



Commonwealth of Massachusetts
**EXECUTIVE OFFICE OF HOUSING &
 LIVABLE COMMUNITIES**

Maura T. Healey, Governor ◆ Kimberley Driscoll, Lieutenant Governor ◆ Edward M. Augustus Jr., Secretary

PHN 2024-19

To: Local Housing Authority (LHA) Executive Directors
 From: Ben Stone, Undersecretary of the Division of Public Housing and Rental Assistance
 Date: October 29, 2024
 Re: Updates to Performance Management Review (PMR) for 2025 Cycle (FYE 6/30/2025 - 3/31/2026)

This notice provides updates to the Performance Management Review (PMR) program for reviews of LHAs with fiscal years ending 6/30/2025 - 3/31/2026 (2025 cycle).

Need to Know

- Updates to the scoring model detailed in Attachment A. These updates simplify scoring and emphasize the importance of onsite living and building conditions.
- System and process improvements will more accurately reflect a housing authority’s effort in each criterion by reducing the impact performance in one criterion has on performance in another criterion (i.e., cascading).
- Criteria Changes
 - The FY25 PMR updates the calculation for Adjusted Net Income (ANI) for a more accurate and less volatile reflection of income and expenses.
 - EOHLIC physical inspection sample sizes will increase across all LHAs.
 - EOHLIC will *randomly* select units to inspect on the day of the on-site visit.
 - **NEW CRITERION:** 6/30/2025 through 3/31/2026 will be a planning year for Preventive Maintenance administrative review.

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Section 1: Updates to the Scoring Model

KEY CHANGES:

- **Maintenance criteria will increase from 44% of the total score to 50%. Scoring for on-site physical conditions will increase from 25% to 33% of the total score.**
- **Criteria associated with Administration will decrease from 56% of the total score to 50%.**
- **Four (4) criteria will carry more weight within their corresponding section:**
 - **Vacancy/ Occupancy (Administrative)**
 - **Physical Inspection: LHA Inspection Standards**
 - **Physical Inspection: LHA Vacancy Turnover Standards**
 - **Physical Inspection: LHA Preventive Maintenance Standards**

EOHLC’s Performance Management Review (PMR) scoring model relies upon a biennial cycle (announced in [PHN 2021-13](#)) where a housing authority is evaluated in a Published and an Unpublished Year. The Published Year reviews all the PMR criteria and is scored. PMR scores are based on an LHA’s performance in criteria for EOHLC published benchmarks. Starting in the 2022 cycle (6/30/22-3/31/23 PMRs), LHAs scoring 65% or below on the scoring model received a “strike” and a follow-up PMR the next year, rather than two years later. The Unpublished Year reviews only the Desk Review section of the Published PMR and is unscored.

EOHLC uses a proportional weighting model by adding the raw scores of the criteria within a section (Administrative or Maintenance), and then divides by the total points possible to obtain a percentage for each item in the weighted column. With the weighting to be applied to the scoring model in the 2025 Cycle, once criteria are tallied for the section score, each section score, Administrative and Maintenance, will make up no more than fifty percent (50%) of the total PMR score.

Previously, the Maintenance section comprised only forty-four percent (44%) of the PMR. This change increases the overall weight of the Maintenance section of the PMR to fifty percent (50%). Administrative criteria comprised fifty-six (56%) of the PMR score and will be reduced to reflect an overall weigh of fifty percent (50%). The score will reflect criteria for Administrative and Maintenance equitably. EOHLC believes that this adjustment will accurately reflect the shared importance of evaluating administrative functions and physical conditions.

In addition to the adjustment between Administrative and Maintenance, the points structure will be changed. Currently, “no finding” scores for the individual criterion range from three (3) to eight (8) points. Starting with the 6/30/2025 PMRs, EOHLC will score PMR criteria on a 2, 1, 0 scale for No Findings, Operational Guidance, and Corrective Action respectively. The PMR gives four criteria additional weight to reflect their importance to LHA operation and the resident experience. These include:

<i>Section</i>	<i>Criterion</i>	<i>Score range</i>
Administrative	Vacancy/ Occupancy	No Finding – 4 Operational Guidance – 2 Corrective Action – 0
Maintenance	Physical Inspection: LHA Inspection Standards	No Finding – 4 Operational Guidance – 2 Corrective Action – 0
Maintenance	Physical Inspection: LHA Vacancy Turnover Standards	No Finding – 4 Operational Guidance – 2 Corrective Action – 0
Maintenance	Physical Inspection: LHA Preventive Maintenance Standards	No Finding – 4 Operational Guidance – 2 Corrective Action – 0

Attachment A details the scoring model which will begin for the PMRs for the LHA FYE 6/30/2025.

Section 2: Addressing PMR Score Cascading

KEY CHANGE:

System and process improvements will more accurately reflect housing authority efforts in all areas measured.

Currently (FY24 cycle), not performing in certain criteria will cause a ripple or “cascade” for an LHA to receive Corrective Action in another criterion. Examples of this include:

1. When a housing authority is late submitting FYE Operating Statements and Tenants Accounts Receivable, the system does not have the numbers needed to calculate criteria: Operating Reserve, Adjusted Net Income, or Tenants Accounts Receivable. The housing authority receives Operational Guidance or Corrective Action for Certification and Submissions and ALSO would receive a finding for the other financial criteria that could not be calculated as of the cutoff date, even if the LHA submits the required data before the PMR .
2. Some maintenance criteria compare housing authority work to conditions found on site. When a housing authority does not upload documentation or inspections, some comparative maintenance criteria cannot be evaluated, generating an automatic finding.

EOHLC will minimize the cascading effect starting with FY25 cycle in two ways.

1. First, system improvements will allow for a calculation after the current report cut off so that all numbers submitted will inform the Desk Review. If the FYE Operating Statement is submitted late, an LHA will receive a finding for Certifications and Submissions. However, since the Operating Reserve and the Adjusted Net Income can be calculated after the late submission of the FYE Operating Statement, the LHA will receive a score for Operating Reserve and Adjusted Net Income based on the threshold set for those criteria.
2. Changes to maintenance criteria will further focus on onsite conditions, and not link documentation to inspections. See Section 3B: Maintenance Processes & Criteria Update.

We hope that these changes will more accurately reflect the performance of a housing authority and help identify for EOHLC, Boards, and LHA staff where to focus improvement efforts.

Section 3: Criteria Changes

CHANGES:

- **Update to Adjusted Net Income (ANI) Increased EOHLC unit inspection sample size**
- **Random selection of inspected units.**
- **New Criterion: Preventive Maintenance administrative review (FY25 planning year)**

EOHLC continuously monitors the performance criteria in the PMR and ensures that the criteria provide a valid picture of LHA operations and accurately measure for LHA performance. To that end, EOHLC will adjust certain criteria for the 2025 PMR Cycle will add a new criterion as a planning year (unscored).

Subsection A: Admin: Adjusted Net Income (ANI) Update

KEY CHANGES:

EOHLC is changing the Adjusted Net Income benchmark and calculation:

- **Adjusting the ANI calculation,**
- **Changing the threshold from 10% to 15% variance between net income and expenses, and**
- **Eliminating the finding for a negative variance (i.e., expenses are less than net income).**

Since Adjusted Net Income (ANI) was introduced in 2019, EOHLC has monitored its validity and listened to LHA feedback about ways to improve the measurement. The ANI threshold and calculation seemed to have an impact in disproportionate ways. Smaller housing authorities, housing authorities with retained revenue, or housing authorities taking advantage of net metering programs appear to have findings for positive activities that were unintended in the original calculation. For example, these revenue accounts are hard to forecast and changes due to utility prices and weather led to LHAs exceeding the variance threshold. EOHLC is adjusting the ANI calculation to minimize the impact of volatile revenue accounts and accurately assess performance of housing authorities.

Changes include:

- Adjust the calculation by excluding from net income revenue accounts a/c #3693 in - Other Revenue - Energy Net Meter and a/c #3691 Other Revenue Retained
- Change the variance threshold from +/-10% to -15%
- Give Operational Guidance or Corrective Action for exceeding variance threshold, no longer looking at those under the variance threshold (i.e. old =/-10% to +15%)

The Adjusted Net Income metric captures the impacts of both revenue and expenses. The Adjusted Net Income metric calculation starts with an LHA’s Net Income (Account 2700) and adjusts Net Income in two ways. First, it excludes revenue recorded in Other Revenue - Energy Net Meter (Account 3693) and Other Revenue Retained (Account 3691). The adjustment continues by accounting for specific expenses, including: Depreciation (Account 4801), GASB- Employee Benefits (Account 4541), GASB- Pension (Account 4542), Extraordinary Maintenance (Account 4610), and Equipment Purchases – Non Capitalized (Account 4611). This adjusted net income figure is then divided by the Total Expenses (Account 4000) to understand spending with the perspective of overall LHA budget size.

New calculation, effective 6/30/2025

Account #		Class
2700		Net Income (Deficit)
3693	- (subtract)	Other Revenue - Energy Net Meter *CHANGE*
3691	- (subtract)	Other Revenue Retained *CHANGE*
4801	+ (add)	Depreciation Expense
4611	+ (add)	Equipment Purchases – Non Capitalized
4610	+ (add)	Extraordinary Maintenance
4541	+ (add)	GASB- Employee Benefits
4542	+ (add)	GASB- Pension
	= (equals)	Adjusted Net Income
		Adjusted Net Income
	/ (divide)	Total Expenses (Account 4000)
	= (equals)	Adjusted Net Income as a % of Total Expenses

Table 1. Adjusted Net Income (ANI) Criterion

Performance Area	No Findings	Operational Guidance	Corrective Action
Positive Adjusted Net Income as % of Total Expenses	0% up to 9.9%	10% up to 14.9%	15% or higher

Subsection B. Maintenance Processes & Criteria Updates

KEY CHANGE:

EOHLC will inspect a larger sample of units. See below for sample sizes based on LHA unit count

Enhancing EOHLC inspections will better determine the effectiveness of LHA operations and ensure LHA residents live in safe and sanitary housing. Continuing LHA success in the PMR allows EOHLC to broaden its overall view and make adjustments that ensure a multi-dimensional physical assessment of LHA maintenance operations.

See the table below reflecting current practices and upcoming PMR changes.

LHA SIZE	CURRENT	NEW
Small (1-199 Units)	7 administrative reports 3 physical inspections	7 administrative reports <i>7 physical inspections</i>
Medium (200-499 Units)	10 administrative reports 4 physical inspections	10 administrative reports <i>10 physical inspections</i>
Large (500-999 Units)	15 administrative reports 6 physical inspections	15 administrative reports <i>15 physical inspections</i>
Very large (1000+ units)	15 administrative reports 6 physical inspections	15 administrative reports <i>Physical Inspection - Minimum of 2 units per development</i>

KEY CHANGE:

EOHLC will select inspected units randomly on the day of the site visit.

Random inspections are industry standard and align closely with the inspection practices of HUD and many other affordable housing providers. They will provide a greater level of transparency into LHA operations and property conditions.

EOHLC will continue to send advance notification of units selected for the administrative portion of the review. The units listed on the notice are for the purposes of the administrative review only and are unlikely to be selected for physical inspection.

LHAs must notify all residents of the scheduled PMR and the possibility of inspection.

Although EOHLC has made system enhancements that will offset the cascading scoring effect of previously associated physical inspection criteria, **LHAs are reminded that they must upload All documentation** related to the administrative review prior to the site visit.

KEY CHANGE:

Additional Planning Year Criteria: EOHLC administrative review of LHA Preventive Schedule

NOTE: LHA Preventive Schedule of Work must meet criteria as outlined in [PHN 2022-10](#)

Every LHA should have a comprehensive Preventive Maintenance Plan and schedule of work that includes all the tasks necessary to maximize and preserve existing LHA components. Examples include: the servicing of boilers, changing filters in air source heat pumps, fire alarm testing, cleaning gutters, or simply changing the oil in an LHA vehicle. Many items will occur on an annual basis, while others will require more frequent servicing. LHAs may

perform some tasks in-house and other work may rely on service contracts, utilizing licensed or specially trained professionals, but should note means in preventive maintenance plan. .

The schedule of work developed by your LHA should encompass twelve (12) months and be comprehensive, by development, not only describing the necessary task, but also citing the frequency and the designated party responsible for completing the required work. The LHA preventive maintenance schedule must contain the six (6) core components as outlined in [Public Housing Notice 2022-10](#).

During the PMR process, EOHLC staff will review your LHAs adopted preventive schedule of work and cross reference it for accuracy against physical inspections conducted at the time of the PMR.

For PMRs conducted with FYEs 6/30/2025, 9/30/2025, 12/31/2025, and 3/31/2026, EOHLC will review the Preventive Maintenance Plan as a Planning Year criteria. Planning Year criterion are not scored criteria and the review is intended to provide guidance on how improve upon the plan, if needed, when the criterion is scored.

With the new Planning Year criterion, the Maintenance section of the PMR will appear as follows:

Criteria	General Summary
1. 100% Unit Inspections	All units inspected at LHA during FYE under review.
2. LHA Inspection Reports/Work Orders	Any Deficiencies/Lease Violations associated with sample Inspection Reports have generated work orders/correspondence and work is completed within established timeframe or moved to DM.
3. Physical Inspection: LHA Inspection Standards	FMS Physical Inspection of LHA units. Assessment of LHA inspection program and maintenance standards.
4. Vacancy Turnover Work Orders	All Vacant Units have work orders that itemize performed work. Work is completed within established timeframe or unit has an approved waiver.
5. Physical Inspection: LHA Vacancy Turnover Standards	FMS Physical Inspection of maintenance ready unoccupied unit or unit occupied within FYE under review.
6. Administrative Review of Preventive Schedule ***Unrated Planning Year***	LHA Preventive Schedule meets criteria as outlined in Public Housing Notice 2022-10
7. Physical Inspection: LHA Preventive Maintenance Standards	FMS Physical Inspection of LHA exteriors, common areas, mechanical rooms and equipment. EOHLC will conduct these inspections at each building where it conducts a unit inspection.
8. Emergency Work Orders	Emergency work orders are created, tracked, reportable and completed within forty-eight (48) hours.
9. Requested Work Orders	Requested work orders are created, tracked, reportable and completed within fourteen (14) days or moved to DM/CIP.

We hope that these changes to the Performance Management Review (PMR) will continue to highlight the successful operations of housing authorities. For questions regarding, maintenance criteria and technical assistance, please contact your assigned Facilities Management Specialist (FMS) for further assistance. For other questions related to this notice or the PMR, please contact you Housing Management Specialist (HMS) with questions.

Attachment A: PMR Scoring Model, effective 6/30/2025

Section, Percentage of Final Score	Category	Criteria	No Findings	Operational Guidance	Corrective Action
Administrative, 50%	Desk Audit	Vacancy/ Occupancy Rate	4	2	0
		Tenant Accounts Receivable (TAR)	2	1	0
		Board Training	2	1	0
		Certifications and Submissions	2	1	0
		Annual Plan Submission	2	1	0
		Adjusted Net Income (ANI)	2	1	0
		Operating Reserves	2	1	0
		Staff Certification and Training	2	1	0
	Capital	Contract for Financial Assistance (CFA) Submission	2	1	0
	CHAMP	Criteria 1: Paper applications	2	1	0
Criteria 2: Vacancy System/ CHAMP Usage		2	1	0	
Criteria 3: Fair Housing		2	1	0	
Maintenance, 50%	Physical Conditions	100% Unit Inspections	2	1	0
		LHA Inspection Reports/ Work orders	2	1	0
		Physical Inspection: Inspection Standards	4	2	0
		Vacancy Turnover Work Orders	2	1	0
		Physical Inspection: Vacancy Standards	4	2	0
		Review of Preventive Schedule *Unrated Planning Year 6/20/25- 3/31/26*	2	1	0
		Physical Inspection: Preventive Standards	4	2	0
		Emergency Work Orders	2	1	0
Requested Work Orders	2	1	0		

PMR Score Calculation

	(Administrative Raw Score Total x 50%)
+	(Maintenance Raw Score Total x 50%)
=	PMR Total Score

Attachment B Example Adjusted Net Income Calculation

In example below, the Adjusted Net Income is negative and is greater than 15% of the Total Expenses, which means overspending and results in a rating of ‘Corrective Action.’

Account #		Class	
2700		Net Income	\$ (50, 976)
3693	-	Other Revenue - Energy Net Meter *CHANGE*	\$ 0
3691	-	Other Revenue Retained *CHANGE*	\$ 0
4801	+	Depreciation Expense	\$ 106, 680
4611	+	Equipment Purchases – Non Capitalized	\$ 40,275
4610	+	Extraordinary Maintenance	\$ 0
4541	+	GASB- Employee Benefits	\$ 38,214
4542	+	GASB- Pension	\$ 2,827
	=	Adjusted Net Income	\$ 137,020

		Adjusted Net Income	\$ 137,020
	/	Total Expenses (Account 4000)	\$ 1,411,949
	=	Adjusted Net Income as a % of Total Expenses	9.7%