

Report of the
Commission
for Public Housing
Sustainability and Reform



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Massachusetts Department of Housing and
Community Development

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Executive Summary

Public Housing and the Patrick-Murray Administration's Vision

Since taking office in 2008, the Patrick-Murray Administration has taken bold and decisive action to protect and strengthen the safety net that state-aided public housing's 45,600 units provides for our state's most vulnerable families, seniors and persons with disabilities. The significant gains this Administration has made through substantial funding increases and program innovation laid the foundation for the work of the Commission for Public Housing Sustainability and Reform ("The Commission").

The Purpose of the Commission

While significant gains were made during the Patrick-Murray Administration's first term, the fiscal and operational viability of the housing and the integrity of the public housing system still face significant difficulties. Much of the portfolio is over sixty years old and normal wear and tear has been exacerbated by years of inadequate funding, such that the Patrick-Murray Administration inherited a \$1.6 billion capital backlog and operating funds so depleted that preventative and even routine maintenance is often infeasible. Based on data in the 2008 "Real Cost of Operating Public Housing" study, the current public housing system had chronic inadequate funding for its operations as well. And in spite of additional operating and capital resources provided by the Patrick-Murray Administration and the Legislature, funds are still only approximately 30% to 50% of what is needed.

The state portfolio, which is distributed across 242 Massachusetts cities, towns and rural communities, is greatly enhanced by its local assets. LHA Commissioners are tremendous advocates for affordable housing in communities that might otherwise not have this important resource. What is unique and valuable about the local system is also perhaps one of its greatest challenges. Due to the small size of the majority of the LHAs and the housing's inefficient distribution in geographically scattered, small-scale properties, many LHA staff and board members cannot leverage the capacity and/or skills to address the complex operating and capital issues facing LHAs today.

Transparency and accountability are also fundamental to the success and sustainability of public programs and are particularly critical for the state public housing system which plays such a large and vital role in the provision of affordable housing in Massachusetts. Given the scale of the program and its sizable, complex public infrastructure, the entire public housing system is vulnerable to misdeeds that undermine public trust. The Administration has taken swift and aggressive action to right the recent wrongs of LHA staff and Boards of Commissioners by charging the Department of Housing and Community Development (DHCD) with administrative reforms and establishing the Commission for Public Housing Sustainability and Reform.

The Commission has been charged with the important task of creating a modern, sustainable public housing infrastructure that is poised to invest resources efficiently, implement effective innovations, provide enhanced services to residents, and increase transparency and accountability.

Administrative Reforms to Date

The Governor's FY2013 budget proposed a series of administrative reforms to address financial transparency and management of the state's public housing portfolio. Since the release of the FY 2013 budget, DHCD has begun to define and implement enhanced financial and reporting requirements via administrative action to address the Administration's mandate. To date DHCD has implemented the following:

- Require LHAs with state public housing to provide DHCD with the salaries of the five highest-paid management staff;
- Set a maximum salary for LHA Executive Directors;
- Require LHA board members to certify Executive Director salaries and contracts; and,
- Require LHA board members to certify year-end financials.

Over the coming months, DHCD will continue to implement further administrative reforms outlined in Governor's FY 2013 budget. (See Appendix A for more detail on the recent reforms.)

The Commission Process

Governor Patrick's Executive Order in January 2012 that established the Commission laid out an ambitious agenda to address the challenges facing his public housing preservation agenda. The Commission began meeting on April 11, 2012, with a sixty day period in which to report back to the Governor, per the terms of the Executive Order. It used this tight timeframe to discuss reforms focused on five policy areas:

1. Asset Management and Governance;
2. Preservation of Extremely Low Income (ELI) Housing;
3. Funding for Long-term Preservation and Sustainability;
4. Statutory and Regulatory Framework; and,
5. Public Process and Transparency.

The full Commission met a total of five times and formed a sub-committee that met three additional times to discuss and recommend to the full Commission asset management and governance reforms. As part of its process, the Commission reviewed extensive data about the public housing inventory and its physical condition, the history of operating and capital trends, funding, and information about the state public housing operating and governance system. The Commission considered the roles of LHA staff and board members, municipal government, the Administration and Legislature, the tenants, and various other stakeholders. The Commission also considered both oral and written testimony presented at two public hearings in Boston and Springfield. The Commission relied on the extensive professional experience of its members, who collectively provided expertise in public housing management and governance, legislative and administrative funding and regulation, municipal oversight, resident organizing, affordable housing law, private sector affordable housing management, affordable housing development and finance, labor management and public housing policy.

In order to accomplish the complex task of developing comprehensive recommendations, the Commission first defined guiding principles around the five policy areas outlined in the Executive Order. The Commission then developed findings, recommendations and

implementation steps for each of the five policy areas, all within the framework of the guiding principles.

Highlights of Commission Findings and Recommendations

Through candid engagement and thoughtful compromise, the Commission is recommending a comprehensive reform package that maintains local housing authority governance while consolidating operations through a unified property management system. This innovative approach leverages regional and centralized efficiencies, enhances maintenance and modernization capacity, improves services to residents, and strengthens accountability and transparency while maintaining the valuable community connections in our local public housing system.

Highlights from the Commission's findings and recommendations for reforms to the five policy areas include:

1. Asset Management and Governance

Findings: Effective management of public housing depends upon multiple kinds of professional expertise, plus local staff who work directly with residents. Given their size, which limits staff and board capacity, and especially given the aging stock and the diverse needs of the extremely low income residents, many smaller LHAs need additional capacity that cannot be obtained efficiently at a local level.

Recommendations: The Commission recommends the creation of a single, unified housing authority property management system consisting of local site staff, regional supervision and technical assistance, and centralized back office and application and wait list functions. Participation in the unified property management system should be mandatory for all housing authorities that have less than 200 to 250 state-only public housing units plus Section 8 and MRVP voucher programs. A new unified governance structure should be established to oversee the property management system that is accountable to the Governor, Legislature, local housing authorities and residents. This approach was selected because it both maintains the role of local boards and provides significant operational benefits that can be achieved through a highly cost effective, efficient investment of public resources. Consolidation of the operations of small and medium LHAs will also allow DHCD to strengthen its oversight by using performance benchmarks to identify LHAs that need assistance or require corrective action. (See Appendix E for an illustration of the Commission's preliminary proposed reorganization of public housing operations.) In addition to the creation of a unified housing authority property management system, DHCD should continue to develop and strengthen its tools for assessment of LHAs. Tools should incorporate operating benchmarks, fiscal benchmarks, and program benchmarks.

2. *Preservation of Extremely Low Income Housing: Responding to the needs of residents*

Findings: State-aided public housing provides the largest source of publicly owned and funded affordable housing for extremely low-income seniors, individuals with disabilities and family households across the Commonwealth who could benefit from more effective resident service programs.

Recommendations: The Commission recommends funding should be sought to expand innovative resident service and training programs and to support resident organizations.

3. *Funding for Long-Term Preservation and Sustainability*

Findings: Despite efforts by the Patrick-Murray Administration, the Legislature and local communities to provide additional resources, state public housing has chronically had inadequate capital and operating funding, resulting in deferred maintenance and an estimated state-wide capital need of approximately \$1.6 billion.

Recommendations: The Commission recommends that funders strive to increase operating resources to levels identified in the 2008 study, “The Real Cost of Operating Massachusetts Public Housing,” and strive to increase and leverage capital funds to restore all units to occupancy and stabilize the state public housing portfolio. The Commission also recommends the discontinuation of operating subsidy for units vacant longer than sixty days, unless a waiver is granted by DHCD due to a lack of available LHA funding to restore the units to occupancy.

4. *Statutory and Regulatory Framework*

Findings: There are regulations and parts of Chapter 121B governing public housing that are outdated, confusing and that complicate public housing operations and transactions in ways which limit innovation and create inefficiencies.

Recommendations: The Commission recommends that a working group be convened to identify and recommend specific, detailed changes to Chapter 121B and/or public housing regulations.

5. *Public Process and Transparency*

Findings: Some commissioners believe that effective governance of a housing authority presents boards with difficulties in administering multiple complex and varied decisions, and that boards are most effective in dealing with local issues and serving as a link into the larger community on behalf of public housing. In addition, some commissioners, local officials,

residents and other key stakeholders are unable to access important information about local housing authorities, ranging from the identity of board members to operating data.

Recommendations: The Commission recommends mandatory training for all board members, plus increased transparency about LHA staff and operating information, as well as about DHCD staff and agency information, making better use of websites. The Commission also recommends annual independent financial audits of LHAs. Finally, DHCD should establish a Public Housing Advisory Committee (“the Advisory Committee”), open to Commission members and expanded with additional participants representing public housing stakeholders and other housing experts to work with the Administration through continued policy discussions, further definition and implementation of the Commission’s recommendations.

Implementation of Recommendations

The Commission achieved consensus on a range of recommendations that address the five policy areas in the Executive Order. The recommendations vary in the level of their development, with some proposals having greater detail than others. Therefore, specific action items and deliverables are divided into two categories:

- Recommendations to be further discussed and developed by the Advisory Committee; and,
- DHCD administrative initiatives.

Advisory Committee: Many of the recommendations included in the report require more refinement. The Advisory Committee should begin work promptly after the completion of the Commission and convene working groups around the five overarching themes of the Commission's report to further discuss and develop policies in the areas noted in the following chart.

Working Group	Specific Policy Area
1. Asset Management and Governance	The recommended single, unified housing authority property management system.
2. Preservation of Extremely Low Income (ELI) Housing	Resident services that address: <ul style="list-style-type: none"> • Technical assistance for resident board members and others who want to be involved. • New collaborations to strengthen; the education of young public housing residents at all phases of their development, so that they have the opportunity to succeed; services to enhance aging in place; services that address the needs of special needs residents, and job training initiatives. • The enhancement of resident participation by providing technical assistance and training to public housing resident organizations.
3. Funding for Long-term Preservation and Sustainability	Leveraging capital and operating funds necessary to stabilize the state-wide public housing portfolio, including but not limited to: <ul style="list-style-type: none"> • Long term debt; • Local resources; and, • Mixed-finance using low income housing tax credits and additional types of innovative public and private financing for re-capitalizing public housing.
4. Statutory and Regulatory Framework	Changes to Chapter 121B and/or public housing regulations.
5. Public Process and Transparency	All Working Groups should promote public process, transparency and accountability while developing reforms in other policy areas as they are crucial components of the public housing system.

DHCD Administrative Initiatives: Other recommendations can be launched by DHCD right away to achieve significant reforms and efficiencies in the short term. As DHCD implements the reforms below, they will continue to engage with stakeholders, including the members of the Advisory Committee. These initiatives include the items in the following chart.

Policy Area	Implementation of Recommendation
1. Asset Management and Governance	The recommended single, consolidated housing authority property management system needs to be further developed; DCHD will provide the necessary staffing to support the process.
2. Preservation of Extremely Low Income (ELI) Housing	DHCD will develop a workplan to examine Massachusetts demographic trends projected over the coming decade to assess what types of households are likely to need public housing in the future.
3. Funding for Long-term Preservation and Sustainability	DHCD will develop a workplan that will allow it to update “The Real Cost of Operating Massachusetts Public Housing” annually and post this update on its website.
	DHCD proposed an increase in public housing’s annual allocation from the Affordable Housing Trust Fund from \$5M to \$7M in FY13 in order to annualize and expand the Unit Turnover Initiative completed in FY12. This initiative began addressing the need to restore to use the approximately 1,000 units that are vacant more than sixty days and lack the funding to prepare them quickly for reoccupancy.
	DHCD will develop and issue a policy to discontinue payment of operating subsidy for units vacant longer than sixty days unless a waiver is granted by DHCD due to a lack of available LHA funding to restore the units to occupancy.
4. Statutory and Regulatory Framework	Further work needs to be done by the Advisory Committee before DHCD can propose statutory and regulatory changes. However, once changes are recommended, DHCD will manage the public process to institute the changes.
5. Public Process and Transparency	DHCD will develop and issue a policy that requires LHAs to post the names and contact information for all public housing board members and senior staff.
	DHCD will also post the names and contact information for senior staff at DHCD who deal with public housing.
	DHCD, MassNAHRO, Mass Union of Public Housing Tenants and other interested parties will develop and implement a mandatory course of training for all public housing board members within six months of the issuance of this report. Furthermore, if the role of public housing board members at any significant number of housing authorities should alter as a result of other Commission recommendations, the trainings should be altered to reflect the changes.
	DHCD will continue to develop its tools for assessment of LHAs. Tools will incorporate operating benchmarks (such as vacancy rates and time to turn-over vacant units), fiscal benchmarks (such as comparing budget to actual financial performance), and program benchmarks (such as compliance with public housing regulations).
	DHCD will develop a tool to track the attendance of members at LHA board meetings (also part of the administrative reforms to date).
	DHCD will develop a tool to track the attendance of appropriate LHA staff and board members at mandatory DHCD trainings.
	DHCD will develop a policy that requires all LHAs to conduct an annual independent financial audit, with the auditing firm procured by the LHA every 3 years. DHCD will also continue its discussions with the state Auditor to ensure that there is no redundancy between these audits and state Auditor and federal audit requirements.
	DHCD will develop a policy that requires that at least one staff from every LHA obtain MCPPO (Massachusetts Certified Public Purchasing Official) certification regarding MGL c.149 and MGL c.30 procurement and ensure that adequate trainings are offered by the Inspector General each year to fulfill this recommendation.

Conclusion

Massachusetts state-aided public housing serves more than 45,600 households throughout the Commonwealth. However, much of this housing is threatened by deterioration due to lack of operational capacity and lack of adequate, sustained funding. The public housing system has also been undermined by indiscretions that violate the public trust. The Commission for Public Housing Sustainability and Reform has worked cooperatively and intensely during the past two months to define a comprehensive program of administrative, legal and operational changes that can lead to extensive improvement in the housing, its delivery system and better services for its many residents.

The Commission believes this broad reform agenda is commensurate with the diverse challenges in the state public housing system. Achieving it will be no small task: many people will need to make a new or renewed commitment to public housing. But the Commission's own work demonstrates how a small group of people, committed to working together, can create rapid change. It seeks the support of the Legislature, the Administration, public housing authorities and their residents, the communities where public housing provides a vital resource for local citizens, and others who care that Massachusetts' lowest income residents have decent and affordable homes.