



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON, MASSACHUSETTS 02108

A. JOSEPH DeNUCCI
AUDITOR

TEL. (617) 727-6200

NO. 2005-5119-3A

**INDEPENDENT STATE AUDITOR'S
COMPREHENSIVE REPORT
ON THE PHYSICAL CONDITION OF
AND RESOURCES ALLOCATED FOR THE
OPERATION AND UPKEEP OF
STATE-AIDED PUBLIC HOUSING IN THE
COMMONWEALTH OF MASSACHUSETTS**

**OFFICIAL AUDIT
REPORT
OCTOBER 5, 2006**

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INTRODUCTION

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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), obtained data from surveys of the 247 local housing authorities (LHAs) across the Commonwealth, and conducted site visits to a selected, representative, cross section of 66 housing authorities throughout the state.

According to DHCD, as of December 31, 2005 there were 247 local public housing authorities, including four regional housing authorities, that manage approximately 49,968 units of low- and moderate-income housing across the Commonwealth. In addition, 80 of these authorities operate an additional 33,507 units of federally assisted housing units, for a total of 83,475 units under management.

The total development/replacement cost of the state projects under management is approximately over \$10 billion, with annual operating budgets of \$124 million. DHCD expenditures for operating subsidies totaled \$34.8 million in fiscal year 2006, which is less than the \$38 million expended for operating subsidies in fiscal year 1986. During the interim period subsidy payments to LHAs have been irregular, inadequate, and untimely.

Since the early 1970s, public housing rents have been fixed as a percentage of tenant household income (currently a maximum of 32%) to ensure that tenants can afford the rent. The LHAs have relied on DHCD to request from the Legislature adequate operating subsidies to provide funding for the difference when rents do not offset operating expenses. However, state operating subsidies have been erratic through the years and generally too low to enable LHAs to maintain and preserve the housing units in good repair and to fund reserves. Years of underfunding have resulted in the deterioration of the state-aided housing inventory, as LHAs have been forced to defer maintenance and other costs or inappropriately use federal funds.

The LHAs have been provided with fewer funds to make such significant modernization and capital repairs as roof replacements, heating system replacements, bathroom and kitchen modernizations, and elevator replacements. These funds have traditionally come from State Bond Funds. The 1998 Bond bill provided \$187 million for LHA modernization programs, and these funds are fully committed. The 2002 Bond Bill allocated \$350 million for LHA modernization with the provision that use of these funds is to be spread out over five years. (See page 4 for more details.)

At the conclusion of our audit we provided the Legislative Subcommittee on Public Housing, DHCD, and the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials (Mass NAHRO) a draft of this report and have taken their comments into consideration in our final report. Applicable portions of DHCD's response to the Audit Results are included at the end of this report followed by our reply. The Legislature and Mass NAHRO responded favorably to the contents of our report.

AUDIT RESULTS

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1. PHYSICAL CONDITION OF LOCAL HOUSING AUTHORITIES IN NEED OF SIGNIFICANT IMPROVEMENT

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The Commonwealth's 247 LHAs, including the four regional housing authorities, are statutorily mandated, authorized, and, with the statutorily mandated assistance from the Commonwealth through DHCD, entrusted and required to maintain and operate approximately 49,968 units of safe, decent, and sanitary housing for the Commonwealth's qualifying low-income individuals, families, the elderly, homeless, disabled, and veterans who have served our state and country.

Many of the state's housing units are over 50 years old and, accordingly, require more extensive renovations and repairs in order to preserve this valuable commodity and keep the units in service to meet the growing demand. Continued failure to provide reasonable and adequate funding at the same level as the federal programs will only cause further deterioration and more extensive costs to repair the state facilities in the future.

Our inspections found that the physical condition of the state-managed housing properties have deteriorated to the point that many residents are being deprived of the required safe, decent, and sanitary housing that the law mandates. These conditions are corroborated by the LHA's own inspections and a recent report by the Legislature.

2. POOR FISCAL CONDITIONS AND INADEQUATE RESOURCES ARE AFFECTING THE ABILITY OF LOCAL HOUSING AUTHORITIES TO PROVIDE SAFE, SANITARY, AND AFFORDABLE HOUSING

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Chapter 121B, Section 32, of the General Laws and guidelines promulgated by DHCD restrict and limit the amount of rent an LHA may charge its tenants. Under these circumstances and limitations, since LHAs cannot pass on their increased costs to the tenants, it is essential that the Commonwealth, acting through DHCD, fulfills its obligations and provides "sufficient" "requisite" "annual contributions" for it and LHAs by providing the funding necessary to satisfy their mandate. It is equally important that these subsidies be provided in a timely manner; otherwise, the mandate and essential need to provide safe, decent, and sanitary housing is not fulfilled.

Contrary to the requirements of these laws, the Commonwealth through DHCD has in its budget guidelines for fiscal years 2003, 2004, 2005, and 2006 instead required that the LHAs it regulates to submit non-utility bottom line budgets with 0% increases and rejects budgets that do not conform to these guidelines. In doing so, DHCD is not recognizing that the actual operating costs of LHAs have significantly increased. However, on a case-by-case basis, to cover certain increased costs, DHCD will approve the use of operating reserves. DHCD also expects LHAs to absorb increased costs within the 0% cap, which results in the LHAs cutting services to tenants, reducing employee earnings by reducing work hours, and laying off staff.

We found that in spite of statutory mandates, the LHAs as of June 30, 2005 were owed over \$7.75 million from DHCD in overdue subsidies dating back to and for fiscal years ended June 30, 2002, 2003, 2004, and 2005. This problem is only

exacerbated by the build-up of overdue unpaid subsidies due for fiscal year 2006 and now into fiscal year 2007. The paying of past, prior-year obligations with future year appropriations and the continued long-term drain on and use of reserves, which are intended for unforeseen emergency costs, is not only legally questionable but also an unsound and unwise fiscal and economic policy. Putting off, ignoring, and not recognizing the true needs and costs to operate, maintain, repair, and renovate the Commonwealth's housing stock will not only increase the future costs because of inflation, but also because the continued and extended deterioration of housing units, which will necessitate more extensive remediation, is a disservice to the dignity of the tenants living in public housing, and violates the mandate to provide safe, decent, and sanitary housing.

The September 1, 2005 "Study of Appropriate Costs for State-Funded Public Housing in Massachusetts" by the Harvard University Graduate School of Design used a scientific approach to quantify the appropriate operating cost coefficients for the several state public housing programs. This study determined that shortfalls in state subsidies at LHAs throughout the Commonwealth have been shortchanged and undersubsidized for the past four fiscal years from 2003 to 2006 by approximately \$315.6 million, or \$78.9 million annually.

LHAs cannot remain solvent and avoid bankruptcy when DHCD does not budget sufficiently to provide adequate contributions to meet annual operating and maintenance costs and instead encourages under-budgets and causes delays in providing timely periodic subsidies for LHAs to pay their bills. As a result, LHAs have had to delay maintenance, reduce staff, reduce salaries, and withstand other costs they cannot control, such as expenses related to weather conditions, utilities, water, sewer, and trash.

3. RESULTS OF LHA SURVEYS AND INSPECTIONS DISCLOSE BOTH WEAKNESSES AND OPPORTUNITIES TO CONSTRUCT ADDITIONAL HOUSING

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As part of this audit we visited 66 of the LHAs surveyed in order to observe the physical condition of both the interior and exterior of the dwellings and buildings managed by LHAs to house public housing tenants. Although DHCD guidelines and Chapter II of the State Sanitary Code emphasize and require the periodic inspection of the interior of tenant dwelling units to ensure and provide for the health and safety of LHA tenants, we found (as did the Legislature) that in many cases the continued lack of adequate funding resulted in the continuing long-term neglect of the buildings' exterior and structural integrity, and that the properties themselves could affect the tenants' health, safety and dignity. Ultimately, if these conditions are not remedied and the buildings are not repaired but allowed to deteriorate further, the units could become uninhabitable because of condemnation by applicable health, safety, and building officials as noted elsewhere in this report. Separate individual reports will be issued for each of the 66 LHAs visited that report clearly and convincingly on the substandard housing conditions identified.

In addition, during our review we found that some of the LHAs owned land upon which additional housing units could be constructed (see Appendix H). Building housing on land already owned by the LHAs would be less costly since there would be no acquisition and related costs. Moreover, such construction would alleviate the

shortage of affordable housing throughout the Commonwealth as demonstrated by the number of applicants (over 81,000) listed as waiting for low-income housing (see Appendix E).

CONCLUSION

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As identified and documented within this audit report, it is evident that the Commonwealth's LHAs have been severely underfunded, undersubsidized, and financially restricted with no increases to non-utility annual expense levels for the past four consecutive years. Moreover, this underfunding has extended to five years now that fiscal year 2007 has begun. This condition is caused by a flawed and misguided budget process whereby the true annual operating and capital costs and needs of the LHAs are understated and therefore do not disclose the extent of these conditions to the Governor and the Legislature for their consideration. This practice has become a deliberate approach to budgeting and is contrary to the statutory requirements of Chapter 121B, Sections 29 and 32, and Chapter 29, Section 3, of the General Laws. This undersubsidization is not only evidenced by the LHAs' repeated requests for subsequent supplementary or deficiency budgetary appropriations after the fiscal year has concluded but also by the disparity between the federal and state allowed annual non-utility expense levels. LHAs budgets are also being artificially capped because the true and actual operating costs are not recognized or allowed by DHCD to be submitted as the LHAs deem necessary for their budgets. If they were approved, the subsidies would be almost doubled. This failure results in administrative, maintenance, and capital cutbacks, which have caused severe deterioration, decay, and disrepair to LHA properties throughout the state and the ultimate statutory violation of not providing safe, decent, and sanitary housing to the public housing residents within the Commonwealth.

Prior to the issuance of our report, the Legislative Subcommittee on Public Housing issued a report on July 2006 that details the results of its findings from visits to a number of LHAs. The report found similar conditions and made similar conclusions that, along with this report, should be used by DHCD to reform its oversight and monitoring practice and provide adequate funding to LHAs so they can rectify the problems disclosed.

RECOMMENDATIONS

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In order to stem the long-term neglect and negative effect on the Commonwealth's public housing due to the lack of adequate annual operating and capital subsidies in the communities where these projects are located and to address the need for additional housing throughout the Commonwealth, DHCD should immediately fulfill its statutory responsibilities to citizens, communities, and LHAs and, if necessary, seek legislative authority by:

- Immediately seeking and providing funding to avoid the disparity in funding and housing quality and unequal treatment or discrimination that exists between the federal and state housed tenants by, at a minimum, increasing the Allowable Non-Utility Expense Level (ANUEL) and Per Unit/Per Month (PUM) to the same level recognized by and utilized by the federal government for federally aided public housing. This will result in an estimated increase of approximately

\$35 million per year. In the meantime, DHCD should release and authorize LHAs to utilize the net assets-unrestricted/operating reserves and credit subsidy balances to make emergency repairs and to make provisions for each LHA to maintain a full operating reserve as noted in Chapter 121B, Section 32, of the General Laws. Increasing the annual subsidy would eliminate annual delinquent requests for supplementary deficiency budget appropriations and inappropriate borrowing from federal programs.

- Determining and implementing a base-line funding level that recognizes the stagnant zero growth for the last four years and then annually providing subsidies based on a recognized index similar to that utilized by the federal government.
- Utilizing the periodic financial data provided by LHAs to determine the true costs to operate the state's public housing dwelling units and utilize this data and system to determine annual budget requests for presentation to the Legislature.
- Allowing LHAs to submit budget requests and explanations for all of their actual operating and modernization costs consistent with statutory requirements so that the Legislature is fully informed of actual fiscal and physical conditions when making their deliberations.
- Recognizing and vigorously pursuing the subsidies necessary that, combined with other LHA income, will be sufficient to cover the LHAs' true actual operating costs and DHCD's obligation.
- Providing budget guidelines prior to the fiscal year so that LHAs can annually submit to DHCD for compilation true and accurate budget requests representing their total actual needs as required by law. To this end, the LHAs should be represented individually and/or collectively through their association, Mass NAHRO, at public hearings, both administrative and legislative, as well as provide written documentation to support their needs to these bodies. DHCD, in turn, should be required to justify and document the difference between LHA requests and DHCD budget recommendations to the satisfaction of the Ways and Means Committees.
- Paying all LHAs on a monthly up-front basis and remaining current on its obligations. DHCD should also advance a month's subsidy to LHAs at the beginning of each fiscal year so that the LHAs remain financially secure and do not need to borrow inappropriately from other programs pending DHCD payments. In addition, DHCD should maintain and reconcile on a monthly basis its obligations to LHAs and thereby remain current on its obligations.
- Maintaining a centralized list of vacancies and waiting lists for all housing authorities so that it can respond to the ongoing demand for housing and be prepared to promptly respond in time of emergencies or disasters.

- Identifying all LHAs owning land with development potential and determining the number of dwelling units that could be constructed. Moreover, DHCD should develop cost estimates for the construction of LHA housing and create a bond fund dedicated to additional LHA housing. This should include the acquisition of additional land in the community of the LHA. In doing so, consideration needs to be given to the total cost to the Commonwealth of responding to the overall housing crisis, including the cost of providing for the homeless across the Commonwealth.
- Immediately conducting a complete and comprehensive inventory of the capital improvements necessary to repair, renovate, and modernize the aging and deteriorating public housing stock throughout the Commonwealth and developing a short-range plan for the funding and completion of all such repairs and renovations. A separate special bond should be considered to help resolve the existing problems. If no plan can be developed to rectify the budgeting, planning, and financing to provide for the annual operating and physical infrastructure needs of LHA properties, serious consideration by the Legislature should be given to creating a separate, quasi-public authority similar to the Massachusetts School Building Authority, to accomplish a more timely response to these neglected repairs and renovations and annual budget deficiencies. The current situation is clearly not addressing the continuing and worsening conditions that exist at the LHAs. This recommendation was also made by the Legislative Subcommittee on Public Housing in its report as a means to reverse the historically inadequate levels of funding necessary to modernize and provide operating funds for state-aided public housing.

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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. A complete list of those authorities surveyed and/or visited is provided in Appendix B of the report. Separate individual reports will be issued for each of the 66 LHAs visited.

According to DHCD, as of December 31, 2005, there were 247 LHAs, including four regional housing authorities, that manage approximately 49,968 units of low- and moderate-income housing throughout the Commonwealth. In addition, 80 of these authorities operate an additional 33,507 units of federally assisted housing units, for a total of 83,475 units under management. The inventory of state subsidized dwelling units is as follows:

<u>Program</u>	<u>Number of Units</u>	<u>Percent Of Total</u>	<u>Change Since 1993</u>
Chapter 667 (Elderly/Disabled)	32,310	65%	168 units
Chapter 200 (Family)	12,629	25%	(444) units
Chapter 705 (Family)	3,122	6%	202 units
Chapters 689 & 167 (Special Needs)	<u>1,907</u>	<u>4%</u>	<u>246 units</u>
	<u>49,968</u>	<u>100%</u>	<u>172 units</u>

A list of housing units provided to us by DHCD and administered by each LHA appears in Appendix A.

The total development/replacement cost of the state projects under management is approximately over \$10 billion, with annual operating budgets of \$124 million. DHCD expenditures for operating subsidies totaled \$36.5 million in fiscal year 2005 and \$34.8 million in fiscal year 2006.

According to the Subsidized Housing Inventory report prepared by DHCD, as of February 2005, there were 226,459 units of subsidized housing in the Commonwealth. Most of the subsidized units

in the inventory are 20 to 50 years old and in various stages of disrepair, with varying degrees of repair and renovation necessary. An analysis of the inventory follows:

<u>Program Type</u>	<u>Number of Units</u>	<u>Percent of Total</u>
State Subsidized at LHAs	49,968	22%
Federally Subsidized at LHAs	<u>33,507</u>	<u>15%</u>
Total State and Federal Subsidized Units	<u>83,475</u>	<u>37%</u>
Other Assistance Programs:		
• Section-8 and MRVP	75,544	33%
• Private HUD Subsidies	63,626	28%
• Tax Credit Financed	<u>3,814</u>	<u>2%</u>
Total	<u>226,459</u>	<u>100%</u>

Chapter 121B of the General Laws is the primary statute relative to the establishment and regulation of public housing in the Commonwealth. In that regard, Section 29 states that:

The department [DHCD] shall from time to time make, amend and repeal rules and regulations prescribing standards and stating principles governing the planning, construction, maintenance and operation of clearance and housing projects by housing authorities.

In addition, Section 32 stipulates the standard of quality to be maintained as the responsibility of the local housing authorities, as follows:

Upon the completion or acquisition of a housing project by a housing authority, it shall be maintained and operated by such authority. It is hereby declared to be the policy of this Commonwealth that each housing authority shall manage and operate decent, safe, and sanitary dwelling accommodations at the lowest possible cost, and that no housing authority shall manage and operate any such project for profit. To this end, an authority shall fix the rents for dwelling units in its projects in accordance with regulations issued by the department.

Section 32, further states that the authority's revenues, including rentals and the requisite annual contribution (state subsidy) from DHCD, will be sufficient to cover its various costs of operations, as follows:

Said rentals together with all other available moneys, revenues, income and receipts of the authority, from whatever sources derived, and together with the requisite annual contribution [state subsidy from DHCD], will be sufficient (a) to pay, as the same become due, the principal and interest on the bonds of the authority; (b) to meet the cost of insurance and the payments in lieu of taxes provided by section sixteen and to provide

for maintaining, operating and using the projects and the administrative expenses of the authority; (c) to create, during not less than the twelve years immediately succeeding its issuance of any bonds, notes or other evidences of indebtedness, a reserve sufficient to meet the largest principal and interest payments which will be due on such bonds in any year thereafter and to maintain such reserve; and (d) to provide such tenant services for residents of housing projects as the department may approve.

[Note: reserves for Chapter 200 and some 667 bonds mentioned in section (c) are no longer necessitated at the current time.]

Moreover, Chapter 23B, Section 3, of the General Laws empowers DHCD to:

...be the principal agency of the government of the commonwealth to: mobilize the human, physical and financial resources available to combat poverty and provide economic training and open housing opportunity . . . [and] shall fund and advance the programs of open and adequate housing for all citizens of the commonwealth, including those displaced by public action within the commonwealth; and shall assist in the full utilization of open space and conservation resources of the commonwealth.

Finally, Chapter 29, Section 3, of the General Laws stipulates DHCD's responsibilities regarding budget estimates and appropriation requests for adequate funding to operate its programs, as follows:

...shall submit to the budget director statements (1) showing in detail the amounts appropriated for the preceding and the current fiscal years; (2) the interchanges during the preceding fiscal year between the subsidiary accounts prescribed in accordance with section twenty-seven; (3) the deficiencies and overdrafts, if any, in appropriations for the latest complete fiscal year and for the current fiscal year; (4) estimates of the amounts required for ordinary maintenance for the ensuing fiscal year, with an explanation of any increased appropriations recommended and with citations of the statutes relating thereto, a statement indicating the priorities assigned to each program.

In addition, each state agency shall submit such statements, estimates, recommendations, and other information to the secretary having charge of such state agency, if any, who shall review the same and make such additions thereto, deletions there from and modifications herein as such secretary deems appropriate; provided, however, that prior to making any such additions, deletions or modifications, such secretary shall conduct public hearings, for which he shall give five days' public notice prior thereto, on all items for which he shall submit a recommendation for appropriations to the governor. Said secretaries shall furnish, to the house and senate committees on ways and means and the house and senate committees on post audit and oversight copies of all such statements, estimates, recommendations, and other information and of all such additions, deletions, and modifications.

Since the early 1970s, public housing rents have been fixed as a percentage of tenant household income (currently a maximum of 32%) to ensure that tenants can afford the rent. The LHAs have relied on DHCD to request from the Legislature to provide operating subsidies when rents do not completely offset operating expenses. However, state operating subsidies have been untimely and

erratic through the years and generally too low to enable LHAs to maintain units in good repair and to fund reserves. Years of underfunding have resulted in deterioration of the state-aided housing inventory as LHAs have been forced to defer maintenance and other costs.

The following table reveals that the \$34.8 million in state operating subsidies for fiscal year 2006 are less than the \$38 million in subsidies in fiscal year 1986 and that during the interim period subsidy payments have been irregular, inadequate, and untimely.

<u>Fiscal Year</u>	<u>DHCD Expenditures for LHA Operating Subsidies</u>
1986	\$38.0 million
2001	\$34.3 million
2002	\$31.9 million
2003	\$23.2 million
2004	\$25.4 million
2005	\$36.5 million
2006	\$34.8 million

We recognize that past fiscal year supplemental appropriations are provided by the Legislature, sometimes only after overriding a gubernatorial veto. However, as explained elsewhere, they are not available when needed and are several years delinquent because of DHCD's restrictive budgetary guidelines. The LHAs have been provided with fewer funds to make significant capital repairs, such as roof replacements, heating system replacements, bathroom and kitchen modernizations, and elevator replacements. These funds have traditionally come from state bond funds. The 1998 Bond Bill provided \$187 million for LHA modernization programs. These funds are fully committed. The 2002 Bond Bill allocated \$350 million for LHA modernization with the provision that use of these funds is to be spread out over five years.

According to the Commonwealth's Statutory Basis Financial Statements for fiscal years 1989 through 2005, DHCD's authorized capital spending for housing activity was as follows:

<u>Fiscal Year</u>	<u>Capital Spending (In Millions)</u>	<u>Fiscal Year</u>	<u>Capital Spending (In Millions)</u>
1989	\$ 202	1997	\$ 69
1990	\$ 156	1998	\$ 80
1991	\$ 75	1999	\$ 83
1992	\$ 28	2000	\$ 85
1993	\$ 33	2001	\$ 77
1994	\$ 34	2002	\$ 102
1995	\$ 47	2003	\$ 109
1996	\$ 65	2004	\$ 120
		2005	\$ 118

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 not only those of the LHAs but also the oversight and monitoring by 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 LHA management and DHCD were conducting follow-up actions based on the results of site inspections.

Second, we sought to determine whether the LHAs were owed prior-year operating subsidies from DHCD and 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 modernization process

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

Third, to determine whether state-aided programs were maintained in proper condition and safety standards, we (a) physically observed the condition of the LHA 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 citations if any, were issued and the LHAs' plan to address any such 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 for its work plan.

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

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

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

Fourth, we reviewed several reports, including:

- A report titled "Protecting the Commonwealth's Investment Securing the Future of State-Aided Public Housing" dated April 4, 2001. This report, funded by the Harvard University Housing Innovations Program in partnership with Citizens Housing and Planning Association (CHAPA) assessed the Commonwealth's portfolio of public housing, documented the state inventory of 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.

- A two-phase report titled “Operating Cost Study of Massachusetts State Public Housing,” phase one dated March 6, 2005, by Gregory Bryne & Associates and phase two dated April 26, 2005, by Harvard University Graduate School of Design and Abt Associates.
- A report titled “A Study of the Appropriate Operating Costs for State-Funded Public Housing in Massachusetts,” dated September 1, 2005 and prepared by Harvard University Graduate School of Design. This report assessed the Commonwealth’s portfolio of public housing, documented the state inventory of capital needs, and made recommendations regarding the level of funding and the administrative and statutory changes necessary to preserve state public housing.
- A report titled “An Affordable Housing Guide for Legislators,” June 2005 and prepared by Citizens’ Housing and Planning Association.

Fifth, 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 several LHA, the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials (Mass NAHRO), and DHCD officials, and reviewed various local media reports of the condition of certain local public housing properties.

At the conclusion of our audit we provided a draft of our report to the Legislative Subcommittee on Public Housing, DHCD, and Mass NAHRO and have taken their comments into consideration in our final report. Applicable portions of DHCD’s response to the Audit Results are included at the end of this report followed by our reply. The Legislature and Mass NAHRO responded favorably to the contents of our report.

Subsequent to the completion of our audit work, the Legislature and the Governor approved a deficiency budget (Chapter 192 of the Acts of 2006) of \$10,748,698, of which approximately \$7.7 million was provided to address subsidy deficiencies prior to fiscal year 2006.

The results of our review are detailed in the following Audit Results section of this report.

AUDIT RESULTS

1. PHYSICAL CONDITION OF LOCAL HOUSING AUTHORITIES IN NEED OF SIGNIFICANT IMPROVEMENT

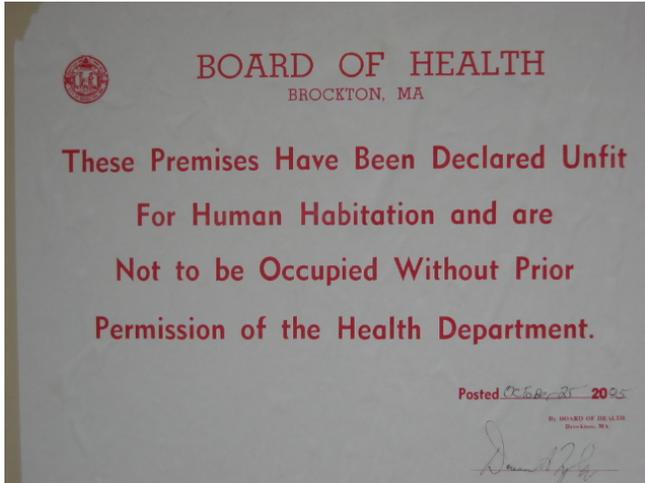
The Commonwealth's 247 Local Public Housing Authorities (LHAs), including the four regional housing authorities, are statutorily mandated, authorized, and, with the statutorily mandated assistance from the Commonwealth through its Department of Housing and Community Development (DHCD), entrusted and required to maintain and operate approximately 83,475 of federal and state subsidized units of safe, decent, and sanitary housing for the Commonwealth's qualifying low-income individuals, families, the elderly, homeless, disabled, and veterans. There are approximately 33,507 units of housing operated under federal programs and 49,968 operated under state-regulated programs, providing a combined total of approximately 250,000 eligible applicants with housing when Section 8, federal and state Rental Voucher Program, and state subsidies are taken into consideration.

Our survey and site visits found that the physical condition of the state-managed housing properties have been allowed to deteriorate to the point that many residents are being deprived of the required and much-needed safe, decent, and sanitary housing that the law mandates. The photographs on pages 10, 11, and Appendix C taken at various LHA properties throughout the Commonwealth, illustrate some of the many examples of health and safety hazards in both the interior and exterior of LHA-managed dwelling units that we found during our statewide review, including missing hand railings; cracked and damaged foundations; deteriorating concrete on stairs and sidewalks; extensive mold and mildew damage to interior walls; rotted and weather-damaged window frames, siding, and shingles; and hazardous and patchwork repairs to areas damaged by infestation by rodents, termites, and carpenter ants. Many of these conditions cause restricted egress for entrance and exit, which represents a fire and safety hazard. The photographs are not isolated but are examples of and symptomatic of the serious state of disrepair that clearly and convincingly exists throughout the state-aided public housing inventory.

Coincidentally, the Legislative Subcommittee on Public Housing issued a report in July 2006, while we were finalizing our report, that confirms and corroborates the conclusion of this report that state budgets and subsidies for both capital and operating needs have been significantly and

historically inadequate to preserve the state’s precious public housing resource. The Legislature’s report even quoted a study by the Harvard School of Public Health that found that poor quality public housing contributes to high incidents of youth asthma and other health problems.

Brockton H.A.



200-2 Project, #34.5 Clifford Ave.
Brockton Board of Health citation posted at the door

Brockton H.A.



200-2 Project, #38 Clifford Ave.
Missing railing, deteriorating concrete

Quincy H.A.



689-1 Project, #215 Safford St,
Wooden beams supported by two-by-fours

Yarmouth H.A.



667-1 Project
Taped sump pump

Boston H.A.



705-1 Project, #115 Boardman, East Boston
Mold in bedroom wall from bathtub overflow

Brewster H.A.



667-1 Project
Rotted window frame

Adams H.A.



705-1 Project, #174 N. Summer St.
Damaged foundation

Boston H.A.



705-1 Project, #136 Blue Hill Avenue
Mold in living room walls

Brookline H.A.



667-1 Project, #34 Foster St.
Damaged concrete stairs

Holbrook H.A.



667-2 Project
Rotted sheathing, rot under shingles

Appendix C portrays an additional sampling of conditions of state-managed housing properties throughout the Commonwealth. Conversely, our survey and visits also found that the physical condition of federally subsidized housing operated by these same LHAs has not deteriorated and has provided a higher standard of quality and dignity to those tenants residing therein because they are provided with a higher monthly subsidy than is provided by the Commonwealth through DHCD. Some have argued that such a disparity in and of itself is unfair and discriminatory and could have been prevented had DHCD acted preemptively.

Our survey also found that LHAs throughout the state own land that could be developed to provide units of additional low-income and affordable housing to qualifying citizens. This could be done at a significantly lower cost since construction would not include land acquisition and related costs. DHCD, LHAs and the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials (Mass NAHRO) should work together with the Legislature to utilize this land to maximize the opportunity for affordable community housing, considering the amount of funds spent on alleviating the homelessness conditions in the Commonwealth.

However, many of the state's housing units are over 50 years old and accordingly require more extensive renovations and repairs in order to preserve this valuable commodity and keep them in service to meet the growing demand. Continued failure to provide adequate funding at the same level as the federal programs will only cause further deterioration and more extensive costs to repair the state-managed developments.

Unfortunately, according to the April 4, 2001 report by Harvard University Housing Innovations Program on protecting and securing the Commonwealth's investment in its state-aided public housing, approximately 1,994 units of housing have been lost and are no longer available. The units lost were from urban cities that continue to suffer from a lack of adequate affordable housing, as follows: Boston Housing Authority - 1,273 units; Cambridge Housing Authority - 384 units; Lynn Housing Authority - 214 units; Lowell Housing Authority - 81 units; and Holyoke Housing Authority - 42 units. The fact that, as DHCD indicates, some of these units have become federally assisted should not be considered an accomplishment. It would be far more credit-worthy if more people, including the homeless, were housed in a growing public and affordable portfolio. Condemnation, demolition, and conversions or redevelopment is more

costly, negligent, and irresponsible. Furthermore, our questionnaires revealed that as of June 30, 2004, 53 housing authorities reported 407 units lost because of the significantly deteriorated physical conditions of the units (see Appendix I).

In addition, our survey found that 837 additional units, on average, are temporarily vacant from 61 days to over 180 days pending some degree of major maintenance and repair in order to reoccupy them with eligible applicants from pending waiting lists (see Appendix D). The length of time necessary to reoccupy these units is affected by several circumstances, including state of disrepair, frequency of upkeep, adequacy of maintenance staff, and most importantly the availability of adequate funds for maintenance and repair.

Our survey and inquiry found that there are 81,150 persons on waiting lists and over 1,000 vacant units throughout the Commonwealth (see Appendix E) pending funding for repair and maintenance. We also found that, although the LHAs provide DHCD with the number of people who have applied for housing and are on waiting lists from time to time, DHCD does not maintain an ongoing centralized inventory of the current number of applicants awaiting housing at the LHAs throughout the Commonwealth. Therefore, it is difficult for DHCD to provide the Administration and the Legislature with accurate information so that they can be accurately appraised of and respond to the demand for housing in the Commonwealth. Without such data, including the conditions of and reason for unit vacancies, it is difficult for LHAs to obtain funding from DHCD to repair and occupy units in a timely manner.

A case in point that demonstrates the importance of DHCD's maintaining a current, ongoing central registry of vacant units that exist at the LHA level throughout the Commonwealth was the disaster that occurred in the Gulf coast states as a result of Hurricane Katrina. In order to determine the ability of the Commonwealth to respond and provide temporary housing to the thousands of displaced victims, DHCD staff began to canvass the LHAs by telephone to ascertain the number of vacant units available. Since this information exists on a real-time, current basis at the LHA level, it is essential that DHCD utilize information received regularly to maintain a current centralized database of financial and management information to improve its knowledge base in addition to its monitoring and oversight of vacant units.

While these conditions exist, the Commonwealth through the Department of Transition Assistance (DTA) increased its fiscal 2004 spending by 82% from five years earlier, to over \$70 million in its emergency assistance family shelter program to house families in shelters and hotels and motels due to lack of capacity. Spending on hotels and motels exceeded \$20 million the previous fiscal year. The DTA and DHCD recognized that this practice is clearly not appropriate for homeless families who become isolated in hotels without mainstream services and minimal case management. To address the problem, the Commonwealth unfortunately has not taken sufficient initiatives to restore, repair, and build additional units of housing under the management of the state's LHAs. More can be done if the property and land already owned by LHAs are identified, repaired, renovated, and developed and utilized to their maximum potential to house eligible tenants. Concerning this matter, in August 2004 the DTA, in its report "Changing Family Homelessness," stated that, in her role as chair of the Interagency Council on Homelessness, the Administration challenged the DTA to eliminate the need to place homeless families in hotels over the next 24 months. The initiative included investing funds in LHAs in conjunction with DHCD to transition families into regular LHA units. The report indicated that DTA was on schedule to place 110 families before the end of the 2005 fiscal year.

In November 2003 the Governor's Executive Commission for Homeless Services Coordination issued its final report, "Housing the Homeless: A More Effective Approach," which disclosed that there are 13 state agencies involved in the delivery of homeless services. The report estimated that these agencies will spend a quarter of a billion dollars in fiscal year 2004. The report also revealed that these agencies spent approximately \$119 million on homeless services for families and \$126 million for homeless services for individuals.

As of December 31, 2004, every family homeless shelter in Massachusetts was full, housing more than 1,182 families. This is double the number of families in shelters five years ago. In August 2004 the state stopped the practice of housing families in hotels and motels and added 133 new shelter beds. In 2005 the state added an additional 148 new shelter beds. Most families living in shelters have income at or below the federal poverty level.

There are currently 3,800 shelter beds for individuals. Most shelters operate beyond their stated capacity. The state estimates that 57% of the individuals utilizing homeless shelters have lived in

residential treatment programs or medical or correctional facilities in the year prior to becoming homeless.

Clearly, the Commonwealth, with its tradition of assisting and caring for its vulnerable citizens, can do more by making better use of its LHA property throughout the Commonwealth. By investing in maintenance and repairs to its housing stock, DHCD and the LHAs can provide more safe, sanitary, and decent housing to more of the Commonwealth's citizens. An additional benefit and byproduct of such an investment in public housing, as is the case of investing in the quality of our local public education system, would be an increase in the neighboring private property values in these communities, which are instead negatively impacted when schools and neighborhood housing are allowed to decay.

In some limited circumstances, LHAs are required to make payments in lieu of taxes (PILOT) to the community of which they are a part. However, these payments are minimal and do not cover the cost of services received from the community. Therefore, it is incumbent upon and a responsibility of DHCD to provide sufficient funds to the LHAs so that housing units, property, and grounds can be maintained adequately and be kept up to community standards, which will contribute to and offset, instead of compound, the negative detrimental effect that neglected, run-down properties have on the property values of surrounding properties and the communities' tax base.

2. POOR FISCAL CONDITIONS AND INADEQUATE RESOURCES ARE AFFECTING THE ABILITY OF LOCAL HOUSING AUTHORITIES TO PROVIDE SAFE, SANITARY, AND AFFORDABLE HOUSING

Chapter 121B, Section 32, of the General Laws requires the LHAs across the Commonwealth to operate the approximately 49,968 units of state-regulated housing "at the lowest possible cost" and not for "any profit" and requires that they be "decent, safe and sanitary." Section 32 also requires that LHA income, including tenant rents and the requisite annual state contribution (subsidy) will be sufficient to meet its cost to operate. Section 32 and DHCD regulations also restrict and limit the amount of rent a LHA may charge its tenants. Therefore, in these circumstances and limitations, under which LHAs cannot pass on their increased costs to the tenants, it is essential that the Commonwealth acting through DHCD fulfills its obligations and provides "sufficient," "requisite," "annual contributions" to LHAs to satisfy this mandate. It is

equally essential that these subsidies be provided in a timely manner so that the mandate to provide tenants with safe, decent, and sanitary housing is fulfilled.

Also, Section 3 of Chapter 29 (the State Finance Law) of the General Laws requires all state departments, including DHCD, to submit their budget estimates for ensuing fiscal years, explaining any increased appropriations recommended. The Secretary is authorized to modify such requests after conducting public hearings, but shall submit all such changes to the House and Senate Committees on Ways and Means and the Committees on Post Audit and Oversight.

Unfortunately, contrary to the requirements of these laws, the Commonwealth through DHCD has in its budget guidelines for fiscal years 2003, 2004, 2005, and 2006 instead required that the LHAs it regulates submit non-utility bottom line budgets with 0% increases and has rejected budgets that do not conform to these guidelines. In doing so, DHCD is not recognizing that LHA operating costs have significantly increased. DHCD further confounds the process by not issuing its budget guidelines in advance of the fiscal year so that budget requests can be submitted and approved before the fiscal year begins. Many LHAs operate an entire year without an approved budget. However, on a case-by-case basis, to cover certain increased costs, DHCD will approve the use of operating reserves. DHCD also expects LHAs to absorb increased costs within the 0% cap, which results in decreased services to the tenants, lower employee earnings through reduced work hours, and staff layoffs.

By not allowing the submission, approving, or disclosing LHA budget requests beyond the 0% cap or guidelines, DHCD is withholding from the Budget Director, the Secretary, the Governor, the House and Senate Ways and Means Committee, and the Joint Committee on Housing the facts necessary to be informed of the true costs of LHA operations and needs for subsequent years. Without this data, the Legislature is deprived of the information it needs to make informed decisions and provide the needed subsidies to the LHAs. Again, unfortunately, after four years of such budget restrictions, some LHAs have reserves below the required minimum balance (see Appendix F). Given the critical emergency physical and fiscal situation facing so many LHAs, DHCD should have responded sooner and authorized LHAs to utilize their operating reserves to pay for necessary repairs and avoid further housing stock deterioration, increased costs, and increased vacancies.

As the Legislative Subcommittee so aptly stated in its report, “State public housing . . . is a precious resource that must be preserved Operating budgets and state subsidies have been inadequate and represent only 72 percent of comparable federal public housing funding.” The trend of historically not presenting LHA budget requests and needs presents a distorted view by DHCD of (and on behalf of) the LHAs, and contrary to budget language the appropriations are clearly and convincingly inadequate. The fact that deficiency supplemental budget requests continue to be made also demonstrates that the budgets submitted by DHCD do not in fact meet the state’s obligation.

In addition, LHAs have accounts receivable consisting of balances due from tenants of low income with a limited ability to pay. This is after LHAs write off thousands of dollars in uncollectible delinquent tenants accounts receivable each year. As a result, with income limitations it is critical to the survival of LHAs that DHCD request budgets that reflect the true cost of operations and provide for the timely payments of operating subsidies.

However, in spite of statutory mandates, LHAs as of June 30, 2005 were owed over \$7.75 million from DHCD in overdue subsidies dating back to and for the fiscal years ended June 30, 2002, 2003, 2004, and 2005 (see Appendix G). This problem is only exacerbated by the build-up of overdue unpaid subsidies due for fiscal year 2006 and now into fiscal year 2007. The paying of past, prior-year obligations with future-year appropriations and the continued long-term drain on and use of reserves, which are intended for emergencies and unforeseen costs, is not only legally questionable but also an unsound and unwise fiscal, business, and economic policy. Delaying, ignoring, and not recognizing the true needs and costs to operate, maintain, repair, and renovate the Commonwealth’s housing stock increases future repair costs because of inflation and may result in more extensive and costly deterioration. Moreover, these conditions provide a disservice to the dignity of the tenants living in public housing and violate the mandate to provide safe, decent, and sanitary housing.

Our request to DHCD for a list of subsidies due LHAs as of June 30, 2005 produced differing amounts, both at the individual LHA level and in total, ranging from \$7.27 million to \$7.75 million. Moreover, our comparison of the lists provided by DHCD to the results of our surveys at individual LHAs revealed significant discrepancies between the two sources. Also, some LHAs indicated a credit balance (oversubsidized) when DHCD records indicated a zero balance.

When questioned, DHCD officials indicated that they would have its staff prepare a list of those LHAs with credit balances.

It is difficult to understand how and why DHCD would in effect oversubsidize some LHAs in the first place while others are in desperate need of payment for unpaid and overdue subsidies. It is equally difficult to understand why DHCD would not have, or be able to produce, from its accounting system a list of subsidies due to LHAs, including apparent credit balances, that is accurate and comprehensive at any given time. The Office of the State Comptroller (OSC), for example, maintains and operates a statewide management, accounting, and reporting system. DHCD should consider discussing with the OSC ways in which it can better account for data received from the LHAs so its statutory mandate is fulfilled with accurate, complete, and timely information and provide the Governor and Legislature the information needed to make informed decisions. DHCD officials have also attributed these variances to the fact that DHCD is on a June 30 fiscal year while most LHA fiscal years end on March 31, September 30, and December 31. However, this condition should have no relevance, since at the end of any given month the control account at DHCD should agree with the subsidiary accounts as well as amounts reflected on the LHAs' financial statements. Any business, regardless of its fiscal year, should be able to easily produce a reliable balance at the end of any given month.

In a recent November 2005 LHA Housing Authority Task Force survey we obtained and reviewed, 71 responders indicated, among other issues, the following serious concerns:

- No budget increases to combat increased operating and maintenance costs
- Inadequate property maintenance funding to provide for preventative or extraordinary maintenance or emergencies
- Insufficient funds to manage their authorities
- Protracted and complicated procurement and contract processes increase the cost of renovations
- Inadequate funds for capital improvements for aging complexes
- Insufficient funds for maintenance staff and the hours needed to complete an assigned task
- Uncertainty on whether low-income housing will be available 10 years from now

- Four years of level-funding resulting in ordinary maintenance projects transforming into emergency maintenance and eventually unsafe housing

The results of the above survey is another indicator that LHAs cannot remain solvent and avoid bankruptcy if DHCD does not request budgets sufficient to provide adequate contributions to meet the LHAs' annual operating and maintenance costs and continues its history of underbudgeting and delaying timely periodic subsidies to LHAs to pay their obligations. The alternative impact is that LHAs have had to delay maintenance, lay off staff, reduce salaries, and withstand other costs it cannot control, such as those related to severe weather condition damage, not covered by insurance, utilities, water, sewerage, and trash removal.

These long overdue annual operating subsidies of over \$7.7 million are pending legislative action in a supplemental budget request along with an additional \$3 million request to provide additional emergency expense relief for the four years since fiscal year 2002. The \$3 million also should be considered part of and added to overdue subsidies, because they are deficits from prior-year operations. Further, we understand that DHCD is preparing to request a deficiency budget of \$8 million for fiscal year 2006 and is advising LHAs to borrow funds to pay bills due in May and June 2006, because DHCD has exhausted its fiscal year 2006 subsidy funds. Statewide, broad-base deficits should be rare and unusual and not the routine, normal practice that it has become during the prior five years. Continuing annual deficits demonstrate deliberate underbudgeting and artificial understatement of the true costs to operate the LHAs across the Commonwealth.

Recent media reports disclosed that DHCD was providing \$500,000 in state funds to renovate a 33-year-old private housing complex and that the Commonwealth has pledged \$21.5 million in state funds to build and rehabilitate similar private apartments throughout the Commonwealth. In a Boston Globe editorial on April 28, 2003, the Director of DHCD indicated that creative solutions must be devised to offset the \$29 million in housing cuts proposed in the Governor's budget. Unfortunately, the cuts have resulted in the continued worsening physical deterioration of LHA housing units across the Commonwealth and insufficient allocation of the Commonwealth's capital budget, because DHCD is also providing capital funds to private housing. Many units operated by the Commonwealth's LHAs are over 50 years old and are in more desperate need of extensive renovations; therefore, the LHAs are immediately deserving of funds to rehabilitate, repair, modernize, and renovate their deteriorating properties.

The September 1, 2005 “Study of Appropriate Operating Costs for State-Funded Public Housing in Massachusetts” by the Harvard University Graduate School of Design used a scientific approach to quantify the appropriate operating cost coefficients for the Commonwealth’s several public housing programs. The study’s researchers utilized the extensive research into this same question for the federal public housing program that they completed for the U.S. Congress between calendar years 2000 and 2003. The results of the study demonstrate the need for increased operating subsidies for the Commonwealth’s state-funded public housing. The study provides a detailed comparative between the state and federal Allowable Non-Utility Expense Level (ANUEL) costs for every LHA program throughout the state. For example, the study indicated an ANUEL range for the 12 Boston Housing Authority programs from \$158 to \$314 Per Unit Per Month (PUM) whereas estimated costs for these programs ranged from \$335 to \$437. On average, the overall statewide ANUEL was \$202 compared with the \$341 that the study indicated the PUM should be, resulting in average shortfall in PUM costs of \$139. As a result, the indicated shortfall in state subsidies, which have resulted in LHAs throughout the Commonwealth being shortchanged and undersubsidized, for the past four fiscal years from 2003 to 2006 was approximately \$315.6 million, or \$78.9 million annually. Simply using the 1986 DHCD operating subsidies of \$38 million indexed for inflation indicates a 2006 subsidy of \$70.2 million, or a shortfall of \$35.4 million for fiscal year 2006.

The following comparison of average ANUELS by types of housing for federal and state programs on a PUM basis demonstrates the difference in monthly subsidies between the federal- and state-managed programs:

<u>Program</u>	<u>Federal</u>	<u>State</u>	<u>Difference</u>
Elderly	\$303	\$158	\$145
Veterans	\$422	\$287	\$135
Family	\$399	\$314	\$ 85

Because of the discrepancy in the ANUEL between the federal and state programs noted above, it is evident that state-aided housing tenants are being penalized simply because they are not fortunate enough to be housed in a federal program unit. State tenants should have the same opportunity to live in housing that is safe, decent, and sanitary, and applicants for state-aided

housing should be entitled to the same level of dignity afforded to applicants for federal housing when their name is selected from the waiting list.

3. RESULTS OF LHA SURVEYS AND INSPECTIONS DISCLOSE BOTH WEAKNESSES AND OPPORTUNITIES TO CONSTRUCT ADDITIONAL HOUSING

As part of our audit we visited 66 of the LHAs surveyed in order to observe the physical condition of both the interior and exterior of the dwellings managed by LHAs to house public housing tenants. Although DHCD guidelines and Chapter II of the State Sanitary Code emphasize and require the inspection of tenant dwelling units to ensure and provide for the health and safety of LHA tenants, we found clear and convincing evidence that in many cases the continued lack of adequate funding resulted in the continuing long-term neglect of the buildings' exterior and structural integrity, and the property itself could adversely affect the tenants' health, safety, and dignity. Furthermore, we found instances in which buildings were condemned by the local Board of Health (Brockton), closed, and posted "Unfit for Human Habitation," with similar conditions existing elsewhere. Ultimately, if these conditions are not remedied and are allowed to deteriorate further, additional units may become uninhabitable because of condemnation by applicable health, safety, and building officials, contrary to the statutory mission and purpose of DHCD and LHAs to provide safe, decent, and sanitary housing to tenants in need of housing.

Many of the LHA officials told us and provided us with records and information of their being precluded from submitting true budgets and requests for capital and modernization funds to repair and renovate serious infrastructure deficiencies. These needs extend beyond ordinary maintenance, with which the LHAs are also unable to keep up due to restricted budgets, and results in delays in occupying vacant units and lost rental income.

In addition, our review found that some of the LHAs owned land upon which additional housing units could be constructed and that other land was available and offered that could be donated by their communities to address their local housing needs (see Appendix H). Some of the LHAs have requested development assistance and funds from DHCD. Building housing on land owned by the LHAs would be less costly, since there would be no acquisition and related costs, and would help alleviate some of the shortage of affordable housing around the

Commonwealth as demonstrated by the number of applicants (over 81,000) listed as waiting for low-income housing (see Appendix E).

Separate individual reports will be issued for each of the 66 LHAs visited.

CONCLUSION

As identified and documented within this audit report, it is clearly evident from the existing conditions that the Commonwealth's LHAs have been underfunded, undersubsidized, and suffering from restricted budgets with no increases to non-utility annual expense levels for the past four consecutive years. Moreover, this underfunding has extended to five years now that fiscal year 2007 has begun. As a result, many LHAs are in critical physical and fiscal condition or in a state of emergency, needing more costly repairs and renovations than would have been necessary had these conditions been addressed when they first occurred. This condition is caused by a flawed and misguided budget process whereby the true annual operating and capital costs and needs of the LHAs are understated and therefore the extent of these conditions are not disclosed to the Governor and the Legislature for their consideration, contrary to the statutory requirements of Chapter 121B, Section 29, and Chapter 29, Section 3, of the General Laws. This undersubsidization is not only evidenced by the repeated requests for supplementary or deficiency budgetary appropriations but also by the disparity between the federal and state allowed annual non-utility expense levels (ANUELS) and the fact that LHA budgets are artificially capped by DHCD so that the true and actual operating costs are not recognized because LHAs are not allowed to submit requests they deem necessary as their budgets. This continued budgetary reporting failure results in LHA administrative, maintenance, and capital cutbacks, which have caused increased deterioration, decay, greater costs, vacancies, lost rental income, and a state of emergency to LHA properties throughout the state, and the statutory violation of not providing safe, decent, and sanitary housing to the public housing residents within the Commonwealth.

In July 2006, prior to the issuance of our report, the Legislative Subcommittee on Public Housing issued a report detailing the results of its findings from visits to a number of LHAs. The report found similar conditions and reached similar conclusions as our report. DHCD should use both reports to reform its oversight and monitoring practices and to provide

complete, accurate, and adequate funding information to the Legislature so it can work to rectify the problems disclosed.

RECOMMENDATIONS

In order to stem the long-term neglect and negative effect on the Commonwealth's public housing, due to the lack of adequate annual operating and capital subsidies, in the communities where these projects are located and to address the need for additional housing throughout the Commonwealth, DHCD should immediately fulfill its statutory responsibilities to these citizens, communities, and LHAs and, if necessary, seek necessary legislative authority by:

- Immediately seeking and providing funding to avoid the disparity in funding and housing quality and unequal treatment or discrimination that exists between the federally and state-housed tenants by, at a minimum, increasing the Allowable Non-Utility Expense Level (ANUEL) and Per Unit/Per Month (PUM) to the same level recognized by and utilized by the federal government for federally aided public housing. This will result in an estimated increase of approximately \$35 million per year. In the meantime, DHCD should release and authorize LHAs to utilize operating reserves and credit subsidy balances to make emergency repairs. Increasing the annual subsidy would eliminate annual delinquent requests for supplementary/deficiency budget appropriations and inappropriate borrowing from federal programs.
- Determining and implementing a base-line funding level that recognizes the stagnant zero growth of the last four years and then annually providing subsidies based on a recognized index similar to that utilized by the federal government.
- Utilizing the periodic financial data provided to determine the true costs of operating the state's public housing dwelling units and utilize this data and system to determine annual budget requests for presentation to the Legislature.
- Allowing LHAs to submit budget requests and explanations for all of their actual operating and modernization costs consistent with statutory requirements so that the Legislature is fully informed of the actual fiscal and physical conditions for their deliberations.
- Recognizing and vigorously pursuing the necessary subsidies that, combined with other LHA income, will be sufficient to cover the LHAs' true operating costs and DHCD's obligation.
- Providing budget guidelines prior to the fiscal year so that LHAs can annually submit to DHCD for compilation true and accurate budget requests representing their total needs as required by law. To this end, they should be represented individually and/or collectively through their association, the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials (NAHRO), at public hearings,

- both administrative and legislative, as well as provide written documentation to support their needs to these bodies. Moreover, DHCD should be required to justify and document the difference between LHA budget requests and DHCD recommendations to the satisfaction of the Ways and Means Committees.
- Paying all LHAs on a monthly up-front basis and remaining current on its obligations. DHCD should also advance a month's subsidy to LHAs at the beginning of each fiscal year so that the LHAs remain financially secure and do not need to borrow inappropriately from other programs pending DHCD payments. In addition, DHCD should maintain and reconcile on a monthly basis its obligations to LHAs and thereby remain current on its obligations.
 - Maintaining a centralized list of vacancies and waiting lists for all LHAs so that it can respond to the ongoing demand for housing and also be prepared to respond in time of emergencies or disasters.
 - Identifying all LHAs owning land with development potential and determining the number of dwelling units that could be constructed. In addition, DHCD should develop cost estimates for the construction of LHA housing and create a bond fund dedicated to additional LHA housing. This should include the acquisition of additional land in the community of the LHA. In doing so, consideration should be given to the total cost to the Commonwealth of responding to the overall housing crisis, including the cost of providing for the homeless across the Commonwealth.
 - Immediately conducting a complete and comprehensive analysis of the capital improvement necessary to repair, renovate, and modernize the aging and deteriorating public housing stock throughout the Commonwealth and developing a short-range plan for the funding and completion of all such repairs and renovations. A separate special bond should be considered to help resolve the existing problems. If no plan can be developed to rectify the budgeting, planning, and financing to provide for the annual operating and physical infrastructure needs of LHA properties, serious consideration by the Legislature should be given to creating a separate, quasi-public authority similar to the Massachusetts School Building Authority, to accomplish a more timely response to these neglected repairs and renovations and annual budget deficiencies on a timely basis. The current catch-up approach is clearly not addressing the continuing and worsening conditions that exist at the LHAs. This recommendation was also made by the Legislative Subcommittee on Public Housing in its report as a means to reverse the historically inadequate levels of funding necessary to modernize and provide operating funds for state-aided public housing.

APPENDIX A
Inventory of State Housing Authorities and Housing Units Administered

<u>LHA</u>	<u>Units</u>		<u>LHA</u>	<u>Units</u>		<u>LHA</u>	<u>Units</u>
ABINGTON	112		CARVER	28		GRANBY	56
ACTON	130		CHARLTON	36		GREAT BARRINGTON	80
ACUSHNET	60		CHATHAM	71		GREENFIELD	240
ADAMS	89		CHELMSFORD	186		GROTON	27
AGAWAM	242		CHELSEA	560		GROVELAND	1
AMESBURY	245		CHICOPEE	816		HADLEY	52
AMHERST	154		CLINTON	169		HALIFAX	28
ANDOVER	274		COHASSET	64		HAMILTON	59
ARLINGTON	696		CONCORD	116		HAMPDEN	56
ASHLAND	40		DALTON	78		HAMPSHIRE COUNTY	40
ATHOL	94		DANVERS	181		HANOVER	371
ATTLEBORO	431		DARTMOUTH	44		HANSON	68
AUBURN	122		DEDHAM	311		HARWICH	12
AVON	70		DENNIS	144		HATFIELD	44
AYER	54		DIGHTON	64		HAVERHILL	440
BARNSTABLE	205		DOUGLAS	140		HINGHAM	92
BARRE	56		DRA CUT	89		HOLBROOK	84
BEDFORD	92		DUDLEY	80		HOLDEN	56
BELCHERTOWN	60		DUKES COUNTY	8		HOLLISTON	78
BELLINGHAM	123		DUXBURY	58		HOLYOKE	289
BELMONT	254		EAST BRIDGEWATER	137		HOPEDALE	80
BERKSHIRE COUNTY	30		EAST LONGMEADOW	194		HOPKINTON	98
BEVERLY	477		EASTHAMPTON	188		HUDSON	126
BILLERICA	109		EASTON	194		HULL	68
BLACKSTONE	56		ESSEX	40		IPSWICH	144
BOLTON	75		EVERETT	671		KINGSTON	48
BOSTON	2804		FAIRHAVEN	285		LANCASTER	70
BOURNE	66		FALL RIVER	882		LAWRENCE	522
BRAINTREE	186		FALMOUTH	139		LEE	64
BREWSTER	56		FITCHBURG	534		LEICESTER	124
BRIDGEWATER	158		FOXBOROUGH	145		LENOX	110
BRIMFIELD	56		FRAMINGHAM	752		LEOMINSTER	426
BROCKTON	745		FRANKLIN	198		LEXINGTON	149
BROOKFIELD	2		FRANKLIN COUNTY	98		LITTLETON	60
BROOKLINE	452		GARDNER	342		LOWELL	197
BURLINGTON	107		GEORGETOWN	136		LUDLOW	166
CAMBRIDGE	663		GLOUCESTER	537		LUNENBURG	54
CANTON	249		GRAFTON	150		LYNN	389

Inventory of State Housing Authorities and Housing Units Administered

<u>LHA</u>	<u>Units</u>	<u>LHA</u>	<u>Units</u>	<u>LHA</u>	<u>Units</u>	<u>LHA</u>	<u>Units</u>
LYNNFIELD	64	NORTH BROOKFIELD	78	SOMERSET	135	WEST BOYLSTON	54
MALDEN	395	NORTH READING	44	SOMERVILLE	786	WEST BRIDGEWATER	48
MANCHESTER	84	NORTHAMPTON	475	SOUTH HADLEY	148	WEST BROOKFIELD	46
MANSFIELD	154	NORTHBOROUGH	130	SOUTHAMPTON	45	WEST NEWBURY	26
MARBLEHEAD	307	NORTHBRIDGE	86	SOUTHBOROUGH	58	WESTMINISTER	89
MARION	48	NORTON	144	SOUTHBRIDGE	160	WEST SPRINGFIELD	349
MARLBOROUGH	227	NORWELL	80	SOUTHWICK	54	WESTBOROUGH	102
MARSHFIELD	113	NORWOOD	313	SPENCER	182	WESTFIELD	427
MASHPEE	30	ORANGE	64	SPRINGFIELD	847	WESTFORD	79
MATTAPOISETT	64	ORLEANS	111	STERLING	40	WESTPORT	48
MAYNARD	56	OXFORD	180	STOCKBRIDGE	53	WEYMOUTH	405
MEDFIELD	60	PALMER	48	STONEHAM	281	WHITMAN	102
MEDFORD	369	PEABODY	405	STOUGHTON	230	WILBRAHAM	84
MEDWAY	94	PEMBROKE	123	STOW	121	WILLIAMSTOWN	38
MELROSE	322	PEPPERELL	70	SUDBURY	84	WILMINGTON	38
MENDON	30	PITTSFIELD	535	SUTTON	40	WINCHENDON	111
MERRIMAC	52	PLAINVILLE	40	SWAMPSCOTT	120	WINCHESTER	119
METHUEN	371	PLYMOUTH	236	SWANSEA	64	WINTHROP	429
MIDDLEBOROUGH	118	PROVINCETOWN	33	TAUNTON	418	WOBURN	415
MIDDLETON	66	QUINCY	909	TEMPLETON	60	WORCESTER	886
MILFORD	272	RANDOLPH	236	TEWKSBURY	159	WRENTHAM	81
MILLBURY	207	RAYNHAM	62	TOPSFIELD	60	YARMOUTH	40
MILLIS	83	READING	90	TRURO	9		
MILTON	51	REHOBOTH	53	TYNGSBOROUGH	108		
MONSON	95	REVERE	598	UPTON	40		
MONTAGUE	110	ROCKLAND	42	UXBRIDGE	120		
NAHANT	48	ROCKPORT	104	WAKEFIELD	124		
NANTUCKET	22	ROWLEY	54	WALPOLE	130		
NATICK	414	SALEM	676	WALTHAM	516		
NEEDHAM	232	SALISBURY	80	WARE	111		
NEW BEDFORD	888	SANDWICH	49	WAREHAM	104		
NEWBURYPORT	142	SAUGUS	213	WARREN	70		
NEWTON	173	SCITUATE	158	WATERTOWN	516		
NORFOLK	84	SEEKONK	80	WAYLAND	56		
NORTH ADAMS	9	SHARON	94	WEBSTER	102		
NORTH ANDOVER	190	SHELBURNE	46	WELLESLEY	235		
NORTH ATTLEBORO	260	SHREWSBURY	153	WENHAM	84		

Source: Department of Housing and Community Development

APPENDIX B

List of 66 State Housing Authorities Visited

<u>Authority</u>	<u>Audit Number</u>	<u>Units</u>	<u>Authority</u>	<u>Audit Number</u>	<u>Units</u>
Adams	2006-0593-3A	89	Leicester	2006-0691-3A	124
Andover	2006-0598-3A	274	Lenox	2006-0692-3A	110
Avon	2006-0600-3A	70	Ludlow	2006-0697-3A	166
Barnstable	2006-0606-3A	205	Lynn	2006-0699-3A	389
Bedford	2006-0608-3A	92	Melrose	2006-0715-3A	322
Beverly	2006-0612-3A	477	Methuen	2006-0718-3A	371
Billerica	2006-0614-3A	109	Middleboro	2006-0720-3A2	118
Boston	2006-0616-3A	2804	Millbury	2006-0724-3A	207
Bourne	2006-0618-3A	66	Montague	2006-0727-3A	110
Brewster	2006-0659-3A	56	Needham	2006-0731-3A2	232
Brockton	2006-0621-3A	745	New Bedford	2006-0732-3A	888
Brookline	2006-0623-3A1	452	Pittsfield	2006-0757-3A	535
Burlington	2006-0625-3A	107	Quincy	2006-0762-3A	909
Cambridge	2006-0626-3A	663	Salem	2006-0769-3A	676
Chatham	2006-0629-3A	71	Salisbury	2006-0834-3A	80
Chelmsford	2006-0630-3A2	186	Saugus	2006-0772-3A2	213
Clinton	2006-0635-3A	169	Scituate	2006-0773-3A	158
Concord	2006-0637-3A	116	Sharon	2006-0775-3A	94
Dedham	2006-0641-3A	311	Somerset	2006-0777-3A	135
Duxbury	2006-0644-3A	58	Southwick	2006-0783-3A	54
East Bridgewater	2006-0645-3A	137	Spencer	2006-0784-3A	182
Easton	2006-0648-3A	194	Stoneham	2006-0788-3A	281
Fall River	2006-0652-3A	882	Swampscott	2006-0792-3A	120
Fitchburg	2006-0655-3A	534	Watertown	2006-0804-3A	516
Franklin County Regional	2006-0869-3A2	98	Wellesley	2006-0808-3A	235
Gloucester	2006-0665-3A	537	West Springfield	2006-0814-3A	349
Grafton	2006-0666-3A	150	Westboro	2006-0809-3A	102
Great Barrington	2006-0668-3A	80	Westport	2006-0813-3A	48
Greenfield	2006-0669-3A	240	Weymouth	2006-0815-3A	405
Haverhill	2006-0673-3A	440	Wilmington	2006-0819-3A	38
Holbrook	2006-0675-3A	84	Woburn	2006-0823-3A	415
Holyoke	2006-0678-3A	289	Worcester	2006-0825-3A	886
Lee	2006-0690-3A	64	Yarmouth	2006-0828-3A	40

APPENDIX C

**Photos Illustrating Sampling of Conditions of
State Housing Authorities throughout the State**

Adams H.A.



705-1 Project, #20 Sayles St.
Damaged foundation



705-1 Project, #20 Sayles St.
Damaged front step

Adams H.A.



705-1 Project, #174 N. Summer St.
Damaged window casing

Boston H.A.



200-8 Project, #61 Vallar Road
Deteriorating retaining wall

Boston H.A.



200-1 Project, #37 West Broadway
Damaged bathroom wall

Boston H.A.



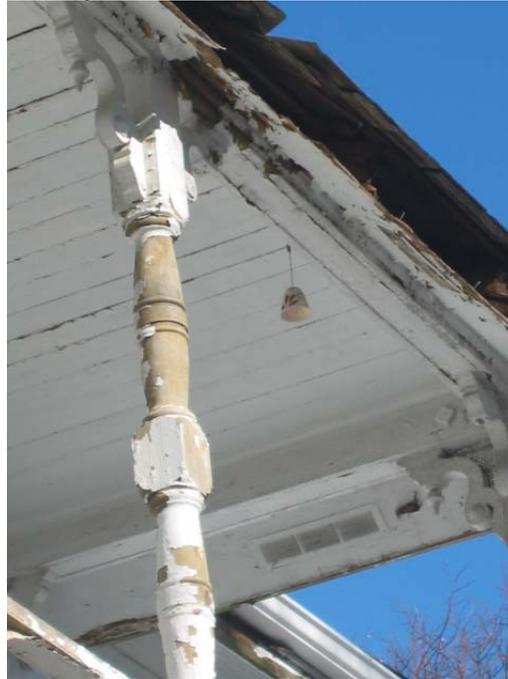
705-1 Project, #115 Boardman East Boston
Mold and mildew in bathroom ceiling

Quincy H.A.



689-1 Project, #215 Safford St.
Rotted soffits and missing gutters

Quincy H.A.



689-1 Project, #215 Safford St.
Hole in roof soffits

Brookline H.A.



667-1 Project, #32 Marion St.
Damaged concrete patio

Holbrook H.A.



667-2 Project,
Rotted corner post

Holbrook H.A.



667-2 Project,
Window still rotted through

Westport H.A.



667-1 Project, Building No.3
Deteriorating portico shingles

Westport H.A.



667-1 Project, Building #4, Apt. F,
Rusting hot water in tub

Brockton H.A.



200-2 Project, #38 Clifford Ave.
Crumbling concrete front

Brockton H.A.



200-2 Project, #32 Clifford Ave.
Crumbling foundation

Brockton H.A.



705-2 Project, #19 Golden Circle
Broken baseboard heating unit

Wellesley H.A.



667-3 Project 315 Weston Rd 3A
Peeling plaster ceiling

Cambridge H.A



200-3 Development, 43 Lincoln Way
Damaged concrete stairs

Yarmouth H.A.



667-1 Project,
Taped sump pump

Brewster H.A.



667-1 Project,
Holes in siding – created by woodpeckers

Brewster H.A.



667-1 Project,
Decaying door post

Easton H.A.



705-2 Development, 7 Chandler Way
Gaping hole in kitchen ceiling

Fitchburg H.A.



200-1 Development, 112 Normandy Road
Mold on basement walls

Brewster H.A.



667-1 Project,
Missing shingles, missing window insulation, and rotted window frame

Quincy H.A.



689-1 Project, #215 Safford Ave.
Mold and mildew in basement

Franklin County H.A.



667-3 Project, 60 J St., Turners Falls
Common area - exposed sewer pipe and wall studs due to a water leak

Watertown H.A.



200-1 Project, Lexington Garden
Damaged concrete stairs

Watertown H.A.



667-1 Project, McSherry Gardens
Damaged concrete foundation

Watertown H.A.



200-1 Project, Lexington Gardens
Rusted water pipes

Haverhill H.A.



220-1 Project, Mt. Vernon Building
Bricks missing from building exterior

Methuen H.A.



689-1 Development, 26 Haverhill Street
Hole in bathroom ceiling

Watertown H.A.



667-1 Development, McSherry Gardens
Damaged concrete stair

Millbury H.A



200-1 Development, 14 Memorial Drive
The floor joist is rotted

Westborough H.A



705-1 Development, 15 Forrest Lane
Ripped siding and exposed clapboard

Salisbury H.A



667-1 Development, 23 Beach Road
Bathroom floor is missing tiles

Beverly H.A.



667-1 Development, 66 Herrick Street – Offline Unit
Gas lines were improperly repaired

Beverly H.A.



667-1 Development, 66 Herrick Street – Offline Unit
Kitchen sink was not installed

Clinton H A



667-2 Development, 271 Chestnut Street
Deteriorating stairs

Lynn H.A



667-1 Development, Woodman Street
Damaged concrete stairs

Concord H.A.



705-2 Development, Strawberry Hill Road
Roof not weather tight and shingles need replacement

APPENDIX D

Summary of State Housing Authority Vacant Units
throughout the State

Housing Authority	Total Units Vacant 61-90 Days	Total Units Vacant 91-180 Days	Total Units Vacant Exceed 180 Days	Housing Authority	Total Units Vacant 61-90 Days	Total Units Vacant 91-180 Days	Total Units Vacant Exceed 180 Days
Agawam	1	2	9	Marshfield	-	-	1
Athol	1	1	2	Medford	1	10	9
Attleboro	1	4	2	Melrose	3	-	-
Barnstable	-	-	2	Mendon	1	-	-
Bellingham	-	4	-	Methuen	-	1	2
Belmont	1	2	6	Milford	2	8	7
Beverly	1	2	12	Millbury	1	3	4
Billerica	1	1	-	Milton	-	1	1
Boston	19	15	11	Monson	-	1	-
Bourne	-	1	4	Needham	1	4	8
Braintree	-	-	3	New Bedford	7	13	39
Brewster	-	1	1	Newton	2	1	3
Bridgewater	3	1	-	North Andover	-	1	4
Burlington	-	2	-	Northampton	-	3	7
Cambridge	2	7	10	Northbridge	-	-	1
Canton	2	1	1	Norwood	6	1	-
Chelmsford	-	-	1	Orange	-	1	1
Chicopee	10	6	5	Orleans	-	1	2
Clinton	1	-	-	Peabody	5	2	1
Danvers	-	-	2	Plymouth	-	1	1
Dartmouth	1	-	1	Quincy	2	1	-
Dedham	1	2	4	Randolph	1	9	7
Dennis	-	-	2	Revere	3	3	3
Easton	6	2	-	Rockport	1	-	-
East Bridgewater	-	-	6	Somerville	-	1	12
East Longmeadow	-	-	1	Springfield	4	5	1
Easton	-	-	2	Stockbridge	-	-	2
Easthampton	-	1	2	Stoneham	1	6	3
Everett	-	1	4	Sutton	-	1	-
Fall River	11	12	31	Swansea	-	1	-
Falmouth	-	-	2	Taunton	3	2	14
Fitchburg	3	20	32	Tyngsborough	-	4	3
Framingham	4	-	18	Uxbridge	-	-	1
Franklin	-	-	3	Wakefield	-	1	-
Georgetown	-	-	2	Waltham	7	10	18
Gloucester	-	-	4	Warren	-	1	2
Holbrook	-	-	5	Wellesley	3	9	40
Hull	-	-	1	Wellfleet	-	1	-
Ipswich	3	8	6	Westborough	-	4	2
Laurence	-	-	3	Westfield	2	2	1
Lowell	-	3	4	Weymouth	1	-	6
Ludlow	-	-	4	Whitman	-	-	1
Lynn	4	9	10	Wilmington	1	1	-
Lynnfield	-	2	3	Woburn	2	-	-
Malden	3	-	-	Worcester	3	3	19
Manchester	1	2	-	Yarmouth	-	1	2
Marblehead	2	-	13	Totals	145	230	462

APPENDIX E

**Summary of State Housing Authority Waiting List of Applicants for State Low-Income Housing
As of June 30, 2004**

<u>LHA</u>	<u>Units</u>	<u>LHA</u>	<u>Units</u>	<u>LHA</u>	<u>Units</u>	<u>LHA</u>	<u>Units</u>	<u>LHA</u>	<u>Units</u>	<u>LHA</u>	<u>Units</u>
ABINGTON	NA	COHASSET	NA	HAVERTHILL	310	MILLBURY	270	SALISBURY	257	WEST BOYLSTON	792
ACTON	260	CONCORD	265	HINGHAM	NA	MILLIS	NA	SANDWICH	0	WEST BRIDGEWATE	44
ACUSHNET	22	DALTON	38	HOLBROOK	232	MILTON	126	SAUGUS	549	WEST BROOKFIELD	38
ADAMS	193	DANVERS	325	HOLDEN	85	MONSON	NA	SCITUATE	NA	WEST NEWBURY	203
AGAWAM	165	DARTMOUTH	NA	HOLLISTON	0	MONTAGUE	150	SEEKONK	167	WEST SPRINGFIELD	453
AMESBURY	441	DEDHAM	NA	HOLYOKE	NA	NAHANT	98	SHARON	60	WESTBOROUGH	87
AMHERST	390	DENNIS	319	HOPEDALE	29	NANTUCKET	118	SHELBURNE	19	WESTFIELD	490
ANDOVER	NA	DIGHTON	NA	HOPKINTON	NA	NATICK	NA	SHREWSBURY	307	WESTFORD	108
ARLINGTON	NA	DOUGLAS	NA	HUDSON	102	NEDDHAM	0	SOMERSET	44	WESTMINISTER	NA
ASHLAND	14	DRACUT	548	HULL	NA	NEW BEDFORD	NA	SOMERVILLE	2508	WESTPORT	11
ATHOL	NA	DUDLEY	23	IPSWICH	694	NEWBURYPORT	NA	SOUTH HADLEY	115	WEYMOUTH	0
ATTLEBORO	429	DUKES COUNTY	NA	KINGSTON	63	NEWTON	NA	SOUTHBOROUGH	9	WHITMAN	225
AUBURN	1041	DUXBURY	216	LANCASTER	30	NORFOLK	66	SOUTHBRIDGE	196	WILBRAHAM	0
AVON	11	EAST BRIDGEWATER	93	LAWRENCE	3266	NORTH ADAMS	NA	SOUTHHAMPTON	NA	WILLIAMSTOWN	23
AYER	225	EAST LONGMEADOW	NA	LEE	65	NORTH ANDOVER	714	SOUTHWICK	188	WILMINGTON	196
BARNSTABLE	556	EASTHAMPTON	112	LEICESTER	27	NORTH ATTLEBORO	434	SPENCER	111	WINCHENDON	294
BARRE	156	EASTON	704	LENEX	43	NORTH BROOKFIELD	NA	SPRINGFIELD	1871	WINCHESTER	153
BEDFORD	350	ESSEX	26	LEOMINSTER	NA	NORTH READING	NA	STERLING	NA	WINTHROP	0
BELCHERTOWN	170	EVERETT	NA	LEXINGTON	66	NORTHAMPTON	122	STOCKBRIDGE	9	WOBURN	500
BELLINGHAM	140	FAIRHAVEN	146	LITTLETON	312	NORTHBOROUGH	37	STONEHAM	360	WORCESTER	2124
BELMONT	1331	FALL RIVER	NA	LOWELL	1586	NORTHBRIDGE	NA	STOUGHTON	285	WRENTHAM	0
BERKSHIRE COUNTY	22	FALMOUTH	274	LUDLOW	61	NORTON	190	STOW	NA	YARMOUTH	63
BEVERLY	332	FITCHBURG	552	LUNENBURG	NA	NORWELL	43	SUDBURY	82		
BILLERICA	572	FOXBOROUGH	NA	LYNN	691	NORWOOD	NA	SUTTON	20	TOTAL	<u>81150</u>
BLACKSTONE	18	FRAMINGHAM	3671	LYNNFIELD	60	ORANGE	268	SWAMPSCOTT	808		
BOLTON	NA	FRANKLIN	245	MALDEN	NA	ORLEANS	516	SWANSEA	0	NA= Not Available	
BOSTON	13677	FRANKLIN COUNTY	265	MANCHESTER	168	OXFORD	297	TAUNTON	1431		
BOURNE	170	GARDNER	588	MANSFIELD	143	PALMER	10	TEMPLETON	101		
BRAINTREE	315	GEORGETOWN	81	MARBLEHEAD	381	PEABODY	831	TEWKSBURY	501		
BREWSTER	459	GLOUCESTER	1176	MARION	NA	PEMBROKE	64	TOPSFIELD	34		
BRIDGEWATER	499	GRAFTON	595	MARLBOROUGH	103	PEPPERELL	9	TRURO	NA		
BRIMFIELD	17	GRANBY	31	MARSHFIELD	0	PITTSFIELD	NA	TYNGSBOROUGH	436		
BROCKTON	NA	GREAT BARRINGTON	73	MASHPEE	285	PLAINVILLE	NA	UPTON	7		
BROOKFIELD	NA	GREENFIELD	733	MATTAPOISETT	NA	PLYMOUTH	562	UXBRIDGE	875		
BROOKLINE	3900	GROTON	55	MAYNARD	44	PROVINCETOWN	403	WAKEFIELD	307		
BURLINGTON	94	GROVELAND	0	MEDFIELD	19	QUINCY	1017	WALPOLE	NA		
CAMBRIDGE	NA	HADLEY	0	MEDFORD	1137	RANDOLPH	0	WALTHAM	1718		
CANTON	160	HALIFAX	NA	MEDWAY	57	RAYNHAM	131	WARE	NA		
CARVER	1775	HAMILTON	215	MELROSE	338	READING	200	WAREHAM	0		
CHARLTON	81	HAMPDEN	12	MENDON	8	REHOBOTH	NA	WARREN	NA		
CHATHAM	68	HAMPSHIRE COUNTY	45	MERRIMAC	158	REVERE	1832	WATERTOWN	NA		
CHELMSFORD	220	HANSON	NA	METHUEN	NA	ROCKLAND	89	WAYLAND	0		
CHELSEA	761	HANOVER	NA	MIDDLEBOROUGH	NA	ROCKPORT	NA	WEBSTER	NA		
CHICOPEE	1153	HARWICH	530	MIDDLETON	80	ROWLEY	105	WELLESLEY	0		
CLINTON	0	HATFIELD	1	MILFORD	416	SALEM	NA	WENHAM	66		

APPENDIX F

List of State Housing Authorities with Minimum or Below Minimum Operating Reserve/Unrestricted Net Asset Balances

1.	Athol		18.	Hull
2.	Attleboro		19.	Kingston
3.	Barnstable		20.	Methuen
4.	Berkshire County		21.	Milton
5.	Brookline		22.	Montague
6.	Bridgewater		23.	Needham
7.	Chatham		24.	Natick
8.	Cohasset		25.	Pepperell
9.	Concord		26.	Quincy
10.	Dennis		27.	Revere
11.	Franklin County		28.	Salisbury
12.	Fitchburg		29.	Sandwich
13.	Great Barrington		30.	Seekonk
14.	Groton		31.	Southwick
15.	Hadley		32.	Stoneham
16.	Hanson		33.	Templeton
17.	Hingham		34.	Westborough

Source: LHAs' Quarterly Financial Statements.

APPENDIX G

List of Operating Subsidies Due State Housing Authorities from the Department of Housing and Community Development

LHA	Quarter Ending	Year-End Settle-Up 6/04 - 3/05	Subsidy Advance Due Through 6/30/05	Subsidy Disbursed During FY05	Balance Due LHAs as of 6/30/05
Acton	12	\$15,155	\$15,840	\$10,579	\$20,416
Adams	6	40,052	56,931	35,000	61,984
Amesbury	9	22,761	1,858	22,169	2,450
Amherst 400-1	3	52,282	14,898	15,000	52,180
Athol	3	66,417	33,891	48,891	51,417
Belchertown 400-1	9	-	3,649	1,000	2,649
Belmont	6	35,458	-	27,000	8,458
Berkshire County	6	23,655	17,994	15,359	26,290
Boston	3	4,225,560	3,063,191	5,728,850	1,559,901
Brookline	3	419,113	118,332	110,000	427,445
Cambridge	3	462,109	202,124	190,000	474,233
Chelsea	12	328,034	373,901	280,000	421,935
Chicopee	6	541,783	507,062	730,000	318,845
Cohasset	6	2,261	27,817	10,000	20,078
Dedham	6	88,343	67,913	114,155	42,101
Duxbury	3	17,439	3,850	13,971	7,319
Essex	12	1,100	-	-	1,100
Everett	9	19,448	-	10,000	9,448
Fall River	3	1,412,122	318,584	1,729,836	870
Fitchburg	12	191,903	192,726	274,829	109,800
Framingham 400-1	12	195,154	103,525	51,937	246,742
Framingham 400-9	12	-	37,571	-	37,571
Gardner	9	63,000	13,000	53,455	22,545
Gloucester	6	54,808	209,480	95,000	169,288
Greenfield	3	85,781	2,734	35,827	52,688
Hampshire County	12	8,828	2,091	5,235	5,684
Harwich	9	1,377	6,006	1,377	6,006
Haverhill	3	57,865	-	-	57,865
Hingham	6	10,408	74,269	62,046	22,631
Holden	6	1,439	3,613	-	5,052
Ipswich	3	127,984	11,071	73,894	65,161
Lawrence	3	351,478	207,225	241,589	317,114
Leominster	12	24,076	14,430	24,724	13,782
Lexington	6	21,339	33,740	30,552	24,527
Lowell	9	66,132	124,254	132,765	57,621
Lunenburg	12	14,223	18,491	15,861	16,853
Lynn	3	235,966	67,928	55,000	248,894
Marshfield	6	(586)	86,694	85,586	522

LHA	Quarter Ending	Year-End Settle-Up 6/04 - 3/05	Subsidy Advance Due Through 6/30/05	Subsidy Disbursed During FY05	Balance Due LHAs as of 6/30/05
Mashpee	6	6,600	-	-	6,600
Middleboro	12	25,541	12,081	27,018	10,604
Milton	6	18,156	-	11,789	6,367
Monson	12	14,584	18,639	10,000	23,223
New Bedford	12	1,059,940	502,308	993,307	568,941
Newton 400-9	12	8,208	37,391	15,000	30,599
N. Attleboro	6	26,148	-	20,887	5,261
N. Brookfield	12	52,454	7,259	23,510	36,203
Orange	12	32,928	17,412	19,256	31,084
Peabody	6	75,802	90,445	80,000	86,247
Pittsfield	6	172,774	177,832	241,940	108,666
Quincy	6	-	659,943	285,000	374,943
Revere	3	137,907	61,411	117,427	81,891
Rockport	6	19,781	21,750	30,000	11,531
Salem	9	139,272	153,451	260,572	32,151
Sandwich	6	4,957	-	-	4,957
Saugus	6	2,454	12,369	7,365	7,458
Sharon	6	44,256	51,325	69,589	25,992
Somerville 400-1	3	396,636	183,156	429,152	150,640
Somerville 400-9	3	-	19,492	-	19,492
Southbridge	6	8,618	13,412	5,000	17,030
Springfield	3	988,351	225,259	591,930	621,680
Tewksbury	6	98,213	127,500	132,359	93,354
Wakefield	6	4,384	-	-	4,384
Wareham	6	38,598	33,732	35,000	37,330
Warren	12	-	13,801	5,000	8,801
Webster	12	65,909	20,069	17,147	68,831
W. Boylston	9	37,122	5,925	11,247	31,800
W. Newbury	9	11,955	3,293	13,347	1,901
Westboro	9	10,859	-	5,000	5,859
Westfield	3	158,071	30,725	102,518	86,278
Weymouth 400-1	12	-	27,357	15,000	12,357
Weymouth 400-9	12	-	174,967	154,901	20,066
Winchendon	9	36,185	27,026	32,890	30,321
Woburn	6	65,042	-	20,000	45,042
Worcester	3	1,510,711	435,058	1,899,039	46,730
Yarmouth	3	<u>4,413</u>	<u>200</u>	-	<u>4,613</u>
		<u>\$ 14,561,100</u>	<u>\$ 9,201,273</u>	<u>\$ 16,013,675</u>	<u>\$ 7,748,698</u>

Source: Department of Housing and Community Development

APPENDIX H

List of LHA Land Available to Build Affordable Housing

<u>Housing Authority</u>	<u>Est Parcel SqFt</u>	<u>Reason Undeveloped</u>
ABINGTON HA	145,405	Budget Limitations
ABINGTON HA	266,400	Other
ACTON HA	130,680	Missing Septic System
AUBURN HA	80,340	Wetlands
AVON HA	40,000	Sewage Systems
AVON HA	40,000	Sewage Systems
BARNSTABLE HA	2,003,760	Other
BARRE HA	73,500	Other
BARRE HA	9,180	Other
BELCHERTOWN HA	152,460	Wetlands
BELCHERTOWN HA	65,340	Budget Limitations
BELCHERTOWN HA	87,120	Utility Easement
BERKSHIRE REGIONAL HA	217,800	Budget Limitations
BERKSHIRE REGIONAL HA	309,276	Budget Limitations
BILLERICA HA	87,120	Budget Limitations
BREWSTER HA	43,560	Budget Limitations
BREWSTER HA	174,240	Budget Limitations
BRIDGEWATER HA	130,000	Other
BROCKTON HA	349,200	Budget Limitations
BURLINGTON HA	578,476	Utility Easement
CHARLTON HA	37,800	Other
CHARLTON HA	196,020	Neighborhood Opposition
CHELMSFORD HA	20,000	Other
CHELMSFORD HA	86,000	Budget Limitations
DARTMOUTH HA	14,400	Other
DARTMOUTH HA	8,400	Other

<u>Housing Authority</u>	<u>Est Parcel SqFt</u>	<u>Reason Undeveloped</u>
DARTMOUTH HA	24,300	Other
DEDHAM HA	107,120	Neighborhood Opposition
DENNIS HA	383,328	Budget Limitations
DIGHTON HA	43,560	Wetlands
DUDLEY HA	130,680	Wetlands
DUKES CTY. REG. HA	45,000	Other
EAST LONGMEADOW HA	93,050	Wetlands
FCHRA	120,000	Sewage Easement
FCHRA	80,000	Other
FCHRA	40,000	Other
FITCHBURG HA	100,000	Budget Limitations
FITCHBURG HA	35,000	Other
FITCHBURG HA	150,000	Steep Slopes
FOXBOROUGH HA	19,386	Budget Limitations
GARDNER HA	90,000	Budget Limitations
GLOUCESTER HA	26,951	Budget Limitations
GLOUCESTER HA	31,500	Budget Limitations
GRANBY HA	336,282	Other
GROTON HA	609,840	Neighborhood opposition
HADLEY HA	87,120	Budget Limitations
HALIFAX HA	392,040	Other
HANOVER HA	261,360	
HINGHAM HA	348,480	Budget Limitations
HOLLISTON HA	392,040	Other

<u>Housing Authority</u>	<u>Est Parcel SqFt</u>	<u>Reason Undeveloped</u>
HOPKINTON HA	516,186	Other
HULL HA	7,500	Steep Slopes
IPSWICH HA	166,000	Deed Limits
LUDLOW HA	69,840	Budget Limitations
LUDLOW HA	126,324	Missing Septic System
MANCHESTER HA	21,870	Underlying Ledge
MANSFIELD HA	43,560	Budget Limitations
MASHPEE HA	130,680	Budget Limitations
MAYNARD HA	108,900	Wetlands
MEDFIELD HA	65,937	Budget Limitations
MONTAGUE HA	29,110	Other
NEEDHAM HA	218,800	Wetlands
NORFOLK HA	6,000	Sewage Easement
NORTH ANDOVER HA	26,600	Steep Slopes
NORTHAMPTON HA	60,000	Other
NORTHAMPTON HA	25,000	Other
NORTHAMPTON HA	70,000	Other
NORTHAMPTON HA	55,000	Other
NORTHAMPTON HA	47,500	Other
NORTON HA	2,395,800	Wetlands
NORWELL HA	392,040	Design disagreement
PITTSFIELD HA	650,000	Other
RAYNHAM HA	217,800	Wetlands
REVERE HA	3,404	Other
ROWLEY HA	20,000	Other
ROWLEY HA	76,238	Wetlands

<u>Housing Authority</u>	<u>Est Parcel SqFt</u>	<u>Reason Undeveloped</u>
SANDWICH HA	261,360	Budget Limitations
SANDWICH HA	20,000	Budget Limitations
SCITUATE HA	304,920	Budget Limitations
SOUTHBRIDGE HA	29,200	Neighborhood Opposition
SOUTHBRIDGE HA	60,852	Neighborhood Opposition
SOUTHWICK HA	80,000	Wetlands
SOUTHWICK HA	120,000	Budget Limitations
SOUTHWICK HA	70,000	Budget Limitations
SPENCER HA	108,900	Budget Limitations
SPRINGFIELD HA	61,560	Recreation site
SPRINGFIELD HA	71,096	Steep Slopes
SPRINGFIELD HA	64,444	Recreation Site
SPRINGFIELD HA	284,971	Wetlands
SPRINGFIELD HA	230,100	Recreation Site
TAUNTON HA	609,840	Budget Limitations
TEWKSBURY HA	87,120	Hazardous Materials
W. BRIDGEWATER HA	103,237	
WALPOLE HA	25,524	Other
WALPOLE HA	20,995	Other
WALPOLE HA	20,236	Other
WARREN HA	130,680	Budget Limitations
WATERTOWN HA	4,950	Other
WEST BOYLSTON HA	566,280	Budget Limitations
WESTFORD HA	43,560	Recently Acquired
WESTFORD HA	87,120	Recently Acquired

<u>Housing Authority</u>	<u>Est Parcel SqFt</u>	<u>Reason Undeveloped</u>
WESTFORD HA	300,560	Other
WESTPORT HA	43,560	
WILLIAMSTOWN HA	1,100	Sewage Systems
WINCHENDON HA	174,240	Budget Limitations
WINCHENDON HA	174,240	Wetlands
WOBURN HA	33,324	Budget Limitations
WOBURN HA	249,204	Budget Limitations
WOBURN HA	18,620	Budget Limitations
WORCESTER HA	9,821	Budget Limitations
WORCESTER HA	13,000	Budget Limitations
WORCESTER HA	120,000	Other
YARMOUTH HA	680,000	Budget Limitations
YARMOUTH HA	805,860	Budget Limitations

Source: Department of Housing and Community Development

APPENDIX I

Summary of LHA Off-Line Units as of 6/30/2004

<u>LHA</u>	<u>Total</u>	<u>LHA</u>	<u>Total</u>	<u>LHA</u>	<u>Total</u>	<u>LHA</u>	<u>Total</u>	<u>LHA</u>	<u>Total</u>	<u>LHA</u>	<u>Total</u>
ABINGTON	QNR	CONCORD	0	HOLBROOK	0	MONSON	QNR	SEEKONK	0	WEST SPRINGFIELD	0
ACTON	0	DALTON	0	HOLDEN	0	MONTAGUE	0	SHARON	0	WESTBOROUGH	0
ACUSHNET	0	DANVERS	0	HOLLISTON	0	NAHANT	0	SHELBURNE	0	WESTFIELD	10
ADAMS	5	DARTMOUTH	QNR	HOLYOKE	0	NANTUCKET	0	SHREWSBURY	0	WESTFORD	0
AGAWAM	0	DEDHAM	5	HOPEDALE	0	NATICK	QNR	SOMERSET	0	WESTPORT	0
AMESBURY	1	DENNIS	1	HOPKINTON	0	NEEDHAM	4	SOMERVILLE	56	WEYMOUTH	20
AMHERST	1	DIGHTON	0	HUDSON	0	NEW BEDFORD	NA	SOUTH HADLEY	0	WHITMAN	1
ANDOVER	NA	DOUGLAS	NA	HULL	QNR	NEWBURYPORT	QNR	SOUTHAMPTON	NA	WILBRAHAM	0
ARLINGTON	1	DRACUT	2	IPSWICH	1	NEWTON	QNR	SOUTHBOROUGH	0	WILLIAMSTOWN	0
ASHLAND	0	DUDLEY	0	KINGSTON	0	NORFOLK	0	SOUTHBRIDGE	1	WILMINGTON	0
ATHOL	0	DUKES COUNTY	QNR	LANCASTER	0	NORTH ADAMS	QNR	SOUTHWICK	0	WINCHENDON	0
ATTLEBORO	0	DUXBURY	1	LAWRENCE	2	NORTH ANDOVER	0	SPENCER	0	WINCHESTER	0
AUBURN	0	EAST BRIDGEWATER	0	LEE	0	NORTH ATTLEBORO	0	SPRINGFIELD	NA	WINTHROP	30
AVON	0	EAST LONGMEADOW	QNR	LEICESTER	0	NORTH BROOKFIELD	QNR	STERLING	QNR	WOBURN	0
AYER	0	EASTHAMPTON	0	LENOX	0	NORTH READING	QNR	STOCKBRIDGE	0	WORCESTER	28
BARNSTABLE	0	EASTON	0	LEOMINSTER	QNR	NORTHAMPTON	12	STONEHAM	1	WRENTHAM	0
BARRE	0	ESSEX	0	LEXINGTON	0	NORTHBOROUGH	NA	STOUGHTON	1	YARMOUTH	0
BEDFORD	1	EVERETT	QNR	LITTLETON	0	NORTHBRIDGE	QNR	STOW	NA		
BELCHERTOWN	0	FAIRHAVEN	0	LOWELL	1	NORTON	0	SUDBURY	0	TOTAL	<u>407</u>
BELLINGHAM	0	FALL RIVER	NA	LUDLOW	0	NORWELL	1	SUTTON	0		
BELMONT	0	FALMOUTH	0	LUNENBURG	QNR	NORWOOD	QNR	SWAMPSCOTT	0	NA= Not Available	
BERKSHIRE COUNTY	0	FITCHBURG	5	LYNN	NA	ORANGE	0	SWANSEA	0	QNR= Questionnaire Not Returned	
BEVERLY	14	FOXBOROUGH	QNR	LYNNFIELD	0	ORLEANS	0	TAUNTON	4		
BILLERICA	1	FRAMINGHAM	30	MALDEN	QNR	OXFORD	0	TEMPLETON	0		
BLACKSTONE	0	FRANKLIN	NA	MANCHESTER	0	PALMER	0	TEWKSBURY	16		
BOLTON	NA	FRANKLIN COUNTY	0	MANSFIELD	1	PEABODY	2	TOPSFIELD	0		
BOSTON	46	GARDNER	4	MARBLEHEAD	2	PEMBROKE	0	TURO	NA		
BOURNE	0	GEORGETOWN	0	MARION	NA	PEPPERELL	1	TYNGSBOROUGH	1		
BRAINTREE	NA	GLOUCESTER	5	MARLBOROUGH	0	PITTSFIELD	NA	UPTON	0		
BREWSTER	0	GRAFTON	0	MARSHFIELD	0	PLAINVILLE	QNR	UXBRIDGE	0		
BRIDGEWATER	0	GRANBY	0	MASHPEE	0	PLYMOUTH	0	WAKEFIELD	0		
BRIMFIELD	0	GREAT BARRINGTON	0	MATTAPOISETT	QNR	PROVINCETOWN	0	WALPOLE	QNR		
BROCKTON	NA	GREENFIELD	3	MAYNARD	0	QUINCY	9	WALTHAM	15		
BROOKFIELD	QNR	GROTON	0	MEDFIELD	0	RANDOLPH	0	WARE	QNR		
BROOKLINE	0	GROVELAND	0	MEDFORD	0	RAYNHAM	0	WAREHAM	1		
BURLINGTON	0	HADLEY	0	MEDWAY	0	READING	0	WARREN	QNR		
CAMBRIDGE	QNR	HALIFAX	QNR	MELROSE	1	REHOBOTH	NA	WATERTOWN	NA		
CANTON	2	HAMILTON	0	MENDON	0	REVERE	5	WAYLAND	0		
CARVER	0	HAMPDEN	0	MERRIMAC	0	ROCKLAND	0	WEBSTER	QNR		
CHARLTON	0	HAMPSHIRE COUNTY	0	METHUEN	NA	ROCKPORT	0	WELLESLEY	0		
CHATHAM	1	HANOVER	NA	MIDDLEBOROUGH	NA	ROWLEY	0	WENHAM	0		
CHELMSFORD	7	HANSON	QNR	MIDDLETON	0	SALEM	33	WEST BOYLSTON	0		
CHELSEA	7	HARWICH	0	MILFORD	0	SALISBURY	0	WEST BRIDGEWATER	0		
CHICOPEE	1	HATFIELD	0	MILLBURY	1	SANDWICH	0	WEST BROOKFIELD	0		
CLINTON	0	HAVERHILL	1	MILLIS	0	SAUGUS	1	WESTMINISTER	NA		
COHASSET	QNR	HINGHAM	QNR	MILTON	0	SCITUATE	NA	WEST NEWBURY	0		

DHCD RESPONSE TO AUDIT RESULTS

DHCD's response stated, in part:

Introduction:

Development Cost:

The statement that the total *development* cost of state projects under management is over \$10 billion is not correct. It would be more accurate to say, "*replacement* cost is *estimated* to be \$10 billion."

2002 Bond Bill Provision for 5 years spending:

Bond bills are initially authorized for five years and are routinely reauthorized by the Legislature each year thereafter. With a statewide annual capital spending cap of \$1.2 billion and nearly ten times that amount authorized for expenditure by the Legislature that remains outstanding at any given time, not all capital spending can occur within the first five years of authorization.

Many residents are deprived of the required safe, decent and sanitary housing that the law mandates:

This statement is misleading without a statistical context. From the Audit's report fewer than 1% of the occupied state aided units might fall in this category.

TABLE OF CONTENTS/EXECUTIVE SUMMARY:

The Audit refers to "the physical condition of the State managed housing properties." The properties are actually owned and managed by the individual LHAs, not the Department of Housing and Community Development (DHCD). That is particularly relevant here because it implies that DHCD is in a management decision making role rather than a monitoring role with respect to funding for extraordinary maintenance and essential capital improvements. DHCD's job is to have the resources that have been allocated to DHCD by the Legislature available to remediate conditions which deprive tenants of 'safe, decent and sanitary' housing in the opinion of the LHA and DHCD. It is entirely up to each LHA to request additional resources when its own are inadequate to address such a condition. The state sanitary code sets a de facto "floor" for those standards. There is a well-defined internal process for handling a specific citation by a Board of Health, Fire Department, Building Official, etc. if the LHA does not have sufficient funds, although a citation is not always necessary as a prerequisite to funding. DHCD has acted to provide each LHA with the resources it needs to remedy every violation of the state sanitary code that has been brought to its attention. Indeed, most of the photographs presented in the report are, in fact, photos of conditions which are the subject of DHCD awards with remediation in process (see page-by-page commentary below).

DHCD's Budget Guidelines for fiscal years 2003-2006 are contrary to Chapter 121B, MGL, Section 32:

The state budget line item 7004-9005 states each year "that the amount appropriated herein shall be deemed to meet any and all obligations pursuant to said sections 32 and 40 of said Chapter 121B."

LHAs are owed over \$7.75 million...for fiscal year 2001,2002,2003, and 2004 as if June 30, 2005.

This amount was for fiscal years 2003, 2004, and 2005, not 2001 and 2002.

DHCD...cause(s) delays in providing timely periodic subsidies for LHAs to pay their bills.

DHCD advances subsidy payments quarterly in anticipation of each quarter. The payment delays are caused by a lack of supplemental appropriation that the State Legislature had not authorized until July 20, 2006.

As a result, LHAs have had to delay maintenance, reduce staff and withstand other costs it cannot control such as weather conditions, utilities, water, sewer, and trash, etc.

Similar to the State agencies and local municipalities, a few LHAs may have reduced staff. There has been no apparent reduction of current employee salaries since 2001. Regarding utility costs such as oil, gas, electricity including water and sewer LHAs have not had to “withstand” such costs because the subsidy LHAs receive is based on actuals when it comes to utilities. Therefore, as utility costs rise, so does subsidy on a dollar for dollar basis. The term “weather conditions” could be almost any change in climate from rain to snow to cold. The only additional cost an LHA would face here is overtime for employees. Most storm related damage would be covered by our property insurance or Federal Emergency Management Assistance (FEMA) benefits and “any Act of God” not covered by the insurance would be repaired either through DHCD modernization funds or a budget exemption if the Authority was lacking the funds.

Conclusion**LHAs have been severely under-funded, under-subsidized and restricted with no increases to non-utility annual expense levels for six consecutive years.**

In FY 2002, DHCD provided a 4% increase to the non-utility annual expense and in FY 2001 provided a 4% increase to all authorities and substantial 20-40% increases to all (over 200) LHAs that had fewer than 1000 units when we granted all of the small, medium and large authorities same spending authority per unit as the larger (over 1000 units) LHAs. This policy represented a dramatic increase in the spending and subsidy eligibility of most LHAs.

State of disrepair to LHAs’ properties throughout the state and the ultimate statutory violation of not providing safe, decent and sanitary housing to the public housing residents within the Commonwealth.

Failure to quantify these conditions in the audit misleads the reader to believe that these conditions are pervasive, which they are not. Safe, decent and sanitary is a statutory definition from the State Sanitary code and such an allegation needs to be made very carefully and only with written professional certification by a licensed health inspector.

DHCD should...authorize LHAs to utilize operating reserves...to make emergency repairs.

LHAs can use their reserves up to \$10,000 for any purpose and over \$10,000 with DHCD’s permission. In fact, LHAs are reluctant to deplete their reserves even though the DHCD has allowed them to drop the reserve level to 20% in order to make these emergency repairs.

Recommendations**Immediately seeking and providing funding to avoid the disparity and discrimination that exists between the quality of federal and state housed tenants...**

The Audit speaks of a disparity between federal and state aided public housing. In fact, it goes so far as to call it discrimination. In view of the fact that no other state in the nation operates and funds as many units of public housing as Massachusetts the audit statement is excessive and misleading.

There can be several reasons the federal levels are higher than the State when it comes to per unit non-utility spending. Chapter 121B Section 32 states “*each housing authority shall manage and*

operate decent, safe and sanitary dwelling accommodations at the lowest possible cost and that no housing authority shall manage and operate any such project for profit. The Department believes that certain expenditures funded in federal programs do not comply with the legislative directive imposed upon us. For example, if one examines the federal side of LHAs with federal units, it becomes obvious that a substantial amount of the additional funds provided do not go to tenant-related needs or materials and supplies but to salaries and the accompanying benefits. LHAs with federal funds in a number of instances pay higher salaries than the state believes necessary for the operation of these authorities.

Seeking and providing funding...to the same level...utilized by the federal government...(Which) will result in an estimate increase of \$35 million per year:

A \$7.7 million supplemental bill DHCD proposed to fund the previous year's utility cost overruns at LHAs for FY 05 was pending in the Legislature from October, 2005 until July 20, 2006. In a climate where a \$7.7 million reimbursement requested within 60 days of receiving June 30 financial statements for the previous 12 months from the LHAs showing the deficiencies does not get enacted by the Legislature for 9 months, the Audit's recommendation to seek and provide funding which will increase the \$34.8 million FY 06 housing subsidy line item by more than 100% (\$35 million) does not seem appropriate. It is doubtful that any 8 figure state agency line item has been doubled in the time period covered by this Audit or even longer.

Determining and implementing a baseline funding level which recognizes the stagnant zero growth for the last four years and then annually providing subsidies based on a recognized index...

This would indicate the auditors are making an arbitrary decision that the housing subsidy account is now an "entitlement program" such as welfare or Medicaid. Public housing subsidies like any other "non-entitlement" program funded by the Commonwealth must be subject to the scrutiny of the Legislature on a yearly basis and must compete with other State programs and priorities for the limited dollars available.

DHCD should immediately fulfill its statutory responsibilities...by vigorously pursuing the subsidies necessary...to cover their true costs and DHCD's obligation.

No one can say that DHCD has not vigorously pursued supplemental funding for increase in non-discretionary LHA costs, including the \$7.7 million 2005 Supplemental Bill.

DHCD should immediately fulfill its statutory responsibilities...by reconcile(ing) on a monthly basis its obligations to LHAs.

DHCD makes payments **in advance for an entire quarter** and had less than \$35,000 in the subsidy account as of June 9 of this year. DHCD believes that quarterly advances are the correct format to follow. Most LHAs are small, do not have financial line-staff and rely on fee accountants who do not visit the authorities monthly. DHCD sees no need to put additional accounting burdens on the LHAs.

Central Waiting List

DHCD requested and received funding from the Executive Office for Administration and Finance (ANF) in late 2004 to develop a Request For Response (RFR) to design a state-wide waiting list for public housing. The RFR [was] issued in 2005 and a firm was hired in the spring of 2006. The DHCD consultants have been meeting with Mass NAHRO and LHAs and expect the central waiting list to be operational later this fiscal year.

DHCD should immediately fulfill its statutory responsibilities.. by identifying all LHAs owning land...developing cost estimates...and creat(ing) a bond fund dedicated to additional housing.

DHCD has long encouraged LHAs to use their surplus land to develop new housing units. Some choose to work with the Department of Mental Retardation (DMR) or the Department of Mental Health

(DMH) to use the land for new housing for persons with special needs. That construction is funded with Bond funds restricted to such housing. DHCD routinely refers the others to Massachusetts Housing Partnership (MHP) for technical assistance and in recent years have provided an increasing level of direct technical assistance. DHCD initiated a modular housing pilot program aimed at simplifying the development process for small projects by developing a standardized portfolio of modular housing plans and bid specifications, and have funded predevelopment work at a number of sites. Twenty-five (25) LHAs are working with DHCD and/or MHP with development plans ranging from the initial feasibility stage to completion of bidding. Only the Legislature by a 2/3rds vote can create a bond fund. DHCD cannot set aside any funds from the existing 2002 bond bill because they are fully committed. DHCD believes before it uses bond funds on the construction of new units it needs to address the capital needs its current inventory. Thus, except for those two limited special cases, DHCD is committing all bond cap authorization to the modernization of its current portfolio. DHCD did conduct a comprehensive survey of vacant land at LHAs in 2001. It seems redundant to recommend another survey be done when DHCD's is already attached to the Audit.

New construction is also discouraged by the legislative language in the housing subsidies appropriation account (a/c 7004-9005) that states "...provided further, that any new reduced rental units developed in fiscal year 2007 eligible for subsidies under this item, shall not cause any annualization that results in an amount exceeding the amount appropriated in this item..."

Issue on building new units on land currently owned by LHAs.

Note also that there are provisions of the law which restrict what an Authority might do with land adjacent to a current development. Section 28 of 121B restricts the amount of land the development can cover "***does not occupy more than thirty per centum of the area thereof***" and Section 31 of 121B limits the number of units that can be built on a site or close to another development "***The Department shall approve such a project only if it makes the following determination; (i) the proposed project does not include in excess of one hundred dwelling units in any one site; (ii) the total combined number of units of the proposed project and any low rent housing project which is in existence or has been approved or is before the department for approval and is located within one-eighth of a mile of the site of the proposed project shall not exceed one hundred, other than those to be used specifically for elderly persons of low income***" A number of LHA sites are affected by this provision.

DHCD should immediately fulfill its statutory responsibilities..by conduct(ing) a complete and comprehensive inventory of the capital improvement necessary to repair, renovate and modernize the aging and deteriorating public housing stock throughout the commonwealth...

DHCH is, in fact, in the process of creating a comprehensive Capital Planning System (CPS) and a complete inventory of the capital needs of the public housing portfolio, DHCD is partnering with one of the best managed LHAs in the Commonwealth (Cambridge Housing Authority) and created this web-based system that will allow each LHA to continuously maintain an inventory of its capital assets, the current condition of each and a plan for its capital needs in the form of a Capital Improvement Plan. That collaboration was initiated on May 17, 2001, with the execution of a contract among DHCD, the Cambridge Housing Authority and Diversified Intelligence, our software developer. The system allows DHCD to aggregate all of the individual plans into a comprehensive state-wide plan. The system also provides us with an opportunity to more efficiently provide LHAs with information and technical assistance to assist them in doing their jobs more efficiently and cost-effectively. The first phase of actual collection of data and creation of plans was initiated on June 2 of this year when DHCD signed a contract with EMG Corporation. Data collection and Capital Improvement Planning for all c.705, c.689 and c.167 properties is ongoing and should be completed before the end of the year. DHCD particularly appreciates the mention of the School Building Authority. At its inception, the Executive Director of the Authority requested and received our assistance in structuring its programs,

including hiring our Director of Architectural and Engineering Services to quickly bring the Authority up to speed. DHCD believes that this is testimony to the efficacy of the system that we have developed to provide timely and cogent assistance to Local Housing Authorities.

Most of the subsidized units in the inventory are 20 to 50 years old.

The point of this statement is unclear, because it does not give any description other than the age. If anything, this statement supports DHCD's policy that modernization money should be spent on upgrading existing units rather than on new units, especially when funds are finite.

In addition, the chart on page 2 is very misleading because it follows the statement on age (above) and includes many state and federal public housing units which have been renovated, new Massachusetts Housing Agency (MHA) units, and Massachusetts Rental Voucher Program (MRVP) and Section 8 units held by private landlords. Given these factors, it is misleading to make this statement about the age of the subsidized units in the inventory without also describing the current condition of those units.

Table reveals that the \$34.8 million in state operating subsidies for fiscal year 2006 are less than the \$38 million in subsidies in fiscal year 1986

The audit report should identify rent increases as part of the reason for the change in DHCD Expenditures for LHA Operating Subsidy. The audit report shows the inverted curve in subsidy levels for the years 1986 through 2006 but fails to identify rent increases as the main reason for this change. Subsidy levels went down because the Department raised the tenant contributions through rent increases and changes in the deductions allowed. Both of these actions resulted in increased revenues at the LHAs. Therefore, the LHAs did not receive less funding, they just received more of their funding from tenant rent payments rather than subsidy from the Commonwealth. The report also ignores \$7.2 million supplemental budget request submitted by DHCD in October, 2006 which has only just been acted upon in the Legislature on July 20, 2006 and the \$43.1 million budget request for FY 2007.

Capital spending chart is understated by \$19 million in the aggregate for energy improvements.

Since 1994, DHCD has assisted various LHAs in procuring and implementing an additional \$19 million in capital improvements through energy- and water-saving performance contracts almost entirely funded with those savings.

Questionnaires were sent to each LHA...requesting information on the:

Physical Condition of its managed units/projects

Amounts disbursed, if any, to house tenants in hotels/motels

Availability of land to build affordable units

Please send us copies of these responses. Although we have shared with you our study of available land from 2001, we would like to utilize the Auditors' more recent one.

"Listing of modernization projects that have been formally requested from DHCD within the last five years, for which funding was denied."

Actually, DHCD very rarely denies a request for funding and only in cases where we determine that the work is not necessary. It is simply a question of when resources will be available. In fact, all of the applications in the last funding round (Capital Application Request (CAR) process) which did not receive awards (not the same thing as denial) are still on file and the capital needs they describe will be captured in Capital Planning System (CPS) and scheduled as part of the planning process described in the comment relating to page v of the Audit above.

(Physical condition photos: DHCD has been addressing most of these issues prior to the audit)
(Need to provide dates on all photos to show that DHCD has been addressing these issues prior to the audit)

The Brockton 200-1 photograph shows a condemnation notice issued by the Brockton Board of Health on 10/25/05. The notice identified two specific issues (mold and electrical system problems). Subsequent communications from the Board revealed a number of more general concerns but it was not until May, 2006, that the Board of Health sent the Brockton Housing Authority a letter fully articulating the nature of the violations in clear, unambiguous terms. In response, DHCD is assisting the Brockton Housing Authority in completing some repairs with in-house staff and in the preparation of three different capital improvement projects: Building Envelope (including repair of concrete stoops and railings shown in the second photo), Mechanical-Electrical-Plumbing and Building Interior. These projects will deal with all of the problems shown in the Brockton 200-1 photographs on pages 10 and 30.

The Quincy 689-1 property shown in a number of photographs on pages 10, 28 and 33 was the subject of an earlier heat project which was completed on April 7, 2005 at a cost of \$19,848. Design of another project to address building envelope and other architectural issues began in February of 2005. Construction started in July of this year at a cost of \$196,400.

The Yarmouth 667-1 sump pump shown twice (pages 10 and 31) is actually a new, isolated problem that has been under study for about a year, trying to figure out what has caused the problem so that an appropriate solution can be found. There is some suspicion that a water supply pipe is leaking rather than groundwater intrusion, which would involve a very different approach.

The Boston 705-1 photographs (pages 11 and 28) show problems that are being addressed by DHCD and the Boston Housing Authority using modernization funds for equipment and supplies.

The Brewster 667-1 photographs shown on this page as well as on pages 31 and 32 are all of a single development. The plan has been to address the problems at this development with the balance of the award made at the 705 development using our Capital Planning Initiative Option from the 2002 bond round. The design has been under study for some time now, including a sample installation of a window.

The Adams 705-1 photographs on this page and on page 27 show a development which was the subject of a 2002 planning award which is currently being implemented state-wide (see response to recommendation for a comprehensive inventory of capital needs.)

Appendix C portrays an additional sampling of conditions of state managed housing properties throughout the Commonwealth.

Please add the word "unacceptable" or similar characterization before the word "conditions" so that the reader will not be misled into thinking that this is a random or even a typical sampling of conditions, because although these conditions are a violation of DHCD standards they are not typical of conditions at the 50,000 units in the portfolio.

The photographs of the Brookline 667-1 project (pages 12 and 29) show problems which are the subject of an award made in 2005 and currently in the planning stage with an expected construction start next year. At the same development there is currently a \$207,281 construction contract for electrical and fire safety under way. That award was made in 2002 as part of the CAR process.

The Holbrook 667-2 photos on this page and page 29 show conditions which are the subject of an award made on September 2, 2005. The project is about to go out to bid for construction in the spring, 2007.

AUDIT RESULTS

Approximately 1,994 units of housing have been lost and are no longer available. The units lost were from urban cities that continue to suffer from a lack of adequate affordable housing...

Units Lost from urban cities

Four points should be made in this area:

Most of these units were not lost but were conveyed to the federal program per requirements of statute. Chapter 121B Section 34 states ***“Upon the availability of federal financial assistance for low-rent housing projects, each housing authority having a contract for state financial assistance shall, upon receipt of written notice from the department, immediately enter into negotiations with the federal government to arrange for federal assistance with respect to any project developed hereunder and for the termination, in whole or in part, of state financial assistance”***

Boston: Franklin Field (392 units in 200-11), Highland Street (12 units in 705-1) and Sumner Street (104 units in 667-5) were all federalized in 1985 according to our records. The remaining units referenced here may be referring to West Broadway and/or Columbia Point. West Broadway was built in 1949 with 972 units. It lost units mainly due to breakthroughs to combine undersized units into larger modern units, addition of community space, a reduction in density which allowed the development of the Laboure Center, an arm of Catholic Charities, social services facility and which is required to provide significant services to Boston Housing Authority tenants, and the recent 133 apartment West Broadway Homes redevelopment of the final portion of the site. West Broadway is still by far the largest state-assisted family public housing development, with 619 units.

Cambridge: The units (384) cited in the audit report (DHCD believes) are Roosevelt Towers (132), and part of Jefferson Park (175). These units were also transferred to the federal program. The Roosevelt Towers High-rise (77) remains in the state portfolio but is funded through the Federal Section 8 Substantial Rehab program.

Lynn: These units (214) were lost through Legislative action. Actually, Lynn 200-1 (78 units), 200-2 (48 units), and 200-3 (408 units) for a total of 534 units were all disposed of, the first two in 1981 and 200-3 in 1974. They were replaced by private developments for low and/or moderate income residents: Kings Lynne (441 units), Chestnut (65 units), and Quaker meadows (104 units) for a total of 610 units.

Lowell: The units (284) at Julian Steele were lost through legislative action.

Holyoke: The units (42) at Minnie Dwight 667-1, the Holyoke Housing Authority's oldest state elderly development, directly abutted the HHA's federal family site. They were transferred to the federal program and then became part of the large Federal Hope VI revitalization project.

The units mentioned in Lowell and Holyoke do not fall within the audit period July 1, 2003 to June 30, 2005 covered by this audit.

DHCD does not maintain an inventory of the current number of applicants awaiting housing at the LHAs throughout the commonwealth:

LHAs report data to DHCD regarding waiting list composition and placement of applicants from time to time from local housing authorities through an on-line web based reporting system. The data includes: LHA programs and unit distribution; the waiting list status; how many emergency cases applications

were approved in the calendar year; how many emergency case applications were denied in the calendar year; statistics about the number of minority and handicapped applicants and placements; the waiting list composition by bedroom size, including the number of applicants by priority and the number of applicants with preference status; as well as placements by bedroom size, including the number of applicants placed by priority and the number of applicants placed with preference status. DHCD is currently collecting data for calendar year 2005. Prior to this, we collected data for calendar year 2003. The current number of applications for state-aided public housing based on these reports is estimated to be 111,000.

To allow us to determine housing need, and applicant need on an on-going basis, DHCD issued an RFR to establish an electronic state-aided public housing application and a statewide waiting list. We have signed a contract with Deloitte Consulting LLP to design a system that will meet these requirements. This system development project is referred to as SAPHIRE: "Single Application for Public Housing Intake and Referral Elements". SAPHIRE will improve the application submission process and create a repository for all applications, both electronic and manual filings, resulting in a single statewide waiting list. SAPHIRE will provide:

- Low-income housing applicants and their advocates the ability to complete an application for state-aided public housing online and to track the status of their application;
- DHCD the ability to view and manage a single statewide waitlist; and
- Local Housing Authorities (LHAs) the ability to view and manage their individual waitlist as a subset of the statewide waitlist.
- Reports, including ad-hoc reports, of application and placement demographics and statistics and create specified audit trails for detection of error or fraud.

SAPHIRE will be used by DHCD, the Commonwealth's 243 LHAs and 12 Housing Assistance Providers (HAPs) to facilitate the application and waitlist process for 50,000 state-aided public housing units. Access to the online application will be available to other non-profit housing agencies and the general public.

DHCD does not maintain a current central registry of vacant units:

DHCD does maintain an inventory. DHCD, through the "Quarterly Report on Occupancy/Vacancy" does have an inventory of the total number of vacancies in state-aided public housing by program and bedroom size at the end of each quarter. This report is a roll-up of information provided by each local housing authority. We also have reports that provide us the total number of vacant units by program and bedroom size, by LHA or by time-frame of 61+ days. By reviewing this report we can go to the individual report to obtain detailed information about the vacancies.

The individual reports filed by each local housing authority identify for each state-aided housing development administered the total number of units available for occupancy by bedroom size, the number of occupied units at the previous quarter and the number of occupied units at the end of the current quarter, the number of units vacated and leased during the current quarter, and specifically identifies the number of units vacant 61 days or more. For any unit that is vacant 61 days or more, the report indicates the unit location and the reason it remains vacant. In addition, for any unit leased during the quarter the report indicates the location and the number of days vacant.

The individual housing authority information is reviewed quarterly by the assigned housing management specialist.

There are a number of circumstances in which vacancies occur for justifiable reasons. Units may be off-line for a number of days due to modernization work and the need for substantial repair when tenants move out. The audit report points out these needs. These repairs cannot be done without the unit being off the rent rolls for some period of time. Whether the repairs are done in a comprehensive manner throughout the development or performed on an as-needed basis, the restoration of units takes time, especially when units have been occupied for many years by one household. This work leads to down time before the unit can be available for occupancy.

Having said this, DHCD understands the need to get these back on-line as quickly as possible and urges the local housing authorities to do so in a manner that both gets the unit back on-line and protects the incoming tenant from being exposed to an unsafe or unsanitary unit.

DHCD began to canvass the LHAs by telephone to ascertain the number of vacant units available (for Katrina Victims)

This survey was to seek **projections** of units that would come available in the following 90 days on anticipated turnover, a statistic not collected in the vacancy reporting.

Homeless issues and shelters

Four points:

1. A number of people in the shelters are single so they do not qualify for most of the family units in the state portfolio and are under 60 so they do not qualify for the elderly units.
2. A number of people in shelters do not pass the Criminal Offender Record Information (CORI) check and other standards required by ch.121B section 32 (see attached) for admission into the state programs and others.
3. As the Auditors have identified, there is a backlog in updating and reconditioning the units currently in operation. DHCD believes these units should be restored prior to any new construction.
4. See prior comment on development of vacant land by 25 LHAs and attachment.

Payments in lieu of taxes (PILOT)...a responsibility of DHCD to provide sufficient funds to LHAs...

Payments in Lieu of Taxes

The payments in lieu of taxes (PILOT) are statutorily set for the Chapter 200 program. Most of the units subject to PILOT payments are Chapter 200 units and, as such, have not changed in 50 years. The PILOT payments on units developed under the Chapter 705 program have remained fairly constant. There are no PILOT payments on units in the Chapter 667 program other than where commercial property may exist as part of a redevelopment program. In most instances, PILOT payments on units in the Chapter 689 program are not funded from the subsidy account. Therefore, sufficient funds have always been provided for the payment-in-lieu of taxes. In fact, since the inception of housing subsidies, the PILOT payments have been included in the LHAs non-utility base and percentage increases have been granted on the monies allocated for these payments even though the majority of units subject to PILOT payments (Chapter 200 units) have not grown since the inception of the program.

Poor fiscal conditions and inadequate resources are affecting local housing authorities' ability to provide safe, sanitary and affordable housing.

- 1) 0% Caps: Only the Non-Utility Expense Level portion of the budget has been restricted to level funding (0% increase) of the LHA annual operating budgets. Actual Utility Costs are included in the formula used to calculate the subsidy earned based on dollar-for-dollar spent by the Authority and are fully compensated.
- 2) Faced with dramatic increases in utility costs, DHCD has been forced to limit non-utility expenditure increases to pay for utilities.

-
- 3) While the Department has recommended 0% cap increases in the years mentioned (in order to comply with that part of 121B quoted earlier by the Auditor ***“each housing authority shall manage and operate decent, safe and sanitary dwelling accommodations at the lowest possible cost and that no housing authority shall manage and operate any such project for profit.*”), it has always provided the percentage increases to the non-utility base that would match the subsidy appropriation.**
 - 4) LHAs have always been able request additional funding from DHCD in the form of exemptions to their operating budgets if they have unique expenses or needs beyond their control. DHCD has granted many of these for such costs as extraordinary pension expenses, group insurance, trash fees, single audits, GAAP conversion (all LHAs) etc. In FY 2005 new and increased prior exemptions granted totaled \$760,637.
 - 5) DHCD rejects the idea that each Authority should be allowed to calculate its need and present it to DHCD without guidelines or parameters for payment. Budget guidelines, with the right to request exemptions if fully documented, are the appropriate format for assessing LHA needs. The 247 housing authorities are independent entities governed by Boards whose membership is not controlled by the Commonwealth. While the state exercises some control over the actions of these entities through statutes, it does not manage their day-to-day operations. As such, a bad union contract or service contract entered into by the authority should not result in an obligation for the Commonwealth (and the taxpayers) to pay. No decision, especially a bad one, by an LHA should result in a financial obligation of the Commonwealth. In essence, there are no blank checks.

LHAs are owed over \$7.75 million from DHCD in overdue subsidies dating back to and for fiscal years ending June 30, 2001, 2002, 2003, and 2004 as of June 30, 2005

The Department understands the needs of the authorities and the hardships caused by the current subsidy earned but as yet unpaid. To address this, DHCD has requested a deficiency amount for FY 05 which was included in a supplemental budget submitted in October 2005 to pay the authorities the monies owed, only just recently enacted by the Legislature on July 20, 2006. Neither DHCD, nor ANF, can write a check to the affected authorities before the Legislature appropriates funds.

Regarding the statement that funds are owed back to 2001 is incorrect. According to DHCD records, there is only one LHA owed subsidy funds dating back to FY 2002. Subsidy in the amount of \$6,367.36 is outstanding as the LHA did not execute and return a Subsidy Agreement in a timely manner to enable funds to be released from the state accounting system. While funds are routinely owed to some authorities at year-end due to the method in which subsidy funds are calculated, these funds are always paid (pending the availability of funding) during the quarter the year-end statement is submitted by the authority (provided the authority has an approved budget). DHCD uses actuals (income and utility costs) in its calculation of subsidy earned. A system that uses actuals in its calculation of monies earned cannot determine the exact amount owed to the authorities until the final numbers are submitted. Since these numbers are not reported by the authorities until 30-60 days after the closing of the books for the year in question, DHCD can not reconcile the remaining amount of subsidy owed and process a final close-out payment until that time.

Later in the audit report, DHCD is criticized for over-funding some authorities while others are under-funded. Neither statement is true. Both are the result of the formula. Authorities who are owed money at year-end are paid when their year-end operating statements are received and reconciled. Authorities that have received too much are directed to either return the funds or apply it to next year's subsidy. When funds are tight, LHAs owed money may need to wait until those that receive too much have returned their excess funding. How can an Authority not receive enough? It may have had reduced income during the year or substantial increase in utility costs which is very common in the last few years. Unless the authority notifies DHCD of these changes through the budget revision process, DHCD cannot change the Authority's advance which is based on the LHA's budgeted estimate of need

if the Department does not know of the shortfall prior to the submission of the year-end operating statement. All Authorities have reserves that enable them to adjust to such an underfunding. An Authority can be over-subsidized (temporarily) in a similar way when it realizes greater than expected growth in tenant and/or other income or it realized reduced utility cost. Should one or both of these happen, an Authority that does not submit a revised budget to reflect these changes may receive subsidy in the form of an advance to which it is not entitled. In addition, if an authority fails to submit an operating budget in a timely manner, subsidy advances will be based upon the prior year's approved budget. When subsidy advances are based upon a prior year in which an authority earns a larger subsidy than they are entitled to in the current year, then the authority may be over-funded for that year. This is only temporary. Authorities are not allowed to keep the money, the Department will either request it be returned or in some cases an authority will be told to consider it the first advance or part of the advance for the upcoming year.

Regarding monthly payments to LHAs. DHCD believes that making quarterly payments that are forward funded in advance based on LHA budgets is the fairest and correct methodology to follow. Most LHAs are small and do not have financial line-staff and rely on fee accountants who do not visit the authorities monthly. DHCD sees no need to put additional accounting burdens on the LHAs.

Contrary to the requirements of these laws...DHCD has in its guidelines for fiscal years 2003, 2004,2005, and 2006...bottom line budgets with 0% increases

The state budget line item 7004-9005 states each year "that the amount appropriated herein shall be deemed to any and all obligations pursuant to said sections 32 and 40 of said Chapter 121B"

DHCD should have responded sooner and authorized LHAs to utilize their operating reserves to pay for necessary repairs and avoid further deterioration, increased costs, and increased vacancies.

- 1) DHCD has always allowed LHAs to spend reserve funds on health and safety issues and unit upkeep. This is precisely the purpose of establishing and maintaining operating reserves.
- 2) Deficit LHAs do not lose income when a unit is vacant and being repaired. Since subsidy is based on actual income, any loss of income due to unit repairs increases subsidy.
- 3) LHAs without adequate reserves and needing funds for unit restoration can get the additional funds from DHCD through a budget exemption, as outlined in the guidelines.

In addition, every week an emergency modernization committee reviews emergency requests from LHAs to determine if they meet DHCD's emergency criteria and need to be funded immediately.

DHCD further confounds the process by not issuing its budget guidelines in advance of the fiscal year:

DHCD cannot issue its guidelines for a fiscal year until the state budget is passed to prevent the line item from being overspent or underbudgeted. The only LHAs who are preparing budgets in advance of the budget passage are those with a June 30 year end many of whom do not earn subsidy.

By not allowing the submission of approving or budget requests beyond the 0% cap, DHCD is not allowing the Budget Director, the Secretary, the Governor or the House and Senate Ways and Means Committee to be informed of the true costs of LHA operations and needs for subsequent years.

Permitting expenditures beyond a 0% cap in those years would have resulted in a violation of State Finance laws by over committing the subsidy budget.

LHAs have accounts receivable...balances due from tenants...LHAs wrote off uncollectible delinquent tenants accounts receivable each year

Tenant Accounts Receivable

DHCD expects housing authorities to collect the rent due them. Only accounts receivable from tenants who have vacated their units may be written-off and only after the Authority has made attempts to collect them. No current tenant may have any back rent payments written-off. LHAs are expected to enter into repayment agreements with tenants that owe past due amounts. With rents based on a percentage of income no one should be limited in their ability to pay and remain current.

Request of DHCD for a list of subsidies due to LHAs as of June 30, 2005 produced differing amounts both at the individual LHA level and in total ranging to \$7.75 from \$7.27 million List of subsidy owed LHAs

The differing amounts reported in the list of subsidies due LHAs as of June 30, 2005 resulted from receipt of revised operating statement for LHAs, estimates used in the first reporting were replaced by actuals when delinquent operating statements were received from LHAs, and calculation errors. There was a timing difference of two weeks between the two reports in which DHCD updated its numbers and communicated the changes to all parties involved.

Media reports disclosed that DHCD was providing state funds to renovate a 33-year-old private housing complex in the amount of \$500,000...the Commonwealth has pledged \$21.5 million in state funds to build and rehabilitate similar private apartments through the Commonwealth DHCD renovation of private units

This money is from bond accounts established for the purpose of providing incentives to the private sector to develop affordable housing and not from capital or subsidy accounts for the maintenance of public housing. Other than housing subsidies, the Commonwealth assists people and housing in many different ways. These funds do not affect the level provided LHAs.

Comparison of average ANUELS by types of housing for federal and state programs on a PUM basis demonstrates the difference in subsidy between federal and state managed programs

Difference between federal and state PUMs

There are several reasons for the difference between state and federal PUMs (Per Unit Monthly).

- 1) State housing is two-thirds elderly while federal housing in Massachusetts is about 50-50 family to elderly. Family housing, with bigger units and more occupants, receives more wear and tear and need to be funded at higher levels of non-utility operating costs.
- 2) The Commonwealth always funds the entire amount of the calculation eventually (and will be doing so shortly with the recent enactment of the 2005 Supplemental Budget which includes the necessary \$7.7 million). In prior years, the federal government has not funded their PUMs in full. They have paid a percentage of the Performance Funding System (PFS) calculation.
- 3) The Commonwealth is governed by the section of the statute quoted in the audit report and DHCD in its response ("***each housing authority shall manage and operate decent, safe and sanitary dwelling accommodations at the lowest possible cost and that no housing authority shall manage and operate any such project for profit.***"). Due to this language, we may calculate need differently. If one examines the federal side of LHAs with federal units, it is clear that a substantial amount of the additional funds provided do not go to tenant related needs or material and supplies but to salaries and the accompanying benefits. LHAs with federal funds in a number of instances pay higher salaries.
- 4) Professionals can disagree on what they believe are the necessities, services, and cost of operating public housing. Unit size, building updates, services provided, etc. can all be factored into the equation. When compared to the federal programs and units, DHCD's units and programs may look under-funded. Conversely, when compared with the 46 states that provide no public housing, Massachusetts looks generous. Massachusetts is the only state of the remaining four that has more state funded public housing than federal public housing.

Instances where buildings were condemned by the Board of Health (Brockton)

Such instances are extremely rare and are dealt with firmly and immediately. The Brockton case developed this spring and is being resolved (see prior discussion)

Allowing LHAs to submit budget requests and explanations for their actual operating and modernization costs consistent with statutory requirements.

DHCD allows LHAs to submit budget requests for any amount but is required by State finance law to reject budget requests which would result in an over expenditure of the state budget appropriation line item. DHCD encourages LHAs to attach letters of explanation to every budget request.

The photograph of the Boston 200-8 (Orient Heights) shows a problem for which an award made in 1994. The timing of the implementation of the award has been up to the Boston Housing Authority within limits set by DHCD based on our bond cap. We work closely with the Boston Housing Authority to make sure that critical problems get addressed promptly. Currently, the plan is to start design this fall with construction to begin in 2008.

The Boston 200-1 (West Broadway) damaged wall has not been brought to our attention. This is a problem which the Boston Housing Authority maintenance staff and budget is more than capable of handling.

We are not aware of the Westport problems.

The Brockton 705-2 problem has not been brought to our attention but appears to be tenant-related and a matter that the Brockton Housing Authority can deal with as a maintenance item.

OSA REPLY

In its response to our report the Department of Housing and Community Development (DHCD) basically explained its perception of the conditions noted without taking any responsibility for them. DHCD explained that it fulfills a monitoring and oversight role and not a management role. DHCD went on to explain that its delays in making payments were caused by a lack of supplemental appropriations by the State Legislature and that annual budget language states that the appropriation shall be deemed to meet any and all obligations. However, our report discloses unacceptable conditions that are corroborated by a separate independent report by the Legislative Subcommittee on Public Housing. It would be far more useful to the tenants living in the state's public housing and those on waiting lists who are in need of affordable housing if DHCD would work with the Legislature and LHA officials and their representative organization, Mass NAHRO, to act progressively and preemptively to address the problems by providing the necessary information needed to provide adequate funds to operate and maintain public housing instead of being years behind and playing catch-up, which is clearly not effective. Moreover, DHCD's response contradicts its claimed "hands-off" management role when it repeatedly explains, for example: (1) what it believes is necessary to operate state vs. federal housing programs, (2) how it has allowed LHAs to use their own reserves to the 20% level when, as our report demonstrates, many are less than this amount, and (3) how DHCD has granted exemptions to budgets for extraordinary costs and capital improvements. Although DHCD states that it exercises some control over LHAs but does not manage their day-to-day operations, the fact is that DHCD's micromanaging control, oversight, and monitoring ties LHA management's hands and negatively affects their day-to-day operations, resulting in increased costs for deteriorating physical conditions. In addition, DHCD acts as an information filter to the Legislature by not providing it with true and actual operating cost on a regular basis for budgeting purposes.

DHCD claims that it rarely denies a request for capital funding and that any funding requests not acted upon are still on file. In fact, this is a serious misrepresentation because in these cases, as is the situation with the budget submissions, DHCD simply limits the number of requests an LHA may submit. DHCD seems to be absolving itself of any responsibility for the uncorrected, deteriorating conditions at the LHAs under the pretense that the LHAs did not adequately report them, when in fact DHCD's policies deliberately limit the LHAs' ability to report all conditions in need of correction. Our individual

reports of the 66 LHA visited as part of this report document that some LHAs were not allowed (told not to) file request for capital funding or were instructed by DHCD to submit only one or two capital improvement funding requests because DHCD did not have available funds to cover them. DHCD cannot possibly know how much renovation, upgrade, and repair work is needed at the LHAs if it does not know or want to know the true extent of the problem.

DHCD indicated that it has provided resources when violations of the state sanitary code are brought to its attention through a citation by local fire, health and building officials who are licensed to do so, as if the conditions we observed and documented in our review somehow do not compromise the health and safety of those living in public housing. If, as DHCD seems to imply, only those officials can adequately assess deteriorating health and safety conditions, what is the purpose of DHCD and LHA inspections of the properties? Moreover, LHA officials could be reluctant to report deteriorating conditions and potential health and safety issues to local officials out of fear of having their properties condemned, which could entail closures, forced tenant relocation, and demolition. The conditions speak for themselves, and it would be devastating and costly to the state and LHAs if these conditions result in wrongful death suits and insurance and litigation costs if public health and other expert officials examined and determined the number of deaths, injuries, and illnesses related as a result of living in public housing. As shown in our report, the facts indicate that, contrary to state law, many state-aided public housing units are not safe, decent and sanitary. Such conditions can only be corrected through immediate action, not denial.

Whether it represents development costs, as many sources indicate, or replacement costs, as DHCD claims, the fact is, as the Legislative Subcommittee on Public Housing and we point out, that the state's public housing is a \$10 billion resource that must be preserved. Operating reserves may now be referred to as unrestricted net assets, but the issue remains the same. Moreover, we note that DHCD confirms that LHAs are owed over \$7.75 million in past subsidies but claims such overdue amounts do not date back to 2002. However, DHCD contradicts this assertion in its response, where it confirms that one LHA is owed subsidy funds dating back to 2002. DHCD's response is also contradictory in that on the one hand it admits to overdue supplemental, deficiency subsidies for past years, but on the other hand claims that the original appropriation for that year was deemed to meet all obligations.

DHCD explains why there are obstacles to housing the homeless in public housing and using LHA land for additional affordable housing. One wonders whether DHCD raised the issues with the Administration in 2004 when it committed to the Administration's challenge to eliminate the placement

of homeless individuals in shelters and hotels within the next 24 months. The point is clear: DHCD should be devoting its time and effort to resolving the obstacles to which it refers, including through legislative means, if necessary.