



January 31, 2018

(Comments submitted via email)

RE: DRAFT SOLICITATION # 86546A18R00001

Housing Assistance Payments (HAP) Contract National Support Services (HAPNSS)

TO: HAPNSS@hud.gov

And

RE: DRAFT SOLICITATION # 86546A18R000002

Housing Assistance Payments (HAP) Contract Regional Support Services (HAPRSS)

TO: HAPRSS@hud.gov

To whom it may concern:

The following comments on the above referenced Draft Solicitations for Proposed HAP Services Contracts are submitted on behalf of LeadingAge.

The members of LeadingAge and affiliates touch the lives of 4 million individuals, families, employees and volunteers every day. The LeadingAge community (www.LeadingAge.org) includes 6,000 not-for-profit organizations in the United States, 39 state partners, hundreds of businesses, research partners, consumer organizations, foundations and a broad global network of aging services organizations that reach over 30 countries. LeadingAge and its affordable housing provider members are the chief advocates for a strong federal role in affordable senior housing development, preservation and management including housing with supports and services.

LeadingAge has participated extensively in general stakeholder meetings, topic-specific workgroups and focused-issue discussions concerning the third-party oversight program known today as Performance Based Contract Administration (PBCA). Our staff were deeply involved in HUD/industry contract development workgroups responsible for defining the incentive-based performance standards (IBPS) under the initial PBCA contracts; worked diligently to seek consistency among HUD and state-based contractor practices and interpretations, co-leading (with a HUD counterpart) workgroups responsible for making recommendations on how to strategically address inconsistencies in a transparent and proactive way as the contracts continued; and participated in and co-led several stakeholder workgroups focused on refining task-specific success parameters, including developing consensus recommendations for improving and standardizing operations forms and procedures related to contract renewals, rent adjustments and other key issues.

Though the initial transition to oversight under the PBCA model was not easy, LeadingAge was and remains a strong advocate among our members and state affiliates on the value of the PBCA program for enhanced oversight and the importance of strong national and state-based relationships between stakeholders – including housing organization sponsors, front-line operators, state-based contractors and HUD asset management and oversight compliance staff. While the current PBCA contracting and financial payment structure may not be all that HUD may wish, the outcomes have been largely very positive.

Our primary interests in this procurement effort are to avoid undue reporting/documentation burden on owners, ensure a non-disruptive transition including clear and adequate disclosure in a timely manner to owners/agents and other stakeholders regarding information on the new contractors (and any subcontractors), address issues of complex transactions (like single- or multiple- asset refinancing, consolidation of contracts, expedited resolution of questions), and address any overlapping responsibilities or conflicting guidance or priorities. Yet there is nothing in the proposed national or regional contracts regarding communications by or between national and regional entities or owner/agents, or these other issues.

We echo the concerns of others housing provider trade associations regarding this proposal to award responsibility for HAP contract renewals and rent adjustments to a single national contractor, while delegating the role of regulatory compliance oversight and contract payment processes to one or more regional entities. Administering 17,000 annual contracts could result in untimely reviews, negatively impacting sound business practices that the private sector needs to successfully provide housing for our residents. Additionally, the proposal to have only 1 national contractor responsible for the core functions of contract renewal and rent setting contradicts the logic for the regional model in wanting a variety of contractors so that work can be shifted easily if a contractor is not performing well. On the other hand, the proposed regional contract has so much flexibility for future changes and restructuring of responsibilities that it raises concerns of instability and heightens the chance for inconsistencies in policies and practices between task managers and regions.

We are particularly concerned about the lack of real engagement to date with owner/agents, and the total absence of information related to coordination and communication by and between the contracted national and regional entities themselves, let alone with the housing providers. There is, further, no information about plans for inclusion or exemption for complex transactions. Consternation over the proposed changes is further compounded by unsettled relational disruptions in the wake of the multifamily transformation. These concerns, along with the expected loss of valuable state/local knowledge, relationships and commitment to a common mission, do not put this proposed structure on a very strong footing in our opinion. The remainder of our comments focus on these issues.

We have significant reservations concerning the new proposal due to its lack of owner/agent and other stakeholder engagement. We articulated above the instrumental role that owner/agents can play in defining performance standards and assessing appropriate achievement measurements. We also have a strong sense that HUD field office reorganization and internal systems changes are going to be significant factors in the potential success of any future change in PBRA contracted servicing. We do,

however, note favorably on the fact that the regional contract would consolidate management occupancy reviews by property instead of simply conducting them by contract, and includes specific timeframes on providing findings, something which property owners have long desired. (HAPRSS 5.1)

Sharing or coordination of information and interaction between national and regional contractors is likely to be required, yet this and consideration of stakeholder interactions, impacts and communications are not addressed in any way in either of the proposed contracts. Facilitation of communications between all stakeholders regarding the restructured roles and responsibilities of the concurrent contracts, including helpful points of contact at restructured HUD field offices, is going to be essential. Delays in contract renewals or the approval of rent adjustments by the national contractor can impact the subsidy payment and vouchering processes proposed to be handled by the regional contractors. The physical condition of a property or its management review results as determined by regional contractors are factors to be considered in contract renewal and rent setting which is proposed to be handled by the national contractor. Therefore we recommend that the proposed national and regional contracts – including but not limited to sections on status meeting (HAPRSS 1.11) and contractor travel (HAPNSS 1.12; HAPRSS 1.12 and 5.3.2) the management plan and project schedule (HAPRSS 5.6.2 and HAPNSS 5.5.2) and transition plans (HAPNSS 6.1 and HAPRSS 6.1) - should be modified to encourage interaction with stakeholders; seek input from stakeholders on contractor performance; demonstrate successful communication and coordination between the two contractors, government personnel and owners; and promote a wide variety of engagement opportunities for stakeholder such as updates on personnel, responsibilities and findings to date. Further, most contractor communications with owners should be specified to include communications with both owner and management agent, where applicable, to avoid unnecessary delays in site-specific knowledge of or responses to actions underway.

We are concerned about potential negative impacts to individual property stability and overall portfolio preservation. Sustainability of assisted housing properties depends on timely renewals, adequate adjustments to reserves and accurate rent setting. Contract renewals and rent setting for Section 8 contracts are statutorily tied to the local rental market. Further, many contract renewals are done as part of a larger transaction, which may include refinancing, acquisition, rehabilitation, or debt restructuring. These matters involve complexities requiring significant HUD participation and approvals. But this proposal does not indicate whether complex transactions will be included in or exempted from this proposed outsourcing plan. Nor does it address how communications will be handled by or between national and regional contracts or owner/agents. There is no statement of contractor need for local knowledge or assurances that commitment to preservation is even being sought. The only localized knowledge requirement is found in the proposed regional contract stating that “Contractor appraisers reviewing Rent Comparability Studies (RCS) shall be certified by the state in which the subject property is located.” (HAPRSS 1.9.) Yet the RCS is only one element in contract renewal and rent setting processes. We recommend that, after specific consultation with willing provider and other stakeholder groups, the proposed contracts be amended to clearly articulate a plan for addressing the complexity of preservation transactions.

We are concerned about instability of processes and changing points of contact in this and potential future adjustments to third-party contracts. Information contained in the related recommendation report on HUD Section 8 PBRA by Deloitte, responding to HUD's interest in collecting data on fixed unit pricing by task vs. percentage of subsidy for bundled service performance, along with HUD adoption of the recommendation for (and the nature of an IDIQ contract which is designed to allow flexibility and changes to bundling or unbundling of tasked services in the future) provides little assurance of stability for housing providers regarding the scope or form of the contract, or the capacity to develop sustained relationships with contractors, going forward. While this flexibility may seem attractive to HUD from a budgetary standpoint, LeadingAge members have expressed that they do not want to see their current PBCA eliminated, having experienced better responsiveness to issues, processes and questions by PBCA's than by regional HUD staff, and do not want PBCA roles doled out to separate national and regional support services contractors.

In closing, we urge HUD to focus on reducing the barriers and obstacles that inhibit the preservation and frustrate owner willingness to continue to participate in the program. Local knowledge, a sense of connection, organizational continuity, and a history of commitment are valued factors in relationship building that has been essential to successful past partnerships between private housing providers, HUD and oversight entities. Therefore, we urge you to further refine the methodology in a manner that will engage owners and administrators, address concerns regarding communications, assure a focus on preservation and facilitate relationship building.

Thank you for this opportunity to provide our comments. We look forward to engaging in further discussions on this important matter.

Please contact Colleen Bloom, LeadingAge's Director of Housing Operations at 202 508-9483 or cbloom@leadingage.org, for follow-up or with any questions.