

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

24 CFR Part 902

[Docket No. FR-4707-P-01]

RIN 2577-AC32

Changes to the Public Housing Assessment System (PHAS)

AGENCY: Office of the Assistant Secretary for Public and Indian Housing.

ACTION: Proposed rule.

SUMMARY: This proposed rule would amend the Public Housing Assessment System (PHAS) regulation at 24 CFR part 902 to provide additional information, revise certain procedures and establish others for the assessment of the physical condition, financial condition, management operations, and resident services and satisfaction with services provided to public housing residents. This proposed rule takes into consideration additional examination of the PHAS by HUD, as well as comments and suggestions on the PHAS provided through research conducted with representatives of public housing agencies (PHAs) and public housing residents.

The purpose of the PHAS is to function as a management tool that effectively and fairly measures a PHA's performance based on standards that are uniform and verifiable.

DATES: *Comment Due Date:* April 7, 2003.

ADDRESSES: Interested persons are invited to submit comments regarding this interim rule to the Regulations Division, Office of General Counsel, Room 10276, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410-0500. Communications should refer to the above docket number and title. Facsimile (FAX) comments are not acceptable. A copy of each communication submitted will be available for public inspection and copying between 8 a.m. and 5 p.m. Eastern time weekdays at the above address.

FOR FURTHER INFORMATION CONTACT: For further information contact the Office of Public and Indian Housing Real Estate Assessment Center (PIH-REAC), Attention: Wanda Funk, Department of Housing and Urban Development, 1280 Maryland Avenue, SW, Suite 800, Washington DC, 20024; telephone Technical Assistance Center at (888)-245-4860 (this is a toll-free number). Persons with hearing or speech

impairments may access that number via TTY by calling the Federal Information Relay Service at (800) 877-8339 (this is a toll-free number). Additional information is available from the PIH-REAC Internet site, <http://www.hud.gov/reac>.

SUPPLEMENTARY INFORMATION:

I. Background

Regulatory Background

On September 1, 1998 (63 FR 46596), HUD published a final rule, codified at 24 CFR part 902, that established the PHAS, a new system for the assessment of America's public housing. Under the PHAS, HUD evaluates PHAs based on four key indicators: (1) The physical condition of the PHA's properties; (2) the PHA's financial condition; (3) the PHA's management operations; and (4) the residents' service and satisfaction assessment (through a resident survey). On the basis of these four indicators, PHAs receive a composite score that represents a single score for a PHA's entire operation and a corresponding performance designation. The PHAs that are designated high performers receive public recognition and relief from specific HUD requirements. The PHAs that are designated troubled or substandard receive remedial action.

The PHAS regulation became effective for all PHAs with fiscal years ending (FYE) on and after September 30, 1999.

To provide further information about the PHAS scoring process for each of the PHAS indicators, HUD published four scoring notices. The scoring notices which are periodically updated were first published on May 13, 1999: the Physical Condition Scoring at 64 FR 26166; the Financial Condition Scoring at 64 FR 26222; the Management Operations Scoring at 64 FR 26232; and the Resident Service and Satisfaction Scoring at 64 FR 26236.

On January 11, 2000 (65 FR 1712), HUD issued a final rule that made certain amendments to the PHAS regulation applicable to PHAs with FYE on or after June 30, 2000. In the January 11, 2000, amended rule, HUD deferred full implementation of the PHAS for PHAs with FYE on September 30, 1999, and December 31, 1999. These PHAs would receive an assessment score on the basis of HUD's assessment of the PHA's management operations in accordance with subpart D of part 902 and an overall PHAS advisory score.

On June 6, 2000 (65 FR 36042), HUD issued a technical correction to the January 11, 2000, final rule, and further deferred full implementation of the PHAS for PHAs with FYE through March 31, 2000. On May 30, 2001, HUD

issued a notice (66 FR 29342) further deferring full implementation of the PHAS until after June 30, 2001.

On March 15, 2002 (67 FR 11844), HUD issued a notice advising that the PHAS became effective for PHAs with FYE on September 30, 2001. All PHAs now receive an overall PHAS score based on the four PHAS indicator scores and a corresponding designation based on the overall score. The notice advised that PHAs with FYE on September 30, 2001, through and including September 30, 2002, would be assessed in accordance with the interim scoring procedures described in the scoring notices published in the **Federal Register** on November 26, 2001, at 66 FR 59084 for the Physical Condition Indicator and at 66 FR 59126 for the Financial Condition Indicator.

Then on August 30, 2002 (67 FR 55860), HUD published a notice that extended the interim scoring methodology to all PHAs with FYE December 31, 2002, March 30, 2003, and June 30, 2003.

Recommendations for Changes to the PHAS

Since its inception in 1998, the PHAS has been the subject of discussion and further consideration both internally within HUD, and among the public and the public housing industry. A report by the National Academy of Public Administration (Evaluating Methods for Monitoring and Improving HUD-Assisted Housing Programs, 2001), issued at the request of Congress, found that "the credibility of HUD's new system has been undermined by its adversarial relationship with many of the entities that implement HUD-assisted housing programs." They stated, "The Academy panel believes that HUD cannot achieve an effective, well-run quality-assurance program for its assisted housing programs without a more effective working relationship with the assisted housing industry. Improved working relationships are needed to raise the credibility of the assessment tools being used, reduce the administrative burden, and better align the system's goals with the outcomes that well-run assisted housing providers are trying to achieve. Failing this, the industry and HUD will continue to have unproductive confrontations over the assessment scores from HUD's new quality-assurance system." The Academy recommended that, "In consultation with all of the affected parties, HUD should proceed to refine and modify its current quality-assurance system * * *."

In 2001, the Department followed this recommendation and met with public