

Statement of
The National Advisory Council of
The Housing Authority of New Orleans

prepared for

The Subcommittee on Oversight and Investigation's
Hearing on the Operations of
The Housing Authority of the City of New Orleans

June 4, 2001

Introduction

At the invitation of Congressman Baker, the National Advisory Council (NAC) is submitting this statement for the hearing scheduled on Monday, June 4, 2001 regarding a report issued May 11, 2001 by the Office of Inspector General on the Housing Authority of New Orleans (HANO). As requested, the NAC is providing these comments through Mr. Frank Nicotera, Executive Monitor of HANO.

The Quality Housing and Work Responsibility Act (QHWRA) of 1998 mandated the establishment of an Advisory Council for the Housing Authority of New Orleans, pursuant to the Cooperative Endeavor Agreement in effect since 1996 between the U.S. Department of Housing and Urban Development (HUD) and the City of New Orleans.

The Council was charged by Congress to:

- **Establish standards and guidelines for assessing the performance of HANO in carrying out operational, asset management, and financial functions;**
- **Provide advice, expertise, and recommendations, to HANO regarding its operations;**
- **Report quarterly to the Congress regarding HANO's progress in improving the performance; and**
- **Make a final finding to the Congress of whether HANO has substantially improved its performance, the performance of its functions, and the overall condition of the agency such that HANO should be allowed to continue operations.**

Towards that end, the Council holds quarterly meetings and has met with and received reports from a variety of sources including: a member of Congress, HANO leadership, HANO's Executive Monitor, HANO's Board of Commissioners, the HUD Louisiana Field Office Public Housing Director, Office of Inspector General, HUD Headquarters staff, residents, and developers.

Information obtained and action taken as a result of this interaction is detailed in written documents produced by the Council including two Quarterly Reports for the Quarter ending December 31, 2000 and March 31, 2001 and a letter to HANO addressing housing operation critical performance priorities.

National Advisory Council Focus

Through the NAC's quarterly meetings and interim conference calls, the Council has investigated the issues facing HANO and established preliminary standards and baseline measures against which HANO's performance improvements will be assessed. In addition, the Council has identified areas of HANO's operations where the Council's advice and expertise are needed and will add value. After careful review and extensive discussion, the Council has determined that there are five critical performance areas which present major challenges to HANO and warrant their close attention in the near term. Those five areas and their issues are:

- ***Redevelopment and Modernization Projects:*** One of the most important challenges facing HANO today is the need to improve the quality of its housing stock. After years of delay in the area of redevelopment and modernization, HANO must aggressively pursue all avenues available to move these projects forward. Progress has been noted in the St. Thomas, Desire and C. J. Peete projects, however, some hurdles remain for HANO such as the relocation of the remaining families, obtaining a multi-year funding commitment for Desire, and securing an anchor tenant for St. Thomas.
- ***Relocation of Families:*** Sites that are sporadically populated pose a health and safety risk to the remaining families as well as continue to put the agency at risk. Therefore, the Council views progress in the relocation of the remaining families particularly at Desire and St. Thomas to be critical. The Council recommended HANO develop a more aggressive plan for relocating those remaining families immediately.
- ***Section 8 Department Organization and Staffing:*** The Section 8 Program is critical to the success of HANO's redevelopment projects and therefore, program utilization must be maximized. Following the agency's internal review of the Section 8 Program, which revealed significant operational problems, HANO acted expeditiously to implement changes to improve performance. As a result of these actions, statistics over the past few months revealed improved lease up rates and show that the program realized a modest profit. However, the Council remains concerned about the Section 8 department's overall performance. Currently HANO is developing a cost/benefit analysis to determine whether the department's performance could be improved through privatization. The Council has encouraged HANO to expedite this assessment process and move ahead quickly with a plan of action.

- ***Management of Current and Future Liability:*** The Council agrees with HANO that the agency's reliance on self-insurance presents a major obstacle to its financial health and performance improvements. HANO's large backlog of settlements and claims has resulted in a serious drain on the agency's operating budget as HANO annually funds the self-insurance fund. In addition, the agency still faces two class action proceedings related to lead-based paint exposures. As resolving this issue is critical to the future success of HANO operations, the Council requested and HANO established more detailed quarterly milestones from which to assess its goals of: obtaining commercial coverage to insure as many of HANO's properties as possible; insuring new properties as they are built; and reducing claims by 25 percent. Recent reports show that HANO has been successful in reducing the rate at which the agency incurs new claims.
- ***Obligation and Expenditure of Capital Funds:*** The obligation and expenditure of Capital Funds is a critical component in HANO's ability to accomplish its modernization and redevelopment goals. Recent information provided to the Council indicates that HANO has made considerable progress in this area. Given the importance of this issue, the Council recommended and HANO established detailed quarterly targets for obligating and expending its current and prior year Capital Funds.

Overview of HANO's Progress

In most cases, the Council has determined that HANO has achieved the objectives that it had targeted for the first and second quarters (through March 31, 2001) and has experienced progress in a number of areas including the following:

- ***PHAS Score:*** HANO's fiscal year 2000 PHAS scores show significant progress in financial management and modest improvements in resident satisfaction. However, there is a slight decline in management operations and a significant decrease in the physical conditions of HANO's properties. This significant decrease in physical score can be contributed in large measure to the inclusion of Desire, St. Thomas, and C. J. Peete in the assessment. In the previous assessment, these projects were excluded. HANO is taking a number of steps to improve its compliance in 2001. These measures include: conducting Uniform Physical Standards inspections on a regular basis at all of its properties; producing monthly reports on the physical conditions of each property; tracking inspection results and repairs at each property; ensuring compliance with current city fire and policy codes; and instituting preventative maintenance measures.

- ***Redevelopment of Desire:*** Substantial progress has been made on the redevelopment of Desire over the past year. HUD approved the master site development agreement for the infrastructure and the master site developer contract was awarded in November 2000. A notice to proceed was issued in February 2001. Demolition in Phase II has begun and documents are being prepared for the infrastructure installation on the entire site. The development agreement with the single-family developer is being finalized. The Master Activity schedule is being revised.
- ***Redevelopment of St. Thomas:*** As with Desire, HANO has made significant progress on the redevelopment of St. Thomas. The first phase of demolition for the project began in July 2000 and by February 2001 was 70 percent completed. The Cooperative Agreement with the City of New Orleans for their participation in the infrastructure installation has been finalized. The Mixed Finance Proposal and its exhibits are near completion. The infrastructure contract documents are being finalized and HANO is writing out the landscaping plans with Parks and Parkways. Additionally, as of the NAC's last meeting only three families remained at the St. Thomas site.
- ***Redevelopment of C. J. Peete:*** Earlier this year, at HUD's recommendation HANO scaled down the proposed redevelopment plan for C. J. Peete from the total redevelopment of the site to a phased approach. The contract documents for the demolition of an additional 12 buildings is ready to be advertised for bid. The recordation package is being prepared. A pre-construction meeting with the demolition contract was held on April 25, 2001.
- ***Section 8 Department:*** Since the appointment of the new Executive Director in March 2000, HANO has initiated several actions to improve performance in its Housing Choice Voucher Program (Section 8). HANO conducted a review of the Section 8 Department and identified performance problems. The agency reorganized the department to strengthen supervisory positions. A contract was issued to outsource all Section 8 inspection functions. HANO contracted with a private company to create a new waiting list. As a result of those actions, HANO's Section 8 program has shown improvement in the lease up rate. HANO is currently working on a cost/benefit analysis to determine whether to outsource all Section 8 functions.

- ***Liability and Self-insurance Fund:*** HANO has adopted a four-part strategy to reduce its reliance on annual operational funds to support the self-insurance fund. This strategy includes: obtaining commercial insurance coverage against loss related to personal injury on renovated properties; insuring new properties as they are built; developing a portfolio of commercial insurance and self insurance; and continuing to implement an aggressive risk control strategy to reduce claims. HANO is also exploring the possibility of obtaining coverage through the Housing Authority Risk Retention Group (HARRG).
- ***Obligation and Expenditure of Capital Funds:*** During the past year HANO has made progress in the obligation and expenditure of its Capital Funds. According to the local HUD Louisiana State Public Housing Field Office's latest report to the NAC, 91.4% of all HANO Capital Grant funds have been obligated and 65% expended.

Statement Conclusion

Upon request of Congressman Baker, the NAC will prepare a preliminary report to be submitted to Congress in advance of a final report that the Council anticipates will be forthcoming in December 2001. In this preliminary report, the NAC will make preliminary findings and recommendations to the Congress in line with the request from Congressman Baker.

While the NAC has yet to determine if HANO has demonstrated the significant progress necessary to continue operations, it does acknowledge that through strong leadership, progress has been realized at HANO over the past 12 months. The Council also recognizes, however, that there is much more work to be done in the immediate future if the quality of life for the residents is to reach an acceptable level.

The NAC has worked diligently to uphold its obligations as established upon its creation. It has maintained its objectiveness while understanding the need to work in partnership with all parties involved. The Council will continue to use its expertise to carry out its functions as a catalyst for transforming the face of public housing in New Orleans.

Attachment: Quarterly Report for Quarter Ending December 31, 2000
Quarterly Report for Quarter Ending March 31, 2001