



Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**

Deval L. Patrick, Governor ♦ Timothy P. Murray, Lt. Governor ♦ Aaron Gornstein, Undersecretary

Public Housing Notice: 2013-02

To: Local Housing Authorities
From: Lizbeth Heyer, Associate Director, Division of Public Housing and Rental Assistance
Subject: New Vacancy Policy for State Aided Public Housing Units and Second Round Vacant Unit Turnover Initiative
Date: January 9, 2013

The Governor's Commission for Public Housing Sustainability and Reform recommended that DHCD "develop and issue a policy in the FY13 Budget Guidelines to discontinue issuance of operating subsidy for units vacant longer than sixty days unless a waiver is granted by DHCD". This policy, which was under development prior to the Commission's Report, has been finalized and is set forth below. It is designed to meet the following objectives:

- Maximize the occupancy of state public housing – one of the few housing resources available to extremely low income households.
- Save money by generating additional rental income: a 1% decrease in the statewide vacancy rate generates about \$1.8M in rental income – funds that can be used to better maintain and preserve the portfolio.

It is important to recognize the vastly disproportionate demand a vacant unit places on the public housing program's limited operating subsidy funds. For example, a c. 705 unit with a family paying the utilities and a rent of \$330 per month might require operating subsidy of about \$63 per month, given that the approved operating budget assumes a c. 705 ANUEL of \$393/PUM. Yet if this unit becomes vacant and the LHA's operating budget is to be held harmless, the subsidy needed for this unit must increase to \$393 per month – *an increase of nearly 624%*.

For this reason DHCD plans to issue waivers only when extended vacancies are fully justified. **More details on the type of conditions that will qualify for vacancy waivers can be found in Attachment A.**

The New Vacancy Policy: DHCD's previous vacancy policy, established in 1997, was complex and was never fully implemented. The revised policy, which is now in effect as of January 1, 2013, has only two simple fees that apply to all LHAs whose units receive state operating subsidy. They are based on the approximate average state-wide public

housing rent for all three programs of \$330, or about \$11 per day.¹ Fees are assessed as follows:

- For units vacant between 61 and 90 days without a DHCD-approved waiver, the fee assessed will be one-half the average state-wide daily rental rate, or \$5.50, for each day vacant.
- Units vacant more than 90 days without DHCD-approved waivers will be assessed a daily fee of \$11.00.

The fees assessed under this policy represent the typical financial impact that vacant units have on the state’s limited operating subsidy funds. They are easily explained costs that DHCD staff can describe to LHAs and that LHAs can explain to their management and maintenance staffs and commissioners. This clear, two-tier system focuses attention on the importance of timely unit turnovers, and the cost of failing to do so.

In the case of units **without DHCD-approved waivers** that are vacant more than 60 days, the following examples illustrate how this policy will be implemented:

| ILLUSTRATION A: UNITS VACANT WITHOUT DHCD-APPROVED WAIVER | | | | | |
|------------------------------------------------------------------|--------------------------|-------------------------------------|-----------------------------------|-------------------------------|------------------------------------|
| Examples: | Total Days Vacant | 61-90 Days Vacant w/o Waiver | 90+ Days Vacant w/o Waiver | Vacancy Fee(s) Imposed | Total Fees Assessed |
| #1 | 85 | 25 | 0 | \$5.50 | 25 days X \$5.50 = \$137.50 |
| #2 | 140 | 30 | | \$5.50 | 30 days X \$5.50 = \$165.00 |
| | | | 50 | \$11.00 | 50 days X \$11 = \$550 |
| | | | | | |

If a unit is granted a waiver, fees will still be assessed when the waiver expires if the unit is not reoccupied. In such cases, the penalty imposed for each day after the waiver expires will be at the \$11.00 rate. That is, a unit is not treated as newly vacant upon expiration of the waiver. For example:

| ILLUSTRATION B: UNITS VACANT WITH DHCD-APPROVED WAIVERS | | | | | | |
|----------------------------------------------------------------|--------------------------|-----------------------------|--------------------------------------|------------------------------------|-------------------------------|----------------------------|
| Exam- ples: | Total Days Vacant | Waiver Days Approved | 61-90 Days Vacant past Waiver | 90+ Days Vacant past Waiver | Vacancy Fee(s) Imposed | Total Fees Assessed |
| #1 | 95 | 90 | 0 | 5 | \$11.00 | 5 days X \$11.00 = \$55 |
| #2 | 140 | 120 | 0 | 20 | \$11.00 | 20 days X \$11 = \$220 |

¹ (In 2010 the average family rent was \$329 and the average elderly rent was \$327).

Implementation: This vacancy policy is retroactively effective as of January 1, 2013. All units vacant for more than 60 days beyond that date without a DHCD waiver will be assessed the above-described vacancy fees for each day they remain unoccupied without a waiver. That is:

- Units without a waiver vacated on or before January 1, 2013 will be assessed a fee of \$5.50/day beginning March 1, 2013, and \$11.00/day beginning April 1, 2013.
- Units without a waiver vacated after January 1, 2013 will be assessed a fee of \$5.50/day beginning sixty days from the date of vacancy, and \$11.00/day beginning ninety days from the date of vacancy.

DHCD will calculate and report the total assessed vacancy fees, if any, for the period 1/1/13 – 3/31/13 to each LHA in April, 2013, and similarly at the end of each following fiscal quarter. The vacancy ledger should be updated daily as a matter of practice, but it will be particularly important to ensure your data in your ledger for each fiscal quarter is complete no later than the 15th of the month following quarter end, since DHCD will calculate the quarter-end fees shortly after the 15th.

At the close-out of the LHA's fiscal year, the total vacancy fees incurred during that year - if any - will be deducted from the LHA's earned operating subsidy. In rare cases, if DHCD determines during the fiscal year that an LHA's accruing fees may have a significant impact on its operating budget, DHCD may require the LHA to revise its operating budget for the balance of the year to adjust for this loss of income, rather than wait for the fiscal year end.

Full Waivers vs. Suspended Occupancy payments: Certain categories of units, such as those required to be held vacant for planned and funded modernization projects, will receive full waivers, so the LHA's approved operating budget will not be affected by the lost rental income from these units. Other units however, will only receive a Suspended Occupancy payment. In particular, certain units which the LHA expects to be vacant for extended periods of time without a plan for reoccupancy should not require the same level of administrative and maintenance effort as occupied units, and therefore will receive a reduced monthly subsidy of \$110/unit/month. Actual utility costs incurred by the LHA for these units will also be funded. Details on the waiver policy are attached to this notice.

Impact on Surplus LHAs: Given the pressing state-wide need for affordable housing and the high cost to taxpayers of emergency housing, it is essential to ensure that all state public housing resources are being utilized to their maximum capacity. Therefore all LHAs, including surplus LHAs (those which do not receive state operating subsidy), must continue to keep their vacancy ledgers current and submit their quarterly vacancy reports, and must request waivers for units vacant more than 60 days. In addition, **budgeted spending above the ANUEL will be frozen at any retained revenue, surplus LHA with 3% or more of its units vacant over 60 days without a DHCD-approved waiver, except for extraordinary maintenance expenditures.** LHAs which meet these criteria will be notified by DHCD in the month following each fiscal year

quarter end. The spending freeze will remain in effect until the LHA no longer exceeds the above criteria.

Action Steps: LHAs are strongly encouraged to take the following steps:

1. Assess the condition of any vacant units as soon as possible to determine the staffing and financial resources necessary to reoccupy the unit. If you anticipate that reoccupancy will take more than 60 days, then you should promptly request a DHCD waiver, using DHCD's web-based vacancy reporting system. The earlier you request a waiver the better, since DHCD will need time to review the request, and if it is not approved you will have more time to plan accordingly.
2. Review your unit turnover process with appropriate staff.
 - a. Make certain your waiting lists are up to date and have at least a year's worth of applicants for each program.
 - b. Review your Marketing Plan for ideas to generate more applicants in locations with low market demand and aggressively implement them.
 - c. Evaluate the time it currently takes your maintenance staff to prepare a unit for reoccupancy, try to identify any common reasons for delay and search for ways to streamline or speed up this process.
 - d. Evaluate how quickly you are able to select and get a new tenant under lease, and look for opportunities to streamline or speed up this process.
3. Some LHAs will need additional funding to accelerate the turnover process. This year's 6.5% increase in the ANUEL provides you with the funding needed to take new actions, such as increasing maintenance hours or hiring contract workers to speed turnovers, increasing marketing efforts for hard-to-rent units, and so on.
4. In addition, as you know, DHCD is also repeating last year's successful effort to reoccupy long-vacant units with the \$2,000,000 Vacant Unit Turnover Initiative. This initiative will provide grants of \$2,500 to \$25,000 for improvements to reoccupy units vacant more than 60 days. Unlike last year, this year's program was open to both family and elderly units. The first application period is now closed, and all applications that met the program criteria were fully funded. However, DHCD has decided to issue a second round call for applications (See next page for details).
5. If you need technical assistance, we encourage you to request it from DHCD. Our Facilities Management Unit can inspect your vacant units, review with you the units' needs and your staff's capacity, and help you craft the most efficient plan to reoccupy them using the resources available to you. Our Housing Management staff can work with you on the process for updating a stale waiting list, or developing a marketing plan for units that are difficult to lease.

This policy will play an important role in ensuring the state public housing portfolio is utilized to the fullest extent possible. DHCD's goal is to work with you to minimize or eliminate the assessment of vacancy fees. This will take a concerted effort, but will result

in more seniors and families with a place to live, and a fairer, more effective distribution of the limited state operating funds that so many of you share.

Round Two Vacant Unit Turnover Initiative

LHAs with units that have been vacant more than 60 days as of this date are invited to submit for Round Two Vacant Unit Turnover Initiative Funds. DHCD is now offering a second opportunity for LHAs to apply for funds to cover the capital costs of reoccupying units that:

- Have been vacant for more than 60 days,
- Require capital repairs with cost estimates between \$2,500 and \$25,000, and
- Can complete turnover by June 30, 2013.

\$2 million in additional bond funds are available for this second round effort. In order to apply for an award, LHAs should review the original submission criteria in Public Housing Notice 2012-14 and **submit the associated cost estimate worksheet to Juliana Gamble at juliana.gamble@state.ma.us by January 22, 2013 at 5pm.** Please make the subject line of the email read “[Your Town Name] Vacant Unit Turnover.”

Link to PHN 2012-14:

<http://www.mass.gov/hed/docs/dhcd/ph/publicnotices/12-14.pdf>

Link to cost estimate submission worksheet:

<http://www.mass.gov/hed/docs/dhcd/ph/publicnotices/12-14.xls>

Applicants should be realistic with project schedule and cost estimates, as awards will not carry over into FY14. DHCD will look closely at LHA applications for two or more units. If two or more units have similar scopes of work, then all these units’ work must be combined into one project, and the combined capital costs must not exceed \$25,000. If a proposed unit turnover project exceeds \$25,000, then it is not eligible for an award through this initiative.