



U.S. Department of Housing and Urban Development
San Francisco Regional Office - Region IX
600 Harrison Street
San Francisco, California 94107-1387
www.hud.gov
espanol.hud.gov

DEC 13 2012

Board of Commissioners
c/o Rev. Amos Brown, Chair
Housing Authority of the City and County of San Francisco
440 Turk Street
San Francisco, CA 94102

Dear Commissioners:

On December 12, 2012, the Housing Authority of the City and County of San Francisco was designated Troubled by HUD based on a failing Public Housing Assessment System audited financial score of 5 (of 25), management score of 12 (of 25), and an overall score of 54 (of 100) for the fiscal year ending September 30, 2011, as shown in the enclosed PHAS Score Report.

The Board of Commissioners/Governing Body of the Housing Authority of the City and County of San Francisco should take immediate action to identify the source(s) of the performance deficiencies and develop and implement a plan to improve its PHAS score and ensure long-term sustainability at an acceptable level of performance.

HUD recognizes that the Housing Authority of the City and County of San Francisco has made some progress in the occupancy of Public Housing units in recent months. However, more improvement is needed in order to stabilize occupancy rates and improve its PHAS score. As a governing body, the board should ensure their engagement in the oversight of financial and management issues to improve financial viability and overall sustainability.

The following list of actions is offered as common suggestions to the Board to use in self-diagnosing the source(s) of its deficiencies and identifying solutions to recover its performance for long-term sustainability.

Financial

Typically, when a public housing agency becomes financially troubled, it must either: (1) increase revenue; (2) decrease expenses; or (3) implement a combination of both. In addition, it must ensure that annual financial statements are prepared and submitted in accordance with HUD regulations and requirements.

Revenue

- Evaluate tenant screening, lease enforcement, and rent collection policies and actions to increase tenant rental revenue.
- Consider establishing or raising minimum rents.
- Consider obtaining approval from HUD to sell non-performing Public Housing property or non-residential property covered under a HUD Declaration of Trust.

- Consider selling unencumbered property.
- Consider obtaining supplemental funding from State or local government agencies to cover budget deficits and cost overruns of its Public Housing or non-federal programs.
- Consider reducing the scope of non-federal programs to operate within their financial means.

Expenses

- Consider reducing salaries and employee benefits to levels within budget parameters.
- Consider reducing management and line staffing levels.
- Evaluate utility consumption, energy policies, and consider implementation of energy conservation measures and agreements to reduce energy costs.
- Evaluate all existing contracts for cost and necessity.
- Evaluate and re-price insurance costs.
- Evaluate the need and usage of fleet vehicles.
- Consider contracting property management or maintenance of Public Housing to another entity or public housing agency.

Financial Statement Preparation and Submission

- Evaluate management/staff ability to prepare financial statements.
- Consider procuring a fee accountant to prepare financial statements.
- Confirm that the Board receives, reviews, and approves financial statements throughout the year, as well as the annual financial statements and the year-end audit timely and in advance of regulatory deadlines.

Management

Generally, when a public housing agency becomes management substandard, it has failed to maintain a stable, acceptable occupancy level in its developments.

- Evaluate waiting list, tenant selection, and initial certification processes to ensure coordination with property managers and timely preparation for move-ins.
- Assess existing new tenant intake policies and practices and consider implementing those that would contribute to quicker lease up, such as starting the certification process earlier or limiting the number of unit-offer turn-downs for new tenants.
- Assess existing continued occupancy policies and practices and consider implementing those that would reduce the frequency of move-outs, such as educating tenants on lease enforcement and how to be good renters or limiting transfers for existing tenants.
- Evaluate the turn-around time of vacant units for occupancy, including the time it takes maintenance to make-ready units and the time it takes property managers to lease up units.
- Assess the feasibility and desirability of under-occupied developments, e.g. physical condition and configuration, rehabilitation costs and lifespan, neighborhood factors such as crime and proximity to employment, transportation, and services, etc., and consider

- repositioning options if appropriate.
- Ensure that units taken off line for modernization, special use, or other allowed reasons have been approved by HUD, do not exceed their permissible time limitation (e.g. three years maximum for modernization units), and are correctly classified in HUD systems.
 - Consider contracting property management of Public Housing to another entity or public housing agency.

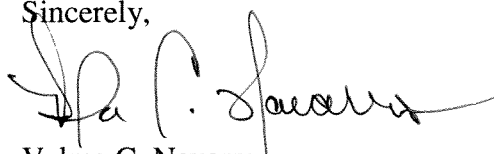
Please provide our office with a proposed recovery plan within 30 days of the receipt of this letter. Your plan will be reviewed by a Recovery Team of subject matter experts to determine further assistance to be provided by HUD and actions to be taken.

Please also be advised that HUD is initiating actions to develop and execute a binding Recovery Agreement and Action Plan with the Housing Authority of the City and County of San Francisco, as required by federal statute, to document and ensure that recovery efforts have been put in place. We have established a local Public Housing Agency Recovery & Sustainability (PHARS) Team. In order to assist in determining the cause and establishing a recovery and sustainability plan for the Housing Authority of the City and County of San Francisco, the HUD PHARS Team will be conducting an assessment your agency's financial condition and governance.

The purpose of the assessment is to document the causes of the Housing Authority of the City and County of San Francisco's troubled performance and provide information for the development of a Recovery Agreement and Action Plan. HUD's PHARS Team, which consists of members from the Office of Public and Indian Housing, the Office of Field Policy and Management, and the Departmental Enforcement Center, is in the process of conducting a remote assessment in preparation for our on-site assessment that will be conducted by the Team beginning January 7, 2013. We will send more information regarding our review process and requests for information soon. Our team looks forward to partnering with SFHA as we strive to recover and sustain a strong, operationally sound housing authority that improves the quality of life for the families we serve.

If you have any questions or need assistance in developing your plan, please contact me at velma.c.navarro@hud.gov or 415-489-6428.

Sincerely,



Velma C. Navarro
Director
Office of Public Housing

Enclosure

cc:

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U. S. Department of Housing and Urban Development
OFFICE OF PUBLIC AND INDIAN HOUSING
REAL ESTATE ASSESSMENT CENTER

Report Date: 9/30/2012

Public Housing Assessment System (PHAS) Score Report for Interim Rule

PHA Code:	CA001
PHA Name:	Housing Authority of the City & County of SF
Fiscal Year End:	9/30/2011

PHAS Indicators	Score	Maximum Score
Physical	27	40
Financial	5	25
Management	12	25
Capital Fund	10	10
Late Penalty Points	0	
PHAS Total Score	54	100
PHAS Designation	Troubled	

Initial PHAS score issued date: 5/15/2012

Financial Score Details	Score	Maximum Score
Submission Type: Audited/A-133		
1. FASS Score before deductions	6.81	25.00
2. Audit Penalties	-1.68	
Total Financial Score Unrounded (FASS Score - Audit Penalties)	5.13	25.00

Capital Fund Score Details	Score	Maximum Score
Timeliness of Fund Obligation:		
1. Timeliness of Fund Obligation %	90	
2. Timeliness of Fund Obligation Points	5	5
Occupancy Rate:		
3. Occupancy Rate %	93	
4. Occupancy Rate Points	5	5
Total Capital Fund Score (Fund Obligation + Occupancy Rate):	10	10

Notes:

1. The scores in this Report are the official PHAS scores of record for your PHA. PHAS scores in other systems are not to be relied upon and are not being used by the Department.
2. Due to rounding, the sum of the PHAS indicator scores may not equal the overall PHAS score.
3. "0" FASS Score indicates a late presumptive failure. See §§ 902.60 and 902.92 of the Interim PHAS rule.
4. "0" Total Capital Fund Score is due to score of "0" for Timeliness of Fund Obligation. See the Capital Fund Scoring Notice.
5. PHAS Interim Rule website - <http://www.hud.gov/offices/reac/products/prodphasintrule.cfm>