PHN 2024-03

To: All Local Housing Authority Executive Directors
From: Ben Stone, Director Division of Public Housing & Rental Assistance
Subject: PHN 2024-03: Updates to Vacant Unit Policies for 2024
Date: February 16, 2024

Need to Know

1. EOHLC Vacant Unit Initiative announced in PHN 2023-17 ended December 31, 2023;
2. EOHLC will continue its focus on reducing vacancies in state-aided public housing in partnership with Local Housing Authorities (LHAs);
3. This PHN announces policies in effect for the remainder, of state fiscal year 2024. EOHLC will likely extend and modify them as needed for FY25. These policy and process changes include :
    a. Revised list of allowable waiver types and updated review standards. (see Attachment A: Vacancy Waiver Categories);
    b. Improved coordination between Housing Management and Capital Bureaus on funding for rehabilitating vacant units requiring significant investment per PHN 2016-34 and standards for funded modernization project waivers;
    c. Automated email notifications to LHAs for vacant units about to incur fees;
    d. Active tracking of vacancies by LHA on a monthly basis triggering EOHLC offers of technical assistance to LHAs with concerning vacancy rates;
    e. Operating budget exemptions available for LHAs with high vacancy rates and operating reserves below 35% at prior FYE or upon reconsideration of current operating reserve status. Budget exemptions will also be available for LHAs that have a unique staffing issue affecting vacant unit turnovers. Otherwise, EOHLC expects that LHAs have the financial resources through budget and operating reserves to address vacancies;
    f. Continued availability of certain LHAs and MANAHRO (see Attachment B) for vacant unit turnovers or CHAMP assistance; and
    g. Webinar on Vacancy Policy Wednesday, February 21, 2024 at 10:00 a.m.

Background

EOHLC tracks vacancies through the LHA-reported, EOHLC administered, vacancy system. EOHLC has always worked with LHAs to gather information on vacancies, provide capital funding for unit rehabilitation, and incentivize LHAs to focus on vacancies through reduced subsidy for units vacant without a waiver.

Vacancies rose steadily from 2019 through summer 2023, driven by increased volume of capital projects, lack of maintenance capacity, impact of COVID on LHA operations, and administrative burden in tenant

100 Cambridge Street, Suite 300
Boston, Massachusetts 02114
www.mass.gov
617.573.1100

selection partially caused by the statewide application system required by the 2014 Public Housing Reform legislation, CHAMP. On July 31, 2023, there were 2,291 reported vacancies for all reasons across the statewide portfolio, equivalent to a 5.5% vacancy rate.

EOHLC, in response, launched a 90-day vacant unit initiative on September 22, 2023. This initiative targeted all LHAs with vacancy rates above 5%, excluding certain waiver types[1]. Housing Management Specialists (HMS) contacted all LHAs above this threshold to discuss the reason for vacancies and establish a plan to address them. EOHLC offered budget exemptions to fund maintenance costs such as overtime and contracting as well as temporary staffing, overtime, and contracting with other LHAs for CHAMP assistance. HMS referred units with capital needs or maintenance issues to FMS and CAs, who visited hundreds of units. In total, EOHLC made over $1.5M of operating budget exemptions available to over 600 units and over 50 LHAs, as well as over $2.2M of vacant unit rehabilitation capital awards to 90 units. Several LHAs also stepped up to offer maintenance and tenant selection services to other authorities. These LHAs completed over 50 unit turnovers and provided CHAMP assistance to lease over 150 units at neighboring Housing Authorities.

EOHLC launched the long-planned Centralized Screening Office (CSO) on September 27, 2023. The CSO performs priority and veterans' preference determination for all applicants to state-aided public housing, MRVP, and AHVP, with their determination applying to all agencies where that household applies. EOHLC instituted this change to improve consistency in tenant selection, relieve administering agencies of conducting time-consuming and duplicative priority reviews, and ultimately fill units more quickly. Over the past 4 months. EOHLC has received generally positive feedback on this change.

These efforts moved the needle on vacancies, but we still have a long way to go. On January 18, 2024 there were 2,248 reported vacancies for all reasons, and 2023 ended as the first year in our data since 2016 where vacancies *decreased*. In the last three months of the year, after implementation of the vacancy initiative and centralized screening, we filled 150 units more than became vacant. LHAs leased 1,169 units October-December, the most ever in the last three months of the year.

The vacancy initiative officially ended on December 31st, with automatic budget exemptions only applying to units becoming vacant before January 1, 2024. This PHN sets out EOHLC vacancy policy for the remainder of fiscal year 2024. EOHLC will extend and modify these polices as required. Generally, these policies *increase* our review of vacancy waivers while *standardizing and extending* our assistance for LHAs seeking to reduce their vacancies.

While units continue to become vacant through natural attrition, we believe the new processes outlined in this notice will provide for shorter vacancy periods moving forward.

A: Waiver Review Standards

EOHLC identified the large number of vacancy waiver categories and inconsistent review standards as an area for improvement. This PHN notifies LHAs of the new vacancy waiver categories and approval

[1] Waiver Type 1: Funded Modernization Project; Waiver Type 2: Insurance Loss; Waiver Type 5: Repurposed; and Waiver Type 10: Transitional Housing Program

standards. **All waiver lengths continue to be calculated from the date of vacancy[2].** EOHLC will implement the corresponding changes in the Vacancy System no later than April 1, 2024. EOHLC will notify LHAs once we have updated the Vacancy System, and the attached changes will apply to all waivers submitted after that effective date.

See Attachment A: Vacancy Waiver Types for 2024

These changes include the following:

1. All unfunded "physical condition" waiver types (Unit reconditioning, Tenant Damage, Unfunded mod/rehab project) combined into one waiver category: Physical Condition. HMS will refer all these waiver requests to Facility Management Specialists and Construction Advisors for review, potential site visit, and evaluation for capital funding through PHN 2016-34.
2. Clarification that "Repurposed" waiver is only for units semi-permanently repurposed, for example as office or daycare space. LHAs should request waivers for units held vacant as "hotel units" for a capital project as Waiver Type 1: Funded Mod/Rehab project. New repurposed unit waiver requests require a board vote in support.
3. Staff Capacity split into two waiver types: Maintenance Capacity and Administrative Capacity.
    a. Waivers only granted for these types under certain conditions:
        i. Maintenance Capacity: LHA must demonstrate, in detail, why it is unable to turnover units within the required timeframe, including funding overtime or contractors to accelerate unit turnover. Operating Reserve below 35% at prior FYE end, in which case EOHLC will offer a budget exemption to fund the unit turnover and grant a waiver. LHAs can provide current OR balances if the prior FYE does not accurately reflect the LHAs available resources.;
        ii. Administrative Capacity: LHA must demonstrate inability to fund overtime or contracts to accelerate tenant selection. If the LHA is unable to verify a sufficient number of applicants to fill their vacant units, they must demonstrate that the list pulls for those units met a minimum screening threshold. Operating Reserve below 35% at prior FYE end, in which case EOHLC will offer a budget exemption to assist build tenant selection capacity and grant a waiver. LHAs can provide current OR balances if the prior FYE does not accurately reflect the LHAs available resources.
        iii. While EOHLC may approve initial capacity waivers, renewal waivers are not available if operating reserves exceed 35%.
4. Multiple LHA List Pulls waiver removed and incorporated into new "Administrative Capacity" waiver.
5. Transitional Housing Program waiver removed, as these units are occupied and not actually vacant. EOHLC will address budgeting for THP units directly with the small number of participating LHAs.

Please review Attachment A for more details on the new waiver categories, review standards, and approvable waiver durations. **All waiver lengths continue to be calculated from the date of vacancy.**

[2] For example: If an LHA on 1/30 requests a 90-day waiver for a unit that became vacant on 1/1, that waiver when granted will last until 3/31.

We also remind LHAs that each waiver requires certain criterion to be met for HMS review and approval. Please provide detailed comments in the "comment box" and provide required back-up information for waiver requests to speed up reviews and minimize denials.

B: Funded Modernization Project Waivers

EOHLC will continue approving waivers for funded modernization projects but will tighten review standards and improve coordination between the Capital and Management bureaus to ensure faster review timelines. EOHLC staff will work with LHAs to minimize the time a unit is held vacant in anticipation of a capital project or that a resident is relocated. EOHLC capital staff will review the project scope, and the amount of in-unit work and recommend a waiver duration together with a start and end date to the Housing Management Specialist. LHAs should confirm waiver duration by email with their HMS submitting or be prepared to resubmit rejected waivers with adjusted timelines after confirmation by EOHLC.

EOHLC project managers will notify HMS 120 days before projected certificate of substantial completion (CSC). HMS will work with LHAs at that point to ensure they are pulling CHAMP lists in anticipation of move-in ready units. EOHLC will also include funding for CHAMP mailings and staff overtime for tenant selection in capital budgets of projects with 10 or more units with approved Funded Modernization Project waivers.

C: Vacancy Notifications

In addition to the change in waiver categories, effective February 20, 2024 EOHLC will **roll out automatic email notifications** through the vacancy system. These emails will notify LHAs when they have a waiver that will expire within 15 days or have a unit without a waiver that will start incurring fees within 15 days, among other important waiver request milestones. These emails will go to the designated LHA contact in the vacancy system as well as the EOHLC Housing Management Specialist. These emails will ensure that LHAs know when they will start incurring fees, which are now automatically deducted from LHA subsidy at year-end operating statement per PHN 2022-15.

These notifications will generate a lot of emails for LHAs; CyberSense will show LHAs how to set up email mailboxes for these notifications at upcoming trainings.

We also understand that LHAs use property management software to track vacancies and entering all vacancy units into the vacancy system is duplicative. The Vacancy System, however, is critical for EOHLC oversight, technical assistance, and the waiver process. We recognize that LHAs using two systems presents opportunities for data entry errors or missing vacant units. EOHLC will investigate the feasibility of automatic import of LHA vacancies from LHA property management software. LHAs would still have to add detail on vacancies and request waivers through our system, but this would remove much of the data entry for LHAs and ensure EOHLC has the most accurate and up-to-date information on LHA vacancies. We will keep LHAs appraised as this effort continues.

D. Vacancy Tracking and Technical Assistance

EOHLC will continue to closely track vacancies and offer technical assistance, capital funding, and in certain cases operating funding to help LHAs reduce vacancy levels.

EOHLC will review vacancies reported through the EOHLC vacancy system monthly or more often as needed.. EOHLC HMS will schedule a call with LHAs to discuss vacancies when an LHA exceeds the below vacancy thresholds.

Vacancy Concern thresholds:

- *Vacancies exceed 5% of all units OR*
- *Vacancies in Family or Elderly/Non-Elderly Disabled Program exceed 10% OR*
- *LHA has more than 40 vacant units*

  - *Calculations will exclude units with waivers for funded modernization projects, insurance loss, and repurposed units,*

In these calls, HMS will discuss the reason for high vacancy rates with the LHA, and refer the LHA for technical assistance and resources as appropriate. **Note that EOHLC will not grant further waivers to high-vacancy LHAs that do not engage with EOHLC staff to develop plans to fill vacancies.** This assistance may include:

- Referrals to EOHLC Facility Management Specialists (FMS) or Construction Advisors (CAs) for units needing significant physical work. This may include capital funding through PHN 2016-34. EOHLC FMS and CAs will visit vacant units if necessary;
- Recommendation to work with LHAs offering maintenance turnover or CHAMP Assistance (See Attachment B: Assisting LHAs);
- Recommendation to reach out to MANAHRO for assistance with CHAMP mailings;
- Direct CHAMP technical assistance from EOHLC staff or Cybersense; and
- Operating Budget exemptions should LHA lack financial resources to turnover units.

HMS will continue to check in (at least) monthly until an LHA is below the vacancy concern threshold.

E. Budget Exemption Policy:

EOHLC will offer operating budget exemptions for maintenance turnovers and tenant selection for LHAs that have high rates of vacancies AND lack the financial resources for staff overtime, temporary staffing, or contracting to lease up units in a timely manner. Generally, we expect that LHAs with financial resources will use their operating reserves to cover overtime or contract costs to quickly address “spikes” in vacancies.

Eligibility for Budget Exemptions

- Vacancy Rate above 5% excluding units with waivers for funded modernization projects, insurance losses, or repurposed; OR

- Vacancy rate above 10% in family or elderly program excluding above waiver types; OR
- LHA has more than 40 vacant units; AND
- Operating reserve below 35% (less than 2 months of operating expenses).

EOHLC will look at operating reserves as of last year-end operating statement. LHAs can also provide financial information to show that their current operating reserve is below that threshold if circumstances have changed since the last operating statement.

HMS will indicate the maximum budget exemption for a certain unit through dialogue with the LHA. This staff approval will represent a maximum funding authorization and EOHLC will reimburse LHAs for documented costs up to that limit during the year-end operating statement process.

EOHLC will also provide budget exemptions on a case-by-case basis to LHAs severely affected by staff absences, for example a small LHA where one of two maintenance staff will be out for 6 months on workers compensation, or a similar administrative scenario. EOHLC retains discretion to deny such a budget exemption request if there is an alternate, feasible and cost-effective way to restore the unit . If your LHA has a staffing issue that will impede your ability to lease units in a timely manner for an extended period, please reach out to your HMS.

F. Assisting LHAs

We appreciate the LHAs that stepped up during the vacancy initiative to support other LHAs with maintenance turnovers and tenant selection. Several of them have offered to continue providing these services on request, and MA NAHRO will continue offering its eligibility & screening qualification packet mailing service. LHAs should reach out to them for help as needed; we have found that in many cases these LHAs provided a cost-effective way to quickly address vacancies.

Please see Attachment B: Assisting LHAs for services offered and contact information.

G. Webinar

EOHLC will review this notice and answer questions at the scheduled "Monthly Presentation" on Wednesday, February 21 at 10 am. Teams and call-in info below

Microsoft Teams meeting

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Please reach out to your EOHLC Housing Management Specialist with any questions.

Attachment A: Vacancy Waiver Types for 2024
Attachment B: Assisting LHAs