CREATING A SUCCESSFUL CONSORTIUM

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Background

- Public Housing has been around since 1937 when it was presented as a component of the “New Deal” by President Franklin Roosevelt as a means to address unemployment and lack of affordable housing. The program is funded through the Department of Housing and Urban Development (HUD).

- Enabling legislation in Texas requires each Housing Authority to have a governing board of at least 5 appointed commissioners.

- Texas has the largest number of small housing authorities nation-wide; 313 of the 416 state-wide have a total of less than 250 units.

Background

- All Housing Authorities, regardless of size are required to meet all HUD reporting and management requirements.
- Many small authorities do not have the necessary resources or expertise to meet the growing or ever changing HUD requirements.
- HUD is unable to provide sufficient oversight to small housing authorities resulting in a variety of inefficiencies and even mismanagement.
- Examples of issues

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Trouble in Paradise

- 1993- Fort Worth Field Office identifies management issues within the "Bonham Group" which consists of 10 small housing authorities across North Texas, all managed by the same Executive Director, Willis Duff.

- 1993 - HUD performs management review of Bonham Group resulting in a 70 page management deficiency report which included violations to open meetings act, property site segregation, delinquent reporting, non-existent preventative maintenance, or on going maintenance and dilapidated property condition with an overall vacancy rate of 70%.

TCOG to the Rescue

- HUD has existing relationship with Texoma Council of Governments (TCOG) through Section 8 contract and recommends TCOG as management solution.

- 1993-94- 8 Cities contract with TCOG for administrative services. TCOG is responsible for staffing and day to day operations; PHA's no longer have employees.

- 1995-98- HUD continues to intervene; four more cities contract with TCOG bringing the total to 12 PHA's.

Accounting trials and tribulations

- Accounting issues associated with managing 16 separate PHAs include:
  - Segregation of revenues and HUD funding.
  - Allocation of expenses.
  - Accounting for capital improvements.

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QHWRA offers hope…or does it?

- 1998-99 – Quality Housing Work Responsibility Act (QHWRA) Enabling legislation allowing for consortia. Most sweeping legislation for PHA's in 30 years.

- 1999 – Although legislation is passed, no policy is forthcoming from HUD to implement. 12 PHA's combine capital funding.

- 1999- 4 additional PHA's sign administrative contract with TCOG bringing total to 16. Duplication of everything.

Here we goooooooooo!

- 2000- The 16 individual PHAs act on legislation and take local steps to push forward. Each housing authority passed a resolution acting under the Texas Interlocal Cooperation Act and the QHWRA legislation to create the consortium named Texoma Housing Partners (THP).

- 2000- Consortium agreement is established.

- 2000- One administrative contract is established between the newly formed THP and TCOG.

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Here we are…….

- 2000 - One member from each PHA board is selected to serve on the consolidated THP board; all financial resources are combined and 100% fungible.
- 2001 - City 17 joins consortium.
- 2011 - City 18 joins consortium.
- 2017- City 19 joins consortium.
- 2017- THP grows to include 24 staff members with a budget of over 4 million dollars and becomes a Stand Alone Organization.

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So just what is a Consortium

- Definition- Two or more PHA's that join together to perform planning, reporting and other administrative or management functions for participating PHAs, as specified in the consortia agreement.
- Must establish and execute a consortia agreement between all members.
- Must establish a Lead Agency; cannot be identified as troubled or be determined by HUD to fail civil rights compliance.
- Lead Agency collects funds on behalf of all participating PHAs then allocates according to consortium agreement. **Note**: HUD has not implemented directing funds to lead agency; all funds for the 19 PHAs participating in the consortia are directed to the same bank account.

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Still more on Consortium

- Participating PHAs must adopt the same fiscal year as the Lead Agency.
- Submission of joint PHA Plan; currently this is the only streamlined reporting available to consortiums.
- PHAs are permitted to join a consortia as a remedy for Troubled status.
- If a PHA elects to enter a consortium, the whole program under the ACC including all dwelling units and funding is covered. No partial spin-offs of program sections such as only the FSS program component in the HCV program.
- Total fungibility of capital funds and equity. Equity transfers are allowed to the lead agency and equity transfers are allowed from the lead agency.

What is the difference between Consortia and Consolidation?

- Consortia is a voluntary collection of PHAs who join their resources but who retain their ACC contract. Although the QHWRA legislation provided for streamlined reporting for consortia, all HUD systems continue to view participating PHAs as individual entities. Only the PHA Plan is submitted as a single report.

- Consolidation is a voluntary collection of PHAs who join their resources but who elect to have their individual ACC contracts end and roll their units into the ACC contract of the Lead Agency. PHAs who consolidate are viewed as one entity.

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Why Consortia vs. Consolidation

- PHAs wanted to retain ACC contracts in the event of withdrawal. More politically palatable.

- Cities are recognized as small individually vs. large combined providing for certain advantages including reduced reporting and the ability to utilize 100 % of capital funding in the operating budget.

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THP Consortium = Savings

- Reduction in planning and advertising cost
- Reduced Annual Audit Fees
- Decreased CPA Fees
- Reduced Insurance Premiums
- Consolidated Capital Improvements
- Reduced Administration and Meetings
- Total savings the first year over $100,000

Why does THP work?

- Board Support
- HUD Support
- Regional Approach to Governance and Management
- Significant efficiencies of scale gained
- Member cities see their properties in better physical condition than ever before and public officials get fewer complaints.

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How THP works

- Managed and maintained as one property.
- One staff consisting of nine (9) administrative staff and fifteen (15) maintenance staff.
- One centrally located administrative office and one satellite office.

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How THP works

- One centrally located maintenance shop with storage facilities located on several properties.

- One Public Housing Software program designed to provide both consolidated and separate reporting.

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THP takes on all accounting

- Moving away from an administrative contract with TCOG, all staff become THP employees for the first time.
- THP staff takes on all accounting functions including payroll, unemployment, taxes, retirement and accounts receivable and payable.
- THP develops new general ledger account system which includes reporting, bank reconciliation and budget preparation.
- All new policies and procedures are developed for the newly minted stand alone organization.

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Possible Challenges to forming a Consortia

- Board and City acceptance.
- Miscellaneous HUD system changes.
- Managing holistically rather than single cities.

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