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**INDEPENDENT STATE AUDITOR'S REPORT
ON THE PHYSICAL CONDITION
OF STATE-AIDED PUBLIC HOUSING UNITS
AND RESOURCES ALLOCATED FOR THE
OPERATION AND UPKEEP
OF THE NEEDHAM HOUSING AUTHORITY
JULY 1, 2003 TO JUNE 30, 2005**

**OFFICIAL AUDIT
REPORT
MAY 15, 2007**

TABLE OF CONTENTS/EXECUTIVE SUMMARY

INTRODUCTION

1

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted a statewide comprehensive audit of the physical conditions and the resources available to provide for the operation and upkeep of the state-aided public housing authorities of the Commonwealth. To accomplish our audit, we performed work at the Department of Housing and Community Development (DHCD) and also obtained data from surveys and site visits to a selected, representative cross-section of 66 Local Housing Authorities (LHAs) throughout the state. The Needham Housing Authority was one of the LHAs selected to be reviewed for the period July 1, 2003 to June 30, 2005. A complete list of the LHAs visited and surveyed is provided in our statewide report No. 2005-5119-3A. Our on-site visits were conducted to follow up on survey data we obtained in order to: observe and evaluate the physical condition of the state-regulated LHAs, review policies and procedures over unit site inspections, determine whether LHA-managed properties were maintained in accordance with public health and safety standards, and review the state modernization funds awarded to determine whether such funds have been received and expended for the intended purpose. In addition, we reviewed the adequacy of the level of funding provided to each LHA for annual operating costs to maintain the exterior and interior of the buildings and housing units, as well as capital renovation infrastructure costs to maximize the public housing stock across the state, and determined whether land already owned by the LHAs could be utilized to build additional affordable housing units. We also determined the number of vacant units, vacancy turnaround time, and whether any units have been taken off line and are no longer available for occupancy by qualifying families or individuals in need of housing.

AUDIT RESULTS

5

1. RESULTS OF INSPECTIONS – NONCOMPLIANCE WITH STATE SANITARY CODE

5

DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of dwelling units be conducted annually and upon each vacancy to ensure that every dwelling unit conforms to minimum standards for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code. During our audit, we inspected 13 of the 232 state-aided housing units managed by the Authority and noted 18 instances of noncompliance with Chapter II of the State Sanitary Code, including mold and mildew, cracked walls and ceilings, and peeling paint and plaster. In its response, the Authority described the steps it has taken to modernize and renovate its developments.

2. VACANT UNITS NOT REOCCUPIED WITHIN DHCD GUIDELINES

6

DHCD's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. However, our review found that during the period July 1, 2003 through June 30, 2005, the Authority's average turnaround time for reoccupying vacant units was 87 days. Moreover, we found that there were over 300 applicants on the Authority's waiting list. In its response, the

Authority described several factors that contributed to units not being reoccupied and indicated that it has begun to implement our recommendations to address this issue.

3. MODERNIZATION INITIATIVES NOT FUNDED **8**

In response to our questionnaires, the Authority informed us that there is a need for modernizing its managed properties. Specifically, the Authority provided us with capital modernization projects that have been formally requested from DHCD yet remain unfunded. Deferring or denying the Authority's modernization needs may result in further deteriorating conditions that could render the units and buildings uninhabitable. Moreover, if the Authority does not receive funding to correct these conditions (which have been reported to DHCD), additional emergency situations may occur, and the Authority's ability to provide safe, decent, and sanitary housing for its elderly and family tenants will be seriously compromised. The Authority chose not to respond to this issue.

4. AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS **9**

In response to our questionnaires, the Authority informed us that approximately two acres of land adjacent to its 667 and 705 housing developments would be suitable for the construction of new tenant units. The Authority should continue in its efforts to obtain funds from DHCD for the construction of additional housing units. The Authority chose not to respond to this issue.

SUPPLEMENTARY INFORMATION **11**

APPENDIX I **12**

State Sanitary Code Noncompliance Noted **12**

APPENDIX II **13**

Photographs of Conditions Found **13**

INTRODUCTION

Background

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted a statewide comprehensive audit of the physical conditions and the resources available to provide for the operation and upkeep of the state-aided public housing authorities of the Commonwealth. To accomplish our audit, we performed work at the Department of Housing and Community Development (DHCD) and also obtained data from surveys and site visits to a selected, representative cross-section of 66 Local Housing Authorities (LHAs) throughout the state. The Needham Housing Authority was one of the LHAs selected to be reviewed for the period July 1, 2003 to June 30, 2005. A complete list of the LHAs visited and surveyed is provided in our statewide report No. 2005-5119-3A.

Our on-site visits were conducted to follow up on survey data we obtained in order to: observe and evaluate the physical condition of the state-regulated LHAs, review policies and procedures over unit site inspections, determine whether LHA-managed properties are maintained in accordance with public health and safety standards, and review the state modernization funds awarded to determine whether such funds have been received and expended for the intended purpose. In addition, we reviewed the adequacy of the level of funding provided to each LHA for annual operating costs to maintain the exterior and interior of the buildings and housing units, as well as the capital renovation infrastructure costs to maximize the public housing stock across the state, and determined whether land already owned by the LHAs could be utilized to build additional affordable housing units. We also determined the number of vacant units, vacancy turnaround time, and whether any units have been taken off line and are no longer available for occupancy by qualifying families or individuals in need of housing.

Audit Scope, Objectives, and Methodology

The scope of our audit included an evaluation of management controls over dwelling unit inspections, modernization funds, and maintenance plans. Our review of management controls included those of both the LHAs and DHCD. Our audit scope included an evaluation of the physical condition of the properties managed; the effect, if any, that a lack of reserves, operating and modernization funds, and maintenance and repair plans has on the physical condition of the LHAs'

state-aided housing units/projects; and the resulting effect on the LHAs' waiting lists, operating subsidies, and vacant units.

Our audit was conducted in accordance with applicable generally accepted government auditing standards for performance audits and, accordingly, included such audits tests and procedures as we considered necessary.

Our primary objective was to determine whether housing units were maintained in proper condition and in accordance with public health and safety standards (e.g., the State Sanitary Code, state and local building codes, fire codes, Board of Health regulations) and whether adequate controls were in place and in effect over site-inspection procedures and records. Our objective was to determine whether the inspections conducted were complete, accurate, up-to-date, and in compliance with applicable laws, rules, and regulations. Further, we sought to determine whether management and DHCD were conducting follow-up actions based on the results of site inspections.

Second, we sought to determine whether individual LHAs were owed prior-year operating subsidies from DHCD, and whether the untimely receipt of operating subsidies from DHCD may have resulted in housing units not being maintained in proper condition.

Third, in instances where the physical interior/exterior of LHA-managed properties were found to be in a state of disrepair or deteriorating condition, we sought to determine whether an insufficient allocation of operating or modernization funds from DHCD contributed to the present conditions noted and the resulting effect, if any, on the LHAs' waiting lists and vacant unit reoccupancy.

To conduct our audit, we first reviewed DHCD's policies and procedures to modernize state-aided LHAs, DHCD subsidy formulas, DHCD inspection standards and guidelines, and LHA responsibilities regarding vacant units.

Second, we sent questionnaires to each LHA in the Commonwealth requesting information on the:

- *Physical condition of its managed units/projects*
- *State program units in management*
- *Off-line units*
- *Waiting lists of applicants*

- *Listing of modernization projects that have been formally requested from DHCD within the last five years, for which funding was denied*
- *Amount of funds disbursed, if any, to house tenants in hotels/motels*
- *Availability of land to build affordable units*
- *Written plans in place to maintain, repair, and upgrade its existing units*
- *Frequency of conducting inspections of its units/projects*
- *Balances, if any, of subsidies owed to the LHA by DHCD*
- *Condition Assessment Reports (CARS) submitted to DHCD*
- *LHA concerns, if any, pertaining to DHCD's current modernization process*

The information provided by the LHAs was reviewed and evaluated to assist in the selection of housing authorities to be visited as part of our statewide review.

Third, we reviewed the report entitled “Protecting the Commonwealth’s Investment – Securing the Future of State-Aided Public Housing.” The report, funded through the Harvard Housing Innovations Program by the Office of Government, Community and Public Affairs, in partnership with the Citizens Housing and Planning Association, assessed the Commonwealth’s portfolio of public housing, documented the state’s inventory capital needs, proposed strategies to aid in its preservation, and made recommendations regarding the level of funding and the administrative and statutory changes necessary to preserve state public housing.

Fourth, we attended the Joint Legislative Committee on Housing’s public hearings on March 7, 2005 and February 27, 2006 on the “State of State Public Housing;” interviewed officials from the LHA, the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials, and DHCD; and reviewed various local media coverage regarding the condition of certain local public housing stock.

To determine whether state-aided programs were maintained in proper condition and safety standards, we (a) observed the physical condition of housing units/projects by conducting inspections of selected units/projects to ensure that the units and buildings met the necessary minimum standards set forth in the State Sanitary Code, (b) obtained and reviewed the LHAs’ policies and procedures relative to unit site inspections, and (c) made inquiries with the local boards

of health to determine whether any citations had been issued, and if so, the LHAs' plans to address any reported deficiencies.

To determine whether the modernization funds received by the LHAs were being expended for the intended purposes and in compliance with laws, rules, and regulations, we obtained and reviewed the Quarterly Consolidated Capital Improvement Cost Reports, Contracts for Financial Assistance, and budget and construction contracts. In addition, we conducted inspections of the modernization work performed at each LHA to determine compliance with its work plan.

To determine whether LHAs were receiving operating subsidies in a timely manner, we analyzed each LHA subsidy account for operating subsidies earned and received and the period of time that the payments covered. In addition, we made inquiries with each LHA's Executive Director/fee accountant, as necessary. We compared the subsidy balance due the LHA per DHCD records to the subsidy data recorded by the LHA.

To assess controls over waiting lists, we determined the number of applicants on the waiting list for each state program and reviewed the waiting list for compliance with DHCD regulations.

To assess whether each LHA was adhering to DHCD procedures for preparing and filling vacant units in a timely manner, we performed selected tests to determine whether the LHA had uninhabitable units, the length of time the units were in this state of disrepair, and the actions taken by the LHA to renovate the units.

AUDIT RESULTS

1. RESULTS OF INSPECTIONS – NONCOMPLIANCE WITH STATE SANITARY CODE

The Department of Housing and Community Development's (DHCD) Property Maintenance Guide, Chapter 3(F), requires that inspections of dwelling units be conducted annually and upon each vacancy to ensure that every dwelling unit conforms to minimum standards for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code. Our review noted that the Needham Housing Authority does not conduct annual dwelling site inspections on all of its building units in accordance with DHCD guidelines. The Authority's Executive Director informed us that due to funding constraints, the Authority had performed some unit inspections during the last two years, but that not all tenant units were inspected annually.

On December 15, 2005, we inspected 13 of the Authority's 232 state-aided dwelling units managed by the Authority and noted that inspection reports were not prepared for these units by the Authority for the period July 1, 2003 to June 20, 2005. We conducted inspections of these units, located at the Authority's High Rock (Veterans' Housing 200-1), Linden Street (Elderly/Handicapped Housing 667-1 and 667-2), and Chambers Street (Elderly/Handicapped Housing 667-3) developments. Our inspection noted 18 instances of noncompliance with Chapter II of the State Sanitary Code, including mold and mildew, cracked walls and ceilings, and peeling paint and plaster. (Appendix I of our report summarizes the specific State Sanitary Code violations noted, and Appendix II includes photographs documenting the conditions found.)

The photographs presented in Appendix II illustrate the pressing need to address the conditions noted, since postponing the necessary improvements would require greater costs at a future date, and may result in the properties not conforming to minimum standards for safe, decent, and sanitary housing.

Recommendation

The Authority should apply for funding from DHCD to address the issues noted during our inspections of the interior (dwelling units) and exterior (buildings) of the Authority, as well as other issues that need to be addressed, including performing and documenting annual site

inspections. Moreover, DHCD should obtain and provide sufficient funds to the Authority in a timely manner so that it may provide safe, decent, and sanitary housing for its tenants.

Auditee's Response

In response to this issue, the Authority stated, in part:

- *200 Development – 60 units received new kitchens and asbestos abatement*
- *200 Development – mold abatement began December 2006*
- *200 Development – Power wash of this development began in 2007*
- *138-D and 188-A Linden Street – were off-line for emergency repairs*
- *667-1 – Exterior trim was painted in 2006*
- *667-2 – Exterior trim was painted in 2006*

Auditor's Reply

We commend the Authority for the actions initiated to modernize and renovate the developments mentioned in its reply. The Authority should continue to appeal to DHCD to provide the necessary modernization funds to remedy the remaining issues listed in our report.

2. VACANT UNITS NOT REOCCUPIED WITHIN DHCD GUIDELINES

DHCD'S Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. However, our review found that during the period July 1, 2003 through June 30, 2005, the Authority's average turnaround time for reoccupying vacant units was 87 days. Moreover, we found that there were over 300 applicants on the Authority's waiting list.

By not ensuring that vacant units are reoccupied within DHCD's guidelines, the Authority may have lost the opportunity to earn potential rental income net of maintenance and repair costs and may have lost the opportunity, at least temporarily, to provide needy citizens with subsidized housing. According to the information that was available in the Authority's vacancy ledgers, the excessive delays in filling vacant units were sometimes due to poor apartment conditions. Our review found that it took an average of 30 days to refurbish and ready the units for reoccupancy. Some units had been offered to potential tenants, but were refused. However, the Executive Director stated that the Authority has hired a new leasing coordinator, which has helped to decrease the unit turnaround time by filling the vacated units soon after vacancies occur.

Recommendation

The Authority should endeavor to ensure that its vacant units are refurbished and reoccupied within DHCD's timeframe. These efforts should include requesting special funding from DHCD, hiring temporary help, and entering into mutual and cooperative agreements with surrounding housing authorities to assist, on a reimbursement basis, with placing these vacant units back into circulation as soon as possible. DHCD should obtain and provide the Authority with the funds necessary to fulfill their respective statutory mandate.

Auditee's Response

In response to this issue, the Authority stated, in part:

The report is accurate in that NHA [the Needham Housing Authority] experienced a number of vacancies that extended well beyond the recommended 21 or 30 days. However, there are several factors outside our control that contributed to the extended time that many of the units were vacant and there have already been steps taken to correct those factors that are within our control of which I want to be sure your office is aware.

The greatest impact on our vacancy rate has been the number of vacant units in the Chapter 200 (High Rock) development that were purposefully left vacant while awaiting the start of a project-wide kitchen modernization project. The project requires a number of open units for families to transfer into and to be used as "hotel" units during the construction. Several years ago, we were instructed by DHCD to stop leasing units in order to allow a number of vacancies to become available. The project was first stopped by litigation and then started, stopped and started again with two different contractors.

During the audit period, the High Rock neighborhood had 28 vacancies. All but seven were held for some period of time related to the pending or ongoing kitchen modernization project. Of the seven houses that were not held vacant (either because they were not part of the kitchen project or because they were less desirable for a "hotel" unit because they had only two bedrooms or were on a very sloped lot or had a front entrance with a lot of stairs), the average time vacant for those seven units was 32.85 days. The NHA documented many of these vacancies occurring between 2001 and 2004 and the issues surrounding them in a letter to DHCD on March 14, 2005 (previously provided to your office). However, there were other vacancies that we did not specifically document, as we were waiting for a response to our request for reimbursement of the lost rent from DHCD. Unfortunately, we continue to have a number of units vacant for extended periods of time in the High Rock neighborhood due to the kitchen modernization project. However, the project is underway again, and we anticipate it being completed and the neighborhood being fully leased by the end of 2006.

With respect to the Chapter 667 development (Linden-Chambers), there were two periods of time during which the number of days that units at Linden-Chambers were vacant exceeded 100 – the first few months of 2004 and December 2004 through January 2005. During both of these periods, the NHA experienced an unusually high vacancy rate at Linden-Chambers, increasing the total number of units available to be leased and including a large number of second floor apartments. Second floor units in a

senior housing complex are much more difficult to lease. In fact, of the eight apartments vacant more than 100 days during the audit period, seven were second floor apartments. Units are also more difficult to lease during the winter months, as many seniors do not wish to move during severe weather. These longer vacancy times also correlate with the winter months.

The other factors contributing to the length of time units were vacant during the audit period were a change in personnel and short waiting lists. Our long-time leasing assistant who was primarily responsible for screening applications and leasing apartments had an opportunity to take a job as a police dispatcher. Her position remained open for several months in early 2005 while we interviewed candidates. During that time, an administrative assistant covered the duties as best she could and was eventually promoted to the position. Since that change in staffing, we have noticed a dramatic decrease in the amount of turnaround time of Linden-Chambers units. I believe your staff observed the improvement toward the end of the audit period and in the months following it.

Also, at several times in the past years, the NHA has exhausted its state one-bedroom waiting list of elders and younger-disabled applicants. In fact, we are currently advertising the open and short waiting lists. When this occurs, it takes significantly longer to lease units, as there often are not enough qualified applicants to fill all the available units. The audit report also correctly notes that sometimes poor apartment conditions and refusals by multiple applicants who were made offers of housing also contributed to the vacancy turnaround time.

The recommendations from your office are that we should prioritize leasing and document the reasons for delays in filling units, which we certainly have during the past year. We are monitoring the vacancy process in a number of ways to assure continued progress and compliance with DHCD guidelines.

Auditor's Reply

We acknowledge that several factors may have contributed to the delays in filling vacant units, and recommend that the Authority document the reasons for these delays in their records. During our audit, the reasons for these delays could not be determined through the information contained in the vacancy ledger. In addition, the Authority should continue to prioritize its vacant unit turnaround assignments, and actively monitor the process to ensure compliance with DHCD guidelines.

3. MODERNIZATION INITIATIVES NOT FUNDED

In response to our questionnaires, the Authority indicated that applications for modernization funding have not been permitted by DHCD since 1999. The Authority also stated that multiple requests for funding to DHCD have been made and approved, but only design services have been provided.

Deferring or denying the Authority's modernization needs may result in further deteriorating conditions that could render the units and buildings uninhabitable. If the Authority does not receive funding to correct these conditions (which have been reported to DHCD), additional emergency situations may occur and the Authority's ability to provide safe, decent, and sanitary housing for its elderly and family tenants could be seriously compromised. Lastly, deferring the present modernization needs into future years will cost the Commonwealth's taxpayers additional money due to inflation, higher wages, and other related costs.

In June 2000, Harvard University awarded a grant to a partnership of the Boston and Cambridge Housing Authorities to undertake a study of state-aided family and elderly/disabled housing. The purpose of the study was to document the state's inventory of capital needs and to make recommendations regarding the level of funding and the administrative and statutory changes necessary to give LHAs the tools to preserve and improve this important resource. The report, "Protecting the Commonwealth's Investment - Securing the Future of State-Aided Public Housing," dated April 4, 2001, stated that "Preservation of existing housing is the fiscally prudent course of action at a time when Massachusetts faces an increased demand for affordable housing. While preservation will require additional funding, loss and replacement of the units would be much more expensive in both fiscal and human terms."

Recommendation

The Authority should continue to appeal to DHCD to provide the necessary modernization funds to remedy these issues in a timely manner.

Auditee's Response

The Authority chose not to respond to this issue.

4. AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS

During our audit, we found that the Authority has approximately two acres of land adjacent to its 667 development on which it would like to build six to 10 new housing units. The Authority is exploring options for how best to utilize the available land. It has contacted DHCD and explored other potential sources of funding to build housing units on the available land. Projected problems include the location of the access road, utilities, wetlands, Massachusetts Bay Transportation Authority (MBTA) right-of-way, and severe grade issues.

Recommendation

The Authority should continue to communicate with DHCD regarding the possibility of obtaining funds for the construction of additional affordable housing units to accommodate the more than 300 applicants on the Authority's waiting list.

Auditee's Response

The Authority chose not to respond to this issue.

SUPPLEMENTARY INFORMATION

1. Needham Housing Authority - Managed State Properties

The Authority's state-aided housing developments, the number of units, and the year each development was built is as follows:

<u>Development</u>	<u>Number of Units</u>	<u>Year Built</u>
200-1	80	1949
667-1	32	1959
667-2	40	1962
667-3	<u>80</u>	1972
Total	<u>232</u>	

2. Status of Operating Subsidies

The Authority was not a subsidized authority and therefore was not owed any operating subsidy funding.

APPENDIX I

State Sanitary Code Noncompliance Noted

High Rock 200-1 Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
26 Summit Road	Building Exterior - Mold on walls and doors	105 CMR 410.750
	Kitchen - Rust and mold under sink	105 CMR 410.750
	Bathroom - Weak wall and peeling paint	105 CMR 410.500
	Bathroom - Peeling plaster	105 CMR 410.500
99 Fairview Road	Kitchen - Rust and mold under sink	105 CMR 410.750
	Kitchen - Paint and plaster peeling in the ceiling	105 CMR 410.500
214 Linden Street	Exterior-mold on entrance door and siding	105 CMR 410.500
	Kitchen – Under renovations, no stove	105 CMR 410.100
11 Murphy Road	Kitchen – Under renovations, no cabinets	105 CMR 410.100

Linden Street 667-1 Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
Linden Street	Building Exterior - Peeling paint	105 CMR 410.500
146B Linden Street	Bathroom - Mold around bathtub	105 CMR 410.750
	Kitchen - No electrical outlet	105 CMR 410.251
158B Linden Street	Kitchen - No electrical outlet	105 CMR 410.251

Linden Street 667-2 Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
Linden Street, Grounds	Building Exterior - Peeling paint	105 CMR 410.500
186B Linden Street	Kitchen -- Peeling paint on walls	105 CMR 410.500
28D Chambers Street	Bathroom – No electrical outlet	105 CMR 410.252
	Unit – Dog and urine odor	105 CMR 410.505
17G Chambers Street	Bathroom – No electrical outlet	105 CMR 410.252

APPENDIX II

Photographs of Conditions Found

200-1 Development, Summit Road – Rust and Mold under Kitchen Sink



200-1 Development, Summit Road –Weak Wall and Peeling Paint in Bathroom



200-1 Development, Fairview Road – Paint and Plaster Peeling on Kitchen Ceiling



200-1 Development, Linden Street – Mold on Entrance Door and Siding

