Metropolitan Council

Program Evaluation and Audit

Metro Housing and Redevelopment Authority

Cost/Benefit Analysis of Conversion to Section 8 Voucher Program

27 January 2011

INTRODUCTION

Background

The Metropolitan Council Housing and Redevelopment Authority (HRA) took responsibility for the operation of 150 federal scattered-site public housing units through the Family Affordable Housing Program (FAHP). The housing units are located within 11 cities across three counties as a result of the Holman Consent Decree of 1995. Housing units were purchased between years 2001 and 2004 and the program was fully operational in 2005. The HRA administered the units through the U.S. Department of Housing and Urban Development (HUD) Federal Public Housing Program (FPHP). FPHP reimburses public housing authorities (PHAs) for operation and maintenance of public housing. Renters within the program contribute 30 percent of their income to rent and the Federal Public Housing Program's reimbursement fills the difference between the costs and the renter's contribution. The reimbursement formulas are designed to reimburse typical expenses for multi-unit high-rise housing. The HRA's housing units are scattered because of the Holman Consent Decree's intent to disperse public housing. HUD has set definite limits on the total amount it will reimburse per unit. Variation in units' furnishings, association dues, higher utility costs and other costs associated with the operation and maintenance of town home and single dwelling units scattered across three counties has resulted in operating losses to the HRA for the 150 housing units annually since 2006.

The HRA analyzed the potential of converting the housing into Section 8 tenant-based Housing Choice Voucher program (24 C.F.R. Part 982) in 2009.

HRA decided to convert the housing units to Section 8 housing partly in anticipation of estimated increased revenue and lower administrative expenses. The HRA is the first large-scale conversion of public housing by a PHA in the nation to convert to Section 8 housing. The housing converted to Section 8 on January 1, 2010 in accordance with 24 C.F.R. Part 972.

HRA requested an audit to review the extent to which the conversion has impacted expenses and revenue.

Purpose

The purpose of this review was to determine if converting 150 units that were formerly under the Housing and Urban Development (HUD) Federal Public Housing Program (FPHP) into units that may be rented using Section 8 housing vouchers is more cost effective and sustainable in the long term.

Scope

The cost-benefit analysis encompasses the 2nd and 3rd Quarters of 2009 and the 2nd and 3rd Quarters of 2010; where 2009 includes non-routine transactions, FY 2008 data is used.

Methodology

To gain an understanding of the Family Affordable Housing Program and the financial impact of the conversion to Section 8, the following methods of inquiry were used:

- *Personnel were interviewed within Finance and HRA;*
- *Reviewed Federal Public Housing Program and Section 8 Housing Choice Voucher reimbursement policies;*
- *Audit staff reviewed HRA financial information; and*
- *Audit staff performed a cost-benefit analysis of the conversion to Section 8.*

The second and third quarter financial records of 2009 and 2010 were compared. In 2009, all 150 units were operating under HUD FPHP. In 2010 these units were converted into Section 8 housing. The second and third quarter financial records were chosen in order to control for vacancies. When the units were converted to Section 8 housing units, tenants had the freedom to use their vouchers at any other unit across the metro (and elsewhere) that accepted Section 8 housing. Predictably, the vacancy rate increased in the last quarter of 2009 and the first quarter of 2010. We found that vacancies persisted into the second quarter; however, HUD reimbursement is based on figures from the previous year, and the 2010 vacancy increases do not affect federal reimbursement. Vacancies do impact rent received in 2010.

Additionally, due to administrative changes with the switch to Section 8 housing vouchers, we determined that cost, as well as revenue must be examined. Each line-item was analyzed and disparities from year to year are noted and controlled for when possible and appropriate. Importantly, in 2009, American Recovery and Reinvestment Act (ARRA) funds were part of the 2009 budget. These funds are not in the 2010 budget. In order to control for the decreased expenditure in 2010 and in the increased expenditure in 2009, we used an additional data set. Specifically, for non-routine expenditures, 2008 figures were substituted for 2009 figures, and an average of 2009 and 2010 figures were used for 2010.

In the final analysis, only costs reasonably attributable to Section 8 conversion according to *theory* are included; however, controlled actuals are included for comparison. All estimates are shown as monthly, rather than annual, amounts.

Assurances

This audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the U. S. Government Accountability Office's *Government Auditing Standards*.

OBSERVATIONS

SECTION 1: REVENUES

TABLE 1.0 Estimated Difference between 2009 and 2010 Revenues

Revenues	2009	2010	% change
Rental Revenue	$37,273.65	$40,687.26	9.16%
Total Federal Revenue	$39,270.93	$89,170.50	127.06%
Misc. Revenue	$6,330.62	$2,357.19	-62.77%
Investment Revenue	$1,080.71	$924.70	-14.44%
Total Average Monthly Revenue	$83,955.91	$133,139.65	58.58%

Federal Revenues

Federal grant revenue in 2009 is not based on the rent received and vacancy rates for 2009, but rather on the figures from the preceding year (2008). On average, Metro HRA received $25,296.17 per month for the 6 month period examined.

Under the FPHP, HUD provided a capital improvements grant annually. In 2009, the capital grant for the year was $167,697. For ease of calculation, we divided the capital grant by the total number of months, 12, which yields $13,974.75 per month.

The average revenue from federal government sources for the months of April through September in 2009 is $39,270.93 ($25,296.17 + $13,974.75).

On July 1, 2009, HUD disbursed $1,079,046 of Subsidized Rent to be distributed over the 12 months starting January 1, 2010 for the 150 units. The average revenue per month is $89,170.50.

The 6-month average of funds used by Metro HRA to cover operating expenses for April – September 2010 exceeds the amount specifically allocated by HUD for the 150 units in question by $10,503.67 (see Appendix 8, page 27). This is possible as Metro HRA can borrow from the pool of Section 8 HUD funding intended for all 6,101 units administered by Metro HRA. Yet, it should be noted that using 2009 rental rates and 2009 vacancy rates for the same six month period, it would have been reasonable for Metro HRA to expect HUD to provide about the same amount of money spent in 2010 for this six month period. At first glance it appears that Metro HRA withdrew substantially more money from Federal HUD funding than appropriate given the reimbursement formula. (Using the HUD reimbursement formula, *market rent – rental rent – vacancy rent lost*, Metro HRA drew, on average, $4,791.43 more than expected from the general fund each month.) However, this is an inaccurate figure. The April disbursement from Federal HUD funding includes funds that ought to have been withdrawn in the previous quarter but were not withdrawn given the transition to a new federal funding scheme. From May through September 2010, Metro HRA withdrew an average of $176.49 less than would be expected given the HUD reimbursement formula (see Appendix 9 for details).

Under the Section 8 Voucher program, using the most conservative figures for the amount received in 2010, we find that federal revenues increased by 127%, or $49,899.57 per month, on average.

Rental Revenues

The average rental revenue in 2009 was $37,273.65. The average rental revenue in 2010, despite higher vacancy, was $40,687.26 – an increase of 9.6 percent. This change is likely due to fluctuations in the economy at large, and not due to the conversion to Section 8.

The higher vacancies in 2010 occurred as a result of the conversion to Section 8 (as discussed in Methodology on page 3, above.) Typically, Metro HRA observes no more than a 5-6% vacancy rate (8 to 9 vacant of 150 units). This is consistent with metro-wide trends. In the 4th quarter of 2009, rental vacancies in the Metro area increased to about 7.3 percent, but quickly returned to 6.1% and 5% in the first and second quarters of 2010, respectively.[1] Vacancy rates in the 150 units examined here also rose in the 4th quarter of 2009; but December's vacancy rate was 14% - nearly double to metro-wide rate. Unlike the metro-wide trend, the 150 units owned by Metro HRA did not return to normal rates of 5-6%. From January to April they oscillated between 12% and 16%. By June 2010, vacancy rates had normalized as new tenants filled vacant units.

The Council-owned units were previously operated under the Federal Public Housing Program. As part of the conversion process to Section 8, the Council was required to offer current residents the opportunity to remain in their current unit with Section 8 or to move with a transferrable Section 8 Voucher to a unit of their choice on the open rental market. This resulted in a higher than normal vacancy rate at the beginning of 2010. One resident was considered "over income" for both programs and thus moved unassisted.

Miscellaneous Revenues

Miscellaneous revenues decreased by 63 percent. This account includes the collection of late fees (among other fees). This change is likely due to fluctuations in the economy at large or changes in renter behavior. This change is not likely due to the conversion to Section 8.

[1] Minneapolis Trends: A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis. Available at: http://www.ci.minneapolis.mn.us/cped/docs/1Q_2010_trend_report.pdf, and http://www.ci.minneapolis.mn.us/cped/docs/2Q_2010_trend_report.pdf

Investment Earnings

Investment Earnings dropped in 2010 by about 14.5 percent. This change is not directly attributable to the Section 8 conversion and more likely was impacted by changes in the financial market. Investment earnings picked-up toward the end of the 6-month period observed.

SECTION 2: EXPENSES

Table 2.0 Estimated Differences between 2009 and 2010 Expenses

Expense	2009		2010	
Salary	$7,124.85		$7,241.28	A
Maintenance/labor	$14,159.76		$19,889.81	
Maintenance/materials	$9,205.91		$9,849.51	
Contracted services	$10,932.31		$8,454.92	
Management Company Fee	$13,711.26	*	$11,404.62	B
Insurance	$8,020.00		$8,920.83	
Gas/electricity	$246.39		$840.28	
Garbage	$2,721.51		$2,861.66	
Water	$2,861.79		$2,598.68	
Association Dues + Tax Assessments	$12,059.31	*	$12,841.70	*
Allocations	$3,311.63		$3,016.21	
Other/Misc.	$1,441.76		$1,191.76	*C
PILOT	$4,377.24		$4,011.95	
General expense	$240.20		$678.47	
Non Routine Maintenance	$31,953.80	*	$32,478.90	*D
Control for 2009 deductable	-$500.00		$0.00	
Per Month Total	$121,867.72		$126,280.58	

Staff Salaries

We found that, for the 2nd and 3rd quarters, there was almost no increase in the amount of funds dedicated to salaries, wages and fringe benefits (see Table 3.1). We find that 1.3 FTE (full time employment) was assigned to administer the program as a result of the conversion, compared to .50 FTE that was assigned prior to the conversion. Specifically the HRA Manager was able to decrease time allocated to administration of the 150 units in question by .5 FTE. The Operations Supervisor increased time allocated to administration of the 150 units in question by .3 FTE, and a 1.0 FTE HRA Coordinator was added. Given the pay differentials between the various positions, the net cost of adding 1.3 FTE is less than might be assumed without considering wage levels.

Because of how the budget was allocated in 2010, staff expenses in 2010 did not reflect the time employees in the above mentioned positions spent on the 150 housing units, administered under the Family Affordable Housing Program (Fund 237). This inaccurate charging of staff time makes it difficult, if not impossible, to determine how much the conversion to Section 8 has increased the amount of administrative overhead.

The HRA Manager indicated that starting in FY2011, the Operations Supervisor's and HRA Coordinator's time spend on the 150 units in question will be billed to the appropriate account.

Maintenance

The amount budgeted for routine maintenance in 2009 and 2010 was the same, $350,000. Metro HRA budgets this expense to an expense account code that is different from the expense account code to which the actual expense is coded. To our best understanding, the budgeted expense (account 5213) aligns with the actual expense account lines for labor (account 8201) and materials (account 8202).

The average labor cost in 2009 was $14,159.76, compared to $19,899.81 in 2010. The average materials cost in 2009 was $9,205.91, compared to $9,849.51 in 2010. Routine maintenance increased $6,383.65. Metro HRA stated that the management company had permission to spend a greater amount on maintenance. This is attributed to the higher federal revenue under Section 8, but it is not necessitated by the conversion to Section 8. This should result in higher client satisfaction and better long-run upkeep of properties.

Contracted Services

The average contracted services expense per month decreased $2,477.39 from 2009 to 2010. Based on the higher turnover in units, which means more contract labor for carpet cleaning, cabinetry repair, et cetera, this finding is surprising. However, in July 2009 contract fees were relatively high – probably due to severe weather that damaged the roofs of three units. September 2009 contracted costs were much higher than 2010. A review of the 2008 contract costs confirms the wide variability of this category from year to year. The 2008 2nd and 3rd quarter contract cost average ($14,563.11) is $3,630.80 higher than the 2009 contract cost average.

When contract costs are examined by expenditure type, we find that the amount of contract costs spent on maintenance increased in 2010. As mentioned in the section above, Metro HRA gave the management company permission to spend more on maintenance based on the increased federal funding under the Section 8 program. Accordingly, in Table 3.1 (see Appendix 2, page 18) we used the 2009 contract costs rate as the base figure, and added the monthly average increased maintenance expenditure to the figure for the 2010 column.

Management Company Fee

In 2010, the management company contract expired and new bids were accepted. The management company reduced the monthly per unit fee from $91.62 per unit per month to $82.00 per unit per month, and was awarded a new contract with Metro HRA. In 2010 this lower fee is reflected in table 1.0 above.

The 2010 management fee, adjusted for vacancies, does not vary substantially from the actual 2010 management fee as much of the vacancy credits were mitigated by move-in inspection charges ($75.22 per unit).

The lower management company fee is fortunate for Metro HRA's budget, but it does skew our results. Had the management company fee remained constant from 2009 to 2010, the actual rate of expenditure increase would have been closer to 5.5 percent (rather than 3.62 percent).

Utilities

Utilities here refer to water, gas, electricity, and refuse-pickup.

Utilities expenses overall did increase in 2010 over 2009. This was in some part due to the vacancies that occurred directly after the conversion. Tenants pay for inside-use water, gas and electricity. Metro HRA pays for the utilities in vacant apartments. Occasionally a tenant will leave lights, heat, or air conditioning running after they have vacated a unit, which drives up utility expenses.

Water expenses (outside use) decreased. In sum, the utilities expenses did increase in 2010, but this was due to vacancies and other anomalies and, for the purpose of this analysis, can reasonably expect those expenses to remain flat moving into the future.

Refuse-Pickup costs increased in 2010 by about $140.15 a month, on average. Again, this is not directly related to the Section 8 conversion.

Association Dues, Property Taxes and Special Assessments

Association Dues do not appear to change substantially from one year to the next. Various types of property taxes – special assessments are withdrawn from the association dues, while others are not. For this analysis these accounts have been aggregated. In 2009 the composite average per month was $12,059.31. In 2010 the composite average per month was $12,841.70, an increase of $782.39.

These expenses are not attributable to the conversion nor are they reflective of a change in conditions resulting from the Section 8 conversion.

Miscellaneous and Resident Participation Fee

The resident participation fee was not included in the 2009 budget, but was included in the 2010 budget. In 2009 the resident participation fee was added to the miscellaneous budget. Compositely, the average 2010 Miscellaneous + Resident Participation fee decreased by $250.

General Expenses

General expenses on average increased by $390.80 in 2010.

Payment in Lieu of Taxes

Payment In Lieu of Taxes (PILOT) is made by Metro HRA to the county treasurers in an amount equal to 10% of the rental income charged to tenants during the previous calendar year. From 2009 to 2010 the PILOT remained relatively constant. Increases in PILOT will be a constant portion of tenant rent. This does not change as a result of the Section 8 conversion, but as a result of fluctuations in the economy-at-large.

Non-Routine Maintenance and Rehabilitation

This encompasses all the expenditures for small home improvements (account5634) and home improvements greater than $5,000 (account 5635).

2008 expenditures for this category were used in lieu of the 2009 expenditures, which were affected by the influx of ARRA funds.

The increase in capital improvements expenditures made possible by the 2009 ARRA grant meant that projects that might have been completed in 2010, were completed in 2009; accordingly, the 2010 expenditure on capital improvements was less given the work done "in advance." To correct for this, we average the 2009 and 2010 expenditures and compare this average to the 2008 expenditures in the same category.

Accordingly, we compare the Non-Routine Maintenance & Rehabilitation expenses for 2008 and the combined expenses for 2009 and 2010. Please see Appendix 19, page 35) for details.

We found a 1.6 percent increase in non-routine maintenance expenditures using this method of comparison.

CONCLUSIONS

1. *The conversion to Section 8 housing increases federal revenues.*

We find that the conversion to Section 8 housing provides 127%, or about $49,899.57 monthly, more federal funding. Due to the additional staff requirements that were not reflected in the 2010 operations budget, we expect that the Salaries, Wages & Fringes expense will adjust upward in 2011. Operationally, in expenses, with the exception of Salaries, Wages & Fringes, we suspect that none of the increases in 2010 are attributable to the Section 8 Conversion.

2. *The additional federal revenues have enhanced the quality of service (QOS) provided to clients.*

We observed that Metro HRA has allowed the management company to spend more on maintenance. This permission was granted based on the increased federal funding received. The 2009 ARRA funding, combined with the increase in the maintenance expenditure allowed, has qualitatively improved the units under Metro HRA's control.

Metro HRA staff interviewed believe that the conversion has resulted in enhanced client service, while also relieving the burden of running a deficit each year.

3. *The increase in revenues far outweighs the increase in expenditures; it has resulted in a monthly budget surplus, as opposed to the 5-year-running deficit.*

Even with considerably larger expenditures on maintenance in 2010 (up to 6.54 percent more of the expense budget), the increased revenues under the Section 8 program are large enough to cover the expenditures and leave an average $4,012.12 monthly surplus with all other expenses not attributable to the conversion held constant. By comparison, the average monthly deficit prior to the conversion to Section 8 vouchers was $37,911.81.

Because Metro HRA was able to secure a more favorable contract with its management company in 2010, the actual monthly surplus is closer to $6,859.07. The total average difference is $44,770.88 per month.

4. *The salaries and wages reflected in the 2010 statements do not accurately reflect the time spent on this account by the employees now engaged in the management of the 150 units in question.*

The HRA Manager has reduced the amount of time she spends for this program. The Operations Supervisor and an HRA Coordinator now spend a substantial amount of time on work that ought to be charged to this fund, but was not charged in 2010 based on how the budget was allocated for FY2010. We have been advised that these staff expenses will be charged to the fund beginning in FY 2011.

5. *Due to higher vacancies during the July 2009 – June 2010 period, the amount of funding received for the 150 units in question in 2010 is lower than the amount that will be received in 2011 and into the future.*

The funding that is allocated by HUD is based on the rent received and vacancy rates of the prior year running from July 1 through June 30th. HUD will reimburse the difference between the market rent and the rent paid by the tenant *for each occupied unit.* After tenants were made aware of the conversion to Section 8 housing, many opted to use their vouchers to move into units that are not operated by Metro HRA. Vacancies began to increase in December of 2009, the month before Metro HRA converted its units to Section 8. High vacancies continued through May of 2010. Though the allocation of funding for a given year is determined by the previous year's vacancy rates, the amount of money property owners receive from HUD is based on the current period's vacancy rates, as administered by an HRA.

Starting in June, vacancy rates returned to a more historically "normal" rate (9/150). Because of the high vacancy rates in 2010, the amount of federal funding received for the 150 units in question was lower than the amount that can be expected in 2011 now that the vacancy rates have normalized.

RECOMMENDATIONS

Program Evaluation and Audit recommendations are categorized according to the level of risk of the findings (conditions) they are designed to resolve.

- **Essential –** Steps must be taken to avoid the emergence of critical risks to the Council or to add great value to the Council and its programs. Essential recommendations are tracked through the Audit Database and status is reported twice annually to the Council's Audit Committee.
- **Significant –** Adds value to programs or initiatives of the Council, but is not necessary to avoid major control risks or other critical risk exposures. Significant recommendations are also tracked with status reports to the Council's Audit Committee.
- **Considerations –** Recommendation would be beneficial, but may be subject to being set aside in favor of higher priority activities for the Council, or may require collaboration with another program area or division. Considerations are not tracked or reported. Their implementation is solely at the hands of management.
- **Verbal Recommendation –** An issue was found that bears mentioning, but is not sufficient to constitute a control risk or other repercussions to warrant inclusion in the written report. Verbal recommendations are documented in the file, but are not tracked or reported regularly.

1. (Consideration) Adjust billing / timecard administration practices to assure that employees report their time spent on Family Affordable Housing Program fund activities appropriately.

2010 did not reflect the time employees in the above mentioned positions spent on the 150 housing units, administered under the FAHP fund (Fund 237). The HRA Manager continued to charge her time to the FAHP fund. The total number of hours she charged to the fund decreased by only 13.5 percent from 2009 to 2010. The Operations Supervisor and HRA Coordinator charge no time to Fund 237. This constitutes a lack of transparency; it is difficult, if not impossible, to determine if the conversion to Section 8 has increased the amount of administrative overhead.

Management Response: The Program Operations Supervisor and the HRA Coordinator will start charging their time appropriately to the FAHP fund (Fund 237). The HRA Coordinator will charge 80% of her time and the Program Operations Supervisor will charge 30% of her time to Fund 237 effective immediately.

Staff: Terri Smith

***Timeline**:* Immediately

2. (Consideration) Coordinate with Finance to remove Account 8309 – Resident Participation from the FAHP operations budget.

This is an account used to reimburse residents of public housing for participation in Metro HRA committees. The end of administration of Metro HRA's housing as federal public housing, makes this account unnecessary. Audit staff found charges to that account in 2010, after the conversion to Section 8 vouchers that should have been coded to other accounts.

Management Response: This account will be removed from the Chart of Accounts effective immediately. No additional charges will be made to this account.

Staff: Terri Smith

Timeline: Immediately

Table of Appendices

Appendix 1

Table 3.0 – Cost Comparison, 2009 and 2010 Estimated

Revenues	2009	2010	% change
Rental Revenue	$37,273.65	$40,687.26	9.16%
Total Federal Revenue	$39,270.93	$89,170.50	127.06%
Misc. Revenue	$6,330.62	$2,357.19	-62.77%
Investment Revenue	$1,080.71	$924.70	-14.44%
Total Average Monthly Revenue	$83,955.91	$133,139.65	58.58%

Expenses	2009		2010	
Salary	$7,124.85		$7,241.28	A
Maintenance/labor	$14,159.76		$19,889.81	
Maintenance/materials	$9,205.91		$9,849.51	
Contracted services	$10,932.31		$8,454.92	
Management Company Fee	$13,711.26	*	$11,404.62	B
Insurance	$8,020.00		$8,920.83	
Gas/electricity	$246.39		$840.28	
Garbage	$2,721.51		$2,861.66	
Water	$2,861.79		$2,598.68	
Association Dues + Tax Assessments	$12,059.31	*	$12,841.70	*
Allocations	$3,311.63		$3,016.21	
Other/Misc.	$1,441.76		$1,191.76	*C
PILOT	$4,377.24		$4,011.95	
General expense	$240.20		$678.47	
Non Routine Maintenance	$31,953.80	*	$32,478.90	*D
Control for 2009 deductable	-$500.00		$0.00	
Per Month Total	$121,867.72		$126,280.58	
Difference			$4,412.87	3.62% B
NET REVENUE (DEFICIT)	**($37,911.81)**		**$6,859.07**	
Difference			$44,770.87	

A. Auditors feel this is not an accurate reflection of time spent on the 150 units in question based on time cards.

B. In the 2010, the management company contract expired and new bids were accepted. The management company reduced the monthly per unit fee, and was awarded a new contract with Metro HRA. In 2010 this lower fee is reflected. Had 2009 been calculated according to the 2010 rate the overall expense difference would have been closer to **5.4**%, and the average monthly rent would have been approximately $11,648.70.

C. Resident participation fee not included in 2009 figures. 2010 Resident participation fee average added to 2010 Misc. line item.

D. 2008 values substitute for 2009; Average of 2009 and 2010 replace 2010.

* Indicates some adjustment

(The table above controls for ARRA expenditures, only uses HUD funds specifically allocated to the 150 units, does not correct for vacancies, nor does it correct for the new 2010 management company fee.)

Appendix 2

Table 3.1 Cost Comparison, 2009 and 2010 considering costs attributable to Section 8 Conversion

Revenues	2009		2010	
Rental Revenue	$37,273.65		$37,273.65	
Total Federal Revenue[1]	$39,270.93		$89,170.50	127.06%
Misc. Revenue	$6,330.62		$6,330.62	
Investment Revenue	$1,080.71		$1,080.71	
Total Average Monthly Revenue	$83,955.91		$133,855.48	

Expenses	2009		2010	
Salary[1]	$7,124.85		$7,241.28	A
Maintenance/labor[1]	$14,159.76		$19,889.81	
Maintenance/materials[1]	$9,205.91		$9,849.51	
Contracted services[1]	$10,932.31		$11,892.77	B
Management Company Fee	$13,711.26		$13,711.26	
Insurance	$8,020.00		$8,020.00	
Gas/electricity	$246.39		$246.39	
Garbage	$2,721.51		$2,721.51	
Water	$2,861.79		$2,861.79	
Association Dues + Tax Assessments	$12,059.31		$12,059.31	
Allocations	$3,311.63		$3,311.63	
Other/Misc.	$1,441.76		$1,441.76	
PILOT	$4,377.24		$4,377.24	
General expense	$240.20		$240.20	
Non Routine Maintenance[1]	$31,953.80	C	$32,478.90	
Control for 2009 deductable	-$500.00		-$500.00	
Total Average Monthly Expense	$121,867.72		$129,843.36	
Difference			**$7,975.64**	**6.54%**
NET REVENUE (DEFICIT)	**($37,911.81)**		**$4,012.12**	
Difference			$41,923.93	

(The table above controls for ARRA expenditures, only uses HUD funds specifically allocated to the 150 units.)

The 6.54% increase in expenses reflects the highest possible expense increase due to the Section 8 conversion. We believe the real effect of the conversion is lower. We chose to err on the side of caution, and included expense changes that may have been attributable to coding error rather than a real increase in maintenance costs. Additionally, part of the higher maintenance cost is due to higher turn-over in 2010.

Appendix 3

Mechanics of HUD Funding, Federal Public Housing Program and Section 8 Voucher Program

Mechanics of the HUD Federal Public Housing Program

Under the HUD Program, the Federal Government would reimburse up to $365 per unit, depending on the amount of rent paid by the tenant. Under both Section 8 and FPHP, residents are required to pay 1/3 of their total income towards rent. It is important to note that tenants pay for their own utilities. Up to a regionally determined threshold, any amount paid on utilities is credited towards a tenant's rent. That is, if a tenant's income for a month is $600, he will pay $200 total toward rent and utilities. If the utilities cost $100, the total amount of rent paid to Metro HRA is $100. The difference between the rent paid and the cost of maintaining the unit is paid by HUD; however, HUD will only reimburse up to $375 per unit. In this example, the total rent + government reimbursement would be $375. The government would only reimburse $275 ($375-$100). Conservatively, the average unit costs approximately $818 to maintain, per month, in the long-run.

After HUD has determined the disbursement based on expense level, projected inflation and utilities expense level, it will use lines 07-17 of Section 3 of Form HUD 52723 to determine the "Add-Ons." HUD covered PILOT, funding for resident participation, asset management, and information technology. In 2009 this amounted to an additional $55,172.

Important to note is the Capital Improvements Grant under the FPHP. Each year approximately $175,000 (give or take $5,000 from year to year) of capital funding grant dollars is disbursed to Metro HRA. This figure, divided by 12 months, and again by the 150 housing units, amounts to an additional $97.22 per month, per unit, to cover capital costs. Metro HRA, in this example, would bear a long-run net loss of $345.78 (818-275-100-97.22) for the unit.

The capital improvements grant is flexible. Accordingly, if one tenant is able to pay $750 toward rent, only $68 of the available $97.22 of capital improvement grant money allocated to the unit would be used. The remaining $29.22 could be used to help close the gap on other properties where the rent + HUD reimbursement failed to cover operating costs. It is possible that the capital improvement grant could provide revenues that surpass the expense of operation, but not likely as very few renters able to pay $750 would qualify for the program. Revenues have not surpassed expenses since 2005. In 2005, the surplus was largely due to Ramsey County Revenue/MHFA.

Mechanics of the HUD Section 8 Voucher Program

Under the Section 8 Voucher Program, the Federal Government will reimburse the difference between what the tenant pays and the market rent for the property. Generally, the market rent is determined by location and number of bedrooms. Specifically, for the 150 units discussed here, the market rent is set by the management company (the company contracted by Metro HRA to manage the properties). The appropriateness of the rent is confirmed by a third-party, Housing Link. Rent is set at no more than the 40% level of all units, of similar constitution (number of bedrooms) in a region. Accordingly, rents are set as follows: 2 bedrooms - $820; 3 bedrooms – $1,050; 4 bedrooms – $1,200; 5 bedrooms - $1,375.

Under Section 8, the utility credit still applies. Using the previous example, if a tenant's income for a month is $600, he will pay $200 total toward rent and utilities. If the utilities cost $100, the total amount of rent paid to Metro HRA is $100. The difference between the rent paid and the market value of the unit is paid by HUD. In this case, supposing a two-bedroom unit, Metro HRA would be reimbursed $720 from HUD at no net loss (assuming cost of operation is $818).

No capital improvement grant is provided under the Section 8 Voucher program.

Appendix 4

HUD Funding for Section 8 Program – all units

Consolidated
Annual Contributions Contract

Housing Choice Voucher Program

U. S. Department of Housing and Urban Development

Office of Public and Indian Housing

Section 8

HUD NOTICE TO HOUSING AGENCY AMENDING

CONSOLIDATED ANNUAL CONTRIBUTIONS CONTRACT

Housing Agency: **MN163**
METROPOLITAN COUNCIL HRA

In accordance with Paragraph 2.c. of the Consolidated Annual Contributions Contract between HUD and the HA, you are notified that the funding exhibits of the Consolidated Annual Contributions Contract is hereby revised to add a new funding increment as provided in the attached revised funding exhibit. (This notice adds one or more funding increments listed on the attached funding exhibit.)

The revised funding exhibit is attached to this HUD notice. This revised funding exhibit replaces and revises the prior funding exhibit.

In accordance with Paragraph 2.d. of the Consolidated Annual Contributions Contract, this HUD notice and the attached funding exhibit constitutes an amendment to the Consolidated Annual Contributions Contract.

United States of America	Secretary of Housing and Urban Development Authorized Representative	Date of Document:
	Carissa Riddle, Director Financial Management Center	11/3/2010

Form HUD-52520A (12/97)

Appendix 4 Continued

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PIH SECTION 8 FUNDING EXHIBIT

PROGRAM-BASED

ACC NUMBER: MN163VO

FIELD OFFICE: **5KPH**

MN163
METROPOLITAN COUNCIL HRA
390 ROBERT STREET NORTH

ST. PAUL, MN 551011805

HA FISCAL YEAR-END: **12/31** PROGRAM TYPE: **Voucher Program**

FUNDING INCREMENT NUMBER	FIRST DAY OF TERM	LAST DAY OF TERM	CONTRACT TERM	BUDGET AUTHORITY	UNITS
MN163VO0116	10/1/2004	12/31/2004	3	10,986,476	5871
MN163VO1AAF	1/1/2004	12/31/2004	12	1,308,686	N/A
MN163VOAU01	8/1/2004	12/31/2004	5	0	N/A
MN163VOHT02	8/1/2004	12/31/2004	5	0	N/A
MN163VOOF04	1/1/2004	12/31/2004	12	59,598	N/A
MN163AF0001	1/1/2005	1/31/2005	1	286,706	N/A
MN163VO0118	1/1/2005	1/31/2005	1	3,926,225	5871
MN163VOA116	10/1/2004	1/31/2005	4	899,739	N/A
MN163VO0119	2/1/2005	8/31/2005	7	27,630,253	5871
MN163AFAJ02	10/1/2005	10/31/2005	1	6,528	N/A
MN163AFAJ04	10/1/2005	10/31/2005	1	9,350	N/A
MN163VO0120	9/1/2005	11/30/2005	3	10,612,899	5871
MN163AF0002	2/1/2005	12/31/2005	11	3,393,325	N/A
MN163VO0121	12/1/2005	12/31/2005	1	3,255,841	5871
MN163VO0F04	1/1/2005	12/31/2005	12	60,194	N/A
MN163AF0003	1/1/2006	1/31/2006	1	301,665	N/A
MN163VO0122	1/1/2006	1/31/2006	1	3,833,580	5871
MN163AF0004	2/1/2006	2/28/2006	1	301,665	N/A
MN163AF0008	2/1/2006	2/28/2006	1	1,400	N/A
MN163VO0123	2/1/2006	2/28/2006	1	3,833,580	5871
MN163AF0005	3/1/2006	6/30/2006	4	1,261,830	N/A
MN163VO0124	3/1/2006	6/30/2006	4	15,358,482	5871
MN163AF0006	7/1/2006	10/31/2006	4	1,205,838	N/A
MN163VO0125	7/1/2006	10/31/2006	4	15,350,428	5871
MN163AF0009	11/1/2006	12/31/2006	2	614,200	N/A
MN163VO0127	11/1/2006	12/31/2006	2	7,675,213	5871
MN163AF0007	2/1/2006	1/31/2007	12	8,879	N/A
MN163AF0010	1/1/2007	1/31/2007	1	307,100	N/A
MN163VO0126	2/1/2006	1/31/2007	12	116,083	14
MN163VO0128	1/1/2007	1/31/2007	1	3,837,607	5871
MN163AF0011	2/1/2007	2/28/2007	1	294,690	N/A
MN163VO0129	2/1/2007	2/28/2007	1	3,385,426	5885
MN163AF0012	3/1/2007	3/31/2007	1	300,895	N/A
MN163VO0130	3/1/2007	3/31/2007	1	3,611,516	5885
MN163AF0013	4/1/2007	4/30/2007	1	300,895	N/A

Appendix 4 Continued

MN163VO0131	4/1/2007	4/30/2007	1	3,611,516	5885
MN163AF0014	5/1/2007	5/31/2007	1	300,895	N/A
MN163VO0132	5/1/2007	5/31/2007	1	3,611,516	5885
MN163AF0015	6/1/2007	6/30/2007	1	300,895	N/A
MN163VO0133	6/1/2007	6/30/2007	1	3,611,516	5885
MN163AF0016	7/1/2007	7/31/2007	1	327,769	N/A
MN163VO0134	7/1/2007	7/31/2007	1	5,833,536	5885
MN163AF0017	8/1/2007	10/31/2007	3	983,307	N/A
MN163VO0135	8/1/2007	10/31/2007	3	11,786,844	5885
MN163AF0018	11/1/2007	12/31/2007	2	655,535	N/A
MN163VO0136	11/1/2007	12/31/2007	2	7,857,896	5885
MN163VOSA01	12/1/2007	12/31/2007	1	252,310	N/A
MN163AF0021	1/1/2008	2/29/2008	2	628,664	N/A
MN163VO0138	1/1/2008	2/29/2008	2	7,857,896	5885
MN163AF0020	3/1/2008	3/31/2008	1	3,800	N/A
MN163AF0022	3/1/2008	3/31/2008	1	314,332	N/A
MN163AF0027	1/1/2008	3/31/2008	3	84,827	N/A
MN163VO0139	3/1/2008	3/31/2008	1	3,928,948	5885
MN163VO0140	4/1/2008	4/30/2008	1	3,429,484	5885
MN163AF0023	4/1/2008	5/31/2008	2	628,664	N/A
MN163AF0024	6/1/2008	6/30/2008	1	314,332	N/A
MN163AF0029	4/1/2008	6/30/2008	3	82,909	N/A
MN163AF0025	7/1/2008	7/31/2008	1	314,332	N/A
MN163AF0026	8/1/2008	9/30/2008	2	685,215	N/A
MN163VO0141	5/1/2008	9/30/2008	5	17,147,420	5885
MN163AF0028	10/1/2008	10/31/2008	1	341,968	N/A
MN163VO0142	10/1/2008	10/31/2008	1	3,429,484	5885
MN163AF0031	11/1/2008	11/30/2008	1	341,968	N/A
MN163VO0144	11/1/2008	11/30/2008	1	3,465,268	5885
MN163AF0032	12/1/2008	12/31/2008	1	256,491	N/A
MN163AF0034	12/1/2008	12/31/2008	1	27,998	N/A
MN163VO0145	12/1/2008	12/31/2008	1	3,465,267	5885
MN163AF0019	3/1/2008	2/28/2009	12	12,159	N/A
MN163AF0033	1/1/2009	2/28/2009	2	685,534	N/A
MN163VO0137	3/1/2008	2/28/2009	12	145,184	19
MN163VO0146	1/1/2009	2/28/2009	2	7,053,722	5885
MN163AF0030	3/1/2009	3/31/2009	1	9,400	N/A
MN163AF0035	3/1/2009	3/31/2009	1	342,767	N/A
MN163VO0147	3/1/2009	3/31/2009	1	3,526,861	5904
MN163AF0037	4/1/2009	4/30/2009	1	342,767	N/A
MN163VO0149	4/1/2009	4/30/2009	1	3,526,861	5904
MN163AF0038	5/1/2009	5/31/2009	1	342,767	N/A
MN163VO0150	5/1/2009	5/31/2009	1	3,703,204	5904
MN163AF0039	6/1/2009	6/30/2009	1	362,703	N/A
MN163AF0040	6/1/2009	6/30/2009	1	40,760	N/A
MN163VO0151	6/1/2009	6/30/2009	1	2,185,507	5904
MN163AF0036	2/1/2009	7/31/2009	6	1,048	N/A
MN163AF0041	7/1/2009	7/31/2009	1	362,703	N/A

Appendix 4 Continued

MN163AF0042	7/1/2009	7/31/2009	1	21,284	N/A
MN163AF0043	8/1/2009	8/31/2009	1	362,703	N/A
MN183AF2008	8/1/2009	8/31/2009	1	80,916	N/A
MN163AF0044	9/1/2009	9/30/2009	1	367,203	N/A
MN163AF0047	9/1/2009	9/30/2009	1	20,390	N/A
MN163VO0152	7/1/2009	9/30/2009	3	6,556,521	5904
MN163AF0045	10/1/2009	10/31/2009	1	367,203	N/A
MN163VO0155	10/1/2009	10/31/2009	1	2,801,950	5904
MN163AF0048	11/1/2009	11/30/2009	1	360,029	N/A
MN163VO0156	11/1/2009	11/30/2009	1	2,901,950	5904
MN163AF049	12/1/2009	12/31/2009	1	298,141	N/A
MN163VO0148	2/1/2009	12/31/2009	11	11,155	3
MN163VO0157	12/1/2009	12/31/2009	1	2,901,950	5904
MN163VO0158	12/1/2009	12/31/2009	1	1,608,000	N/A
MN163AF0050	1/1/2010	2/28/2010	2	722,732	N/A
MN163VO0143	3/1/2009	2/28/2010	12	359,138	47
MN163VO0159	1/1/2010	2/28/2010	2	6,951,084	5904
MN163AF0051	3/1/2010	3/3/1/2010	1	339,981	N/A
MN163VA0180	3/1/2010	3/31/2010	1	4,480,210	5951
MN163AF052	4/1/2010	4/30/2010	1	364,564	N/A
MN163AF0053	5/1/2010	5/31/2010	1	364,564	N/A
MN163VOFFR1	5/1/2010	5/31/2010	1	191,070	N/A
MN163VOPR09	5/1/2010	5/31/2010	1	90,956	N/A
MN163AF0054	6/1/2010	5/30/2010	1	359,435	N/A
MN163AF0056	4/1/2010	6/30/2010	3	185	N/A
MN163AF2009	5/1/2010	6/30/2010	1	4,194	N/A
MN163VO0154	7/1/2009	6/30/2010	12	1,070,046	150
MN163AF055	7/1/2010	7/31/2010	1	366,307	N/A
MN163AF10R1	7/1/2010	7/31/2010	1	366,307	N/A
MN163AF0057	8/1/2010	8/31/2010	1	384,596	N/A
MN163AFR210	8/1/2010	8/31/2010	1	32,664	N/A
MN163AF0058	9/1/2010	9/30/2010	1	379,954	N/A
MN163AFR310	9/1/2010	9/30/2010	1	21,156	N/A
MN163AF0059	10/1/2010	10/31/2010	1	380,334	N/A
MN163AFR410	10/1/2010	10/31/2010	1	14,434	N/A
MN163VO0161	4/1/2010	10/31/2010	7	36,673,016	5951
MN163VO0162	7/1/2010	10/31/2010	4	1	150
MN163AF0060	11/1/2010	11/30/2010	1	376,663	N/A
MN163AF0060	11/1/2010	11/30/2010	1	376,663	N/A
MN163VO0164	11/1/2010	11/30/2010	1	6,810,431	6101
MN163V00163	1/1/2010	13/31/2010	12	1	1

Appendix 5

Vacancies for 2nd and 3rd quarters of 2009 and 2010, monthly.

April Vacancies

2010

Number	No. Bedrooms	Unit Type	Market Rent
1	2	T	820
2	2	T	820
3	2	T	820
4	4	T	1200
5	2	T	820
6	2	T	820
7	2	T	820
8	3	T	1050
9	2	SF	820
10	2	T	820
11	2	T	820
12	3	SF	1050
13	2	T	820
14	3	T	1050
15	2	T	820
16	2	T	820
17	2	T	820
18	2	T	820
Total Lost Revenue			15830

2009

Number	No. Bedrooms	Unit Type	Market Rent
1	2	T	820
2	2	T	820
3	3	SF	1050
4	5	SF	1375
5	2	SF	820
6	2	T	820
7	4	SF	1200
8	2	T	820
9	2	T	820
Total Lost Revenue			8545

May Vacancies

2010

Number	No. Bedrooms	Unit Type	Market Rent
1	2	T	820
2	2	T	820
3	2	T	820
4	2	T	820
5	2	T	820
6	2	T	820
7	2	T	820
8	3	SF	1050
9	2	T	820
10	2	T	820
11	2	T	820
Total Lost Revenue			9250

2009

Number	No. Bedrooms	Unit Type	Market Rent
1	2	T	820
2	4	T	1200
3	2	T	820
4	3	SF	1050
5	5	SF	1375
6	2	SF	820
7	2	T	820
8	4	SF	1200
9	2	T	820
10	2	T	820
Total Lost Revenue			9745

June Vacancies

2010

Number	No. Bedrooms	Unit Type	Market Rent
1	2	T	820
2	2	T	820
3	2	T	820
4	2	T	820
5	2	T	820
6	2	T	820
7	2	T	820
8	2	T	820
9	2	T	820
Total Lost Revenue			7380

2009

Number	No. Bedrooms	Unit Type	Market Rent
1	2	T	820
2	2	T	1200
3	2	T	820
4	3	T	1050
5	2	SF	820
6	2	T	820
7	2	T	820
8	2	T	820
Total Lost Revenue			7170

July Vacancies

2010

Number	No. Bedrooms	Unit Type	Market Rent
1	2	T	820
2	2	T	820
3	2	T	820
4	3	T	1050
5	2	T	820
6	2	T	820
7	2	SF	820
8	3	T	1050
9	2	T	820
10	2	T	820
Total Lost Revenue			8660

2009

Number	No. Bedrooms	Unit Type	Market Rent
1	2	SF	820
2	2	T	820
3	2	T	1200
4	2	T	820
5	3	T	1050
6	3	SF	1050
7	2	SF	820
8	2	T	820
9	2	T	820
Total Lost			8220

August Vacancies

2010

Number	No. Bedrooms	Unit Type	Market Rent
1	2	T	820
2	2	T	820
3	3	T	1050
4	2	T	820
5	2	SF	820
6	3	T	1050
7	3	SF	1050
8	2	T	820
Total Lost Revenue			7250

2009

Number	No. Bedrooms	Unit Type	Market Rent
1	2	T	820
2	4	T	1200
3	2	T	820
4	3	T	1050
5	3	SF	1050
6	2	SF	820
7	2	T	820
8	2	SF	820
9	2	T	820
Total Lost Revenue			8220

September Vacancies

2010

Number	No. Bedrooms	Unit Type	Market Rent
1	2	T	820
2	2	T	820
3	3	T	1050
4	3	SF	1050
5	2	T	820
6	2	SF	820
7	3	T	1050
8	3	SF	1050
9	2	T	820
Total Lost Revenue			8300

2009

Number	No. Bedrooms	Unit Type	Market Rent
1	2	T	820
2	2	T	1200
3	2	T	820
4	3	T	1050
5	3	SF	1050
6	2	SF	820
7	2	T	820
8	2	SF	820
Total Lost Revenue			7400

Appendix 6

Explanation of how Metro HRA 5000 range codes align with the management company 8000 range codes

Metropolitan Council
Internal Audit of HRA
HUD Public Housing to Sec. 8 Voucher

FAHP Operating Statement, 2009 year-end
Coordinating 5000 and 8000 account #

Acct #	Account	Budget	Actuals Ledger - Met Council Year-to-date	Acct #	Account	Actuals Ledger - Kingwood Year-to-date	Budget Remaining
REVENUES							
4400	Investment Earnings-Gen Pool	0.00	$15,258.50				(15,258.50)
4401	Unrealized Gain/Loss-Gen Pool	0.00	$181.24				(181.24)
4402	Interest Income-Other	0.00	$1,850.87				(1,850.87)
4700	Federal Grant Revenue	432,000.00	$296,004.00				135,996.00
4711	HUD/FAHP Capital Grants	0.00	$379,697.00				(379,697.00)
4762	Other Local Revenue	50,000.00	$0.00				50,000.00
4900	Other Revenue - Rent	700,000.00	$465,934.15				234,065.85
4904	Other Revenue - Miscellaneous	0.00	$55,922.71				(55,922.71)
4913	Subsidy Rev Recap (HRA Share)	0.00	$6,006.15				(6,006.15)
	Revenue Accounts	**1,182,000.00**	**1,220,854.62**			**0.00**	**(38,854.62)**
EXPENSES							
	OVERHEAD AND SALARIES						
	Salaries, Wages, & Fringes	**79,571.00**	**87,710.87**				**(8,139.87)**
5202	Computer Services/Leased	0.00	$125.00				(125.00)
5212	Legal	0.00	$16,158.00				(16,158.00)
5401	Local Travel	500.00	$457.60				42.40
5411	Professional Dev/Reg Fees	500.00	$0.00				500.00
5509	Cell Phone Fees	0.00	$385.51				(385.51)
5214	Contracted Services/Other	75,000.00		8203	Contract Costs	$118,865.51	46,134.49
5224	Management Company Fee	165,000.00		8003	Sundry-Other Admi	$154,933.00	(79,933.00)
5250	Insurance	115,000.00	$96,240.00	8301	Insurance	$6,308.04	12,451.96
5633	Homeowner Association Dues	140,000.00		8303	Association Dues	$138,039.70	1,960.30
	UTILITIES						
5501	Electric	4,000.00		8103	Electricity	$1,837.04	2,162.96
5503	Gas	3,000.00		8104	Gas	$4,857.32	(1,857.32)
5504	Water	65,000.00		8102	Water	$63,503.28	1,496.72
5507	Refuse Pickup	30,000.00		8204	Garbage and Trash I	$37,464.97	(7,464.97)
	MAINTENANCE & IMPROVEMENTS						
5213	Maintenance	350,000.00		8201	Labor	$167,704.07	
				8202	Materials	$106,900.69	75,395.24
5634	Small Home Improvements FAHP	25,000.00					
5635	Home Improvements >5000 FAHP	287,000.00		8401	Non-Routine Maint	$425,222.80	(113,222.80)

Appendix 7

Comparison of 2nd and 3rd quarters, 2009 and 2010 Revenues

Comparison of 2009 and 2010 Revenues

	FPHP 2009	Section 8 2010	% change
RENTAL REVENUE	$37,273.65	$40,687.26	9.16%
TOTAL FEDERAL REVENUE	$39,270.93	$89,170.50	127.06%
MISC. REVENUE	$6,330.62	$2,357.19	-62.77%
Total Average Monthly Revenue	$82,875.20	$132,214.95	59.53%

Appendix 8

Comparison of 2nd and 3rd Quarters, Monthly Federal Grand Revenue

Federal Grant Revenue, 2009

Reimbursement

Month	Federal Grant Revenue
Apr-09	$23,057.00
May-09	$25,744.00
Jun-09	$25,744.00
Jul-09	$25,744.00
Aug-09	$25,744.00
Sep-09	$25,744.00
Total:	$151,777.00
6 month Average:	$25,296.17

Capital Expenditures

Lump sum for year	$167,697
Sum per month	$13,974.75

Total Fed. Grant Rev/month

$39,270.92

Federal Grant Revenue, 2010*

Reimbursement

Month	HUD reimbursement
Apr-10	$119,908.00
May-10	$96,995.00
Jun-10	$97,446.00
Jul-10	$94,202.00
Aug-10	$93,888.00
Sep-10	$95,606.00
Total:	$598,045.00
6 Month Average:	$99,674.17

Capital Expenditures

Lump sum for year	$0.00
Sum per month	$0.00

Total Fed. Grant Rev/month *

$99,674.17

* This is the amount withdrawn from the general Fund. It is not the amount actually allocated by HUD for the Units.

Actual Federal Grant Revenue, 2010 **

Reimbursement

12 months	$1,070,046.00
Per month	$89,170.50

Capital Expenditures

Lump sum for year	$0.00
Sum per month	$0.00

Total Fed. Grant Rev/month

$89,170.50

** This is the actual amount granted by HUD for 2010

Difference 2010 Actual and 2009

$49,899.58

Appendix 9

Discussion and Comparison of Actual and Projected HUD funding for 2010 and 2011 based on real figures, 2nd and 3rd quarters

In 2010, HUD provided a direct rent reimbursement which is supposed to be equivalent to the difference between the rent paid by the tenant and the market value of the unit from the previous year (2009). The funds disbursed by HUD do not correlate with the vacancy rates or rent received in the current year. When distributing funds for the 150 units for 2010, HUD did *not* roll the 150 units into the 5,951 units already under the Section 8 program. Funds for the 150 units were considered separately. On July 1, 2009, HUD disbursed $1,079,046 of Subsidized Rent to be distributed over 12 months for the 150 units.

The 6 month average of funds pulled by Metro HRA to cover operating expenses for April – September 2010 exceeds this limit by over $10,000. Yet, it should be noted that using 2009 rental rates, and 2009 vacancy rates, for the same six month period, it would have been reasonable for Metro HRA to expect HUD to provide about the same amount of money actually spent in 2010 for this six month period. HUD's allotment was lower than would have been expected given the actual 2009 figures for the same 6 month period.

Although only $89,170.50 per month of Section 8 Subsidized Rent is allocated to the 150 units analyzed here, it should be noted that on the same date that these funds were disbursed, July 1, 2009, several non-allocated funds were also disbursed in the amounts of $362,703 and $21,284. Also, from July 2, 2009, to November 1, 2010, when the 150 units were incorporated into the preexisting 5,951 Section 8 units, additional non-allocated funds were disbursed by HUD in the amount of $8,297,717. As these funds were non-allocated, they could be used for any Section 8 unit, including the 150 converted units. This accounts, in part, for the difference between the allocated average of $89,170.50 per month, and the used average of $99,674.17 per month. Additionally, April's actual withdrawn amount for 2010 is abnormally high because it is recovering funds that should have been, but were not, withdrawn in the first quarter of the year. The first quarter withdrawals were considerably under budget using the HUD distribution formula of *market rent – rent lost due to vacancy – rent received from tenants = total HUD reimbursement for all 150 units.*

Please note: going forward (in 2011) the HUD reimbursement from year to year will depend on the vacancy rates (and market rate) for all 6,101 units under Metro HRA's care, as the 150 units in question here were merged into the existing 5,951 Section 8 units managed by Metro HRA.

		Rent lost due to vacancy		Rent received - Tenants		HUD Reimbursement		
Month	Market Value of All 150 Units	2009	2010	2009	2010	2009	2010	Actual 2010
Apr	$ 145,015.00	$ 8,545.00	$15,830.00	$ 39,608.64	$ 38,908.00	$ 96,861.36	$ 90,277.00	$119,908.00
May	$ 145,015.00	$ 9,745.00	$ 9,250.00	$ 39,625.64	$ 39,418.59	$ 95,644.36	$ 96,346.41	$ 96,995.00
June	$ 145,015.00	$ 7,170.00	$ 7,380.00	$ 39,942.00	$ 40,498.00	$ 97,903.00	$ 97,137.00	$ 97,446.00
July	$ 145,015.00	$ 8,220.00	$ 8,660.00	$ 35,166.00	$ 41,792.06	$101,629.00	$ 94,562.94	$ 94,202.00
Aug	$ 145,015.00	$ 8,220.00	$ 7,250.00	$ 30,956.62	$ 42,457.92	$105,838.38	$ 95,307.08	$ 93,888.00
Sept	$ 145,015.00	$ 7,400.00	$ 8,300.00	$ 38,343.00	$ 41,049.00	$ 99,272.00	$ 95,666.00	$ 95,606.00
total	$ 870,090.00	$ 49,300.00	$56,670.00	$ 223,641.90	$ 244,123.57	$597,148.10	$569,296.43	$598,045.00
average		**$ 8,216.67**	**$ 9,445.00**	**$ 37,273.65**	**$ 40,687.26**	**$ 99,524.68**	**$ 94,882.74**	**$ 99,674.17**

2009	This is the 2009 Calculated reimbursement using the formula Market Value - 2009 lost rent due to vacancy - 2009 Rent received.
2010	This is the 2010 Calculated reimbursement using the formula Market Value - 2010 lost rent due to vacancy - 2010 Rent received.
Actual 2010	This is the actual amount put in the revenues account. This is what Metro HRA withdrew from the general Section 8 HUD fund. This does not necessarily reflect the actual amount of money supplied by HUD for the 150 units, which conservatively speaking was only $89,170.50 per month.
*	The April 2010 withdrawl from HUD funding includes funding to cover first quarter withdrawals that were not made in the first quarter. This delay is attributed to the transition to a new Federal funding scheme under the Section 8 Conversion.

Appendix 10

Rental Revenue 2nd and 3rd quarters, 2009 and 2010

Rental Revenue

Month	Rental Revenue 2009	Rental Revenue 2010
Apr-09	$39,608.64	$38,908.00
May-09	$39,625.64	$39,418.59
Jun-09	$39,942.00	$40,498.00
Jul-09	$35,166.00	$41,792.06
Aug-09	$30,956.62	$42,457.92
Sep-09	$38,343.00	$41,049.00
Total:	$223,641.90	$244,123.57
6 Month Average:	$37,273.65	$40,687.26

Difference between 2010 and 2009

$3,413.61

Appendix 11

Salaries, Wages & Fringes 2nd and 3rd quarters, 2009 and 2010

Salary, Wages & Fringes

	2009	2010
April	$6,648.48	$10,071.64
May	$8,757.76	$6,166.60
June	$6,969.48	$7,311.84
July	$6,568.98	$6,265.03
August	$6,862.16	$7,438.44
September	$6,942.24	$6,194.13
Total	$42,749.10	$43,447.68
6 month average	$7,124.85	$7,241.28

Appendix 12

Maintenance 2^{nd} and 3^{rd} quarters, 2009 and 2010

Maintenance / Labor

Month	2009	2010
April	$4,885.85	$13,548.77
May	$18,679.53	$16,618.51
June	$10,334.23	$40,138.69
July	$13,376.38	-$6,535.25
August	$15,951.07	$37,464.64
September	$21,731.51	$18,163.50
Total	$84,958.57	$119,398.86
Average	$14,159.76	$19,899.81

Maintenance / Materials

Month	2009	2010
April	$5,655.43	$8,511.75
May	$14,414.16	$10,203.69
June	$5,474.15	$6,708.86
July	$8,093.82	$8,099.66
August	$10,401.85	$11,861.43
September	$11,196.03	$13,711.69
Total	$55,235.44	$59,097.08
Average	$9,205.91	$9,849.51

Appendix 13

Contract Costs 2nd and 3rd quarters, 2009 and 2010 disaggregated by type

Comparison of Contract Costs
Based on Kingwood Monthly Financial Statements

Category	Account	Apr-09	Apr-10	May-09	May-10	Jun-09	Jun-10	Jul-09	Jul-10	Aug-09	Aug-10	Sep-09	Sep-10
Turnover Total		$ 423.08	$ 5,364.51	$ 692.50	$ 3,873.10	$ 720.00	$ 562.89	$ 118.23	$ 713.81	$ 1,000.00	$ 1,162.10	$ 1,440.20	$ 1,470.17
Maintenance Total		$ 3,557.23	$ 4,480.20	$ 2,668.46	$ 691.75	$ 2,638.00	$ 4,688.56	$ 925.84	$ 5,203.69	$ 6,054.44	$ 5,023.20	$ 1,321.49	$ 2,840.80
Remediation Total		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,944.00	$ -	$ -	$ -
Roofs Total		$ -	$ -	$ -	$ -	$ -	$ -	$ 198.79	$ 1,600.00	$ -	$ -	$ -	$ -
Landscape Total		$ 135.00	$ -	$ 4,620.95	$ 541.05	$ 5,264.66	$ 3,075.50	$ 9,929.10	$ 3,096.93	$ 894.54	$ 5,329.13	$ 10,375.51	$ 839.50
Journal Entries Total		$ -	$ -	$ -	$ -	$ -	$ -	$ 8,639.57	$ (3,141.00)	$ -	$ -	$ -	$ -
Grand Total		$ 4,115.31	$ 9,844.71	$ 7,981.91	$ 5,105.90	$ 8,622.66	$ 8,326.95	$ 19,811.53	$ 7,473.43	$ 9,892.98	$ 11,514.43	$ 13,137.20	$ 5,150.47
	Total HRA Statement	$ 4,368.28	$ 10,457.18	$ 8,416.05	$ 5,955.52	$ 8,692.61	$ 8,983.15	$ 19,859.53	$ 7,508.43	$ 10,401.85	$ 11,861.43	$ 13,855.53	$ 5,963.78
	Total after explained variances	$ 252.97	$ 612.47	$ 434.14	$ 849.62	$ 69.95	$ 656.20	$ 48.00	$ 35.00	$ 508.87	$ 347.00	$ 718.33	$ 813.31
	Total after Turnover, Remediation, Journal Entries costs removed	$ 3,945.20	$ 5,092.67	$ 7,723.55	$ 2,082.42	$ 7,972.61	$ 8,420.26	$ 11,101.73	$ 9,935.62	$ 7,457.85	$ 10,699.33	$ 12,415.33	$ 4,493.61

Average 2009 Maintenance, Roofs, Landscape	$8,436.05
Average 2010 Maintenance, Roofs, Landscape	$6,787.32
Average Maintenance 2009	$3,821.37
Average Mainenance 2010	$3,074.67

Appendix 14

Management Company Fee 2nd and 3rd quarters, 2009 and 2010

Management Company Fee

Month	Actual 2009	Actual 2010	Calculated 2009*
April	$13,132.70	$11,605.09	$11,717.48
May	$12,994.91	$11,501.32	$11,475.42
June	$27,481.00	$10,932.86	$11,705.66
July	$1,552.56	$11,234.34	$11,719.22
August	$13,363.40	$11,674.10	$11,637.22
September	$13,743.00	$11,480.00	$11,637.22
Total	$82,267.57	$68,427.71	$69,892.22
Average	$13,711.26	$11,404.62	$11,648.70

***If 2009 had been calculated under the current 2010 contract fee.**

Appendix 15

Utilities 2nd and 3rd quarters, 2009 and 2010

Electricity and Gas

Month	2009 Elect	2010 gas	2009 sum	2010
April	$73.40	$506.60	$580.00	$1,867.02
May	$79.30	$279.92	$359.22	$374.35
June	$20.00	$132.93	$152.93	$582.22
July	-$27.96	$200.58	$172.62	$1,056.80
August	-$234.82	$237.80	$2.98	$632.79
September	$81.00	$129.61	$210.61	$528.48
Total			$1,478.36	$5,041.66
Average			$246.39	$840.28

Water

Month	2009	2010
April	$0.00	$0.00
May	$0.00	$0.00
June	$0.00	$0.00
July	$5,393.95	$6,089.93
August	$ 6,703.87	$ 3,603.55
September	$ 5,072.92	$ 5,898.60
Total	$17,170.74	$15,592.08
Average	$2,861.79	$2,598.68

Garbage/Trash Removal

Month	2009	2010
April	$3,059.05	$3,144.58
May	$2,498.84	$2,461.74
June	$2,902.87	$3,080.30
July	$4,001.65	$2,578.31
August	$1,500.30	$2,368.60
September	$2,366.37	$3,536.42
Total	$16,329.08	$17,169.95
Average	$2,721.51	$2,861.66

Appendix 16 – Association Dues, Special Assessments and Property Tax 2nd and 3rd quarters, 2009 and 2010

	Association	Spec Assess	Prop Tax	**Sum**	Association	Spec. Assess	Prop Tax	Sum
Month	2009	2009	2009	**2009**	2010	2010	2010	**2010**
April	$6,188.98	$0.00	$5,924.35	**$12,113.33**	$11,516.85	$6,926.56	$0.00	**$18,443.41**
May	$11,890.24	$0.00	$0.00	**$11,890.24**	$11,321.89	$0.00	$477.25	**$11,799.14**
June	$10,976.68	$0.00	$0.00	**$10,976.68**	$11,221.89	$0.00	$0.00	**$11,221.89**
July	$12,028.19	$558.83	$0.00	**$12,587.02**	$12,260.83	$264.00	$0.00	**$12,524.83**
August	$13,157.84	$0.00	$0.00	**$13,157.84**	$11,237.90	$0.00	$0.00	**$11,237.90**
September	$11,133.40	$497.35	$0.00	**$11,630.75**	$11,306.86	$516.14	$0.00	**$11,823.00**
Total	$65,375.33	$1,056.18	$5,924.35	**$72,355.86**	$68,866.22	$7,706.70	$477.25	**$77,050.17**
Average	$10,895.89	$176.03	$987.39	**$12,059.31**	$11,477.70	$1,284.45	$79.54	**$12,841.70**

Appendix 17

General Expenses, 2nd and 3rd quarters, 2009 and 2010

General Expenses

Month	2009	2010
April	$113.71	$370.00
May	$0.00	$7,139.45
June	$0.00	-$5,215.56
July	$207.34	$610.29
August	$1,065.15	$161.63
September	$55.00	$1,005.00
Total	$1,441.20	$4,070.81
Average	$240.20	$678.47

Appendix 18

Resident Participation Fee + Misc. Fees 2nd and 3rd quarters, 2009 and 2010

Resident Participation

Month	Res. 2009	Misc. 2009	2009 sum	Res. 2010	Misc. 2010	2010 sum
April	$0.00	$0.00	$0.00	$0.00	$1,080.00	$1,080.00
May	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
June	$0.00	$0.00	$0.00	$6,070.54	$0.00	$6,070.54
July	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
August	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
September	$0.00	$8,650.53	$8,650.53	$0.00	$0.00	$0.00
Total	$0.00	$8,650.53	$8,650.53	$6,070.54	$1,080.00	$7,150.54
Average	$0.00	$1,441.76	$1,441.76	$1,011.76	$180.00	$1,191.76

Appendix 19

Non Routine Maintenance 2^{nd} and 3^{rd} Quarters, 2009 and 2010 corrected

Non Routine Maintenance

Month	2008	2009	2010	2009, 2010 Average
April	$34,731.93	$14,345.09	$13,780.21	$14,062.65
May	$23,084.40	$22,246.48	$11,588.45	$16,917.47
June	$8,300.43	$6,537.55	$12,141.96	$9,339.76
July	$68,192.85	$31,293.57	$35,193.15	$33,243.36
August	$28,365.82	$80,850.95	$21,894.05	$51,372.50
September	$29,047.34	$111,635.23	$28,240.11	$69,937.67
Total	$191,722.77	$266,908.87	$122,837.93	$194,873.40
Average	$31,953.80	$44,484.81	$20,472.99	$32,478.90

Expenditures for non routine maintenance encompass the budgeted amount for Small Home Improvements and Home Improvements > 5000

Because ARRA funds were distributed in 2009, the amount of capital expenditures in 2009 greatly increased, while the amount of capital expenditures in 2010 greatly decreased as a result. Accordingly, we used the 2009 2010 average to substitute for 2010 figures, and used 2008 figures to substitute for 2009 figures.