

LINDA LINGLE  
GOVERNOR



CHAD K. TANIGUCHI  
EXECUTIVE DIRECTOR

## LATE TESTIMONY

**STATE OF HAWAII**  
DEPARTMENT OF HUMAN SERVICES  
HAWAII PUBLIC HOUSING AUTHORITY  
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BARBARA E. ARASHIRO  
EXECUTIVE ASSISTANT

Statement of  
**Chad K. Taniguchi**  
Hawaii Public Housing Authority  
Before the

**SENATE COMMITTEE** on Education and Housing

March 16, 2009 ~~9:00~~ <sup>1:15 pm</sup>  
Room 225, Hawaii State Capitol

In consideration of SCR 31 REQUESTING THE AUDITOR TO CONDUCT A  
MANAGEMENT AND FINANCIAL AUDIT OF THE HAWAII PUBLIC HOUSING  
AUTHORITY'S MAINTENANCE CONTRACTS

The Hawaii Public Housing Authority (HPHA) is strongly opposed to Senate Concurrent Resolution 31, because with recent funding from the legislature HPHA is resolving the safety concerns raised in the resolution. For example, at Kuhio Park Terrace

- Fire alarms are currently being installed at a cost of \$1.4 million
- Garbage chutes will be repaired at a cost of \$1 million, pending approval of building permit
- Pest infestations are being addressed by better housekeeping requirements for residents and integrated pest control management practices being promoted by HUD
- 6 elevators are being modernized at a cost of \$4.1 million.
- In addition, all 34 elevators serving public housing units will be modernized at an estimated cost of \$11 million.
- HPHA is required to have 259 ADA units. HPHA has 144 ADA units and is working on a plan to provide the remaining 115 units over the 5 years plus. The estimated costs to retrofit these units is \$18 million, of which \$9 million is projected to come from future federal funds. HPHA is requesting that the legislature provide \$4.5 million during this session so we can start on the first 30 units.

Staff at the HPHA are working hard to address the backlog of repair and maintenance issues at our housing sites.

We have made substantial gains in the management and operations of the Agency:

1. For the first time, the HPHA was able to submit and obtain Board approval of an agency wide budget for FY 2008-2009 and a budget implementation plan that targets a turnaround of vacant units and seeks to end 4 straight years of deficits.
2. HPHA shed its "Troubled Agency" status under the U.S. Department of Housing and Urban Development's Public Housing Assessment System and has maintained a "Standard Performer" rating since 2006.
3. HPHA has hired key personnel in the areas of Property Branch Chief, Planning Office, Fiscal Management Office (CFO and Fiscal Officer), Hearings Office, and Budget Analyst.
4. Established clear goals and priorities for the Public housing program: Fix vacant units, fill units, collect rents, and evict non-compliant residents.
5. Improved communication with the residents in all communities. We are holding resident community meetings where residents are provided the opportunity to voice their concerns directly with HPHA management and the property management staff.

HPHA still faces many challenges such as:

1. **Conversion to Asset Management** under HUD's new operating formula rules. The Conversion to Asset Management has required HPHA to make changes in all areas of operations: project-based budgeting, project-based accounting, project-based management, establishment of a central office cost center – even the way we earn and use our administrative fees is different under Asset Management.
2. **Operating Subsidy Proration.** Our federal operating budget is not funded at 100% of operating costs. HUD uses a formula to determine what the total cost to operate a project is and this year we were funded at 89% of that amount -11% of what they have determined we need to effectively operate housing.
3. **Capital Needs.** Since the HUD operating subsidy has an 11% budget shortfall, HUD allows PHA to use a portion of their capital fund budget to make up that shortfall. To that end, PHA's around the nation are forced to use a portion of their capital budget to operate the projects. Even with the progress we've made, HPHA still lacks sufficient resources to address all of the major modernization and repair needs of HPHA's inventory.

HPHA already has information available to determine where we need improvement:

1. When HPHA was under the Corrective Action Order, HUD ordered a major assessment of all areas of operations, management and maintenance of the public housing program. As a result, we were audited and closely monitored by HUD for all areas of management and operations. Until today, we still are under close scrutiny by HUD and work with them to make continuous improvements to our program.
2. HUD also has numerous vehicles for monitoring the HPHA's activities:
  - a. Public Housing Assessment System (PHAS) looks at 4 major areas: Operations, Management, Financial, Resident Survey.
  - b. There are monthly monitoring of operations by HUD program staff.
3. HPHA is also required to have an annual financial audit and a single audit, which includes a compliance review to comply with OMB Circular A-133.
4. Most recently, HPHA's Chairman requested a review of HPHA's finances from HUD's Real Estate Assessment Center (REAC). REAC completed a limited scope review in which 12 of 16 Asset Management Projects (AMPs - public housing projects) passed with scores of 60 or higher. Four AMPs received scores of less than 60 (not passing):

Kuhio Park Terrace, Palolo Valley, Puuwaimomi, and Waimaha Sunflower. Please see the correction plan attached.

In contrast, for 2007 HPHA had only ~~6~~<sup>7</sup> of 16 AMPs pass, and had 9 AMPs fail..

The key here is that these audits were performed by governing agencies (i.e., HUD) who are familiar with the regulations governing the program. They are aware of the challenges and obstacles we face and are able to make targeted recommendations and requirements for improvement. We believe that it is unlikely that the Legislative Auditor's report will produce different findings from the current audits and reports already available to HPHA.

What we're doing about it:

1. We've established goals for the staff. Reiterated through meetings. Fix vacants, fill vacant units, collect rents, evict non-compliant tenants.
2. Pressed our Manager's to improved in performance evaluations and disciplinary actions. We're expecting more of ourselves, our tenants, and others – because we recognize that only through a collective community process can we address the needs of public housing families.
3. HPHA is putting together a comprehensive training plan for all offices, which will be specific by position.

Currently obtaining training in key areas: Executive Management (EDEP training by PHADA), Finances (MD Strum, HUD REAC Limited Scope Review), Public Housing Operations and Management (PHADA, NAHRO conferences, St. Paul Housing Agency, HUD), Procurement (Nearly 100 staff are on training plan to attend SPO training, Working on securing quotes for training on federal procurement), Construction Management (securing quotes for training on construction administration & management)

4. Continue to participate in (and even request) monitoring by HUD staff. The benefit here is that the HUD specialists are able to provide technical assistance to our direct line staff, Project Managers, Program monitors, and Branch Supervisors as soon as a problem is identified.

March 19, 2009

**FOR INFORMATION**

**SUBJECT:** 2008 Real Estate Assessment Center (REAC) Physical Inspections

**I. FACTS**

- A. To ensure that families have housing that is in good repair, REAC conducts physical inspections on public housing projects each year. The physical condition is of utmost importance to the Housing and Urban Development (HUD) and providing safe, decent, sanitary housing and housing in good repair is the primary responsibility of the Public Housing Agency (PHA).
- B. REAC physical inspections were conducted from October through December 2008. Attachment A is the breakdown of scores by Asset Management Projects (AMP).

**II. DISCUSSION**

- A. In addition to the preventive maintenance plan the Hawaii Public Housing Authority (HPHA) has also implemented a sewer line jetting schedule for every property. Property Management and Maintenance Services Branch (PMMSB) will establish guidelines for mandatory pre-REAC inspections. Inspection instructions and follow up procedures for Extigent Health & Safety (EH&S) deficiencies will be included in the guidelines.
- B. The site managers have been advised to serve violations where the point deductions were due to the actions of a resident. Management will follow up on all violations and conduct on going inspections until the situation is remedied.

Prepared by: Stephanie L. Fo, Property Management and Maintenance Services  
Branch Chief 

## PHAS Physical Report for Fiscal Year 2008

## PHA Information

PHA Code: HI001      PHA Name: Hawaii Public Housing Authority      Fiscal Year End: 06/30

Number of Projects: 16      **Systemic Deficiencies**

No Physical Condition Credits were selected with the Management Assessment

Inspection Complete Date	Project ID	Inspection Number	Unit Count	Property (Development)	Overall Score		Inspection Reason
					100 - Point Basis	30 - Point Basis	
12/23/2008	<u>HI001000049</u>	308128	150	AMP 49 WAHIAWA TERRACE	66c*	19.9	Initial
12/23/2008	<u>HI001000046</u>	308127	101	AMP 46 COUNTY OF HAWAII	75c	22.6	Initial
12/18/2008	<u>HI001000045</u>	308126	226	AMP 45 KOOLAU VILLAGE	65c	19.6	Initial
12/12/2008	<u>HI001000043</u>	308124	200	AMP 43 KA HALE KAHALUU	74c*	22.2	Initial
12/11/2008	<u>HI001000037</u>	308120	302	AMP 37 LANAKILA HOMES	78b*	23.4	Initial
12/02/2008	<u>HI001000044</u>	308125	258	AMP 44 - WAIMAHA/SUNFLOWER	53c*	15.9	Initial
12/01/2008	<u>HI001000039</u>	308122	196	AMP 39 KAHEKILI TERRACE (MAUI AND MOLOKAI)	72b	21.6	Initial
11/24/2008	<u>HI001000035</u>	308119	583	AMP 35 - PUNCHBOWL HOMES	83b	24.8	Initial
11/06/2008	<u>HI001000030</u>	308114	360	PUUWAI MOMI	55c	16.6	Initial
11/06/2008	<u>HI001000038</u>	308121	321	KEKAHA HA' AHEO	65c*	19.5	Initial
11/06/2008	<u>HI001000033</u>	308117	371	KAMEHAMEHA HOMES	72c*	21.7	Initial
11/05/2008	<u>HI001000032</u>	308116	363	MAYOR WRIGHT HOMES	71c	21.2	Initial
11/03/2008	<u>HI001000031</u>	308115	373	KALIHI VALLEY HOMES	65b*	19.6	Initial
10/31/2008	<u>HI001000040</u>	308123	744	KUHIO PARK TERRACE	22c*	6.5	Initial
10/27/2008	<u>HI001000034</u>	308118	580	KALAKAUA HOMES	85c	25.6	Initial
10/24/2008	<u>HI001000050</u>	308129	114	PALOLO VALLEY HOMES	45c*	13.6	Initial

Four of the sixteen Asset Management Projects (AMPs) received failing (below 60 points) scores. All Exigent Health & Safety (EH&S) findings have been abated.

The following is a break down by AMP on the failing score it received:

## AMP 30 – Puuwai Momi

	Possible Points	Area Points	H&S Deduction
Site	20.7	6.5	6.5
Bldg Ext	20.7	16.3	0
Bldg Sys	17.2	17.2	1.4
CA	1.9	1.5	0
Units	39.4	34	12.2
Final Score	55		

AMP 30 failed due to the Site findings. The site deductions included the following:

- Damaged/Falling/Leaning or Missing Fencing and Gates (4.3)
- Erosion (7.8)
- Litter (2.5)
- Play area equipment damaged/broken or deteriorated (4.4)
- Damaged/Falling/Leaning Retaining walls(3.1)

The fencing has been repaired. The AMP will have Central Maintenance back fill all eroded areas in March 2009. The litter will be monitored daily. The playground surface and the retaining wall were patched.

**AMP 40 – Kuhio Park Terrace (KPT)**

	Possible Points	Area Points	H&S Deduction
Site	18.7	10.7	10.7
Bldg Ext	18.5	3.6	0
Bldg Sys	19.6	11.1	7.0
CA	1.9	1.2	0.1
Units	41.3	24.9	12.0
Final Score	22		

The management agent has completed repairs for all findings on the REAC report except for the spalling concrete. We are currently referring to the Construction Management Section (CMS) to determine if there is structural load bearing. If not, the AMP will have the exposed rebar repaired.

Here is the timeline for system repairs for KPT:

Elevators (Towers A&B) Start: February 2009  
 Complete Modernization of 6 Elevators at KPT.

Fire Alarms (Towers A&B) Start: February 2009  
 Design & Construction of Fire Alarm System

Trash Chutes (Towers A&B) Estimated Completion: July 2010  
 Demolition; Removal & Replacement of Entire Trash Chute System

Solar System/Boilers (Tower A) Start: April 2009  
 Repair or Replace Controls, Panels, Pipes

Roof Repairs (Tower B) Estimated Start Date: October 2009  
 Repair leaking roofs, abatement, removal and reroof

**AMP 44 – Waimaha Sunflower**

	Possible Points	Area Points	H&S Deduction
Site	19.5	0	0
Bldg Ext	16.5	14.3	0
Bldg Sys	20.2	19.2	0
CA	.7	.3	.1
Units	43.1	30.4	11
Final Score	53		

Waimaha Sunflower failed to receive any points for the site causing their AMP to fail the overall inspection. The following is the breakdown for the deductions the site received:

- Damaged/Falling/Leaning/Missing Fencing and Gates (4)
- Erosion (7.3)
- Overgrown/Penetrating Vegetation (2.7)

6

- Ponding/Site Drainage (3.7)
- Excessive Graffiti (4.7)
- Litter (2.3)
- Refuse Disposal – broken/damaged enclosure, inadequate space (2.7)

The management agent will jet drain to see if it clears the ponding issue. If not, CMS will be notified to see what else can be done. The management agent will hire our Central Maintenance to back fill all eroded areas by May 2009. All hinges from former gates will be removed by May 2009 at Nanakuli Homes. The graffiti will be abated by April 2009. The paint has been ordered.

**AMP 50 - Palolo Valley Homes**

	Possible Points	Area Points	H&S Deduction
Site	20	0	0
Bldg Ext	17.	13.5	0
Bldg Sys	16.8	16.8	0
CA	.4	.4	0
Units	45.7	30.7	16.2
Final Score	45		

Palolo Valley Homes received zero points for the site. Here's a list of what the findings were and the points deducted for each finding. Followed by the AMPs plan to remedy the findings on an on going basis.

- Damaged/Falling/Leaning Fencing/Missing and Gates (4.1)
- Erosion (3.8)
- Overgrown/Penetrating Vegetation (2.8)
- Graffiti (2.4)
- Potholes/Loose Material(1.3)
- Refuse Disposal – broken/damaged enclosure, inadequate space(2.8)
- Retaining Walls – damaged/falling/leaning (3)
- Storm Drainage – damaged/obstructed(6.3)

The repairs to the fencing have been completed. The erosion will be addressed by June 2009. Overgrown vegetation will be addressed in April 2009. Graffiti was found on fence slats, the slats will be painted by April 2009. Potholes will be remedied in April 2009. Bulky items were removed and will be checked on a daily basis. Retaining walls will be addressed during the modernization of the site scheduled for 2012. Storm drain will be checked for obstruction on a daily basis.

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March 16, 2009

### **Testimony in Support of SCR 31; REQUESTING THE AUDITOR TO CONDUCT A MANAGEMENT AND FINANCIAL AUDIT OF THE HAWAII PUBLIC HOUSING AUTHORITY'S MAINTENANCE CONTRACTS**

**Hearing: 3/16/09, Conference Room 225 at 1:15 p.m.**

Aloha Chair Sakamoto, Vice Chair Kidani and Members of the Education and Housing Committee:

We write in strong support of SCR 31.

Lawyers for Equal Justice (LEJ) is a non-profit law firm that advocates on behalf of low-income individuals and families in Hawai'i on civil legal issues of statewide importance. In December 2008, LEJ filed state and federal class action lawsuits regarding the hazardous conditions and discriminatory obstacles at Kuhio Park Terrace and Kuhio Homes against the Hawai'i Public Housing Authority (HPHA) and the projects' management company.

Before filing the federal and state court lawsuits, LEJ investigated the health and safety hazards at KPT and Kuhio Homes. The lawsuits allege that the management company, Realty Laua LLC, formerly known as R & L Property Management LLC, operating under HPHA's oversight pursuant to a management contract, has substantially contributed to the projects' deterioration and disrepair. LEJ's federal lawsuit further alleges that Realty Laua has acted with deliberate indifference to the rights of disabled tenants by interfering with their right to request reasonable accommodations for their disabilities. LEJ has reason to believe that Realty Laua's employees are untrained and unqualified to perform its responsibilities under the management contract.

Under the current management contract, HPHA has agreed to pay Realty Laua \$9,367,473 for property management and maintenance services from August 1, 2007 to July 31, 2010 for KPT, Kuhio Homes, and the Ka Hale Kameha'ikana Resource Center. LEJ believes that HPHA has renewed its management contract with Realty Laua despite its failure to perform its obligations thereunder in violation of both state and federal law. LEJ is aware of at least one other management company who has bid to manage these projects.

HPHA's management contracts delegate many of HPHA's important obligations under



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federal and state law to the management company. An audit of HPHA's management and maintenance contracts will show how and for what purpose the management companies are expending the funds paid to them under these contracts. At present, it appears that there is little, if any, meaningful performance review or accountability, despite the significant expenditure of taxpayer dollars for these contracts.

The resolution also calls for an investigation into reports of disrepair, noncompliance with the Americans with Disabilities Act, and other concerns of residents. LEJ believes that such an investigation would help identify the cause of HPHA's management, maintenance, and noncompliance problems and ultimately lead to effective solutions to address these problems on a system-wide level.

Mahalo for this opportunity to testify in support of SCR 31.

Elizabeth M. Dunne  
Senior Staff Attorney