July 30, 2020

To: Longmont Housing Authority Board
Fr: Betsey Martens and Jim Koczela, BSH Strategies LLC
Re: Assessment of the Longmont Housing Authority

BSH Strategies, LLC was retained by the Longmont Housing Authority Board to assess the organizational strength and capacity of the Longmont Housing Authority. We were asked to engage in the four categories below:

1. Analyze the current organization of the LHA; assess whether LHA has the optimal positions and jobs for the size of the portfolio and programs; assess the support and training needs of current staff and suggest an ideal organization chart.

2. Assess the financial condition of the LHA.

3. Assess property operations and advise about best practices.

4. Create a compliance calendar tool.

Our process involved interviews with LHA staff as identified by the City of Longmont and a review of requested relevant documents. We draw on more than thirty years of housing authority management to provide our recommendations. Nonetheless, our investigation into the management of LHA was extremely limited compared to the months and years of accumulated knowledge and familiarity that readers have. With that as a caveat, please consider these recommendations as a first impression of how to improve the operation of your housing authority.

We refer to LHA throughout this document when we discuss the portfolio of properties, even though LHDC also owns properties. We trust that readers know which entity owns which property.

Readers' note: *As this report was being finalized, LHA received word that its CFO will wrap up his service to LHA in early August. This updated version incorporates that news into the section on Recommendations with Timing which reflects the greater urgency with the LHA's loss of its top two leaders.*

As context for the discussion we remind you that there are some things that help create some patience to the rebuilding process:

- LHA assets are in good shape
- LHA has a strong balance sheet
- There is reasonable performance in the portfolio and the voucher program

The biggest challenges for LHA include organizational structure; staff capacity; lack of financial controls and management analysis; and operations that currently produce negative cash. **These are significant and urgent problems that could be seen as an opportunity.**

CHAPTERS

Organization and Structure of LHA

Observations

These observations arise from engagement with the LHA staff who were identified by the City of Longmont, as well as a review of financial and management documents. As an initial observation, readers should understand that most of the reports that we requested and are considered a best practice in real estate management were not available to us. Our impressions and understanding are limited by the analysis available.

This section provides a number of observations that are listed in order of importance. There are six categories of observation:

1. Roles, Responsibilities and Organizational Structure
2. Training
3. Consistent Procedures
4. Equipment
5. Productive Staff Culture
6. Resident Empowerment

Under each category there is a brief narrative about the theme, followed by departmental observations organized by:

- Property Management
- Finance

- Housing Choice Voucher Program
- Administration

Our recommendations are ordered in the narrative first by department and then, below, according to a time-line; from urgent to strategic.

What's Working Well

There were two consistent responses to the question of "What's working well at LHA right now?"

The first is that staff appreciate a new level of communication, resources and hope that has come with the engagement and investment by the City of Longmont. The fact that the vast majority of staff interviewed mentioned it first tells us that the City's decision was not only a good one but also more urgently needed than perhaps understood.

The second global response about what's working well is the wholehearted commitment of LHA staff to the mission. To a person, interviewees talked about the passion that their colleagues bring to their work. This is a crucial asset because it is not easy to train people to believe in your mission, and it is far easier to train in technical skills. That said, readers should understand that there is an urgent need to increase the technical skill level of the LHA staff.

What Needs Attention and Investment

The following narrative is organized around six global themes referenced above. These themes were identified from our review of management and financial documents as well as interviews with LHA staff.

Roles, Responsibilities and Organizational Structure

There is widespread confusion about job responsibilities, reporting relationships, decision paths and where to go to get help at LHA. The confusion shows up from the very simple example of not knowing who or how to ask for personal time off to the more impactful examples of a building manager not knowing who supervises the colleague who works in the same building with the same residents. One staff person described the environment as one in which "people running around doing whatever is most urgent." Several staff people described the need for more "structure" and one person

summed up what's needed by saying, "We need the right people in the right places making the right decisions."

We also observed that, in general, the LHA is under-staffed. This is not a reference to positions that are not filled, of which there are a few, but of positions that need to be created.

Finance

A review of the annual LHA audit for 2017, 2018 and 2019 revealed three consistent compliance comments related to the finance department:

1. The Authority does not have an internal control system designed to provide for the preparation of the financial statements, accompanying footnotes to the financial statements and the schedule of federal awards and related notes.
2. The auditors were required to propose material adjusting entries that were not detected by management.
3. Due to a limited number of office personnel, the authority does not have adequate internal controls over significant accounting functions.

These are significant findings that should be addressed. The current CFO has only 6 months tenure with LHA and was required to prepare the 2019 audits with no knowledge of the actual 2019 operations. This should improve for the 2020 audit, but the compliance issues can only be corrected with adequate staffing.

First and foremost, a qualified CPA should be hired to bring much needed capacity to the Finance Department. This is a key organizational position that, when filled with a CPA, will allow the CFO to be in a 'review and approve' role rather than actually preparing payroll and monthly journal entries. The monthly closing process should be no different than the annual closing process, with all transactions accounted for and the books properly reviewed and approved by the CFO to avoid having the auditors proposing adjusting entries.

While a discussion with the auditors was outside the scope of this engagement, we assume that their final audit comment that the LHA has too few staff to allow for proper segregation of duties means that the same person who books journal entries or post accounts payable is also preparing bank reconciliations. This can often be resolved with appropriate system controls and/or assigning the monthly bank reconciliations to an individual who doesn't have access to the general ledger or the bank accounts. The CFO should have a discussion with the auditors to determine exactly what is needed to resolve this compliance issue and create adequate internal controls for LHA.

Our discussions with staff identified one additional control issue that should be addressed. We noted a family relationship between one HCV staff member and the accounts payable position in finance. While we have no evidence of, and are by no means implying that, any impropriety has taken place, these two positions by definition result in a conflict of interest. One party is creating new landlord fields in Yardi and processing monthly payments from the HCV program to landlords. The other is actually approving the landlord payments and cutting checks. We recommend that one of these persons be moved to another role as soon as is practical.

We understand that LHA and LHDC books are only closed on a quarterly basis, while the individual properties are closed monthly. For proper financial control and analysis, each entity should be closed on a monthly basis and the financial statements reviewed for completeness and consistency by the CFO. This will allow each department to review their budgets-to-actual on a timely basis for making operational decisions. We understand the understaffing in the Finance department and again recommend that you add an Accountant and fill that position with a qualified CPA.

Recommendations

1. Fill the accountant position with a qualified CPA to bring much-needed capacity to the Finance Department.
2. Address the conflict of interest by moving one of the staff members from either HCV or Finance to a different position.
3. Create a monthly closing process that allows for all companies within the organization to completely close the books on a monthly basis.
4. Provide access to Yardi expertise for a review of the system setup and reporting, and to provide appropriate training to new and existing staff.

Property Management

There are two foundational problems for property management at LHA. The first is staff turn-over. The second problem can solve the first. There is no evidence of LHA-specific guidelines for property management. We could find no process or procedure documents that all staff consult. As a result there is no consistency in what Community Managers (CMs) do.

Three of the four CMs were hired within the past 18 months and none of the new hires have been provided with any training in LHA standards. In some cases there wasn't any training about what the job responsibilities of a CM are. We detected a "sink or swim" practice in the department as CMs have

essentially been left on their own to determine what to do. As a result each CM's description of their primary responsibilities reflected personal strengths, preferences or personal values rather than the job description as written.

The absence of an LHA standard for property management means that each CM has a slightly different working relationship with the maintenance technician (MT) assigned to their property. Some CMs manage their property with their MTs and make decisions as a team and others restrict the interaction to work orders. Property management is a team sport and to achieve the best results for the resident and the asset, the CMs, the Maintenance Tech and Resident Services staff should review building performance and community challenges together and come up with a plan.

Neither CMs nor the Maintenance Lead have a sound understanding of the financial operation of their property or of the budgets from which they authorize expenditures. Everyone was asked the question "If the elevator in your building were to become disabled, what's your process for repair or replacement?" There was not a consistent answer about what to do.

Some CMs manage multiple properties and need to have a scheduled, daily presence on the site.

There were two instances of confusion about who supervises a colleague who works at, and with, the same property.

The staffing levels are within the industry standards for affordable housing, but the lack of training prompts a recommendation that LHA consider turning the part-time Assistant position into full-time and have it float. This can only be well-managed with a Regional Property Manager in place.

Recommendations

1. The observation about the need for a defined strategy about how LHA manages property is the most urgent, yet will require the most time and attention from LHA staff, leaders and partners. Ideally, this process would begin with a new Executive Director.

2. We recommend that LHA add another Maintenance Tech to allow the Maintenance Lead to manage operations and begin moving the Maintenance department into offense rather than defense. The department needs a schedule of yearly maintenance and unit inspections; and it needs a Capital Investment Plan.

3. Property management is best accomplished by teams. We recommend that CMs and Maintenance Techs be encouraged to work in a team-based environment.

4. We recommend that LHA consider turning the part-time assistant assigned to Hearthstone/The Lodge into a full-time Assistant Community Manager position that would support Hearthstone, The Lodge, Village Place, Briarwood and The Suites. This recommendation is only possible with a Regional Property Manager in place who would supervise that position.

5. CMs and their assistants should arrange their schedules so that they have scheduled office hours at every property every day. Equally important is that they communicate with residents if those hours need to change for that day.

6. Observation #5 can be resolved immediately by City staff.

Administration

There has been significant decision-making and control vested in the chief executive's office. While this level of control is understandable in an environment where there have been a number of compliance challenges, it is inefficient for operations and creates confusion and disinvestment for staff.

The organization is too small to assign an FTE to assist the Executive Director. That person could be more effectively assigned to respond to broader needs of the organization.

The City of Longmont could be very helpful with administrative support by lending its staff expertise in the areas of Insurance/Risk Management; Human Resources practices; IT support; and Procurement. Of particular importance was the repeated comment that if a staff person is having trouble with a colleague or a supervisor, there is no resource or outlet for that problem.

Recommendations

1. We recommend that the LHA-COL teams meeting to discuss the hybrid agreement focus in the areas of Insurance/Risk Management; Human Resources practices; IT support; and Procurement.

2. There is an opportunity to expand and define the role of the Assistant to the Executive Director. We recommend that this position be redefined as an office manager with clear responsibility for the smooth functioning of office procedures and systems for the central and remote offices. This position should staff the Front Desk and assure that LHA provides excellent customer service. The Office Manager can be the liaison

to the City on its support functions. The Office Manager would also staff the Board(s).

3. LHA needs to begin the process of moving decisions out through the organization to avoid the combination of gatekeeping and uncertainty that we witnessed in the organization. This process can't begin until affected staff have solid procedure manuals and much more training. We encourage the interim City team to look for incremental opportunities to vest problem-solving closest to the problem.

LHA Board / LHDC

There are two related, and significant, topics under this heading. We are raising the two for your consideration but won't provide a recommendation since an opinion would require investigation that goes beyond the scope of this engagement.

There are pros and cons to organizing LHA's development activity in a separate corporation. Given the strained resources at LHA we suggest that the advantages probably do not offset the extra administrative burden of staffing, supporting and training two separate boards. The separate development company was popular in the early 2000s during a time when HUD was not a champion of PHA development and many things were made more difficult inside the PHA structure. That has changed substantially and there is a trend of bringing development back inside the PHA. A similar decision by the LHA would significantly strengthen the balance sheet of the LHA and return the decisions about expanding the affordable housing opportunities for the city of Longmont to the publicly-appointed Board.

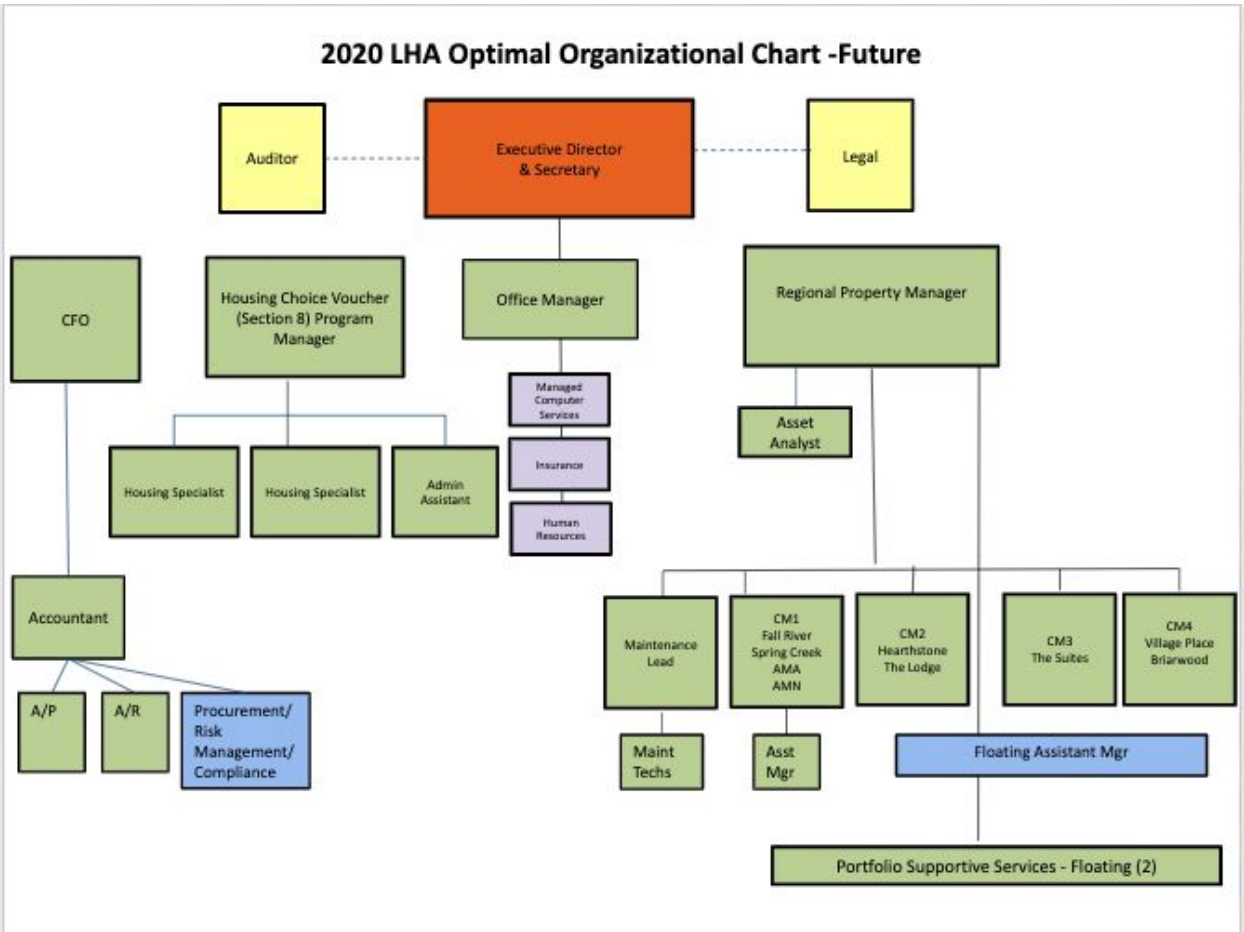
The second, and more important, question is whether LHA has the organizational strength to pursue new development. We have always believed that successful development cannot outpace the ability of operations to manage it. The fastest way to get yourself out of the development business is for the LIHTC investor community to lose confidence that you can manage a highly complex operation with fidelity. Based on our analysis and reports of investor audit findings, we would be inclined toward a recommendation, were we to offer one, that development activity should pause until operations are stabilized. There are related discussions about the financial impact and what stable operations would look like.

Based on the observations above, this is the organization chart that we recommend be implemented **now**:

Green: existing LHA positions
Blue: proposed new positions

Purple: proposed new contract functions via City of Longmont
Yellow: LHA contracts

We recommend minor changes when LHA has achieved stabilization:


2020 LHA Optimal Organizational Chart -Future
Auditor
Executive Director & Secretary
Legal
CFO
Housing Choice Voucher (Section 8) Program Manager
Office Manager
Regional Property Manager
Managed Computer Services
Insurance
Human Resources
Asset Analyst
Housing Specialist
Housing Specialist
Admin Assistant
Accountant
A/P
A/R
Procurement/ Risk Management/ Compliance
Maintenance Lead
CM1 Fall River Spring Creek AMA AMN
CM2 Hearthstone The Lodge
CM3 The Suites
CM4 Village Place Briarwood
Maint Techs
Asst Mgr
Floating Assistant Mgr
Portfolio Supportive Services - Floating (2)

Training

Seventy-three percent of the LHA staff has worked at LHA for less than a year and twenty six percent (26%) have been on board for less than two years. Almost no one reported receiving any formal training when hired. The training deficit at LHA is substantial and poses significant risk for an organization that manages such a highly regulated, monitored and audited set of programs. The training needs are both extensive and urgent.

As a global observation, supervisors would benefit from training on how to effectively manage work and build a team with their staff.

Finance

The response to several requests for financial statements indicate a number of things to correct in Finance. In one case, our request for portfolio financial statements produced statements from months that had not yet been closed and were therefore incomplete. In another case, we were told Yardi was not capable of producing a particular statement, when in fact it is. This suggests a general need for understanding of the financial process by finance staff so that no incomplete reports are sent to anyone. It also suggests a need for training on the Yardi system.

Yardi is a very robust system that, when set up properly, can be a very useful tool for all departments. However, it requires a significant investment in training and maintenance. There are various local and national consultants that can be contracted to review the current system set up and reporting, and make recommendations about the most efficient way to complete tasks. The Yardi consultants can also create custom reports and help train staff. In addition, other local housing authorities that use Yardi could be a valuable resource for consultation on best Yardi practices.

Recommendations

1. Retain a Yardi consultant to
   a. Provide training on the Finance modules
   b. Provide help-desk support
   c. Build out reports and documents that staff use most frequently.

2. Send the CFO to LIHTC/investment real estate training.

Housing Choice Voucher Program

The Housing Choice Voucher Program is essentially an income-transfer program, and thus, is highly technical and numbers-driven. In order to maximize housing options for residents of the city of Longmont, the CFO and the Program Manager need to work very closely together; need to understand the program complexity and nuances; and track program data very carefully.

The CFO and the Program Manager both have a working understanding of the program but they need to learn how to better track and optimize the program. By example, when asked how many vouchers the LHA has, we couldn't get a consistent answer. The discrepancy was because the question has two answers: vouchers leased and vouchers authorized. LHA currently has 513 vouchers authorized, but 406 vouchers leased.

The metric that is more important to measure, however, is funds authorized versus funds expended. There is a discrepancy between LHA's understanding of authorized funds ($5,232,804) and HUD's ($5,549,202). LHA appears to be underutilizing the program by $316,398.

Housing Choice Voucher Program

GRANT INCOME	YTD Actual	Full Year budget	YTD % of budget
Section 8 HAP Earned	1,253,940.76	4,902,874.08	26%
Section 8 Admin. Fee Income	83,036.24	329,929.92	25%
Port In HAP Earned	2,341.00	0.00	
TOTAL GRANT INCOME	1,339,318.00	5,232,804.00	26%
Housing Assistance Payments	1,206,786.20	4,827,000.00	25%
Tenant Utility Payments-Voucher	10,077.00	35,953.00	28%
Portable Out HAP Payments	7,365.00	6,000.00	123%
TOTAL HOUSING ASSISTANCE PAYMENT	1,224,228.20	4,868,953.00	25%
Net HAP	32,053.56	33,921.08	94%

By both measures, it appears that the program is significantly under-leased. If the program remains under-leased it risks recapture of funds and will never expand. Future year funding is based on current year spending, so an aggressive leasing effort now could spend up to the appropriated budget to protect maximum future funding.

The underspending problem appears to be a matter of capacity (Finance) and of tenure and training (HCV).

Staff would benefit from more training in Yardi and their efficiency would be vastly increased by importing standard forms and documents into the system. The HCV staff interviewed requested an update on Fair Housing and Portability.

One staff member currently holds a certification in HUD Housing Quality Standards inspection. HCV specialists are doing all of their own admin including reception, walk-ins, packets, filing, etc

Recommendations

1. Begin leasing-up vouchers now.

2. Consider hiring an administrative assistant, or a new HQS inspector, for the Voucher program.

3. HCV training for program and Finance staff including use of the HUD HCV two year forecasting tool .

4. Retain a Yardi consultant to
    a. Provide HCV-specific systems training
    b. Provide help-desk support
    c. Build out reports and documents that staff use most frequently.

5. Continue to subscribe to the Nan McKay Admin Plan updates.

6. Invest in the Nan McKay Master Books.

7. Join NAHRO in order to get regular program updates delivered to your in-box.

8. Consider acquiring software to convert to a paperless HCV program. This has proven to save administrative time for staff and participants, provide process control to insure files are complete and reduce risk of lost files.

Property Management

We talked in the section above about the lack of training made available to CMs and Maintenance. Half of the CMs come from a property management background and lack training only in LHA's standards. The other CMs would benefit from training in the basics of property management as described below in the recommendations.

We want to make special note of the risk for both Property Management and the Voucher program if staff are not skilled in the implementation of a Reasonable Accommodation process, following the requirements under the Section 504 of the Fair Housing Act. We understand that the recent director is the only person with a depth of understanding of the program.

Recommendations

1. Provide training in the fundamentals of property management.

2. Provide training in Yardi as needed: building out standard reports, providing help-desk support and refreshing basic skills.

3. Staff working at The Suites should all be trained in Trauma-informed Care.

4. Provide support and training in resident empowerment and building a positive resident culture.

5. Provide a refresher training, and then annual training, in Fair Housing and Section 504.

6. The Maintenance Lead does quite a bit of purchasing for LHA and needs training in HUD procurement guidelines.

7. Maintenance operations could be more efficient if at least one staff person had HVAC training.

Consistent Procedures

Property management is a business of consistency. Not only is this the law (as articulated in the Fair Housing Act) but residents move within the LHA portfolio and they talk among themselves. The appearance of favoritism must be avoided at all cost, and consistent application of the lease is essential. LHA needs to provide direction to Community Managers about lease enforcement. See the section below.

Very few departments have committed their procedures to writing and many new staff describe a chaotic process of trying to learn the correct process for many tasks. The most common solutions are

to consult the shared drive (Q drive) or to ask a colleague. Source documents, the library of key documents that form the firm foundation for successful property and operations management, appear to be mostly absent. It appears that the institutional knowledge of LHA walks out the door each time a new staff person is hired, trained and then leaves.

See the discussion in Best Practices about how to manage the mission and the asset. The Community Management staff need very clear direction about what key indicators they are managing to.

Recommendations

1. Adopt an LHA practice of requiring all process documentation to be saved to the shared drive. No LHA-wide documents should be stored on a personal drive

2. As mentioned above, several organizations that specialize in housing authority professional development sell Master Books that can be easily and quickly adapted for LHA's purposes. See the section on Best Practices for a resource list.

Equipment

Many employees reported not having the tools they need to do their jobs. The range is from computers that have insufficient RAM to run a program as large as Yardi to phones that don't work and maintenance tools missing. Most staff had difficulty arranging to meet us via Zoom and at least one meeting was missed because there was no internet. These are basic operating tools that should be remedied immediately.

Recommendations

1. Survey staff equipment needs and use LHA capital reserves or City of Longmont resources to meet those needs

2. LHA's decision to use Yardi requires that new computers be purchased with sufficient processing power to run multiple software systems simultaneously.

Productive Staff Culture

It is impossible to assess a staff culture in such a limited engagement, but we did want to report on two themes for further investigation. The work of LHA appears very siloed. CMs aren't always closely in

touch with Maintenance; CMs didn't report that they work particularly closely or share resources as a group; HCV and Finance need to work very closely together, and the Resident Services staff person appears to be disconnected.

CMs reported feeling very isolated at their properties and many people talked about being "in favor" or "out of favor" with the former director. There is a sense that, prior to the City of Longmont's engagement, communication was insufficient. There was a chorus of comments like "People here are disposable" and "Staff are under-appreciated". This is the kind of environment that is ripe for gossip, resentment and lack of productivity. When asked about the qualities that the new LHA Executive Director needs to possess, to a person the answer was "people skills".

Recommendations

1. We suggest that the City organize a staff appreciation event. It doesn't have to be extravagant. Staff want to be reminded that someone values their work and their contribution matters.

2. With the caveat that the new LHA leader must be well-versed in housing authority management and operations, HUD programs and real estate development, the equally important requirement will be a demonstrated ability to build a positive, team-based culture.

Resident Empowerment

This section is arguably the most important, and comes last because the precautions that everyone is taking during the pandemic have made it almost impossible to observe and interpret the health of a community. Even outside of a pandemic, that assessment requires deep engagement in a community. We can report however that the job of building community and empowering residents to be active members of the community is the central focus for some CMs and an afterthought for others.

There are some indicators that are certain predictors of an unstable resident community.

- Frequent staff turnover affects resident confidence and trust.
- New staff who can't answer questions can create a power imbalance.
- Staff who have different interpretations about how firmly to enforce the lease can create a destabilizing effect.

Our assessment is that the previous director introduced a standard of compliance that was unfamiliar in the LHA culture. It appeared that both residents and staff had become accustomed to a more relaxed interpretation of the lease and work standards. When a new team brings a higher level of compliance requirement it is common for people to rebel. This is discussed in greater depth below.

Recommendations

1. Contract resident service provisions to an entity whose expertise is in resource/referral; needs assessment; and service navigation - either the City of Longmont, a homeless services organization or Mental Health Partners, or a combination of all three.

2. Once LHA operations have stabilized, evaluate whether to maintain the contract or begin to build the expertise in-house.

Recommendations with Timing

Note: We believe that the LHA is programatically understaffed, and especially so in the context of the training and systems-building that we recommend. That is the basis for our recommendation that LHA add four new positions.

Next 14 days

1. Begin your search for an Executive Director.
2. Find an entity to provide interim CFO and accounting services.
3. Ask the current CFO to leave you with a plan for the following:
    a. Payroll
    b. Access to LOCCS to draw down money for August and September HAP
    c. Transfer all HUD systems access passwords to a successor.
    d. Delete the current CFO as a PIC user.
    e. Create a compliance deadline list.
    f. Finish the 2019 audit.
    g. Close the May and June books.
    h. Liquidity analysis: confirm that unrestricted cash is truly unrestricted.
    i. Transfering all LHA work in progress to the Q drive.
    j. Share any work that may have been started on the 2021 Budget.

Soon (30 days)

1. Pending the CFO interim plan, fill the accountant position with a qualified CPA to bring much-needed capacity to the Finance Department.
2. Begin leasing-up vouchers now. If the program remains under-leased it risks recapture of funds and will never expand. Consider consultant help in the absence of the CFO. See resource list below.
3. Get people the equipment they need.
4. Address the conflict of interest potential in Finance by moving one of the staff members from either HCV or Finance to a different position.
5. Invest in the Nan McKay Master Books.
6. Hire the vacant maintenance tech position.
7. Focus the LHA-COL teams meeting to discuss the hybrid agreement focus in the areas of Insurance/Risk Management; Human Resources practices; IT support; and Procurement.
8. Examine LHA's capacity to undertake new development activity.
9. Adopt an LHA practice of requiring all process documentation to be saved to the shared drive. No LHA-wide documents should be stored on a personal drive.
10. Organize a very simple staff appreciation gesture or event.
11. Clarify role and supervisory chain confusion.
12. Join NAHRO in order to get regular program updates delivered to staff in-boxes.

Mid-term (2 - 9 months)

1. Create a 2020-2021 work plan, drawing heavily from these recommendations.
2. Create key performance indicators for all staff, using the suggestions in Best Practices.
3. Create a monthly closing process that allows for all companies within the organization to completely close the books on a monthly basis.
4. Provide access to Yardi expertise for a review of the system setup; building out reports; importing standard documents and to provide appropriate training to new and existing staff.
5. Hire an asset management analyst on contract to provide monthly asset information, per the Best Practices discussion.
6. Contract resident service provisions to an entity whose expertise is in resource/referral; needs assessment; and service navigation - either the City of Longmont, a homeless services organization or Mental Health Partners, or a combination of all three.
7. Consider hiring an administrative assistant, or a new HQS inspector, for the Voucher program.
8. Consider adding a new Assistant CM position that would float between the properties that don't have one.
9. Create a spending controls/expenditures authorization policy.
10. Begin the process of moving decisions out through the organization.
11. Re-define the role of the Assistant to the ExecutiveDirector as an Office Manager.

12. Add another Maintenance Tech to broaden the responsibilities of the Maintenance Lead.
13. Begin to encourage a team-based culture.
14. Write down Property Management Procedures and require that all Community Managers follow a consistent set of practice and procedures.
15. Training, training, training
    a. Maintenance staff need basic skills training. Consider IREM training and HUD Procurement for the Maintenance Lead
    b. Yardi: review of the system setup; building out reports; importing standard documents and to provide real-time appropriate training to new and existing staff.
    c. PSH management - trauma-informed care
    d. Fair Housing
    e. Property Management: Management Basics; Fair Housing, Reasonable Accommodation
    f. HCV: Program optimization, HUD two-year tool, Fair Housing and reasonable accomodations, standard forms and documents

Longer-term (9 - 18 months)

1. Create a values-based team-oriented culture.
2. Provide training in resident empowerment and building a positive resident culture.
3. Differentiate the skill levels in Maintenance and begin to hire specialists, beginning with HVAC expertise.
4. Create pay ranges and grades for all staff and benchmark those ranges to market.
5. Define LHA values and standards for property management and resident empowerment.
6. Consider acquiring software to convert to a paperless HCV program.
7. Begin the process of moving decision-making to CMs.

Strategic Plan (18 months +)

1. Explore a transfer of assets from LHDC to the LHA and combine the two Boards. Expand the LHA Board from five to nine by adding four members from the LHDC Board.
2. Hire an outside firm to do a full inspection of LHA/LHDC properties and create a Capital Improvement Plan.

Financial Condition

Our review of the Financial Condition of LHA is based on a review of the completed 2017 and 2018 audit reports and the draft audit report for 2019. Our review included assessing:

1. the current unrestricted cash position,
2. current assets compared to current liabilities and
3. the reliance of the organization on developer fees.

The current unrestricted cash position of the LHA at December 31, 2019 is $2.3 million. The total current assets including $100,000 of Developer Fee receivable compares to only $297,707 of current liabilities resulting in a current ratio (a measure of the ability of the organization to pay current debts) of 10.0. This is a very strong position and should allow the organization to comfortably invest in some of the recommendations in this report.

As the following chart shows, the organization is currently relying on developer fee to support other aspects of the organization. Over the three years reviewed, $1,253,195 of development fees were received, resulting in a total positive cash flow of only $713,426. Without development fees the cash flow from operations would have been ($539,769). This trend of negative operating income continues in Q1 2020.

It is important to note that even without any new developer fee income, there will be some annual payments from LIHTC project cash flow against the long term deferred amount of developer fee receivable of $859,458. This will continue to provide cash to LHA over the next few years.

	Longmont Housing Authority		
	2017	2018	2019
Net cash from operating activity	$ 242,685	$ 450,483	$ 20,258
Less: Development fees received	$ 246,473	$ 561,623	$ 445,099
Net cash from operating activity w/o dev. fee	$ (3,788)	$ (111,140)	$ (424,841)

Additionally we completed a review of the financial statements of the Longmont Housing Development Corporation. As of December 31, 2019, the LHDC had unrestricted cash of $348,426 and an investment in a Certificate of Deposit in the amount of $1,360,658 with current liabilities of only $80,037. Again, this is a very strong financial position. The LHDC also has significant accounts receivable and current developer fees receivable that could be used to pay current liabilities.

Finally, we did not undertake a complete review of any liquidity requirements that may be associated with loans or tax credit partnership guarantees. Before any significant spending of reserves occurs, the LHA should complete a review of liquidity requirements associated with loans and guarantees associated with tax credit partnerships of each organization.

Best Practices

Asset Management Reporting

In order to assess the financial and asset strength of the portfolio of properties (as opposed to overall LHA condition), we requested reports that would give us the most common indicators in the property management and voucher management business, for example the Net Operating Income (NOI) for each property; the debt-coverage ratio (DSCR) for each property; the Per Unit Cost (PUC) for the Voucher program; the Funds Expenditure Rate for HCV; per unit operating expense (PUPA) per property; etc.

Other than a rental vacancy report and property level balance sheets and income statements, we could find no evidence of a regular practice of reporting and analysis. Of the staff interviewed, no one told us that they have been asked to submit a monthly summary of performance for their area of responsibility. It's possible that the Executive Director had been creating, but not sharing, analysis that let her know that the programs under management are viable and sustainable, but we were not able to find any documents that indicated so.

Reporting to the Board(s)

From our review of LHA and LHDC Board packets we conclude that the Board is not receiving adequate information to determine whether the portfolio is in sound condition. Currently the Board receives information about physical vacancy and delinquency. We also note that the Board receives a level of management detail that is unusual for a policy and governing Board, and yet no key information from which they could make decisions.

We have provided a best-practice template for a Board report. At a minimum, the Board should be able to see the following information:

Economic Vacancy: This is more important than physical vacancy as a test of financial strength. A unit might be occupied, but it might not be producing the rent that the budget scheduled. Often staff will offer rent concessions or rent reductions in order to lease units, or staff might decide not to implement the scheduled rent increases because market conditions don't allow. Economic vacancy provides a quick assessment of the asset in the market.

Reserves Per Unit: This is another helpful at-a-glance assessment that helps the Board understand that staff are adequately planning for future capital investments.

NOI Net of Reserves: NOI, or net operating income, is the most key indicator in real estate management. If staff were to implement one analytic, we suggest that it's this one. Currently no one in a position of decision-making gets information on how the properties are performing.

PUPA: The Per Unit Per Annum by itself is an important number that should be generated. It can be assessed against budgeted goals and, with caveats, against an industry standard for affordable housing on the Front Range.

The shaded columns suggest the data that should be provided first in the process of learning to provide analysis in the organization.

Portfolio Analysis

YTD 0

Property	*Address*	*Units*	*Economic Vacancy*	*YTD EGI Per Unit*	*YTD OpEx Per Unit*	*YTD Reserves Per Unit*	*NOI Net of Reserves*	*YTD PUPA*	*YTD Debt Per Unit*	*YTD Adjusted DSCR*	*12 Month Rolling Adj DSCR*
The Lodge		50								-	
Hearthstone		50								-	
HUD 202 Subtotal		**100**		$ -	$ -	$ -	$ -		$ -	-	
Aspen Meadows		50								-	
Spring Creek		60								-	
etc										-	
										-	
										-	
										-	
										-	
LIHTC Subtotal		**110**									
Portfolio Totals:		**210**									

YTD

Index of terms

PUPA - Per Unit Per Annum
EGI - Effective Gross Income = (Total Revenue - Grant Revenue)
Op Ex - Operating Expenses = (Total Expenses-Capital Expenses-Extraordinary Maintenance and Non-Op Ex)
NOI - Net Operating Income = (Net Income + Non OpEx)
DSCR - Debt Service Coverage Ratio = NOI/Debt
ADJUSTED - For Capital Grants, Capital Exp. and Extrodinary Maint.

NOTES: (1) DSCR is calculated after required reserve contributions. Portfolio totals include NOI from properties with no debt. All excess cash from properties is used in BHP operations.

Property Operations Benchmarks

The following "Brilliant at the Basics" is a list of indicators that the BSH Strategies principals have developed over decades of managing a PHA. These indicators can be easily translated into a reporting structure and key performance standards for staff. To the best of our knowledge, they reflect industry best practice.

Brilliant at the Basics

Real Estate Performance Indicators

A. Marketing and Occupancy Indicators

1. Waiting List
   Update every 6 months
   At least 5 applicants per unit size/type

2. Occupancy rate
   98%-100%

3. Vacancy Turnover (ready date to move in)
   1-3 business days

4. Rent Collection
   98-100%

5. Curb Appeal
   Daily walk of the property by property manager
   Monthly inspections by property manager
   Weekly inspections if there are vacancy problems

6. Recertification
   45 days before due date

7. Annual Recertifications/Initial notice and packet
   120 days before annual date

8. 2nd and 3rd notices mailed
   within 5 business days of missed deadline

9. Reduced Rent packets/Lease renewals
   60 days before annual date

10. Filing Completed
    within 10 business days

11. Lease Compliance
    Revisit selection criteria and process if >10%
    Start process within 2 business days of notice expiration

12. Resident Turnover
    Needs to be revisited and broken out per site/mission

13. Data entry

14. Correctness of information

B. Maintenance Indicators

1. Total Maintenance Expenses:
   Labor 65% : Materials and Contracts 35%

2. Vacancy Make Ready Time:
   Less than 12 days

3. Exterior Inspections:
   Monthly Inspections

4. Budget Variances:
   Under budget by 5% to 10%

5. REAC Scoring:
   86-100 pts

6. Emergency Work Order completion:
   Immediate response

7. Corrective Work Order completion:
   1-2 days

8. Preventive Work Order completion:
   Within 1 week of inspection

9. Work-place injuries to Workers Comp:
   0 injuries per year

10. Work-place accidents causing damage to vehicle or buildings:
    0 accidents per year

11. Corrective Maintenance as a Percentage (%) of total staff time:
    Less than 70%

12. Capital Improvements Funds Expended

Less than 18 months

C. Section 8 Indicators

1. Occupancy Rate
   98%-100%

2. Monthly HAP Payments (rent roll)
   99%-100% correct

3. Recertifications (pending applicant/tenant compliance with deadlines)

   45 before due date

4. Inspections
   > 98% every 12 months

5. Correct Tenant Rents
   100% correct

6. Leasing Docs in file
   Within 10 workdays new lease

D. Financial Indicators

1. Financial Reporting
   By the 10th business day of the month with no oversights

2. Accounts Payable
   Invoices are entered and paid within 2 days

3. HAP Checks
   Are sent out on time and without mistakes

4. REAC
   Entered within due dates and no mistakes

5. Audit
   No findings

6. Deposits
   Deposited on the same day as received

7. Cash Management

We receive invoices 5 business days ahead
of time in order to request monies from HUD.

E. Resident Services Indicators

1. Move in Assessment Interviews after move-in: 100% completed within 3 weeks
2. Case meetings & Follow-Up: Held monthly; well prepared documented follow-up
3. Resident Advocacy & Community Resources: Information & Referral & TAP Model
4. Immediate assistance provided on written request
5. Resident Communication & Education
6. Newsletters, PHA policy & flyers - timely and accurate

F. Administrative Indicators

1. Customer Service Team:
   Promote, accurate, courteous & respectful info and assistance at front desk, measured by semi-annual anonymous, random customer surveys;
   Timely, accurate completion of tasks;
   Administrative support of all departments measured by evaluation choices on work request forms.
2. General Administrative Services
   Office maintenance, supplies and equipment
3. Risk Management leadership
4. Personnel / HR Support
5. Administrative Support to Board

G. Professional Practice Indicators

1. Professional Conduct
   Prevents any appearance of conflict of interest
   Practises professional, friendly phone etiquette
   Maintains professional appearance in attire
   Respects customer confidentiality
   Knows and abides by sexual harassment policies

Maintains good working relationships with colleagues
using dispute resolution if necessary

2. Customer Service
   Knows and abides by PHA Customer Service Principles
   E-mail/Telephone answered within 1 business day
   Supports teamwork
   Responds to drop-in clients
   Courteous, friendly interactions

3. Follows Work Rules
   Including scheduled work hours,
   prompt notification of absences,
   personal conversations kept to minimum,

4. Demonstrates PHA Values in all work functions and relationships.

5. Knows and follows PHA Personal Safety Policies and Procedures

6. Appropriate Use of Personal Time including use of break and lunch time and supervisory notification of time away

7. Appropriate Use and Care of PHA resources

The following template gives you an example of how you can report on benchmarks by department. The data is collected and reviewed monthly, and shared with the Board.

Property Operations Benchmarks				
Metric	Current Goal	Year to Date Status	Future Goal	Reporting by Month
Finance:	Months in Year			
	12			

Finance

Finance :			
Metric	Current Goal	Year to Date Status	Future Goal
Debt (and Accrued Interest) to Equity Ratio - Measures ratio of Actual Debt and Interest to Equity	Less than 1.5	Current Month is YTD	
Quick Ratio - Unrestricted cash/current liabilities(less sec deposits) (Measure of how many times we can pay current liabilities with Cash on Hand or "liquidity")	More than 2.0	Current Month is YTD	
Months Expendable Net Assets Ratio (MENAR) (measures adequacy of reserves)	More than 4.0	Current Month is YTD	
Portfolio Debt Service Coverage Ratio (measures capacity to cover debt)	More than 1.25	Current Month is 12 month rolling	
Unrestricted Operating Reserves	2,000,000	Current Month is YTD	
Unrestricted Replacement Reserves	1,030,000	Current Month is YTD	
.ALL - Tenant Accounts Receivable are < 2% of Budgeted Total Tenant Rev	< 2% of Budgeted Total Tenant Rev	Current Month is YTD	
Manage Write offs - YTD writeoffs as % of annual budget	< budget ($xxx) - Monthly	Current Month is YTD	
Timely periodic Financial Reporting to TC partners	20 days of Qtr end	Current Month is YTD	
CoCC Revenue budget (net of Cap Grant Rev)under/(over)budget YTD	Over Budget	Current Month is YTD	
CoCC Expense budget (net of Cap Grant Exp)under/(over)budget YTD	Under Budget	Current Month is YTD	
Cash on Hand (net of current liabilities)	If cash on hand is greater than Safe Harbor it is at risk of recapture by HUD		

Maintenance

Maintenance :			
Metric	Current Goal	Year to Date Status	Future Goal
Unit Turns - Average Number of Days for Maint work	≤ 9 calendar days	8 days	5 days
Materials and Contracts' Budget Variance less than 3% (expense)	Within 3%	on budget	on budget
Complete Routine Work Orders in < 2 days (average)	< 2 days	1 day	etc
Complete Preventive Inspection Work Orders < 3 days (average)	< 3 days	2 days	
Work-place injury claims to Workers Comp	1 or less per	auto victim no-fault	
Work-place claims causing damage to vehicles or buildings	1 or less per	bumper scratch, and no-fault auto	
Billed Labor Hours Variance less than 3% (income)	Within 3%	on budget	
Number of Unit Turns per Month/YTD	#	144 units	
Number of Maintenance Work Orders per Month/YTD	#	8916 work orders	
Number of Emergency Maintenance Work Orders per Month/YTD	#	816 E-work orders	

Property Management

Property Management			
Metric	Current Goal	Year to Date Status	Future Goal
Property Management:			
Net Tenant Rental Income-property group 1	100%	158.25%	
Net Tenant Rental Income-property group 2	100%	146.25%	
Net Tenant Rental Income-property group 3	100%	100.84%	
Total Net Tenant Rental Income	100%	110.31%	
Net Tenant Rental Income-Tax Credit - TC	100%	102.19%	
Complete quarterly physical site inspections	quarterly	in progress	
Occupancy Rate - by property group 1	75%	89.92%	
Occupancy Rate - by property group 2	75%	86.45%	
Occupancy Rate - by property group 3	97%	97.89%	
Occupancy Rate - by property group 4	97%	98.39%	
Total Occupancy Rate	86%		
Annual recerts on time	100%		
Monthly move out rate (includes TC)	less than 20%		

Housing Choice Vouchers

Housing Choice Vouchers			
Metric	Current Goal	Year to Date Status	Future Goal
HCV			
Leasing: How many households have vouchers			
Lease-ip Rate: The percentage of authorized vouchers leased vs authorized	> 98%	99%	
Funds expenditure rate: spending as a % of budget authority	> 98%	100%	
Vouchers issued and looking as of last day of month		396	
Number of vouchers in PHA units		277	
Percentage of new vouchers in our service aresa		67%	
Move out rate	< 20%	107	
Reserve balance			
Success rate: how many families able to lease up	> 90%		

Annual Benchmarks and Compliance Reporting

The best sources to assure that you are tracking compliance deadlines come from the investor agencies themselves.

HUD publishes a Calendar of Due Dates. It requires some sorting through to find your relevant obligations, but is very comprehensive.

CALENDAR OF DUE DATES

US Department of Housing and Urban Development DELIVERING TOGETHER

This Calendar of Due Dates lists PIH requirements for PHAs. The chart below contains PIH requirements with fixed due dates.

Need additional tools? Download a **Printable Version of the Calendar of Due Dates** which contains all of the FYE dates. You can also download an **Excel version** with auto filters enabled so you can filter the data for your PHA's FYE. PHAs must comply with all applicable HUD requirements, regardless of the content of this Calendar. PHAs are encouraged to consult their local field offices and reference other HUD resources and guidance along with this Calendar.

If you have recommendations for enhancements to POST or if you are having difficulty accessing web pages, then we want to hear from you! Please email us at **POSTforPHAs@hud.gov**.

Due Dates for 2020

Due Date	FYE 12/31	FYE 3/31	FYE 6/30	FYE 9/30	COVID-19 Adjusted Date	Description	HCV	PH	Grants	ONAP	Authority	Form
January 2020												
1	X					Maintenance Wage Rate Recommendation		X			Davis-Bacon Related Act	HUD-4750
4	X	X	X	X		VMS Reporting Opens	X				PIH 2012-21	n/a
12	X	X	X	X		HUD Forms HUD-52723 and HUD-52722 Available to PHAs		X			PIH 2017-27	HUD-52723 and HUD-52722
15		X				Moving to Work Plan	X	X			Key Dates for MTW Sites	HUD-50900
16		X				5-year PHA Plan	X	X			24 CFR § 903.5(a)	HUD-50075
16		X				Annual PHA Plan (Non-Qualified PHAs)	X	X			24 CFR § 903.5(b)(3)	HUD-50075

The Colorado Housing & Finance Authority publishes a LIHTC compliance manual.
https://www.hud.gov/program_offices/public_indian_housing/post/calendar

We also recommend that you develop annual benchmarks for non-regulated departments. The sample below is for administrative functions:

Metric	Owner	Due	January
Business Operations			
Employee Handbook and Personnel Practices Manual reviewed		Board approval in December	
Salary Ranges and Position Classifications Reviewed		October	
Assure all department's annual performance reviews and goal setting are complete in timely, effective and appropriate manner		March	
Audit of employee records and I-9 forms to ensure proper filing		August	
Complete BHP benefit enrollment		August	
Employee engagement survey is sent, analyzed and reported to staff and supervisors		January	
Number of New Hires, Retires, separations reported		June	
Customer Service: Internal report card (survey monkey)		June	
IT Plan Evaluated		July	
Annual Report is Published		August	
Resident Newsletter		March, July, Sept, Nov	
Partnership Newsletter		Mar/Jul/Sep	
Quarterly Review of Website		March, June, Sep, Dec	
Quarterly review of admin budget		Jan, April, July, Oct	100%

Managing to a Double-bottom Line: Mission-based Real Estate

A common challenge for all PHAs is to define, adopt and then educate their staff about the values that underlie their property management practices. This arises as a question for PHAs because their duty, by statute, is to respond to the housing needs of our communities. This means keeping people housed. By contrast, staff who come from conventional property management are trained that achieving the financial goals of the asset is their primary duty. Some PHAs perceive the dual goals as an either/or. We believe it's a BOTH. It is possible to keep people housed **and** maintain strong financial performance with a quality asset. But, you have to be very intentional about training staff in a double-bottom line culture. LHA must spend the time to define organizational values; find staff people that align with those values; train them - or re-train them - about how compliance is managed.

The standard practice in real estate when a resident is not in compliance with the lease is to issue a demand to cure the problem, or quit the premises. Everyone, regardless of resources, can be alarmed if they receive a demand to 'cure or quit'. But PHA residents, who, by definition, have fewer resources than market-rate residents, tend to react in proportion to their resilience to handle the loss of their housing. For many, many PHA residents, a demand represents a serious trauma. Therefore, the decisions about how to communicate with residents both in tone, style and content must be carefully considered. It is very difficult when one CM issues a 3-day demand for payment of rent, for example, and another is negotiating payback agreements.

A layer of complexity in PHA management is that, as a public entity, residents often seek redress from local elected officials. If someone receives a demand they might share their worry during public participation at a Council meeting. We mention this only to underscore that the City Council, the LHA Board and staff need to be aligned and consistent about compliance management.

In our experience managing to a double-bottom line (mission and performance) we developed a simple paradigm for lease compliance challenges.

1. Understand the underlying problem.
2. Provide resources for that problem.
3. Hold the resident accountable.

For a longer discussion on effective engagement with residents and participants, readers can take a look at this model program in Massachusetts, called TAP.

Appendix A - Organization Charts

Narrative Org Chart

This section provides at-a-glance priorities for each key position in the LHA.

Exec Director

- Stewardship of the assets
- Support to LHA and LHDC Boards
- Creator and keeper of a positive staff culture
- Strategic Planning and vision-making
- Chief Compliance Officer
- Liaison to the City and other community organizations
- Public Relations

Chief Financial Officer

- Review and approval of monthly closing process for each entity
- Monitor cash flow by property and for the organization
- Review and approval of payroll
- Review and approval of AP processing
- Monthly Board reporting of organization financial condition.
- Track development projects financial status

Accountant

- Payroll and benefits processing
- Monthly journal entries and closing process for all entities
- Prepare reconciliations of balance sheet line items to appropriate subledgers for review by CFO
- Track and prepare annual schedule of expenditure of federal awards for annual audit
- Process draws on HUD secure systems

Accounts Payable

- Process all invoices received from vendors into Yardi
- Cut checks for vendors
- HCV landlord payments

Accounts Receivable

- Process all rent checks for each property in Yardi
- Prepare and deposit funds received not directly deposited by CM

Regional Property Manager

- Plan, direct and supervise property management operations, including Maintenance
- Ensure maximum occupancy, successful residency and program compliance
- Prepare monthly asset analysis and reporting
- Monitor market conditions in Longmont
- Manage investor relations - LIHTC, HUD, CDOH and City of Longmont
- Assure that all staff working on property are communicating well
- Act as a key advisor on new acquisition and development

Community Manager

- Daily inspection of the property and communication of work-orders to maintenance
- Daily LHA on-site presence
- Maintain target occupancy levels
- Accurately certify resident eligibility according to the unique rules for each property
- Monitor rent collections and late payments
- Review monthly financial performance with RPM
- Ensure compliance with the lease
- Work with resident services support to create a positive community culture
- Understand and implement the requirements of the reasonable accommodation process.

Maintenance Lead

- Provide technical and management supervision of the maintenance team
- Prioritize and schedule work orders in cooperation with the CM
- Perform quality control
- Manage the annual vendor contracts
- Procure and maintain inventory
- Assure smooth operations of the maintenance department
- Assist in developing an annual inspection schedule and a Capital Improvement Plan

HCV Manager

- Maximize voucher utilization and housing opportunities for Longmont residents
- Understand program and financial complexity of program
- Work closely with Finance to assure full expenditure of funds
- Maintain full compliance
- Maintain safe and secure participant files
- Build a strong cohort of participating landlords
- Assure housing quality and reasonable rents

Resource List

Housing Authority Professional Associations
These are typically the go-to source for training, compliance and professional development needs for PHAs.

National Association of Housing & Redevelopment Training (NAHRO)
Public Housing Authority Directors Association (PHADA)

Other Training and Support

1. Colorado Housing & Finance Authority - REACH Training Program
2. Nan McKay: broad resources and training
3. Quadel: like Nan McKay but particularly skilled in HCV advising. Contact. Penny Vanderwall
4. Novogradic: the best resources for LIHTC training
5. Corporation for Supportive Housing: CSH Property Operations Manual excellent source for The Suites.
6. Property Management: Long Term Thinking and Short term Action; open source by Enterprise Foundation
7. Your audit firm on retainer might be helpful in providing staff and/or guidance in establishing better controls.

Financial Advising for PHAs

1. AHCPA, Les Sparks
2. Urlaub & Co PLLC
3. Phineas Consulting LLC
4. The three firms above have combined to create AH Forward

Fee Accountants

1. BDO
2. Lindsey Software
3. Hawkins & Ash