of any responsibility for the managed project. The Department believes that any such interpretation of section 20 would be inappropriate and destructive. The statute seeks to provide for resident management—and ultimately resident ownership mechanisms—under the contracts for the performance of services. The corporation is to *manage* a project—not perform as a subsidiary PHA. As the PHA's agent, the corporation is responsible to the PHA for carrying out its duties under the contract, and the rule continues to provide that the PHA is responsible to HUD for management of *all* its projects, whether managed directly or under contract.

There were in addition numerous suggestions for proscriptive HUD rulemaking aimed at standardizing the PHA/corporation relationship into a single narrow set of requirements

**PART 964—TENANT PARTICIPATION  
AND MANAGEMENT IN PUBLIC  
HOUSING**

**Subpart A—General Provisions**

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**Authority:** Secs. 8, 9, 14, 20, United States Housing Act of 1937 (42 U.S.C. 1437d, 1437g, 1437i, 1437r); sec. 7(d), Department of Housing and Urban Development Act (42 U.S.C. 3535(d)).

**Source:** 51 FR 44061, Dec. 8, 1986, unless otherwise noted.

## Subpart A—General Provisions

### § 964.1 Purpose.

The purpose of this part is to recognize the importance of involving tenants in creating a positive living environment and in contributing to the successful operation of public housing. Accordingly, this part sets out HUD policies, guidelines, and requirements for tenant participation in the management of public housing, including tenant management of public housing.

### § 964.3 Applicability and scope.

(a) The policies and procedures contained in this part apply to any public housing agency (PHA) that has a Public Housing Annual Contributions Contract (ACC) with the Department. This part does not apply to housing assistance payments under section 8 of the U.S. Housing Act of 1937.

(b) Subpart B of this part contains HUD's policies, procedures, and requirements for the participation of public housing tenants in public housing

management. These policies, procedures, and requirements apply to all tenant participation under this part.

(c)(1) Subpart C of this part contains HUD's policies, procedures, and requirements for resident management of public housing under that subpart.

(2) Subpart C of this part is not intended to negate any pre-existing arrangements between a PHA and a tenant organization or tenant management corporation. Current tenant management contracts that do not meet the requirements of Subpart C need not be modified until their first renewal. On or after October 7, 1988, any new, renewed or renegotiated tenant management contract must meet the requirements of Subpart C.

(d)(1) PHAs and tenant management corporations or resident management corporations that have entered into management contracts under Subpart C of this part, including tenant management corporations that have entered into such contracts before October 7, 1988, may enter into management contracts under Subpart C, subject to such terms and conditions as the PHA and the corporation may decide, consistent with the ACC and applicable laws and regulations. On the expiration of any existing tenant management contract in existence on the *effective date of this rule*, any continuation of or renewal of the management contract will be required to meet all the conditions set out in Subpart C.

(2) Subpart C of this part is designed to encourage increased resident management of public housing, as a means of improving existing living conditions in public housing. Subpart C provides increased flexibility for public housing resident management by permitting the retention, and use for certain purposes, of any income generated by a resident management corporation in excess of estimated project income; and by providing funding for technical assistance to promote the formation and development of tenant management entities.

(e) A number of similar terms are used throughout this part, such as "tenant" and "resident," "tenant management corporation" and "resident"

management corporation," "tenant management" and "resident management," and "tenant organization" and "resident council." These terms are not intended to denote different meanings, and may be used interchangeably. They merely reflect differences in terminology used in this part before and after the revisions brought about by passage of section 20 of the United States Housing Act of 1937.

(51 FR 44061, Dec. 8, 1986; 52 FR 3795, Feb. 6, 1987 as amended at 53 FR 34680, Sept. 7, 1988; 53 FR 40221, October 14, 1988)

### § 964.5 Relation to other requirements.

(a) Subparts B and C of this part are intended to be consistent with the regulations in other parts of this Chapter regarding tenant participation in specific aspects of public housing management. To the extent any provision in these subparts conflicts with any regulatory requirement related to tenant participation in any other parts in this Chapter, the other provision controls. To the extent that Subparts B and C conflict with previous guidelines or instructions (other than those involving regulatory requirements), the provisions of Subparts B and C control.

(b) Subpart C of this part also contains the resident management program established by section 122 of the Housing and Community Development Act of 1987 (Pub. L. 100-242, approved February 5, 1988). This subpart is independent of regulations in other parts of this Chapter, as well as other HUD instructions or guidelines under those regulations, with respect to resident participation in the management of public housing. Subpart C will be applicable to any resident management contract entered into, renewed or renegotiated on or after October 7, 1988.

(53 FR 34680, Sept. 7, 1988; 53 FR 40221, October 14, 1988)

### § 964.7 Definitions.

**Annual Contributions Contract (ACC).** A contract (in the form prescribed by HUD) under which HUD agrees to provide financial assistance, and the PHA agrees to comply with HUD requirements for the develop-

ment and operation of the public housing project.

**Management.** All activities for which the PHA is responsible to HUD under the ACC, within the definition of "operation" under the Act and the ACC, including the development of tenant programs and services.

**Management contract.** A written agreement between a resident management corporation and a PHA, as provided by § 964.35.

**Project.** Includes any of the following that meet the requirements of this part:

- (a) One or more contiguous buildings.
- (b) An area of contiguous row houses.
- (c) Scattered site buildings.

**Public Housing Agency (PHA).** Any State, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) which is authorized to engage in or assist in the development and operation of low-income housing. For purposes of this part, the term Public Housing Agency does not include Indian Housing Authorities.

**Resident council.** An incorporated or unincorporated non-profit organization or association that meets each of the following requirements:

- (a) It must be representative of the tenants it purports to represent.
- (b) It may represent tenants in more than one project or in all of the projects of a PHA, but it must fairly represent tenants from each project that it represents.

(c) It must adopt written procedures providing for the election of specific officers on a regular basis (but at least once every three years).

(d) It must have a democratically elected governing board. The voting membership of the board must consist of tenants of the project or projects that the tenant organization or resident council represents.

**Resident management.** The performance of one or more management activities for one or more projects by a resident management corporation under a management contract with the PHA.

**Resident management corporation.** The entity that purports to enter into,

§ 964.9

or enters into a management contract with a PHA that meets the requirements of Subpart C of this part. The corporation must have each of the following characteristics:

- (a) It must be a non-profit organization that is incorporated under the laws of the State in which it is located.
- (b) It may be established by more than one tenant organization or resident council, so long as each such organization or council (1) approves the establishment of the corporation and (2) has representation on the Board of Directors of the corporation.
- (c) It must have an elected Board of Directors.

(d) Its by-laws must require the Board of Directors to include representatives of each tenant organization or resident council involved in establishing the corporation.

(e) Its voting members must be tenants of the project or projects it manages.

(f) It must be approved by the resident council. If there is no council, a majority of the households of the project must approve the establishment of such an organization to determine the feasibility of establishing a corporation to manage the project.

(g) It may serve as both the resident management corporation and the resident council, so long as the corporation meets the requirements of this part for a resident council.

**Tenant Participation.** A process of consultation between tenants and the PHA concerning matters affecting the management of public housing, as a means of providing tenants with information about PHA plans and decisions and affording them opportunities to make comments and recommendations, on an advisory basis, about those plans and decisions.

(51 FR 44061, Dec. 8, 1986, as amended at 53 FR 34681, Sept. 7, 1988)

§ 964.9 HUD role in activities under this part.

- (a) **General.** Subject to the requirements of this part and other requirements imposed on PHAs by statute or regulation, the form and extent of tenant participation or resident management are local decisions to be made jointly by tenant or resident manage-

ment corporations and their PHAs. HUD will promote tenant participation and resident management, and will provide additional guidance, as necessary and appropriate. In addition, HUD will endeavor to provide technical assistance in connection with resident management, as provided by § 964.45.

(b) **Duty to bargain in good faith.** If a PHA refuses to negotiate with a resident management corporation in good faith or, after negotiations, refuses to enter into a contract, the corporation may file an informal appeal with HUD, setting out the circumstances and providing copies of relevant materials evidencing the corporation's efforts to negotiate a contract. HUD shall require the PHA to respond with a report stating the PHA's reasons for rejecting the corporation's contract offer or for refusing to negotiate. Thereafter, HUD shall require the parties (with or without direct HUD participation) to undertake or to resume negotiations on a contract providing for resident management, and shall take such other actions as are necessary to resolve the conflicts between the parties. If no resolution is achieved within 90 days from the date HUD required the parties to undertake or resume such negotiations, HUD shall serve notice on both parties that administrative remedies have been exhausted (except that, pursuant to mutual agreement of the parties, the time for negotiations may be extended by no more than an additional 30 days).

(53 FR 34681, Sept. 7, 1988)

§ 964.11 HUD policy on tenant participation.

It is HUD's policy to encourage tenant participation in the management of public housing, as may be found appropriate by PHAs after consultation with the tenants. HUD encourages PHAs and tenants to work together to determine the most appropriate ways to foster constructive relationships, particularly through tenant organizations. Tenant organizations are generally the best vehicle for achieving effective tenant participation on a continuing basis.

(53 FR 34681, Sept. 7, 1988)

§ 964.12 HUD policy on resident management.

It is HUD's policy to encourage resident management. HUD encourages PHAs, tenants, and resident management organizations to explore the various functions involved in project management to identify appropriate opportunities for contracting with a resident management corporation. Potential benefits of resident management of public housing include improved quality of life and resident satisfaction, and other social and economic benefits to tenants, the PHA, and HUD.

(53 FR 34681, Sept. 7, 1988)

Subpart B—Tenant Participation

§ 964.15 [Reserved]

§ 964.17 Tenant participation requirements.

The following are requirements for implementing HUD's policy on tenant participation, as expressed in § 964.11:

- (a) A PHA must provide the tenants or any tenant organization with current information concerning the PHA's policies on tenant participation in management, including guidance on information and recognition of a tenant organization, and, where appropriate, a tenant management corporation.

(b) A PHA must consult with tenants, or tenant organizations (if they exist), to determine the extent to which tenants desire to participate in the management of their housing and the specific methods that may be mutually agreeable to the PHA and the tenants.

(c) When requested by tenants, a PHA must provide appropriate guidance to tenants to assist them in establishing and maintaining a tenant organization, and, where appropriate, a tenant management corporation.

(Approved by the Office of Management and Budget under OMB control number 2577-0087)

(51 FR 44061, Dec. 8, 1986, as amended at 53 FR 34680, Sept. 7, 1988)

§ 964.19 Tenant participation guidelines.

The following are guidelines for implementing HUD's policy on tenant participation, as expressed in § 964.11:

- (a) Tenants and the PHA each should identify appropriate roles and responsibilities for creating and sustaining constructive tenant participation. Tenants should have the primary responsibility for determining their goals, organizational structure, and method of operating. A PHA should be willing to consider any reasonable request by tenants or tenant organizations to participate in management.

(b) A tenant organization may request that it be recognized as the official organization representing the tenants in meetings with the PHA or with other entities. A PHA should grant formal recognition of the tenant organization if it meets the requirements for such an organization specified in § 964.7.

(c) At a minimum, the PHA and tenant organization should put in writing their understanding concerning the elements of their relationship. If such an agreement includes contracting for the tenant organization to perform any of the functions for which the PHA is responsible to HUD under the ACC, the provisions of Subpart C apply.

(Approved by the Office of Management and Budget under OMB control number 2577-0087)

(51 FR 44061, Dec. 8, 1986, as amended at 53 FR 34680, Sept. 7, 1988)

§ 964.21 Funding tenant participation.

(a) The PHA may, at its discretion and subject to availability of funds, provide reasonable in-kind and cash assistance for tenant participation activities. Such assistance will be considered an eligible operating expense of a PHA, subject to HUD approval of the PHA's operating budgets. Eligible tenant participation costs may include, in addition to noncash contributions such as technical assistance, space, office furniture and duplicating services, funding for the administrative costs and activities of the tenant organization.

(b) Cash contributions to a tenant organization may be made only under

a written agreement between the PHA and tenant organization, which includes a tenant organization budget acceptable to the PHA. The agreement must require the tenant organization to account to the PHA for use of the funds and permit the PHA to inspect and audit the tenant organization's financial records related to the agreement.

(c) PHAs are encouraged to coordinate their contributions with available assistance from other private and public agencies.

(Approved by the Office of Management and Budget under OMB control number 2577-0087)

#### **Subpart C—Resident Management Under Section 20 of the United States Housing Act of 1937**

Source: 53 FR 34680, Sept. 7, 1988, unless otherwise noted.

##### **§ 964.25 Applicability of subpart.**

The provisions of Subpart C of this part apply to all resident management contracts entered into on or after October 7, 1988, including renewals of or renegotiations of tenant management contracts entered into before October 7, 1988.

53 FR 34680, Sept. 7, 1988; 53 FR 40221, October 14, 1988)

##### **§ 964.27 Resident management requirements.**

The following requirements apply when a PHA and its tenants are interested in providing for tenant performance of management functions in one or more projects under this subpart.

(a) *PHA responsibilities.* PHAs shall be supportive of tenant interest in forming a resident management corporation, and shall work with tenants to determine the feasibility of resident management. PHAs shall give full and serious consideration to resident management corporations seeking to enter into a management contract with the PHA. A PHA shall enter into good-faith negotiations with a resident management corporation seeking to contract to provide management services and shall make every reasonable effort to come to terms with the resi-

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dent management corporations. PHAs shall document appropriately their reasons for rejecting any management contract offer from a resident management corporation, and must make the reasons available to the corporation.

(b) *Resident management corporation.* Tenants interested in contracting with a PHA must establish a resident management corporation that meets the requirements for such a corporation, as specified in § 964.7.

(c) *Management Contract: scope.* (1) A management contract between the PHA and a resident management corporation is required for resident management. The PHA and the corporation may agree to the performance by the corporation of any or all management functions for which the PHA is responsible to HUD under the ACC, and any other functions not inconsistent with the ACC and applicable laws and regulations.

(2) The management contract may include specific provisions governing management personnel; compensation for maintenance laborers and mechanics and administrative employees employed in the operation of the project, except that the amount of this compensation must meet applicable labor standard requirements of Federal law; rent collection procedures; tenant income verification; tenant eligibility determinations; tenant eviction; the acquisition of supplies and materials; and such other matters as the PHA and the corporation determined to be appropriate, and as HUD may specify in administrative instructions.

(3) The management contract may permit a resident management corporation to conduct tenant eligibility determinations (the number of persons in the household and their income) and tenant income verifications. A resident management corporation also may participate in the screening of applicants and tenant selection on a PHA-wide basis. In addition, the resident management corporation may screen tenants referred by the PHA for residence in the tenant-managed project. The resident management corporation may make a recommendation to the PHA regarding the suitability of each such applicant. In accordance with screening criteria that are con-

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sistent with HUD guidelines and incorporated in the management contract. Standards for screening applicants shall be consistent with the requirements of Title VI of the Civil Rights Act of 1964; Title VIII of the Civil Rights Act of 1968; the Age Discrimination Act of 1973; and all other applicable civil rights laws and executive orders. The resident management corporation's recommendation on a specific applicant shall be accepted by the PHA unless the PHA determines that action in accordance with the recommendation would be inconsistent with applicable laws.

(4) The management contract must be treated as a contracting out of services, and must be subject to any provision of a collective bargaining agreement regarding the contracting out of services to which the PHA is subject.

(5) Provisions on competitive bidding and requirements of prior written HUD approval of contracts contained in the annual contributions contract do not apply to the decision of a PHA to contract with a resident management corporation.

(d) *Management Contract: Contents.* At a minimum, the management contract must contain provisions to satisfy the following requirements:

(1) Resident management corporation activities and expenditures must be consistent with the requirements of applicable Federal, State, and local law and regulations and with the ACC and PHA policies, including requirements pertaining to access to books and records, accounting, and audit.

(2) The management corporation must submit to the PHA, for its approval, an annual budget or cost estimate covering activities under its contract with the PHA. Identifying proposed activities and estimated costs associated with activities (if the PHA determines that the type of work contracted for makes this appropriate).

(3) The PHA must review periodically (but not less than annually) the management corporation's performance to ensure that it complies with all applicable requirements and meets agreed-upon standards of performance. (The method of review and criteria used to judge performance should

be specified in the management contract.)

(4) The PHA and the management corporation each has the right to take all necessary and appropriate actions to remedy any breach of the contract by the other party, including the right to terminate the contract for cause.

(5) The PHA and the resident management corporation must reach agreement with respect to financial incentives, if applicable (see § 964.33(b)).

(6) All activities carried out pursuant to the management contract must be conducted in conformity with Title VI of the Civil Rights Act of 1964; Title VIII of the Civil Rights Act of 1968; the Age Discrimination Act; Section 504 of the Rehabilitation Act of 1973; and all other applicable civil rights laws and executive orders. In addition, the management contract must indicate what record must be kept by the resident management corporation and made available to the PHA and HUD with respect to activities associated with resident management.

(e) *Prohibited activities.* A PHA may not contract for assumption by the resident management corporation of the PHA's underlying responsibilities to HUD under the ACC. The PHA must ensure that the overall operation of its projects is in compliance with all applicable Federal, State, and local requirements. The PHA must monitor the resident management corporation's performance under the management contract.

(f) *Bonding and insurance.* Before assuming any management responsibility under its contract, the resident management corporation must provide fidelity bonding and insurance, or equivalent protection that is adequate (as determined by HUD and the PHA) to protect HUD and the PHA against loss, theft, embezzlement, or fraudulent acts on the part of the corporation or its employees; and that meets such other requirements as may be specified by the PHA and in HUD's administrative instructions. The cost of such risk protection may be included in the management contract, and paid for as part of the operating budget.

(g) *Rights of tenants; operation of project.* If a resident management corporation is approved by the tenant or-

§ 964.2. organization representing one or more buildings or an area of row housing that are part of a public housing project for purposes of Part 941 of this Chapter, the resident management program may not, as determined by the PHA, interfere with the rights of other residents of such project or harm the efficient operation of such project.

(Approved by the Office of Management and Budget under OMB control number 2577-0087)

#### § 964.29 Continued PHA responsibility to HUD.

A management contract between the PHA and a resident management corporation does not impair the respective rights and responsibilities of the PHA and HUD under the ACC. The PHA remains responsible to HUD for ensuring that the management of its projects, including any management function contracted out to a resident management corporation, is in compliance with all applicable HUD requirements.

#### § 964.33 Management specialist.

(a) *Requirement for a management specialist.* Except under the circumstances described in paragraph (c) of this section, the resident council of a project, in consultation with the PHA, must select a qualified public housing management specialist to assist in determining the feasibility of, and to help establish, a resident management corporation and to provide training and other duties in connection with the daily operations of the project.

(b) *Selection of a public housing management specialist.* In carrying out its responsibilities under paragraph (a) of this section, the resident council must determine in advance the following:

- (1) The qualifications that the management specialist must possess;
- (2) The terms and conditions of the search and selection process;
- (3) The duties and responsibilities to be performed by the management specialist, including the remuneration to be provided the specialist, a clear specification of the nature and degree of supervision to be provided the specialist, and a clear specification of the title of the person or persons in the or-

ganizational structure of the PHA or the resident council (or both) to whom the specialist is to report for supervision and for evaluation of his or her performance; and

(4) Such other matters with respect to the selection and functions of the management specialist as the resident council, in consultation with the PHA, may determine, consistent with the ACC and applicable law and regulations.

(c) A tenant management corporation that entered into a management contract with a PHA under this subpart before October 7, 1988, and thereafter elects to renew or to renegotiate its management contract with the same PHS may select a management specialist in accordance with this section, but is not required to do so.

(53 FR 34680, Sept. 7, 1988; 53 FR 40221, October 14, 1988)

#### § 964.35 Management responsibilities.

(a) *PHA responsibilities.* PHAs shall be supportive of resident interest in forming a resident management corporation, and shall work with residents to determine the feasibility of resident management. PHAs shall give full and serious consideration to resident management corporations seeking to enter into a management contract with the PHA. PHAs shall not arbitrarily or capriciously refuse to negotiate with resident management corporations seeking to contract to provide management services. PHAs shall document appropriately their reasons for rejecting any management contract offer from a resident management corporation, and make these reasons available to the corporation.

(b) *Management contract.* If a PHA and a resident management corporation agree to establish a resident management project, they shall enter into a management contract establishing the respective rights and responsibilities of the PHA and the corporation with respect to management of the project. Where a resident management corporation already has a management contract with a PHA entered into before October 7, 1988 and thereafter elects to renew or renegotiate its management contract, the corpora-

(c) In assessing the modernization needs of its projects for purposes of CIAP application (or other grant mechanisms established by the Housing and Community Development Act of 1987) under 24 CFR Part 968, PHAs must consult with the tenant management corporation with reference to any project managed by the corporation. In order to determine the modernization needs of resident-managed projects, evidence of this required consultation must be included with a PHA's initial submission to HUD.

#### § 964.39 Operating subsidy, preparation of operating budget, operating reserves and retention of excess revenues.

(a) *Calculation of operating subsidy.* Operating subsidy will be calculated separately for any project managed by a resident management corporation. This subsidy computation will be the same as the separate computation made for the balance of the projects in the PHA in accordance with Part 990, with the following exceptions:

(1) The project managed by a resident management corporation will have an Allowable Expense Level based on the actual expenses for the project in the fiscal year immediately preceding management under this subpart. These expenditures will include the project's share of any expenses which are overhead or centralized PHA expenditures. The expenses must represent a normal year's expenditures for the project, and must exclude all expenditures which are not normal fiscal year expenditures as to amount or as to the purpose for which expended. Documentation of this expense level must be presented with the project budget and approved by HUD.

Any project expenditures funded from a source of income other than operating subsidies or income generated by the locally owned public housing program will be excluded from the subsidy calculation. For budget years after the first budget year under management by the resident management corporation, the Allowable Expense Level will be calculated as it is for all other projects, in accordance with § 990.105(e)(5) of this chapter.

(53 FR 34680, Sept. 7, 1988; 53 FR 40221, October 14, 1988)

#### § 964.37 Comprehensive improvement assistance.

(a) *Eligibility.* HUD may enter into a contract with the PHA to provide comprehensive improvement assistance under Part 968 of this Chapter to modernize a project managed by a resident management corporation under this subpart.

(b) *Administration of activities.* If the entirety of modernization activity referred to in paragraph (a) of this section (including the planning and architectural design of the rehabilitation) is administered by the resident management corporation, the PHA shall not retain, for any administrative or other reason, any portion of the comprehensive improvement assistance provided, unless the PHA and the corporation provide otherwise by contract.

(2) The resident management corporation project will estimate dwelling rental income based on the rent roll of the project immediately preceding the assumption of management responsibility under this subpart, increased by the estimate of inflation of tenant income used in calculating PPS subsidy.

(3) The resident management corporation will exclude, from its estimate of other income, any increased income directly generated by activities by the corporation or facilities operated by the corporation.

(4) Any reduction in the subsidy of a PHA that occurs as a result of fraud, waste, or mismanagement by the PHA shall not affect the subsidy calculation for the resident management corporation project.

(b) *Calculation of total income and preparation of operating budget.* (1) Subject to paragraph (c) of this section, the amount of funds provided by a PHA to a project managed by a resident management corporation under this subpart may not be reduced during the three-year period beginning on February 5, 1988 or on such later date as a resident management corporation first assumes management responsibility for the project.

(2) For purposes of determining the amount of funds provided to a project under paragraph (b)(1) of this section, the provision of technical assistance by the PHA to the resident management corporation will not be included.

(3) The resident management corporation and the PHA shall submit a separate operating budget, including the calculation of operating subsidy eligibility in accordance with paragraph (a) of this section, for the project managed by a resident management corporation to HUD for approval. This budget will reflect all project expenditures and will identify which expenditures are related to the responsibilities of the resident management corporation and which are related to functions which will continue to be performed by the PHA.

(4) *Operating reserves.*

(i) Each project or part of a project that is operating in accordance with the ACC amendment relating to this subpart and in accordance with a con-

tract vesting maintenance responsibilities in the resident management corporation will have transferred, into a sub-account of the operating reserve of the host PHA, an operating reserve. Where all maintenance responsibilities for the resident-managed project are the responsibility of the corporation, the amount of the reserve made available to projects under this subpart will be the per unit cost amount available in the PHA operating reserve, exclusive of all inventories, prepaids and receivables (at the end of the PHA fiscal year preceding implementation), multiplied by the number of units in the project operated in accordance with the provisions of this subpart. Where some, but not all, maintenance responsibilities are vested in the resident management corporation, the contract may provide for an appropriately reduced portion of the operating reserve to be transferred into the corporation's sub-account.

(ii) The use of the reserve will be subject to all administrative procedures applicable to the conventionally owned public housing program. Any expenditure of funds from the reserve will be for eligible expenditures which are incorporated into an operating budget subject to approval by HUD.

(iii) Investment of funds held in the reserve will be in accordance with the provisions of Chapter 4 of the Financial Management Handbook, 7476.1 REV<sup>1</sup>, and interest generated will be included in the calculation of operating subsidy in accordance with 24 CFR Part 990.

(c) *Adjustments to total income.* (1) Operating subsidy calculated in accordance with § 964.39(a) will reflect changes in inflation, utility rates and consumption, and changes in the number of units in the resident management project.

(2) In addition to the amount of income derived from the project (from sources such as rents and charges) and the operating subsidy calculated in accordance with paragraph (a) of this

<sup>1</sup> The Handbook is available for review in the office of the Rules Docket Clerk of HUD, Rm. 10276, 451 Seventh Street, SW., Washington, D.C. 20410.

## Office of the Assistant Secretary, HUD

section, the contract may specify that income be provided to the project from other sources of income of the PHA.

(3) The following conditions may not affect the amounts to be provided to a project managed by a resident management corporation under this subpart:

(i) Any reduction in the total income of a PHA that occurs as a result of fraud, waste, or mismanagement by the PHA.

(ii) Any change in the total income of a PHA that occurs as a result of project-specific characteristics that are not shared by the project managed by the corporation under this subpart.

(d) *Retention of excess revenues.* Any income generated by a resident management corporation that exceeds the income estimated for the income category involved in accordance with § 964.35(c) must be excluded in subsequent years in calculating:

(1) The operating subsidy provided to a PHA under Part 990 of this Chapter.

(2) The funds provided by the PHA to the resident management corporation.

(e) *Use of retained revenues.* Any revenues retained by a resident management corporation under paragraph (d) of this section may only be used for purposes of improving the maintenance and operation of the project, establishing business enterprises that employ residents of public housing, or acquiring additional dwelling units for lower income families. Units acquired by the resident management corporation will not be eligible for payment of operating subsidy.

## § 964.41 Waiver of HUD requirements.

(a) *Waiver conditions.* Upon the joint request of a resident management corporation and the PHA, HUD may waive any requirement that HUD has established and that is not required by law, if HUD determines, after consultation with the resident management corporation and the PHA, that the requirement unnecessarily increases the costs to the project or restricts the income of the project; and that the waiver would be consistent with the management con-

tract and any applicable collective bargaining agreement. Any waiver granted to a resident management corporation under this section will apply as well to the PHA to the extent the waiver affects the PHA's remaining responsibilities relating to the corporation's project.

(b) *Notice and opportunity for comment.* HUD may grant a waiver under paragraph (a) of this section only after requiring the PHA to provide notice to the residents whom the waiver would affect and giving them at least 30 days to comment on it. Notice under paragraph (b) of this section may be served by any or all of the following means, as HUD determines appropriate:

(1) First class mail addressed to each affected resident.

(2) Delivery to the unit of each affected resident.

(3) In the case of high-rise buildings, posting in one or more conspicuous locations in any building in which affected residents live.

(c) *Role of PHAs and resident management corporations.* (1) All resident comments must be sent to the PHA. The PHA must summarize the comments, prepare (at its option) a recommended response to the comments, and provide the resident management corporation an opportunity to prepare a recommended response to the comments. The PHA must send to HUD all the tenant comments received, along with the summary of comments prepared by the PHA and the recommendations (if any) of the PHA and the resident management corporation for the disposition of the comments.

(2) The PHA must carry out such responsibilities with respect to the determination of whether to grant a waiver under paragraph (a) of this section as HUD may prescribe in administrative instructions. These responsibilities will include the service of notice on affected tenants under paragraphs (b) and (c) of this section.

(d) *Action on resident comments.* HUD will give careful consideration to all resident comments received within the comment period provided under paragraph (b) of this section. HUD, through the PHA, will provide written notice of its final decision on the pro-

posed waiver, including written responses to the resident comments, served in the same manner and upon the same resident population as the original notice under paragraph (b) of this section was served.

(e) *Waiver to permit employment.* Upon the request of a resident management corporation, HUD may, subject to the terms and procedures of any applicable collective bargaining agreement, permit residents of the project to volunteer a portion of their labor.

(f) *Exceptions.* HUD may not waive any regulatory or other requirement under paragraph (a) of this section with respect to the following:

- (1) Income eligibility for purposes of §§ 913.104 and 913.105 of this Chapter,
- (2) rental payments under § 913.107 of this Chapter,
- (3) tenant or applicant protections under this Chapter or other applicable laws,
- (4) employee organizing rights, or
- (5) the rights of employees under collective bargaining agreements.

**§ 946.43 Audit and administrative requirements.**

(a) *Annual audit of books and records.* The financial statements of a resident management corporation managing a project under this subpart must be audited annually by a licensed certified public accountant, designated by the resident management corporation, in accordance with generally accepted government audit standards. A written report of each audit must be forwarded to HUD and the PHA within 30 days of issuance.

(b) *Relationship to other authorities.* The requirements of paragraph (a) of this section are in addition to any other Federal law or other requirement that would apply to the availability and audit of books and records of resident management corporations under this part.

(c) Except as modified by this part, resident management corporations must comply with the requirements of OMB Circulars A-110 and A-122, as applicable.

**§ 946.45 Technical assistance.**

(a) *Nature of assistance.* To the extent that budget authority is available, HUD will provide financial assistance to resident management corporations or resident councils that obtain, by contract or otherwise, technical assistance for the development of resident management entities, including the formation of these entities; the development of the management capability of newly formed or existing entities; the identification of the social support needs of residents of projects, and the securing of this support; and a wide range of activities to further the purposes of this subpart. In determining the amount of any technical assistance grant, HUD will take into consideration the size of the resident-managed project and the anticipated complexity of the proposed change to resident management.

(b) *Maximum amount of assistance.* The assistance referred to in paragraph (a) of this section may not exceed \$100,000 with respect to any project.





U.S. Department of Housing and Urban Development  
PUBLIC AND INDIAN HOUSING

Special Attention of:

**Notice** PIH 90-22 (PHA)

Regional Administrators; Directors,  
Offices of Public Housing; Issued: April 27, 1990  
Directors, Field Office Managers; Expires: April 30, 1991  
Chiefs, Assisted Housing  
Management Branches; Public Housing  
Agencies; Resident Management  
Corporations

Cross References:

Subject: Insurance Requirements for Resident Management Corporations

PURPOSE

This Notice will advise all public housing agencies (PHAs) and resident management corporations (RMCs) of the Department's minimum insurance requirements that must be in place prior to the commencement of work under a contract between a PHA and the RMC. This Notice does not apply to RMCs that only have a "Resident Management Technical Assistance Grant."

BACKGROUND

The Department has published a final rule (24 CFR Part 964, effective October 7, 1988) to implement Section 20 of the United States Housing Act of 1937. Section 20 establishes a new program of resident management of public housing. Under this program, resident councils that represent residents of a public housing project(s) may approve the formation of an RMC. A qualifying RMC shall enter into a management contract with the public housing agency (PHA) establishing the respective management rights and responsibilities of the PHA and the RMC with respect to the public housing project(s) involved. The program provides PHAs and RMCs wide latitude in establishing their respective roles and relationships under the contract.

The insurance requirements for RMCs are found at 24 CFR 964.27(f).

INSURANCE REQUIREMENTS

Before assuming any management responsibility under its contract, the RMC must provide evidence of fidelity bonding and insurance, or equivalent protection that is adequate (as determined by HUD and the PHA) to protect HUD and the PHA against loss, theft, embezzlement, or fraudulent acts on the part of the RMC or its employees. The RMC must also meet such other requirements as specified in the management contract and in HUD's administrative instructions. The cost of such insurance may be

PPF : Distribution: W-3-1, W-2(H), W-3(H), R-1, R-2, R-3, R-3-1(PIH), R-3-2, R-3-3,  
R-6, R-6-1, R-6-2, R-7, R-7-1, R-7-2, 138-2, RMC-1

included in the management contract, and paid for as part of the operating budget. Any increase in insurance cost, caused by activities other than those associated with the contractual duties of the RMC or by various social programs e.g., child care, job training, and drug abatement programs, managed by the RMC, shall not be included in the operating budget.

Within 60 days of the date of this Notice, the PHA shall notify any RMC currently under contract that the RMC must comply with the insurance requirements as stated in this Notice. The RMC must be in full compliance within 120 calendar days of the date of this Notice. The PHA shall advise the HUD field office if the RMC has not met the insurance requirement.

Regional offices shall take appropriate action to resolve any non-compliances and to advise Headquarters of any non-compliances that remain unresolved after a period of 150 days asking for guidance.

For additional information contact: Theodore R. Daniels, Director, Project Financial Management and Occupancy Division, Room 4208, 451 7th Street, S. W., Washington, D. C. 20410, (202) 755-8145 -- (This is not a toll-free number.).

The following minimum requirements apply to all RMCs:

A. Fidelity Bond

The RMC shall obtain and maintain in force for the full term of the contract a commercial blanket bond in an amount of not less than \$25,000 or two percent of the gross annual project-related cash flow derived from the contract with the PHA, whichever is greater. The cash flow shall include, but not be limited to the following: (1) rents collected, (2) operating subsidy, (3) modernization funds expected in current fiscal year, and (4) grants. The bond shall name the PHA as obligee. The RMC shall provide the PHA with a certificate of coverage, signed by the agent/broker of the insurer.

B. Comprehensive General Liability Insurance

The RMC shall obtain and maintain in force for the full term of the contract a comprehensive general liability (CGL) insurance policy with a combined single limit of \$500,000, applying to both bodily injury and property damage liability claims arising out of or in connection with the operation of the project(s). The maximum per occurrence deductible permitted is \$500. The RMC shall provide a certificate of insurance to the PHA.

The cost of the CGL insurance varies widely throughout the United States. The standard CGL insurance policy, written by the majority of insurers, includes "Real Estate Managers"



as an insured without additional cost. RMCs are classified as "Real Estate Managers" by the insurers. In the interest of economy, the Department recommends that the RMC ask the PHA if its insurer will include the RMC as an insured prior to purchasing the required coverages independently. If coverage is available, the insurer should provide written confirmation of coverage to the RMC.

An increasing number of PHAs purchase general liability coverage that is subject to deductibles and/or self-insured retentions that may run as high as \$500,000 per loss. In cases where the RMC is included as an insured under a PHA's general liability policy, and that policy is subject to a deductible/ self-insured retention the RMC need only purchase coverage equal to the amount of the deductible/self-insured retention.

Several PHAs are uninsured/self-insured for general liability losses making it necessary for the RMC to carry its own liability coverage.

C. Workers' Compensation Insurance

The RMC shall obtain and maintain workers' compensation coverage as required by State law to cover all persons employed by the RMC for the full term of the contract. The RMC shall provide a certificate of insurance to the PHA.

D. Owned and Non-Owned Automobile Insurance

All automobiles owned by the RMC shall be insured for not less than \$100,000 each person/\$300,000 each occurrence for bodily injury or death, and \$25,000 each occurrence for property damage.

The RMC is subject to liability when its employees use their personal automobiles in the course of their duties as employees. In order to be protected against that liability, each RMC shall obtain and maintain non-owned automobile coverage subject to the minimum limits required for owned automobiles. The RMC shall provide the PHA with a certificate of insurance.

E. Fire and Extended Coverage (Property Insurance)

The PHA is required by the Annual Contributions Contract to carry adequate fire and extended coverage on all projects and buildings owned by the PHA, such coverage is not the responsibility of the RMC. The Department recommends that

the RMC carry adequate fire and extended coverage insurance on business property (desks, chairs, typewriters, etc.) owned by the RMC.

F. Other Non-Housing Activities

If the RMC enters into an agreement to provide non-housing activities/services, which could include food services, child-care, security guards or transportation services, the insurer and the PHA must be made aware of all non-housing activities so there will be no "gap" in coverage. Such activities would not be covered under the PHA insurance policy.

G. Procurement of Insurance Coverages

RMCs are considered subgrantees in the receipt of Federal funds. Hence, RMCs are subject to the procurement requirements found at 24 CFR 85.36. Section 85.36 provides the procurement standards applicable to all grantees and subgrantees when procuring property and services. In general, Section 85.36 provides for procurement by small purchase procedures, procurement by sealed bids, procurement by competitive proposals, and procurement by noncompetitive proposals. The recordkeeping requirements for procurement are also explained in Section 85.36. The PHA and the RMC should review Section 85.36 in its entirety for compliance.

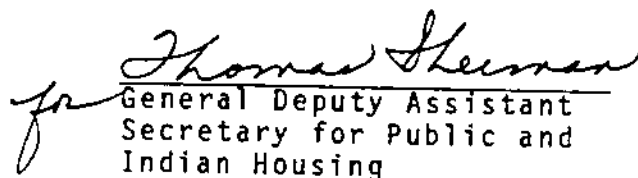
H. RMC-owned Projects

This Notice does not apply to RMC-owned projects.

I. Other Insurance Coverages

This Notice describes the insurance coverages required by HUD. The RMC may consider the procurement of additional or optional coverages if the hazard exists. The coverages include:

1. Directors and Officers Liability
2. Business Interruption
3. Personal Injury Liability
4. Burglary and Robbery.

  
General Deputy Assistant  
Secretary for Public and  
Indian Housing

## GENERAL WORK PLAN OUTLINE

Under the Technical Assistance Grant (TAG), Resident Councils (RC)/Resident Management Corporations (RMC) are required to develop a detailed Work Plan. At a minimum, the Work Plan should contain the following major components (except Task VII which is optional). The Work Plan will typically include other tasks to be performed by the grantee at no cost or funded by other means. Only the tasks to be funded by HUD will be made a part of the TAG consistent with the grant award amount. The subtasks listed below each component are not all inclusive and should be viewed only as a guide in developing Work Plan strategies. Each task must suggest timeframes to accomplish each task.

### I. BUILD A STRONG COMMUNITY ORGANIZATION TO RESPOND TO TECHNICAL ASSISTANCE NEEDS OF THE RESIDENTS.

- Maintain a democratically elected officers of the organization in accordance with the organizations' by-laws. (Independent observation of the RC/RMC elections by a third party such as League of Women Voters is encouraged.)
- Organize residents. Appoint block captains or building captains, and operating/planning committees to carry out specific tasks.
- Develop relationship between residents and the local community including other organizations such as universities, foundations, churches, public/private sector resources. One option is to set up a local advisory committee consisting of professionals and private sector supporters who are willing to provide technical/financial or other assistance to the organization.
- Develop a questionnaire or other survey tools to determine community needs: interest in resident management, skills level, interest in volunteering on Committees.
- Develop a strategy to build/strengthen the relationship with the PHA based on needs of the community.
- Visit other RMC sites and obtain literature, studies, and other research on resident management.

- Maintain an ongoing system of communication and outreach to ensure high level of resident awareness and involvement, (i.e. regularly scheduled and publicized resident organization meetings open to the community, resident newsletters, flyers, bulletin board announcements, floor captain canvassing of buildings, etc.)
- Learn Section 20 of the U. S. Housing Act and 24 CFR 964 Public Housing Resident Management Regulation to become familiar with the requirements of the program.

## II. DEVELOP OPERATIONAL POLICIES AND PROCEDURES TO FORM A RMC.

- Execute by-laws, charter and other documents to establish the resident organization. Include in by-laws policies addressing code of conduct/ethics.
- Develop financial and accounting procedures. Obtain a review and certification by a Certified Public Accountant that the accounting system meets the financial management standards in Attachment F of OMB Circular A-110.
- Develop operating policies and procedures (hiring, personnel, procurement, travel, career development, performance evaluation, etc.). (Consideration should be given to adopting the PHA's policies and procedures, where appropriate.)
- Determine staffing needs, office space and capital resources, (e.g. computers, furniture) etc., needed to operate the RC/RMC.
- Develop standards for accomplishing and evaluating RC/RMC's goals. Check how other RMCs and self-help organizations become successful and set standards for their organizations.
- Develop strategy for obtaining financial resources to sustain the organization (e.g. public/private resources such as universities, foundations and state/local government).

- Identify decision-making relationships (e.g., authorizing purchases/paying bills, hiring/firing and supervision of persons, etc.) within the organization so that the RC/RMC can operate effectively as a team.
- Incorporate as a non-profit organization (IRS 501 C 3).

III. DEVELOP A MEMORANDUM OF UNDERSTANDING BETWEEN A RC/RMC AND PHA REFLECTING RESIDENT MANAGEMENT STRATEGY.

- Determine how RMC/PHA communication will be carried out, i.e., frequency of formal, informal meetings, etc.
- Determine what support the PHA will provide to the resident organization such as technical assistance, on-the-job training, use of space and equipment.
- Consult with PHA in training design development, and selection of a housing management specialist.
- Develop a proactive strategy to resolve disputes between RC/RMC and PHA.
- Develop preliminary strategy, time line, for management functions to be undertaken by RMC.

IV. DEVELOP A TECHNICAL ASSISTANCE APPROACH.

- Develop a training and technical assistance approach that complements/supports both organizational plans, partnership agreement with PHA e.g., on-the-job training (OJT), TA. The technical assistance design should include:
  - o ORGANIZATION/BOARD DEVELOPMENT
    - Community Organization
    - Board Development, Roles and Responsibilities
  - o GENERAL MANAGEMENT
    - Fundamentals of Leadership
    - Fundamentals of Management/Supervision

- o PUBLIC HOUSING PROPERTY MANAGEMENT
    - \* HUD's Public Housing Resident Management Requirements
      - Property Management Techniques/Principles
    - \* Financial Management, and Program Controls and Audit Requirement
      - Procurement Policies
      - Policies and Procedures for Low-Income Public Housing
      - Comprehensive Improvement Assistance Program (CIAP)
  - o SELF-SUFFICIENCY PROGRAMS (optional)
    - Economic Development
    - Supportive Services
    - Homeownership
- \* Required in FY 1990 Notice of Funding Availability (NOFA).
- Develop strategy outlining the respective roles and responsibilities of Board members as well as all RC/RMC members in carrying out functions with respect to acquiring TA and training.
  - Develop competitive advertisement (Request for Proposal), proposal evaluation, selection, manage and monitor consultant. Consideration should be given by the RC/RMC to:
    - o cost, time, training style, personality and results of trainer and TA provider.
    - o whether it is best to spend all of grant funds on one consultant, or option of selecting multiple consultants to accomplish the work.
    - o integration of new members in the organization and determine what role they will play in the organization as well their training and TA needs.
    - o determination of feasibility and unique needs for resident management at the particular site.
  - Define what is being funded by HUD grant and what other resources are needed and how to obtain funding.

V. MONITOR AND EVALUATE THE CONSULTANT AGAINST RMC NEEDS, EXPECTATIONS AND THE CONTRACT WITH THE CONSULTANT.

- Develop plan to assess consultant performance/ effectiveness. Use advisory committee's expertise in assessing consultant performance. Make adjustments in contract, as needed, to ensure that technical assistance purchased is what is needed.

Factors for consideration in assessing the consultant:

- o success of consultant in meeting RMC goals
- o effectiveness of training techniques, e.g., role play, lectures, reinforcement skills, etc.
- o success of consultant in working with RMC

VI. IMPLEMENT EITHER RESIDENT MANAGEMENT OR DUAL MANAGEMENT

Following the determination of feasibility and approval by the RC/RMC:

- Develop strategy outlining on-the-job-training and property management functions to be assumed by RMC - either shared or full management. Strategy should include dual management (apprenticeship for transition into full management):
  - o timeframes to move from shared to full management.
  - o property management functions to be assumed, including any of the following agreed upon functions:
    - 1) General site management/administration
    - 2) Rent collection
    - 3) Screening/Evictions
    - 4) Building and site maintenance
    - 5) Security
    - 6) Inventory management
    - 7) Contracting for goods and services

- 8) Extraordinary maintenance
- 9) Other mutually agreed upon functions
  - o timeframe for contract negotiation with PHA, detailing role and responsibility of RMC/PHA with respect to management function.
- Secure bonding and insurance.
- Negotiate and sign management contract with PHA detailing role and responsibility of PHA and RMC, including time frames to start and move from shared to full management, if appropriate. Legal representation at the time of negotiation is recommended.
- Hire staff to implement resident management functions.

VII. IMPLEMENT STRATEGY FOR DEVELOPING ECONOMIC DEVELOPMENT/HOMEOWNERSHIP AND/OR SELF-SUFFICIENCY PROGRAMS. (OPTIONAL)

- Develop market study to identify appropriate business establishments to support the needs of the development, for example, mini-market, beauty parlor, laundromat, etc.
- Develop management plan for business establishments to be undertaken, identifying financial resources, technical assistance, personnel, and counseling/training needs. Contact local government, Small Business Administration (SBA) to assist in dealing with banking industry, private investors to obtain required capital for business ventures.
- Determine what supportive services are needed such as day care, drug programs, job training. Contact appropriate local community organizations to explore funding and technical assistance needs.
- Develop homeownership feasibility plans, if interested, including resident affordability and funding options.

B. PROJECT IMPLEMENTATION SCHEDULE.

The Work Plan should contain a Project Implementation Schedule to address the activities under each of the major



components showing the start and completion dates and any key or major, interim milestones and their dates.

C. BUDGET.

Budget data by Task/Activity to provide detailed financial planning information which supports the actual costs of work performed in accomplishing the objectives of the program. An example of budget information by task follows:

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>Total</u>
Task 1	\$xxx	\$xxx	\$xxx	\$xxx
Task 2	<u>\$xxx</u>	<u>\$xxx</u>	<u>\$xxx</u>	<u>\$xxx</u>
Total	\$xxx	\$xxx	\$xxx	\$xxx



Special Attention of: Directors, Offices of Public Housing, Offices of Indian Programs, Regional Administrators, Field Office Managers, Resident Initiatives Coordinators; Public Housing Agencies, Resident Management Grantees, Regional Contracting Officers

## Notice

PIH 90-53 (HUD)

Issued: November 21, 1990

Expires: November 29, 1991

Cross References:

Subject: Resident Management Training/Technical Assistance Guidance

### I. PURPOSE:

This document provides guidance regarding the Resident Management training/technical assistance process and the procedures for obtaining Resident Management Training Consultant Contracts.

### II. BACKGROUND:

Section 20 of the U.S. Housing Act of 1937 authorizes resident management of public housing. Section 20 states that financial assistance to resident councils or resident management corporations must be used for technical assistance for the "...development of resident management entities..." for leadership roles in the operation of public housing and related programs.

The resident management law and regulations (24 CFR Part 964) require all grantees - whether a Resident Council (RC) or Resident Management Corporation (RMC) - to select a Public Housing Management Specialist (herein referred to as a Training Consultant). The only exception is a RMC under a management contract prior to October 7, 1988; see Section 964.33(c).

The prime responsibility of the Training Consultant is to provide all necessary training and technical assistance to help the grantee in establishing a resident management program.

### III. TRAINING STRATEGY AND DESIGN

#### A. Relationship to the Work Plan

All Resident Management Grantees are required to develop a work plan as the "road map" for implementing the strategies leading toward resident management. The grantees are strongly encouraged to include the following major tasks in their work plans:

PR : Distribution: W-3-1, K-1, R-2, R-3, R-3-1(PIH), R-3-2, R-3-3, R-6, R-6-1, R-6-2, R-7, R-7-2, R-9, R-9-1. 138-2, 138-7

- \* organize to determine technical assistance needs of the residents;
- \* develop operational policies and procedures to form a RMC;
- \* consider developing a memorandum of understanding between a RC/RMC and the PHA reflecting the resident management strategy to include training and resources to be provided by the PHA;
- \* develop a technical assistance strategy and competitively hire a Training Consultant(s);
- \* monitor and evaluate the Training Consultant against RC/RMC needs, expectations, and the contract with the Training Consultant;
- \* implement either resident management or interim dual management;
- \* implement a strategy for developing economic development/homeownership and/or self-sufficiency programs (optional);

Under the work plan, the primary use of the grant funds is for the RC/RMC to receive technical assistance and training to build capacity for resident management. Therefore, all work plans must realistically reflect this program expectation.

#### B. Resident Trainees

In the case of new RC grantees, the persons initially trained should include the RC/RMC Board of Directors, other residents in leadership positions, and other interested residents in the development(s).

In the case of an existing RMC that has a management contract with the PHA, the persons trained will include both the RMC leaders and RMC staff.

ALL PUBLIC HOUSING RESIDENTS PARTICIPATING IN THE RESIDENT MANAGEMENT INITIATIVE ARE ELIGIBLE TO RECEIVE TRAINING PURSUANT TO THE INITIATIVE AS LONG AS THEY PARTICIPATE IN ALL TRAINING SESSIONS. IT IS DESIRABLE TO TRAIN A LARGE CADRE OF RESIDENTS FOR GREATER PROGRAM EFFECTIVENESS.

#### C. Required Training Topics

Pursuant to the February 17, 1990 Notification of Fund Availability (NOFA), all program grantees must be trained in the

following areas:

- \* HUD regulations and policies governing the operation of low-income housing;
- \* HUD regulations and requirements on the resident management program;
- \* Financial management, including budgetary and accounting principles and techniques;
- \* Capacity-building to develop the necessary skills to assume management responsibilities of the development.

D. Definition of a Training Consultant

The Training Consultant can be a private consultant, a non-profit community agency or university, or the Public Housing Agency. The RC/RMC may select one Training Consultant or one for different areas, as long as there is continuity and movement toward the resident management vision.

E. Training Consultant Role in Training and Technical Assistance

Considering program experience to date, the Training Consultant(s) should:

- \* assist in carrying out a work plan that meets the resident management vision;
- \* create and strengthen the PHA/resident partnership;
- \* enhance the RC/RMC leadership and growth process;
- \* provide subject area required by the program NOFA, including HUD regulations and other requirements.

The Training Consultant's technical assistance and training agenda should include the following specific areas:

ORGANIZATION/BOARD DEVELOPMENT

- \* Community Organization
- \* Principles/Practices of a Board of Directors
- \* Leadership Development: Theory and Practice

GENERAL MANAGEMENT

- \* Fundamentals of Management/Supervision
- \* Fundamentals of Program Planning and Management
- \* Establishing/Managing a Non-Profit Corporation

- \* Code of Conduct/Ethics

#### PUBLIC HOUSING PROPERTY MANAGEMENT

- \* HUD's Resident Management and Public Housing Requirements
- \* Financial Management and Program Controls
- \* Property Management: Theory, Techniques, and Practice

#### SELF SUFFICIENCY PROGRAMS (optional)

- \* Economic Development
- \* Supportive Services
- \* Homeownership

#### F. PHA Role in Training

The training and technical assistance program must be geared toward building a partnership between the RC/RMC and the PHA. Any Training Consultant is responsible for assisting the RC/RMC in creating a partnership with the PHA that can lead to resident management negotiations. Even though the resident management NOFA has not required the PHA sign-off on the RC/RMC application, it is HUD's expectation that the PHA will support and be involved in the RC/RMC application process.

The RC/RMC and PHA partnership should result in the PHA actually providing some of the resident management training, especially training on the PHA's policies, procedures, and processes. The partnership should also result in the PHA supporting the RC/RMC in implementing the RC/RMC grant, including assistance in financial management.

Typically, the PHA will train on HUD and PHA policy, procedure and process and other Training Consultant(s) will train typically on leadership, board and organization development, general management, and property management.

Section 964.35 requires PHAs to be supportive of RC/RMC seeking to enter into resident management negotiations or carry out activities pursuant to a management contract.

#### IV. TRAINING CONSULTANT SELECTION

##### A. RC/RMC Planning

Before a RC/RMC grantee selects a Training Consultant(s), the following determinations must be made:

- \* The duties, responsibilities, and cost estimate of a

proposed Training Consultant;

- \* The experience and qualifications desired, based on the needs of the RC/RMC;
- \* The terms and conditions of the selection process;
- \* Any other matters pursuant to the Training Consultant selection process that the RC/RMC may deem appropriate.

#### B. HUD Procurement Requirements

The RC/RMC grantee must follow Circular A-110, which contains the Federal Government's Uniform Administrative Requirements for grants. A-110 states that all contracts over \$10,000 must be competitively bid and must receive approval from HUD.

The TAG also requires the grantees to:

- \* provide a written description of services to be provided (called a Request for Proposals, "RFP");
- \* advertise in a newspaper of sufficient circulation to stimulate competition. This notification should include a statement when proposals are to be received;
- \* develop a potential training consultant list based on known sources or referrals by the PHA or others;
- \* develop a procedure for evaluating proposals and select an evaluation committee composed of at least three grantee representatives;
- \* provide written documentation about how the selection was made to the HUD field office Resident Initiatives Coordinator (RIC) who will provide the package to the Regional Contracting Officer (Grant Officer) for approval. In the case of FY 1988 grantees, the PHA must concur in the selection and submit this documentation to HUD. The documentation must include: a copy of the RFP, a copy of the proposed contract document, a list of publications where the advertisement occurred, procedure for evaluating proposals, and description of how the selection was made and the price determined.

The Regional Contracting Officer (Grant Officer) shall approve/disapprove the Consultant Trainer selection for consistency with the above applicable guidelines within 30 days of receiving the package.

Resident Management grantees shall consult with the PHA for advice and assistance in the selection of a Training Consultant, while the RC/RMC has final selection authority. The RC/RMC can also receive assistance from the field office RIC, a local community agency or the RCO.

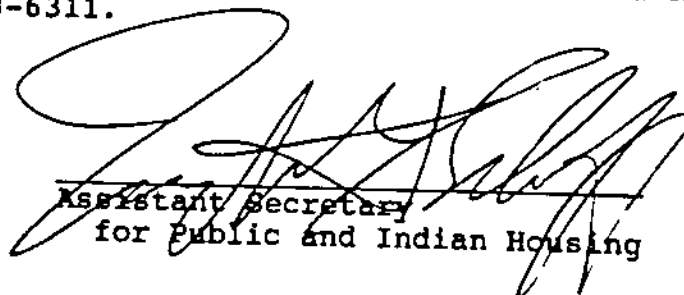
A Training Consultant who assisted a RC/RMC with the application or work plan may compete for a contract, provided that the Training Consultant has competed for the preparation of the application or work plan, and that the RC/RMC makes all application-related information available to all prospective training consultants.

#### VI. HUD RESIDENT MANAGEMENT TRAINING BRIEFING

HUD Headquarters will hold a one-day training briefing to discuss training guidance and processes for interested Training Consultants, PHAs, RCs/RMCs, and HUD staff. The meeting will take place on Tuesday, December 11, 1990, in the HUD Departmental Conference Room (Room 10233) from 9 AM to 5 PM. Materials will be made available at the workshop.

#### VII. INFORMATION CONTACT.

For more detailed information, please contact Patricia Arnaudo or Leonard Clay, Resident Management staff in the Office of Resident Initiatives on 202-708-6311.



Assistant Secretary  
for Public and Indian Housing

# COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM (CIAP)

Excerpts from changes to the CIAP Handbook dated December 20, 1989

## CHAPTER 2. ELIGIBLE COSTS

### 2-1. PHYSICAL IMPROVEMENT COSTS.

- a. Long-Term Viability. No physical improvements, other than those necessary to correct immediate emergencies, shall be approved unless HUD determines that the project, after modernization, will have long-term physical and social viability (see paragraph 3-9).
- b. Mandatory Standards. All funded improvements in projects rehabilitated under the CIAP shall comply with the mandatory physical standards, set forth in the Public Housing Modernization Standards Handbook 7485.2 REV-1, whenever there is a component that is not functional or serviceable. The mandatory standards include energy conservation measures (ECMs) which have been identified by an updated energy audit as having a simple payback of 15 years or less (the cost of the ECM divided by the annual value of the energy saved) and a useful life equal to or greater than the payback term. Refer to Workbook HUD-PDR-700(3). Before recommending funding of ECMs, the Field Office shall take into account the following: Headquarters-provided annual estimates of long-term borrowing rates and long-term inflation rates for fuel oil, natural gas, and electricity; associated changes in ongoing maintenance and operating (other than energy) costs; and the PHA's operating experience. See paragraph 6-8 regarding update of energy audits. \*
- c. Premature Replacement. Premature replacement of serviceable building components, systems, equipment or materials is not approvable under the CIAP, except where a life-cycle analysis indicates that the ECM will be cost-effective, assuming a simple payback term of 10 years or less. Refer to HUD Handbook 7418.1, Preparation of a Life-Cycle Cost Analysis for Utility Combinations, for guidance. However, before approving the premature replacement of relatively new or functional items, the Regional and Field Offices shall exercise judgment regarding whether it is in the best economic interest of the Department and the PHA. Therefore, compliance with the Modernization Standards will occur over a period of time as needed replacements are made.
- d. Project Specific Work. The mandatory standards may only be exceeded when necessary or highly desirable for



the long-term physical and social viability of the individual project, including site and building security. Work exceeding the standards is project specific and not applicable to all projects. Such work responds to differences in climate, location, building type, resident use and concerns, and management/maintenance systems. Work exceeding the standards may not be justified on the basis of competition with other assisted or subsidized housing. Where work exceeding the standards is proposed, the PHA shall discuss the work items with the Field Office at the Joint Review and provide written justification, if requested, for each work item.

\*

2-2. COST GUIDELINES. The Regional Office shall not approve a modernization program for a project, excluding modernization under Group 1, where CIAP funds or operating funds or reserves will be used to pay any cost in development accounts 1450 through 1475 (hard costs) which exceeds 62.5 percent of the published cost guidelines for nonelevator units (69 percent for elevator units) for construction of similar units in the area. The cost guidelines are now based on Total Development Cost (TDC). The PHA may use funds from other sources, such as CDBG funds or, in compliance with paragraph 8-2d of HUD Handbook 7420.7 CHG-4, excess Section 8 administrative fees, to exceed cost guidelines. The cost guidelines are used to indicate when a modernization program may not be financially feasible and Headquarters review is warranted. High costs raise questions regarding the long-term viability of the project; i.e., whether the improvements can be sustained and whether sufficient efforts have been made to reduce costs.

a. Calculation. This calculation is not required for modernization under Group 1. To calculate the cost guideline limit, the Field Office shall obtain the most recently published cost guidelines for the type and size of units that will be in the project after modernization; i.e., following any unit conversion or demolition. The Field Office shall not adjust the published cost guidelines for inflation or other reasons. The Field Office shall then compare the total cost guideline limit to the modernization hard costs proposed for the current fiscal year. For comprehensive modernization, use the total hard costs of all stages, but exclude from the total hard costs any other types of modernization funded before or after the comprehensive modernization of the project. The following example illustrates how to calculate the cost guideline limit for a walkup project in the Northeast: \*

<u>Number of Bedrooms</u>	<u>Number of Units After Modernization</u>		<u>Guideline Unit Cost</u>	<u>Total Cost</u>
0-BR	20	x	\$26,250	= \$ 525,000
1-BR	20	x	\$31,350	= \$ 627,000
2-BR	30	x	\$34,700	= \$1,041,000
3-BR	10	x	\$41,400	= \$ 414,000
* Total Development Cost (TDC)				\$2,607,000

CIAP Hard Cost Limit for Nonelevator Units  
(62.5% of TDC)

\$1,629,375

CIAP Hard Cost Limit for Elevator Units  
(69% of TDC)

\$1,798,830

b. Averaging Not Allowed. If the project contains dissimilar types of structures, such as a mid-rise with several low-rises, the Field Office shall separately calculate the cost guideline limit for each type of structure. The Field Office shall not average the modernization cost for dissimilar structures so that the less costly modernization on one type of structure disproportionately carries the more costly modernization on the other type of structure.

c. Family High-Rises. To calculate the cost guideline limit for family high-rises where there are no published figures for units with three or more bedrooms, the Field Office shall multiply the two-bedroom cost guideline figure for elevator structures for each additional bedroom by the factor provided below. The following example illustrates how to calculate the cost guideline limit for a 250-unit family high-rise project:

<u>Number of Bedrooms</u>	<u>Number of Units After Modernization</u>		<u>Guideline Unit Cost</u>	<u>Total Cost</u>
1-BR	50	x	\$21,000	= \$1,050,000
2-BR	50	x	\$25,000	= \$1,250,000
3-BR	50	x(1.20x\$25,000)	\$30,000	= \$1,500,000
4-BR	50	x(1.39x\$25,000)	\$34,750	= \$1,737,500
5-BR	50	x(1.48x\$25,000)	\$37,000	= \$1,850,000
Total Development Cost (TDC)				\$7,387,500

CIAP Hard Cost Limit for Elevator Units  
(69% of TDC)

\$5,097,375

\*

d. Scattered Site Units. Where only a portion of the

units in a scattered site project are being comprehensively modernized, the Field Office shall calculate the cost guideline limit for only those detached and semi-detached scattered site units being modernized.

\*

**e. Over Six-Bedroom Units.**

- (1) For detached or semi-detached units and row dwellings, the cost guideline limit for a 7-bedroom unit is derived by multiplying the 6-bedroom guideline figure by a factor of 1.03. The cost guideline limit for a 8-bedroom unit is calculated by multiplying the 6-bedroom guideline figure by a factor of 1.05. For example:

\$60,250 (6-bedroom) x 1.03 = \$62,058 (7-bedroom)

\$60,250 (6-bedroom) x 1.05 = \$63,263 (8-bedroom)

- f. Submission to Region and Headquarters.** If the modernization hard costs exceed the cost guideline limit and the Field Office supports the modernization program, the Field Office shall submit its recommendation for approval, fully justified, to the Regional Office. The recommendation shall include a breakdown of the modernization cost by development account and work item. If the Regional Office recommends approval, the Regional Office shall forward both the Field Office's and its recommendations to Headquarters for consideration.

**2-3. MANAGEMENT IMPROVEMENT COSTS.**

- a. Eligibility.** Management improvements that are project specific or PHA-wide in nature are eligible modernization costs under comprehensive modernization, subject to the following conditions: (Note: management improvements are ineligible modernization costs under emergency, special purpose or homeownership modernization.)

- (1) The management improvements are necessary to correct identified management problems and to sustain the physical improvements at the project to be comprehensively modernized. Special PHA management initiatives to improve the economic climate of the project to be comprehensively modernized may be eligible for funding where the PHA can demonstrate that such initiatives are necessary to sustain the physical improvements. \*

\*

A PHA-wide management improvement may be funded where the PHA can demonstrate that, to correct the management deficiency at the project to be comprehensively modernized, a management improvement must be undertaken which also will benefit other PHA public housing projects. If the PHA cannot demonstrate the linkage between the PHA-wide management improvement and the correction of an identified management deficiency, including sustaining the physical improvements, at the project to be comprehensively modernized, the PHA-wide management improvement is ineligible for funding. Examples of eligible project specific and PHA-wide management improvements are:

- (a) Rent collection is a management problem at the project to be comprehensively modernized and the correction requires development and installation of new PHA-wide rent collection procedures;
- (b) PHA-wide maintenance training program where the maintenance staff at the project to be comprehensively modernized lack the necessary skills to perform their jobs, but training this staff would not be cost-effective because of the small number involved, and the maintenance staff at other PHA projects also lack skills;
- (c) Purchase of computer hardware and software for PHA-wide use to provide needed management information where lack of information is a problem at the project to be comprehensively modernized. Where the management improvement will benefit programs other than Public Housing, such as Section 8, renewal, etc., the eligible CIAP cost is limited to the amount directly attributable to the Public Housing Program. See subparagraph e for instructions on charging computer hardware and software costs;
- (d) Equal opportunity and civil rights training and development of appropriate procedures where there are management problems regarding the PHA's administration of equal opportunity requirements at the project to be comprehensively modernized; \*

- \* (e) Hiring of additional staff or use of existing staff to secure and coordinate needed social services from the public and private sectors and to establish linkages with the local community;
- (f) Hiring of additional staff or use of existing staff to perform an economic and market assessment for the project to be comprehensively modernized to develop specific incentives for improving economic conditions; and
- (g) Hiring of additional staff or use of existing staff to coordinate resident training activities under subparagraph b(5).
- (2) The management improvements require additional funds for implementation and the funds are not available from other sources.
- (3) The combined costs for management improvements, including equipment related to drug elimination activities (see Appendix 2), and planning under paragraph 2-6 shall not exceed 10 percent of the estimated total hard costs (development accounts 1450 through 1475) for all stages of a project, unless specifically approved by Headquarters. Under paragraph 2-6, planning costs shall not exceed five percent of the funds available to the Field Office in a particular FFY.
- (4) Management improvement costs shall be fundable only for the implementation period of the physical improvements, unless a longer period, up to a maximum of five years, is clearly necessary to achieve HUD-approved performance targets. \*
- (5) Where an approved modernization program includes management improvements which involve ongoing costs, such as security guards, HUD will not be obligated to provide continued funding or additional operating subsidy after the end of the implementation period of the management improvements. The PHA shall be responsible for finding other funding sources, reducing its ongoing management costs, or terminating the management activities.

**b. Eligible Management Areas.** Subject to the conditions set forth in subparagraph a, management improvements

may involve or upgrade the following areas:

- (1) Management, financial and accounting control systems of the PHA which are related to the project to be comprehensively modernized.
- (2) Adequacy and qualifications of personnel employed by the PHA in the management and operation of the project to be comprehensively modernized for each category of employment.
- (3) Adequacy and efficacy of the following for the project to be comprehensively modernized:
  - (a) Resident Programs and Services. The PHA must be able to secure and coordinate the provision of appropriate social services from local government or other public and private entities. Eligible costs include the hiring of additional staff to coordinate such services as drug education, resident training, assistance to a resident management corporation (RMC), and economic development. See subparagraphs b(4), (5), (6), and (7).
  - (b) Resident and Project Security. The PHA must be able to provide adequate security for the residents and adequate protection against vandalism to the property, including securing adequate police services under the terms of the Cooperation Agreement, providing necessary project surveillance and control of access, and excluding individuals who would jeopardize or evict those who are jeopardizing resident security.
  - (c) Resident Selection and Eviction. The PHA must be able to screen, select and assign applicants in accordance with HUD requirements and sound management practices. The PHA also must be able to deal effectively with disruptive residents. \*
  - (d) Occupancy. The PHA must be able to maintain a 97 percent occupancy rate for the project after completion of the physical improvements, in accordance with its Comprehensive Occupancy Plan. The PHA must be able to prepare vacated units for reoccupancy within

a reasonable time period to achieve its occupancy goals.

\*

- (e) Rent Collection. The non-Indian PHA must be able to collect the rents at the project at a rate of at least 90 percent of the annual rents chargeable, plus year-end tenant rental accounts receivable (TAR). Where the PHA's TAR for tenants in possession as a percentage of the total monthly charges at the project exceeds 10 percent, the PHA must provide a plan to reduce the TAR to 10 percent within an acceptable period. In addition, the PHA must be able to carry out timely evictions for nonpayment of rent. The IHA must be able to develop and implement policies and procedures regarding rent collection which result in the stabilization and/or reduction in TARs.
- (f) Maintenance. The PHA must be able to provide adequate maintenance for the project after completion of the physical improvements, so that the units continue to meet the Section 8 Housing Quality Standards. This includes timely response to routine and emergency maintenance requests, and conduct of a preventive maintenance program for all major systems at the project and annual unit inspections.
- (g) Equal Opportunity. The PHA must be able to provide public housing on a nondiscriminatory basis.
- (4) Drug elimination activities at the project to be comprehensively modernized. See Appendix 2 for a discussion of the eligible and ineligible uses of CIAP funds for management and related physical improvements in this area and the need for PHA coordination with local governmental strategies and programs.
- (5) Resident training activities directly related to carrying out the physical and management improvements at the project to be comprehensively modernized. The PHA may choose to develop its own job training program or to participate in an existing community program. Although the training must focus on on-the-job training at the project \*

\*

site, necessary classroom instruction is permitted.

- (a) CIAP funds may be used to pay for the following costs: program design and development; outreach and screening of tenants to be trained; instructor's salaries; purchase of curricula or preparation of new curricula; books and other training materials; course-related tools, building supplies, and materials; trainees' stipends, wages or both; consultants or contractors who perform eligible training-related tasks; rent, utilities, etc., for training facilities; and administration.
  - (b) CIAP funds may not be used to pay for the following costs: general remedial education or instruction on general social skills; job counseling; job development and placement; and supportive services during training.
  - (c) PHAs are strongly encouraged to hire residents to carry out the physical and management improvements. Under Section 3 of the HUD Act of 1968, the PHA or the contractor is required to use project area residents as trainees or employees, to the greatest extent feasible, when modernization work exceeds \$500,000. Refer to paragraph 6-1c.
- (6) Technical assistance to a Resident Management Corporation (RMC), as defined in 24 CFR 964.7, at the project to be comprehensively modernized for the purpose of determining the feasibility of the resident management entity or assisting in its formation. For additional information, see 24 CFR 964.45. In addition, the PHA may contract with the RMC to carry out management improvements identified as PHA-wide or project specific. Also refer to Chapter 5 for tenant/homebuyer consultation requirements.
- (7) Economic development activities at the project to be comprehensively modernized for the purpose of carrying out activities related to the management and physical improvements or general operation of the project. Such activities may be funded by loans, such as through a revolving loan fund, to \*



\* resident-owned businesses; however, further information and instructions will be provided in the near future.

- (8) Study of feasibility of converting rental to home-ownership units at the project to be comprehensively modernized.

c. Where there are identified management deficiencies in the areas set forth in subparagraph b, they must be addressed as part of the comprehensive modernization, with established performance targets and regardless of whether CIAP funds are required for correction. IHAs should refer to the Administrative Capabilities Assessment (ACA) as a guide in determining the specific areas which should be targeted for correction. \* Management improvements which require funding may be funded only under comprehensive modernization. See paragraph 2-7 for guidance on administrative costs.

d. Examples of ineligible management improvements include, but are not limited to:

- (1) Hiring of additional staff or use of existing staff to directly provide social services to the residents of the project to be comprehensively modernized.
- (2) Funding of ongoing operating expenses of resident organizations. However, resident organizations may be contracted with to carry out eligible physical and management improvements. Appropriate payment for these activities is an eligible cost.

e. Where management improvements involve planning costs (i.e., costs incurred before modernization program approval), such costs shall be charged in accordance with paragraph 2-6d. Where management improvements involve administrative costs (i.e., costs to be incurred after modernization program approval), such costs shall be charged in accordance with paragraph 2-7d. \* Where management improvements involve computer systems, the computer hardware costs shall be charged to development account, Nondwelling Equipment - Office Furniture and Equipment (Account 1475.1), which is not subject to the 10 percent limitation, and the computer software and training costs shall be charged to development account, Management Improvements (Account 1408), which is subject to the 10 percent limitation. \*

\*2-4. RELOCATION COSTS. Relocation costs as a direct result of rehabilitation, demolition or acquisition for a CIAP-funded project are eligible costs and shall be charged to Relocation Costs (Accounts 1495.1 through 1495.5). Refer to paragraph 6-7 for specific requirements. \*

2-5. CORRECTION OF DEVELOPMENT DEFICIENCIES.

a. Definitions.

- (1) Development deficiencies are project deficiencies that relate to errors or inadequacies in the design or construction of a project which become known before Field Office approval of the Actual Development Cost Certificate (ADCC). Design deficiencies result from the use of plans and specifications that fail to meet HUD and other applicable design standards in effect at the time of project approval, such as Contract of Sale, Notice to Proceed, etc. Construction deficiencies result from the use of improper construction methods or materials, poor workmanship, or failure to complete the project in accordance with HUD-approved plans.
- (2) Development funds, as used in this paragraph, are funds remaining in the Development Cost Budget, funds remaining in the ACC in excess of the Development Cost Budget, or development amendment funds.

b. Management Concurrence in Actual Development Cost Certificate. The Chief, Mortgage Credit Branch, shall send the ADCC and all supporting documents to the Chief, Assisted Housing Management Branch (AHMB), for review and concurrence.

c. Responsibility for Correction.

- (1) Before Management Concurrence in ADCC. Before AHMB concurrence in the ADCC, the correction of any development deficiencies shall be financed from development funds, as defined in subparagraph a(2). If there are insufficient funds in the Development Cost Budget or ACC, that budget may be amended with available development funds, subject to limitations placed on the use of amendment funds. See the Public Housing Development Handbook 7417.1 REV-1. Where there are no remaining or inadequate development funds, the Field Office

Manager may submit a documented request to use CIAP funds to correct development deficiencies. The request shall be forwarded through the Regional Office, to the Assistant Secretary for Public and Indian Housing, Attention: Director, Office of Public Housing. The request shall describe the deficiencies, their causes, the amount of CIAP funds required for correction, and efforts by the Field Office and PHA to secure correction or indemnification from the architect or contractor, as appropriate. The request also shall state there are no remaining or inadequate development funds for correction.

- (2) After Management Concurrence in ADCC. After AHMB concurrence in the ADCC, the correction of any subsequently identified deficiencies may be financed from CIAP funds without Headquarters approval. Such deficiencies will be considered to be latent defects that could not reasonably have been foreseen by the Field Office at the time the ADCC was reviewed.

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CHAPTER 5. RESIDENT/HOMEBUYER CONSULTATION AND INVOLVEMENT  
REQUIREMENTS

5-1. RESIDENT CONSULTATION.

- a. Before development of the CIAP Application, the PHA shall consult with residents regarding its intent to submit an application for CIAP funds.
- b. At least three weeks before Joint Review, the PHA shall notify the residents of the project to be modernized and the resident organization, if any, of the proposed modernization program, afford residents a reasonable opportunity to present their views on the proposed program and alternatives to it, and give full and serious consideration to resident recommendations. The PHA notice shall include information on the PHA's ideas for modernization and the methods, including time limit, for residents to present their views. In addition, the PHA shall make available to the residents and the resident organization, if any, a copy of the CIAP Application. At least one day before\* Joint Review, the PHA shall make available a copy of its brief, written evaluation of the resident recommendations.
- c. At Joint Review, the PHA shall make available to HUD a copy of the resident recommendations and its evaluation of those recommendations, indicating the reasons for PHA acceptance or rejection, consistent with HUD requirements and the PHA's own determination of efficiency, economy and need.
- d. After HUD approval of the modernization program, the PHA shall inform the residents and the resident organization, if any, of the approved work items and make available a copy of the approved CIAP Application.
- e. The provisions of this paragraph do not apply where only work items of an emergency nature, affecting the life, health and safety of residents, are processed in a "fast track" mode outside the normal processing schedule. However, the PHA shall inform residents of \* approved emergency work items.
- f. The PHA shall achieve resident consultation by use of informational materials, meetings or other methods which it deems most effective.

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5-2. HOMEBUYER CONSULTATION.

- a. Before Joint Review, the PHA shall discuss the modernization program with the homebuyer families of the project to be modernized and inform each homebuyer family that:
- (1) to participate, it must be in substantial compliance with the terms of its Homebuyer Agreement;
  - (2) it will have an opportunity to express its views and preferences with respect to the modernization of its home;
  - (3) the purchase price and the amortization period will be increased as provided in paragraph 4-8;
  - (4) it will have an opportunity to participate in the final inspection of the work to determine completion in accordance with the requirements; and
  - (5) participation in the program is optional.
- b. The PHA shall provide each homebuyer family with a copy of the PHA's evaluation of its recommendations, the tentative decisions reached on the modernization program to be submitted to the Field Office, the estimated cost of the proposed modernization program, and the maximum amount of this cost to be attributed to its home.
- c. If the homebuyer family decides to participate in the modernization program with respect to any of the proposed work items, it must agree in writing that its Homebuyer Agreement will be amended upon approval of the CIAP Application to provide that, as a result of the amount of modernization cost attributed to its home, the purchase price and the amortization period will be increased in accordance with paragraph 4-8. The PHA shall retain copies of the signed agreements and the amended Homebuyer Agreements in its files for inspection by the Field Office.
- d. Any homebuyer family may decline to participate without risk to its homebuyer status.
- e. The provisions of subparagraphs a through d do not apply where the modernization work is limited to the

correction of development deficiencies, update of energy audits and undertaking of cost-effective energy conservation measures, and lead-based paint testing and abatement (see paragraph 2-11).

\* 5-3. **RESIDENT/HOMEBUYER INVOLVEMENT.** The PHA shall involve residents/homebuyers during the implementation of the approved modernization program, as follows:

- a. **Provision of the HUD-approved Project Implementation Schedule(s)** (see paragraph 7-2) and regular status reports on the implementation progress of the physical and management improvements;
- b. **Appropriate notice regarding resident moves,** as required by paragraph 6-7; and
- c. **To the maximum extent possible, opportunities for employment** either by the PHA and its contractors in carrying out the approved physical and management improvements (see paragraph 2-3b(5)). \*

## APPENDIX B

### SELECTED BIBLIOGRAPHY ON RESIDENT MANAGEMENT

**The Grass Is Greener in Public Housing -- From Tenant To Resident To Homeowner: A Report on Resident Management of Public Housing;** National Center for Neighborhood Enterprise, 1984. Available from NCNE, 1367 Connecticut Avenue, N.W., Washington, D.C. 20036.

**Empowering Residents of Public Housing, A Resource Guide For Resident Management,** by David Caprara and Bill Alexander, National Center for Neighborhood Enterprise, 1989. Available from NCNE, 1367 Connecticut Avenue, N.W., Washington, D.C. 20036.

**Public Housing Management Performance: A Comprehensive Guidebook for Achieving Quality Public Housing;** National Center for Housing Management, 1985. Available from National Center for Housing Management, 1275 K Street, N.W., Suite 700, Washington, D.C. 20005.

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**The Insider's Guide To Managing Public Housing, Volumes I and II;** Robert Kolodny, Richard D. Baron and Raymond Struyk, The Urban Institute, 1983. Available from HUD User, PDR-638, PDR-639.

**"Options to Conventional Public Housing Management";** William Peterman, Journal of Urban Affairs, 1989, 11, 1, 53-68.

**Cost Benefit Analysis of the Kenilworth-Parkside Public Housing Resident Management Corporation;** Executive Summary by Coopers and Lybrand, 1986. Available from National Center for Neighborhood Enterprise, (NCNE) 1367 Connecticut Avenue, N.W., Washington, D.C. 20036.

\* HUD user is an information service that has research reports and services. Call 1-800-245-2691, (301-251-5154) in Maryland and the Washington, D.C. metropolitan area or write: HUD User, P.O. Box 6091, Rockville, MD 20850.

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