

Background and Explanation of H.R. 3521, the Public Housing Asset Management
Implementation Act of 2007

H.R. 3521 is a carefully written bill intended to provide flexibility to the nation's 3,100 public housing authorities (PHAs) as they embark on the most significant administrative transformation in the last 30 years, commonly referred to as "asset management." Under asset management, PHAs are moving from a system of managing public housing developments on an agency-wide basis to a system of administering each development on a project-level basis. While most agree that it is desirable for PHAs to move to asset management, the disagreement arises over how this transition is implemented. PHAs have raised strenuous objection to the inflexible manner in which HUD is implementing asset management and have strongly questioned HUD's decision to force PHAs to be in compliance with asset management prior to 2011. They also object to HUD's restrictions on how they may use their operating and capital funds to successfully implement asset management. The bill responds to these objections by providing regulatory relief to PHAs transitioning to asset management.

The flexibility provided by this bill is critical because the move to asset management comes at a time of declining resources for public housing, which has in turn exacerbated the challenge faced by PHAs in converting to asset management. Public housing was funded at approximately \$7.1 billion in FY 2001 while the FY 2009 budget request calls for approximately \$6.3 billion in funding. PHAs should be given more, not less, flexibility in managing the declining funds being given to them.

Specifically, H.R. 3521 includes the following important provisions: (1) it would ensure that the management and related fees established by PHAs are reasonable by allowing PHAs, rather than HUD, to determine such fees prior to 2011; (2) it would clarify that PHAs may use a portion of their capital fund grant for operating expenses; (3) it would raise the level at which small PHAs are exempt from asset management from 250 to 500; and (4) it would encourage participation of public housing residents in the implementation of asset management.

The bill does not eliminate asset management or make it voluntary for all agencies. In addition, H.R. 3521 passed the Financial Services Committee by voice vote and the CBO estimates that the bill will have no significant impact on federal spending and does not contain any mandatory costs. Finally, the bill has been endorsed by all the groups that represent public housing administrators and agencies as well as by tenant advocacy groups, which were instrumental in developing language to ensure that affected residents are given an opportunity to comment on the impact of asset management.