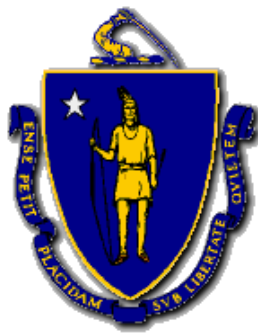


Report of the Commission for Public Housing Sustainability and Reform



June 21, 2012

Massachusetts Department of Housing and
Community Development



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Executive Summary

Public Housing and the Patrick-Murray Administration's Vision

Since taking office in 2008, the Patrick-Murray Administration has taken bold and decisive action to protect and strengthen the safety net that state-aided public housing's 45,600 units provides for our state's most vulnerable families, seniors and persons with disabilities. The significant gains this Administration has made through substantial funding increases and program innovation laid the foundation for the work of the Commission for Public Housing Sustainability and Reform ("The Commission").

The Purpose of the Commission

While significant gains were made during the Patrick-Murray Administration's first term, the fiscal and operational viability of the housing and the integrity of the public housing system still face significant difficulties. Much of the portfolio is over sixty years old and normal wear and tear has been exacerbated by years of inadequate funding, such that the Patrick-Murray Administration inherited a \$1.6 billion capital backlog and operating funds so depleted that preventative and even routine maintenance is often infeasible. Based on data in the 2008 "Real Cost of Operating Public Housing" study, the current public housing system had chronic inadequate funding for its operations as well. And in spite of additional operating and capital resources provided by the Patrick-Murray Administration and the Legislature, funds are still only approximately 30% to 50% of what is needed.

The state portfolio, which is distributed across 242 Massachusetts cities, towns and rural communities, is greatly enhanced by its local assets. LHA Commissioners are tremendous advocates for affordable housing in communities that might otherwise not have this important resource. What is unique and valuable about the local system is also perhaps one of its greatest challenges. Due to the small size of the majority of the LHAs and the housing's inefficient distribution in geographically scattered, small-scale properties, many LHA staff and board members cannot leverage the capacity and/or skills to address the complex operating and capital issues facing LHAs today.

Transparency and accountability are also fundamental to the success and sustainability of public programs and are particularly critical for the state public housing system which plays such a large and vital role in the provision of affordable housing in Massachusetts. Given the scale of the program and its sizable, complex public infrastructure, the entire public housing system is vulnerable to misdeeds that undermine public trust. The Administration has taken swift and aggressive action to right the recent wrongs of LHA staff and Boards of Commissioners by charging the Department of Housing and Community Development (DHCD) with administrative reforms and establishing the Commission for Public Housing Sustainability and Reform.

The Commission has been charged with the important task of creating a modern, sustainable public housing infrastructure that is poised to invest resources efficiently, implement effective innovations, provide enhanced services to residents, and increase transparency and accountability.

Administrative Reforms to Date

The Governor's FY2013 budget proposed a series of administrative reforms to address financial transparency and management of the state's public housing portfolio. Since the release of the FY 2013 budget, DHCD has begun to define and implement enhanced financial and reporting requirements via administrative action to address the Administration's mandate. To date DHCD has implemented the following:

- Require LHAs with state public housing to provide DHCD with the salaries of the five highest-paid management staff;
- Set a maximum salary for LHA Executive Directors;
- Require LHA board members to certify Executive Director salaries and contracts; and,
- Require LHA board members to certify year-end financials.

Over the coming months, DHCD will continue to implement further administrative reforms outlined in Governor's FY 2013 budget. (See Appendix A for more detail on the recent reforms.)

The Commission Process

Governor Patrick's Executive Order in January 2012 that established the Commission laid out an ambitious agenda to address the challenges facing his public housing preservation agenda. The Commission began meeting on April 11, 2012, with a sixty day period in which to report back to the Governor, per the terms of the Executive Order. It used this tight timeframe to discuss reforms focused on five policy areas:

1. Asset Management and Governance;
2. Preservation of Extremely Low Income (ELI) Housing;
3. Funding for Long-term Preservation and Sustainability;
4. Statutory and Regulatory Framework; and,
5. Public Process and Transparency.

The full Commission met a total of five times and formed a sub-committee that met three additional times to discuss and recommend to the full Commission asset management and governance reforms. As part of its process, the Commission reviewed extensive data about the public housing inventory and its physical condition, the history of operating and capital trends, funding, and information about the state public housing operating and governance system. The Commission considered the roles of LHA staff and board members, municipal government, the Administration and Legislature, the tenants, and various other stakeholders. The Commission also considered both oral and written testimony presented at two public hearings in Boston and Springfield. The Commission relied on the extensive professional experience of its members, who collectively provided expertise in public housing management and governance, legislative and administrative funding and regulation, municipal oversight, resident organizing, affordable housing law, private sector affordable housing management, affordable housing development and finance, labor management and public housing policy.

In order to accomplish the complex task of developing comprehensive recommendations, the Commission first defined guiding principles around the five policy areas outlined in the Executive Order. The Commission then developed findings, recommendations and

implementation steps for each of the five policy areas, all within the framework of the guiding principles.

Highlights of Commission Findings and Recommendations

Through candid engagement and thoughtful compromise, the Commission is recommending a comprehensive reform package that maintains local housing authority governance while consolidating operations through a unified property management system. This innovative approach leverages regional and centralized efficiencies, enhances maintenance and modernization capacity, improves services to residents, and strengthens accountability and transparency while maintaining the valuable community connections in our local public housing system.

Highlights from the Commission's findings and recommendations for reforms to the five policy areas include:

1. Asset Management and Governance

Findings: Effective management of public housing depends upon multiple kinds of professional expertise, plus local staff who work directly with residents. Given their size, which limits staff and board capacity, and especially given the aging stock and the diverse needs of the extremely low income residents, many smaller LHAs need additional capacity that cannot be obtained efficiently at a local level.

Recommendations: The Commission recommends the creation of a single, unified housing authority property management system consisting of local site staff, regional supervision and technical assistance, and centralized back office and application and wait list functions. Participation in the unified property management system should be mandatory for all housing authorities that have less than 200 to 250 state-only public housing units plus Section 8 and MRVP voucher programs. A new unified governance structure should be established to oversee the property management system that is accountable to the Governor, Legislature, local housing authorities and residents. This approach was selected because it both maintains the role of local boards and provides significant operational benefits that can be achieved through a highly cost effective, efficient investment of public resources. Consolidation of the operations of small and medium LHAs will also allow DHCD to strengthen its oversight by using performance benchmarks to identify LHAs that need assistance or require corrective action. (See Appendix E for an illustration of the Commission's preliminary proposed reorganization of public housing operations.) In addition to the creation of a unified housing authority property management system, DHCD should continue to develop and strengthen its tools for assessment of LHAs. Tools should incorporate operating benchmarks, fiscal benchmarks, and program benchmarks.

2. *Preservation of Extremely Low Income Housing: Responding to the needs of residents*

Findings: State-aided public housing provides the largest source of publicly owned and funded affordable housing for extremely low-income seniors, individuals with disabilities and family households across the Commonwealth who could benefit from more effective resident service programs.

Recommendations: The Commission recommends funding should be sought to expand innovative resident service and training programs and to support resident organizations.

3. *Funding for Long-Term Preservation and Sustainability*

Findings: Despite efforts by the Patrick-Murray Administration, the Legislature and local communities to provide additional resources, state public housing has chronically had inadequate capital and operating funding, resulting in deferred maintenance and an estimated state-wide capital need of approximately \$1.6 billion.

Recommendations: The Commission recommends that funders strive to increase operating resources to levels identified in the 2008 study, “The Real Cost of Operating Massachusetts Public Housing,” and strive to increase and leverage capital funds to restore all units to occupancy and stabilize the state public housing portfolio. The Commission also recommends the discontinuation of operating subsidy for units vacant longer than sixty days, unless a waiver is granted by DHCD due to a lack of available LHA funding to restore the units to occupancy.

4. *Statutory and Regulatory Framework*

Findings: There are regulations and parts of Chapter 121B governing public housing that are outdated, confusing and that complicate public housing operations and transactions in ways which limit innovation and create inefficiencies.

Recommendations: The Commission recommends that a working group be convened to identify and recommend specific, detailed changes to Chapter 121B and/or public housing regulations.

5. *Public Process and Transparency*

Findings: Some commissioners believe that effective governance of a housing authority presents boards with difficulties in administering multiple complex and varied decisions, and that boards are most effective in dealing with local issues and serving as a link into the larger community on behalf of public housing. In addition, some commissioners, local officials,

residents and other key stakeholders are unable to access important information about local housing authorities, ranging from the identity of board members to operating data.

Recommendations: The Commission recommends mandatory training for all board members, plus increased transparency about LHA staff and operating information, as well as about DHCD staff and agency information, making better use of websites. The Commission also recommends annual independent financial audits of LHAs. Finally, DHCD should establish a Public Housing Advisory Committee (“the Advisory Committee”), open to Commission members and expanded with additional participants representing public housing stakeholders and other housing experts to work with the Administration through continued policy discussions, further definition and implementation of the Commission’s recommendations.

Implementation of Recommendations

The Commission achieved consensus on a range of recommendations that address the five policy areas in the Executive Order. The recommendations vary in the level of their development, with some proposals having greater detail than others. Therefore, specific action items and deliverables are divided into two categories:

- Recommendations to be further discussed and developed by the Advisory Committee; and,
- DHCD administrative initiatives.

Advisory Committee: Many of the recommendations included in the report require more refinement. The Advisory Committee should begin work promptly after the completion of the Commission and convene working groups around the five overarching themes of the Commission’s report to further discuss and develop policies in the areas noted in the following chart.

Working Group	Specific Policy Area
1. Asset Management and Governance	The recommended single, unified housing authority property management system.
2. Preservation of Extremely Low Income (ELI) Housing	Resident services that address: <ul style="list-style-type: none"> • Technical assistance for resident board members and others who want to be involved. • New collaborations to strengthen; the education of young public housing residents at all phases of their development, so that they have the opportunity to succeed; services to enhance aging in place; services that address the needs of special needs residents, and job training initiatives. • The enhancement of resident participation by providing technical assistance and training to public housing resident organizations.
3. Funding for Long-term Preservation and Sustainability	Leveraging capital and operating funds necessary to stabilize the state-wide public housing portfolio, including but not limited to: <ul style="list-style-type: none"> • Long term debt; • Local resources; and, • Mixed-finance using low income housing tax credits and additional types of innovative public and private financing for re-capitalizing public housing.
4. Statutory and Regulatory Framework	Changes to Chapter 121B and/or public housing regulations.
5. Public Process and Transparency	All Working Groups should promote public process, transparency and accountability while developing reforms in other policy areas as they are crucial components of the public housing system.

DHCD Administrative Initiatives: Other recommendations can be launched by DHCD right away to achieve significant reforms and efficiencies in the short term. As DHCD implements the reforms below, they will continue to engage with stakeholders, including the members of the Advisory Committee. These initiatives include the items in the following chart.

Policy Area	Implementation of Recommendation
1. Asset Management and Governance	The recommended single, consolidated housing authority property management system needs to be further developed; DCHD will provide the necessary staffing to support the process.
2. Preservation of Extremely Low Income (ELI) Housing	DHCD will develop a workplan to examine Massachusetts demographic trends projected over the coming decade to assess what types of households are likely to need public housing in the future.
3. Funding for Long-term Preservation and Sustainability	DHCD will develop a workplan that will allow it to update “The Real Cost of Operating Massachusetts Public Housing” annually and post this update on its website.
	DHCD proposed an increase in public housing’s annual allocation from the Affordable Housing Trust Fund from \$5M to \$7M in FY13 in order to annualize and expand the Unit Turnover Initiative completed in FY12. This initiative began addressing the need to restore to use the approximately 1,000 units that are vacant more than sixty days and lack the funding to prepare them quickly for reoccupancy.
	DHCD will develop and issue a policy to discontinue payment of operating subsidy for units vacant longer than sixty days unless a waiver is granted by DHCD due to a lack of available LHA funding to restore the units to occupancy.
4. Statutory and Regulatory Framework	Further work needs to be done by the Advisory Committee before DHCD can propose statutory and regulatory changes. However, once changes are recommended, DHCD will manage the public process to institute the changes.
5. Public Process and Transparency	DHCD will develop and issue a policy that requires LHAs to post the names and contact information for all public housing board members and senior staff.
	DHCD will also post the names and contact information for senior staff at DHCD who deal with public housing.
	DHCD, MassNAHRO, Mass Union of Public Housing Tenants and other interested parties will develop and implement a mandatory course of training for all public housing board members within six months of the issuance of this report. Furthermore, if the role of public housing board members at any significant number of housing authorities should alter as a result of other Commission recommendations, the trainings should be altered to reflect the changes.
	DHCD will continue to develop its tools for assessment of LHAs. Tools will incorporate operating benchmarks (such as vacancy rates and time to turn-over vacant units), fiscal benchmarks (such as comparing budget to actual financial performance), and program benchmarks (such as compliance with public housing regulations).
	DHCD will develop a tool to track the attendance of members at LHA board meetings (also part of the administrative reforms to date).
	DHCD will develop a tool to track the attendance of appropriate LHA staff and board members at mandatory DHCD trainings.
	DHCD will develop a policy that requires all LHAs to conduct an annual independent financial audit, with the auditing firm procured by the LHA every 3 years. DHCD will also continue its discussions with the state Auditor to ensure that there is no redundancy between these audits and state Auditor and federal audit requirements.
	DHCD will develop a policy that requires that at least one staff from every LHA obtain MCPPO (Massachusetts Certified Public Purchasing Official) certification regarding MGL c.149 and MGL c.30 procurement and ensure that adequate trainings are offered by the Inspector General each year to fulfill this recommendation.

Conclusion

Massachusetts state-aided public housing serves more than 45,600 households throughout the Commonwealth. However, much of this housing is threatened by deterioration due to lack of operational capacity and lack of adequate, sustained funding. The public housing system has also been undermined by indiscretions that violate the public trust. The Commission for Public Housing Sustainability and Reform has worked cooperatively and intensely during the past two months to define a comprehensive program of administrative, legal and operational changes that can lead to extensive improvement in the housing, its delivery system and better services for its many residents.

The Commission believes this broad reform agenda is commensurate with the diverse challenges in the state public housing system. Achieving it will be no small task: many people will need to make a new or renewed commitment to public housing. But the Commission's own work demonstrates how a small group of people, committed to working together, can create rapid change. It seeks the support of the Legislature, the Administration, public housing authorities and their residents, the communities where public housing provides a vital resource for local citizens, and others who care that Massachusetts' lowest income residents have decent and affordable homes.

Introduction

Commission Background

Commission Charges

The Commission for Public Housing Sustainability and Reform (the “Commission”) was created by Governor Deval Patrick through Executive Order No. 539 in January 2012. The Commission was charged with:

- Developing recommendations for the sustainability and reform of public housing authorities and the portfolio of state-aided public housing that will ensure the long-term viability of public housing as an affordable housing resource, including the reform of the statutory governance structure with a goal of creating a practical, cost effective and modern regional governance structure.
- In developing its recommendations, the Commission was asked to consider:
 - a. How many regional housing authorities would best serve the state and the composition of those authorities;
 - b. The manner in which the contributions and interests of local communities can be maximized in a regional governance structure;
 - c. Best practices in leveraging resources and capacity from the private and non-profit sectors, including partnerships with these sectors;
 - d. The findings of “The Real Cost of Operating Massachusetts Public Housing: Analysis and Recommendations,” Department of Housing and Community Development, February 4, 2008;
 - e. Statutory and regulatory requirements that are overly burdensome or unduly constraining on the operations of public housing authorities;
 - f. Enhanced reporting and auditing procedures that will ensure the integrity of the state-aided public housing system; and
 - g. The vital need that the portfolio serves in housing extremely low-income residents of the Commonwealth.

Public Housing and the Patrick-Murray Administration’s Vision

Since taking office in 2008, the Patrick-Murray Administration has taken bold and decisive action to protect and strengthen the safety net that state-aided public housing’s 45,600 units provides for our state’s most vulnerable families, seniors and persons with disabilities. The significant gains this Administration has made through substantial funding increases and program innovation laid the foundation for the work of the Commission on Public Housing Sustainability and Reform. Motivated by an unyielding commitment to ensure that all Massachusetts’ residents have secure, decent and affordable housing, Governor Patrick created the Commission and charged it with the important task of creating a modern and sustainable public housing infrastructure that is poised to efficiently invest resources, implement effective

innovations, provide enhanced services to residents, and increase transparency and accountability.

Under the leadership of the Patrick-Murray Administration, over the past five years, DHCD has implemented an innovative strategy to preserve the portfolio based on the following principles and action steps: data driven decision making; enhanced partnership with Local Housing Authorities (LHAs) and municipalities; increased investment and leveraging of resources; restoration and re-occupancy of vacant units; and expanded energy and water saving investments. Highlights of DHCD's accomplishments include: issuing the "Real Cost of Operating Massachusetts Public Housing Study;" launching the Formula Funding program to ensure that capital funds awarded to state-aided public housing are distributed in an equitable transparent and predictable manner; initiating a site-based technical assistance program to strengthen maintenance practices which led to re-occupying approximately 300 vacant units in the past three years; investing and leveraging public and utility resources to generate energy and water conservation; and federalizing 3,800 units which transferred capital responsibility to HUD and freed up much needed state funds for the state's remaining public housing portfolio.

The Purpose of the Commission on Public Housing Sustainability and Reform:

Despite these significant gains during the Patrick-Murray Administration's first term, the fiscal and operational viability of the housing and the integrity of the public housing system still face significant difficulties. Much of the portfolio is over sixty years old, and normal wear and tear has been exacerbated by years of inadequate funding such that the Patrick-Murray Administration inherited a \$1.6 billion capital backlog and operating funds so depleted that preventative and even routine maintenance is often infeasible. Based on data in the 2008 "Real Cost of Operating Public Housing" study, the current public housing system had chronic inadequate funding for its operations as well. And in spite of additional operating and capital resources provided by the Patrick-Murray Administration and the Legislature, funds are still approximately 30% to 50% of what is needed.

Especially given historically high rates of family and individual homelessness, preservation of state public housing is compelling and critical. The state public housing system faces a "structural challenge" as it seeks to advance its preservation agenda. The state portfolio, which is distributed across 242 cities, towns and rural communities, is greatly enhanced by its local assets. LHA Commissioners are tremendous advocates for affordable housing in communities that might otherwise not have this resource. Towns and cities also invest funds and in-kind services to benefit the housing and its residents.

What is unique and valuable about the local system is also perhaps one of its greatest challenges. 100 LHAs operate fewer than 100 public housing units (including both state and federally assisted units), while another 106 operate fewer than 500 units. Only thirty-three LHAs operate 500 or more units of state and federally-assisted housing. Due to their small size and the inefficient distribution in geographically scattered, small-scale properties, many LHA staff and board members cannot leverage the capacity and/or skills to address the complex operating and capital issues facing LHAs today. Addressing these issues, especially given the aging stock and the varied needs of extremely low income residents, calls upon a diverse range of skills from

responding to daily requests from residents to sophisticated long-term capital planning, budgeting and renovation management.

Transparency and accountability are fundamental to the success and sustainability of public programs and are particularly critical for the state public housing system, which plays such a large, vital role in the Massachusetts affordable housing infrastructure. Given the sheer scale of the program, plus the sizable, complex public infrastructure and funding that support it, the entire public housing system is vulnerable to misdeeds that undermine public trust. The Administration has taken swift and aggressive action to right the wrongs of staff and LHA boards. However, additional safeguards to ensure increased transparency and accountability must be put in place to protect the future viability of the entire system. Additionally, more robust performance monitoring and auditing, along with clear, consistent communication and publicly accessible reporting are essential to restoring and preserving public confidence.

Reforms to Date

In addition to the Executive Order establishing the Commission, the Governor's FY 2013 budget proposed a series of administrative reforms to address financial transparency and management of the state's public housing portfolio. Since the release of the FY 2013 budget, DHCD has begun to define and implement enhanced financial and reporting requirements via administrative action. To date DHCD has implemented the following:

- Require LHAs with state public housing to provide DHCD with the salaries of the five highest-paid management staff;
- Set a maximum salary for LHA Executive Directors;
- Require LHA board members to certify Executive Director salaries and contracts; and
- Require LHA board members to certify year-end financials.

Over the coming months, DHCD will continue implementing further administrative reforms outlined in Governor's FY 2013 budget. (See Appendix A for more detail on the reforms to date.)

Commission Report to Governor

The Executive Order charged the Commission with issuing a report to Governor Patrick which identifies recommended statutory, regulatory and administrative actions to:

- Design a regional governance structure that balances the needs of the portfolio and the current and future residents who are or will be served by the portfolio, with the interests of local communities;
- Maximize the value of the state's investment in the portfolio;
- Enhance and preserve the integrity of the public housing system;
- Otherwise enhance the fiscal and operational viability of the public housing authorities and the portfolio; and,

- Identify recommended reforms, restructuring and cost-saving initiatives that would achieve the objectives stated above.

Commission Members

The Executive Order established a Commission of twenty-three members. Members represented a number of interest groups, professionals in the field of affordable housing and public officials, They have included representatives of the Patrick-Murray Administration, the Legislature, local housing authorities, public housing tenants, local officials, unions and property management professionals. (See Appendix B for a complete list of Commission Members.)

Commission Process

The Executive Order instructed the Commission to report back to the Governor in sixty days. The Commission held its first meeting on April 11, 2012 and worked intensively over the next two months to discuss the crucial public housing matters in its mandate, seeking consensus on as many issues as possible.

The full Commission met a total of five times and formed a sub-committee that met three times to discuss and recommend to the full Commission asset management and governance reforms. As part of its process, the Commission reviewed extensive data about the public housing inventory and its condition, the history of operating and capital funding, and information about the state public housing operating and governance system. The Commission considered the roles of LHA staff and board members, municipal government, the Administration and Legislature, the tenants, and other stakeholders. The Commission also considered the testimony provided at two public hearings in Boston and Springfield. The Commission relied on the extensive professional experience of its members, who collectively provided expertise in public housing management and governance, legislative and administrative funding and regulation, municipal oversight, resident organizing, affordable housing law, private sector affordable housing management, affordable housing development and finance, labor management and affordable housing policy.

Below is an outline of the Commission meetings and public hearings held.

Background materials

- In advance of the first meeting, background materials were provided to each Commissioner.

First Commission Meeting:

- The meeting introduced Commission members, provided an overview of state-aided public housing, discussed and reached consensus on the Commission's guiding principles, and outlined its work. (Public housing overview materials that were distributed are included in Appendix C.)

Public Hearings:

- Two public hearings followed the first meeting, one in Springfield and the other in Boston. (A summary of the oral testimony and written testimony that was submitted at or after the public hearings is included in Appendix D.)

Second Commission Meeting:

- The meeting focused primarily on providing highlights from the public hearings and allowing Commission members to present their ideas on reforms.

Third Commission Meeting:

- Using recurring themes that emerged from testimony at the public hearings and presentations from Commission members at the second meeting, DHCD compiled two initial consensus documents: 1) Initial Consensus Findings and 2) Initial Consensus Recommendations. The two documents were distributed and discussed at the third meeting by the Commission members. Utilizing the feedback received from members, DHCD was able to create two final consensus documents. The contents of the two documents are incorporated in this report.
- One of the consensus findings, and a large part of the Commission's charge and discussion at the third meeting, was the assessment that some aspects of public housing operations could occur at a regional and/or central level without negatively impacting the quality of the housing or the experience of the residents and, in many places, could improve both the housing and services to residents. The Commission acknowledged that a recommendation around this finding deserved a more extensive, in depth examination than the full Commission's schedule permitted. So the Commission established a Sub-Committee that was dedicated to discussing and recommending a model of public housing reorganization to the full Commission.

Three Reorganization Sub-Committee ("the Sub-Committee") Meetings:

- The Sub-Committee met three times between the third and fourth full Commission meetings.
- The first meeting established the primary challenges and/or opportunities that the Sub-Committee was solving for, defined four fundamental principles to outline the framework in which the Sub-Committee would operate, and identified the central questions for the Sub-Committee to answer. The Sub-Committee also prepared a list of some of the operational functions, regardless of the size of an LHA, that offer an opportunity for more efficient use of public housing resources, improved service to residents and/or increased transparency/accountability through regional or central reorganization.
- The second meeting evaluated three potential approaches to reorganization that were developed based on discussion at the first Sub-Committee meeting: 1) voluntary exchange of services between housing authorities; 2) the creation of a public housing management system with a combination of local site-staff, regional supervision and technical assistance plus central back office services that would be mandatory for small and medium LHAs; and, 3) the creation of mandatory regional consolidated housing authorities.

Sub-Committee members quickly reached agreement that the third approach, the creation of mandatory regional consolidated authorities, was not a favored model due to its abolition of local boards which bring valuable local ties and resources to public housing and its residents and due to the need to create a number of new large-scale public housing operating agencies that would be duplicative. The majority of the meeting focused on the other two approaches to reorganization.

- The third meeting focused on refining the two preferred approaches to reorganization, both of which preserve a role for local housing authority boards and aim to increase the operating capacity available for local housing and for residents. The Sub-Committee decided to present both options for consideration at the fourth full Commission meeting, with the majority of Sub-Committee members preferring the unified management system approach.

Sub-Committee recommendations adopted by the Commission are integrated into the Commission's Consensus Recommendations, found later in this report.

Fourth Commission Meeting:

- The fourth Commission meeting consisted of a report back on the Sub-Committee's reorganization recommendations, a review of a draft outline of the final report, and a discussion of the plans for the completion of the report.
- Conversations continued between the Sub-Committee's last meeting and the fourth full Commission meeting. By the time of the fourth Commission meeting, members of the Sub-Committee were able to present to the full Commission one preferred approach to reorganization, the unified management system, with key variations on some important aspects of it.

Fifth Commission Meeting:

- In order to address outstanding differences about the unified management system, discussions about the approach to reorganization continued among Commission members between the fourth and final meeting. While some aspects of the recommended approach to reorganization were not resolved (due mostly to the time constraint of the Commission's mandate), members did agree on one structure for public housing reorganization and to principles around many of its important details.
- Given the consensus on a number of reforms, DHCD was able to prepare and circulate a draft of the final report to Commission members prior to their final meeting.
- At the fifth Commission meeting, members discussed and suggested changes to the final report.
- Several days later, a revised report was circulated to Commission members for their final review and approval.

Report Outline

The Governor defined certain core principles in the Executive Order (EO) that created the Commission. These principles in the EO were used as the basis for the Commission to define its Guiding Principles, Findings, Recommendations, and Action Items and Deliverables. These are presented in the next four sections of this report. All of them are organized according to the following five overarching themes:

1. Asset Management and Governance;
2. Preservation of Extremely Low Income (ELI) Housing;
3. Funding for Long-term Preservation and Sustainability;
4. Statutory and Regulatory Framework; and,
5. Public Process and Transparency.

Guiding Principles for the Commission

In order to accomplish the complex task of developing recommendations for the preservation and sustainability of the state-aided public housing portfolio, the Commission agreed to establish a set of guiding principles for its work. These were adopted by consensus at the Commission's first meeting. They build upon the Governor's guidance in the preamble of the Executive Order. The Guiding Principles are presented below, along with key portions of the Executive Order and relevant supporting information.

1. Asset Management and Governance:

- a. The Commission agrees that the Governor has charged it with recommending "a practical, cost-effective and modern regional governance structure." Such a structure will need to take account of the wide distribution of public housing sites across the Commonwealth.
- b. The state-aided public housing portfolio, which is distributed across 242 cities, towns and rural communities, is enhanced by its local assets.
- c. 100 LHAs operate fewer than 100 public housing units (including both state and federally assisted units), while another 106 operate fewer than 500 units. And only thirty-three operate 500 or more units of state and federally assisted housing.
- d. The Commission agrees that public housing governance needs to respect and respond to local concerns, while responding to the Governor's charge to identify an effective regional governance structure.
- e. Changes in public housing governance should lead to better housing and more responsive services for residents.
- f. Addressing the complex operating and capital challenges facing LHAs today, especially given the aging stock and Extremely Low Income (ELI) residents, calls upon a diverse range of skills from responding to daily requests from residents to sophisticated long-term capital planning, budgeting and managing renovation.
- g. Affordable housing industry experience is that a portfolio of at least 500-1,000 units or more is needed to support staffing levels that provide the most basic and routine property management and accounting services. Even more units (in excess of 1,000) are required to provide staffing capacity in more complex areas such as capital planning and contracting, risk management and multi-year budgeting. Geography also plays a part: the more scattered the portfolio, the more units are required to compensate for the inefficiencies created by travel across great distances.
- h. The Commission agrees that LHAs need both the capacity to respond rapidly to immediate resident needs, such as for maintenance services, and the capacity to undertake successfully long-term preservation and improvement of the housing stock.

- i. A number of LHAs already work together on certain aspects of housing operations in order to benefit from specialized skills at some LHAs, through interagency cooperation agreements, shared purchasing power, and /or specific experience. Examples include one LHA administering Section 8 contracts on behalf of several LHAs, regional utility procurement, and sharing of sample contracts.
2. Preservation of Extremely Low Income (ELI) Housing:
 - a. The Commission agrees that its work and recommendations need to be responsive to the needs of residents served by state public housing.
 - b. The vast majority of residents living in state-aided public housing are extremely low income, meaning their incomes are below 30% of area median income, a vulnerable population who have few, if any, good quality, affordable housing opportunities in the private rental market.
 - c. Over 70% of the 45,600 unit state-wide portfolio is occupied by seniors and individuals with disabilities, many of whom have growing and changing physical needs.
 - d. An effective program of resident services can help sustain vulnerable tenants in public housing.
3. Funding for Long-term Preservation and Sustainability:
 - a. The Commission agrees that preservation and sustainability of public housing require adequate, increased financial resources: long-term operating and capital funding, including funds to restore and/or keep units on line.
 - b. The 2008 study, “The Real Cost of Operating Massachusetts Public Housing” accurately documented the increased operating resources needed by public housing. This study should be updated to account for inflation and other recent operating factors and trends.
 - c. The state public housing portfolio has a significant capital needs backlog, and capital needs are continuing to grow given the overall age of properties in the portfolio.
 - d. Approximately 70% of the current \$90 million capital funding (\$85 million in bond cap and \$5 million from the Affordable Housing Trust Fund) is dedicated to formula funding, which can only fund what is comparable to a very modest replacement reserve (based on private industry standards of an annual investment of 1.5% of replacement value).
 - e. Estimated state-wide capital needs are \$1.5 to \$2 billion (projected immediately and over the next five to ten years) to maintain units for occupancy and increase the sustainability of public housing.
 - f. At any given time, approximately 1,400-1,800 state-funded public housing units (representing 3-4% of all units) are off-line and vacant for over sixty days; while

some of them need substantial renovation, others require only modest repairs to be returned to productive use.

- g. To be most effective, operating budgets and capital funding need to be linked since shortfalls in either can create cost increases in the other. For example, if small leaks are not addressed through maintenance, they can cause wide-spread deterioration that requires major repairs or renovation.
- h. In targeted locations, use of mixed-finance low income housing tax credit financing, perhaps paired with private activity bond cap set-aside for mortgages, may be an effective method to increase the resources available for comprehensive modernization, provided that capital and operating resources are made available to leverage tax credits.
- i. Reforms should seek to preserve 100% of the state's public housing stock.
- j. Certain communities have invested local funds and/or in-kind services in state-aided public housing. The Commission agrees that encouraging and preserving strong local partnerships to leverage local resources whenever possible will assist in the preservation of public housing.
- k. Examples of local resources range from funding (through such sources as CDBG and Community Preservation Committees) to help renovate and acquire new public housing to reduced fees for municipal services such as water/sewer fees to in-kind services such as snow plowing, trash removal and social services for residents.

4. Statutory and Regulatory Framework:

- a. Changes to Chapter 121 B and/or public housing regulations should clearly reflect the recommendations of the Commission and maintain the existing relationship between DHCD as the funder and regulator of state-aided public housing and housing authorities, whether in their current or in a re-configured governance structure, as the owners and operators.
- b. DHCD, LHAs and municipal government are accountable to the Legislature, Governor, the residents and the public for the operation of state public housing as measured by an LHA's programmatic and fiscal performance. Any statutory or regulatory change should seek to simplify and clarify the rules and procedures for establishing and measuring performance while preserving appropriate accountability given stated roles.
- c. The Commission agrees that DHCD does and should continue to utilize a combination of regulations, administrative rules and procedures and technical assistance to fulfill its funding and enforcement responsibilities. Establishing clear, consistent and transparent LHA performance criteria helps DHCD fulfill its responsibilities while also establishing a strong asset management partnership with LHAs. DHCD should also facilitate the exchange of best practices among LHAs and provide technical assistance to expand and supplement LHA capacity.

5. Public Process and Transparency:

- a. The Commission agrees that it will hold two public hearings, one in Boston and one outside the greater Boston area, in order to obtain public comment and input for its work.
- b. The Commission agrees that the open meeting requirements for LHAs should be preserved.
- c. The Commission agrees that it would be beneficial if any recommended new management structure and/or systems can be used to enhance access to information about public housing by such stakeholders as LHA staff, housing authority commissioners, residents and DHCD.

Consensus Findings

The Commission agreed by consensus on the findings presented below. Again, the findings are categorized into the five overarching themes of the Commission's work. These findings became the basis for defining the Commission's recommendations that are presented in the next section of this report.

These findings are based upon the full range of information available to the Commission including background information on public housing assembled by DHCD, oral and written testimony from the public hearings, DHCD's experience as a funder and regulator of the public housing system, Commissioner experience, feedback from LHAs to DHCD while it was developing the RSA pilot program (2010 and 2011), and data provided by Mass NAHRO.

1. Asset Management and Governance

- a. Small and medium sized LHAs experience certain limitations stemming from modest or no economy of scale, contributing to:
 - Limited capacity to conduct routine and preventive maintenance, custodial services and regular unit inspections.
 - Slow turn-over of vacant units, sometimes causing units to remain empty in excess of sixty days.
 - Limited capacity to carry out capital planning and capital project implementation.
 - Limited capacity to provide supportive services and other support to residents or to link residents with services in their community that could enhance their lives and help them improve their educational and work opportunities.
 - Gaps in services when staff is sick or on vacation.
 - Limited technical and administrative infrastructure including but not limited to the areas of information technology, senior staff oversight, compliance, human resources, procurement, and reporting and contract administration.
 - Note- These problems sometimes exist at larger LHAs; however, the source of the problems is more likely due to insufficient funding and/or ineffective operations.
- b. Effective management of public housing depends upon multiple kinds of professional expertise, plus local staff who work directly with residents.
 - On-site property managers are the public housing staff who work most frequently with tenants. Their jobs are complex, needing diverse skills.
- c. Some operational activities could occur at other than the local level without negatively impacting the quality of the housing or the experience of the residents

- d. There are numerous examples of voluntary collaboration between LHAs in Massachusetts.
 - e. A number of potentially effective programs for improving public housing have been discussed by diverse stakeholders during the past few years but have not been implemented, such as a central wait list for public housing and an LHA assessment system/tool.
 - f. There are private property management companies which manage thousands of affordable units for multiple owners -- including public housing, as well as non-profit and for-profit owners – that use an operating structure with a single central office, regional administration plus local staff without loss of direct, local services to residents. There are also some public housing authorities elsewhere in the country that use this operating structure; some of them receive more operating subsidies than are available now to our state public housing.
 - g. Reorganization of certain operational and governance aspects of public housing would permit DHCD to use its staff and technical resources more effectively.
 - h. Resident organizations and meaningful resident participation play a critical role in the checks and balances that provide for strong, transparent, and accountable management and governance systems.
2. Preservation of Extremely Low Income Housing: Responding to the needs of residents
- a. Based on the state’s inventory of affordable housing, state-aided public housing provides the largest source of publicly owned and funded affordable housing for extremely low-income elderly and family households across the Commonwealth.
 - b. Based on data assembled by DHCD, approximately 80% of the households in state-aided public housing have extremely low-incomes at or under 30% of Area Median Income, or \$24,000 for a household of three on average.
 - c. Many public housing residents who are seniors, individuals with disabilities, and families with children could benefit from effective resident service programs which could sustain them in public housing and enhance their lives.
 - d. Some LHAs already have the capacity to provide some supportive services or to coordinate their provision by other agencies.
 - e. Residents testified and members of the Commission provided feedback on new peer training models to build and sustain effective resident groups.
 - f. Turn-over of units in public housing is usually low, averaging only 15% annually across the public housing portfolio, which means that new applicants often face a very long wait before being housed. Despite the turnover, waiting lists are long and there is an urgent need for permanently affordable housing for low-income households.

3. Funding for Long-Term Preservation and Sustainability

- a. Based on data in the 2008 study “Real Cost of Operating Public Housing,” the current public housing system has chronically had inadequate funding for its operations, which include management and routine, daily and preventive maintenance of the housing, despite efforts by the Patrick-Murray Administration and the Legislature to provide additional resources. The result is: 1) poor quality housing in some places; 2) vacant apartments that remain off-line longer than they should; and, 3) deferred maintenance that leads to more expensive capital projects which could have been prevented by more modest, timely repairs.
- b. The investment being made in public housing operating expenses is below the standards of operating costs which are widely accepted in privately owned and financed affordable housing, including both nonprofit and for-profit owned housing.
- c. The Commission recognized that inadequate funding has prevented routine painting inside apartments, in some cases for decades, for long-term elderly and disabled tenants. Residents urged the Commission to institute a policy that apartments be repainted at least every seven years.
- d. Testimony submitted to the Commission recognized that residents play a vital role in maintaining the property.
- e. Despite efforts by the Patrick-Murray Administration and the Legislature to provide additional resources and based on data in the state-wide Capital Planning System, the current public housing system has chronically had inadequate funding for capital investment, resulting in an estimated state-wide capital need of approximately \$1.5- \$2 billion (projected immediately and over the next five to ten years). The result is 1) poor quality housing in some places; 2) less efficient, lower cost capital investments that are made in order to keep units on line rather than more comprehensive repairs or renovations that would extend the overall useful life of public housing and create long-term energy efficiency; and, 3) vacant apartments that remain off-line longer than they should.
- f. One example of inefficient capital investments due to shortage of funds, reported to the Commission, is having to caulk old, leaky windows, rather than investing in new, energy-efficient windows that could help reduce heating expenses long term and provide less drafty, more comfortable living conditions for residents.
- g. Data assembled by DHCD show that some of the most critical, but oldest state public housing units in the state’s Chapter 200 Veterans program have incurred the most wear-and-tear and are in need of significant modernization. These two and three-story walk-ups provide 10,550 apartments for families.
- h. Data assembled by DHCD show that some state public housing for senior and disabled households is not well-suited to their needs, with apartments that are too small and not accessible.
- i. Data assembled by DHCD show that the state’s investment in energy savings and weatherization of state public housing has resulted in a 4.1% reduction in electric use and 1.5% reduction in gas use.

- j. As a result of a Unit Turnover Initiative, funded by part of DHCD's allocation from the Affordable Housing Trust Fund, thirty-eight LHAs were able to turn over and occupy approximately 200 family units this fiscal year.
- k. Some local communities have invested funds and services to help maintain and improve public housing and enhance residents' lives, in some cases improving their ability to continue living independently.
- l. DHCD has played a critical role in providing housing authorities with expertise and technical assistance to preserve and update state public housing.

4. Statutory and Regulatory Framework

- a. Some regulations and parts of Chapter 121B governing public housing are outdated, confusing and complicate public housing operations and transactions in ways which limit innovation and create inefficiencies.
- b. There are regulations and parts of Chapter 121B that protect residents against rent increases, provide residents with the right to a grievance hearing and recourse if treated unfairly by a housing authority, and the right to meaningful tenant participation. While the primary goal of the state's public housing program is to provide affordable housing for extremely low-income households, it also offers employment opportunities for public housing and low-income residents through maintenance and construction jobs with decent wages. However, public housing is governed by complex regulations regarding employment of staff and hiring/use of construction contractors that add to the costs of operating and renovating it.

5. Public Process and Transparency

- a. Effective governance of housing authorities presents boards with challenges in administering complex and varied decisions that require advice and guidance across a spectrum of technical expertise.
- b. Some commissioners believe that these responsibilities exceed the time and expertise available to them.
- c. Some commissioners believe they are most effective in dealing with local issues and serving as a link into the larger community on behalf of public housing.
- d. Public housing residents, board members, local officials and other key stakeholders are unable to access regular and important information about local housing authorities, ranging from the identity of board members to operating budgets.
- e. There is no regular assessment of LHAs, nor are there defined performance benchmarks for good operations, so residents, board members and other stakeholders lack information about how well LHAs are performing

- f. Residents of public housing would like sustained training and technical assistance on how to organize, operate and maintain effective resident boards and associations.
- g. Public housing residents speak multiple languages, but they sometimes lack access to public housing staff who speak their language, and public housing forms are sometimes not translated for them.
- h. Disputes sometimes occur between public housing residents and staff about how to interpret regulations or other housing requirements such as a lease. In some LHAs, the same staff is responsible for negotiating an issue with a resident and for interpreting the regulation or other requirement. As a result, residents sometimes feel that there is no independent person who can assist in resolving a disagreement.

Commission Consensus Recommendations

The following Consensus Recommendations were developed and agreed to by the Commission in order to address the findings outlined above. There are Consensus Recommendations that address each of the five overarching themes.

1. Asset Management and Governance

- a. Changes in public housing operations and governance should optimize the effective management and administration of public housing.
- b. Consistent with the above recommendation, changes in public housing operations and governance should achieve the most cost effective investment possible of public resources.
- c. DHCD should institute a state-wide centralized application and wait list for public housing. Assess the feasibility of using one initial application form for both state and federally-funded public housing in order to simplify the application process for potential residents; but if this cannot be instituted quickly, proceed with a state-wide program for state-funded housing.
- d. Create a single, unified housing authority property management system consisting of local site staff (site managers and maintenance staff), regional supervision and technical assistance and centralized back office functions.
 - Participation in the unified property management system should be mandatory for all housing authorities that have less than 200 to 250 state only public housing units plus Section 8 and MRVP voucher programs. Participation in the unified system should be voluntary for all other LHAs. Some housing authorities with less than 200 to 250 state only public housing units have voucher programs that may be large enough to support an over-all operational capacity that allows them to effectively and efficiently administer their state public housing program. These housing authorities could be considered for an exemption from mandatory participation, so long as the total remaining number of units in the unified management system is sufficient to keep the PUM (per unit month) cost to administer the unified management system below \$80 PUM. The Advisory Committee should determine the specific methodology and criteria to measure capacity that could exempt a LHA with Section 8 and MRVP voucher programs from mandatory participation. The Advisory Committee should also consider the resources and capacity of LHAs that own and/or manage other non-public housing developments when determining the criteria for exemptions.

- For housing authorities participating in this unified management system, local boards should be maintained and function in an ownership and development capacity.
- A new single governance structure should be established to oversee the unified property management system.
- Given the complexity of the unified property management system that is contemplated and the associated governance, the Commission recommends that the following be incorporated into further definition of the system's governance by the Advisory Committee:
 - i. The board of the unified system should be highly professional, with members who possess a range of skills and experience necessary to govern the activities of the unified management system, including individuals with experience managing a small scale housing authority, experience in large scale affordable and public housing property management, experience in affordable housing budgeting, accounting, development and finance, experience with resident organizing and engagement, experience with resident services, and knowledge of the public housing regulatory environment.
 - ii. The governance of the unified system should have representation from all the important stake holders – residents, local housing authorities, the state government that directs the majority of funding for the program, and the general public that supplies tax dollars and expects to have them spent efficiently. Especially given the early conceptual stage of development of the unified management system, the process for selecting board members and the role and procedures of the governing body should be considered by the Advisory Committee to ensure that all those concerned with the operation of the program have a voice in the oversight of the unified management system. That said, there was strong consensus among Commissioners that:
 - Housing authorities participating in the unified management system should have a direct and substantial representation in the governance of the management system in order to provide local communities the opportunity to address problems when the system is not serving their community well.
 - DHCD should participate on the board in an ex-officio role.
 - iii. The governing body of the unified system should have strong mechanisms for measuring the performance of each LHA's portfolio, as well as the effectiveness of its own performance. A clear and transparent system for ensuring accountability for such performance should be developed.

- DHCD’s oversight of the operations of LHAs participating in the unified system should occur primarily through reporting and engagement with the unified management system.
- DHCD’s oversight of asset management and development activities of LHAs participating in the unified system should occur primarily through reporting and engagement directly with LHAs.
- The state regulation that governs resident participation should be revised to ensure that site-based and community-based resident groups have a meaningful role in decision making throughout the unified management system.
- The highly skilled and professional regional and central staff (and systems) that is anticipated in the unified management system represents additional capacity that does not currently exist at smaller housing authorities, most of which are staffed by part-time executive directors and maintenance staff. Particularly given resource constraints, smaller LHAs cannot afford to purchase this necessary capacity elsewhere, as doing so would further deplete already constrained maintenance dollars. Nor is it efficient, even if additional resources were provided, to purchase this capacity singularly at a local level. The build-out and on-going operation of the unified management system will likely require additional funding. The Advisory Committee will develop a cost analysis for this system as it determines details of its proposal.

It is anticipated that the majority of current operational functions at LHAs which are participating in the unified management system would be incorporated

2. Preservation of Extremely Low Income Housing: Responding to the needs of residents
 - a. Enhance resident participation by providing technical assistance and training to board members of duly elected public housing tenant organizations and assistance in the creation of new tenant organizations where they do not now function.
 - b. DHCD should provide residents with the technical assistance needed to navigate resident input as policy changes progress so that residents can be meaningful partners in revitalization of their communities and the preservation of public housing.
 - c. Promote funding to expand innovative programs with and for residents that will improve their educational, training, and work opportunities in order to enhance the lives of youth and adults, and promote their economic self-sufficiency.
 - d. Coordinate and leverage resources across state agencies to provide services to residents of public housing, particularly low income seniors, persons with disabilities, and families in need.
 - e. Examine Massachusetts demographic trends projected over the coming decade to assess what types of households are likely to need public housing in the future. This data should be considered during long-term capital planning to evaluate whether public housing units need to be re-configured to serve changing demand.

If resources become available to create new public housing, future demand should also be considered when defining what to build.

3. Funding for Long-Term Preservation and Sustainability

- a. In order to ensure the long-term sustainability and preservation of the portfolio, operating resources should be increased to levels identified in the 2008 study, “The Real Cost of Operating Massachusetts Public Housing,” updated for inflation.
- b. DHCD should update “The Real Cost of Operating Massachusetts Public Housing” annually and post such update on its website.
- c. In order to address state public housing’s capital needs, strive to increase and leverage capital and operating funds as well as long-term debt necessary to stabilize the state-wide public housing portfolio based on a state-wide (program level) capital plan to be developed by DHCD using data in the Capital Planning System.
- d. The Commission supports the Formula Funding (FF) Program and cautions that the current annual funding of approximately \$60 million (current portion of annual cap dedicated to FF) can only fund what is comparable to a very modest replacement reserve (based on private industry standards of an annual investment of 1.5% of replacement value). The Commission also recognizes that FF is best suited to address individual capital component replacement or repair and is not designed to address multi-component capital projects that are sometimes the most practical and economic approach to ensure good, long-term physical housing conditions. The Commission therefore recommends that, subject to available funding, DHCD should support targeted moderate rehabilitation and comprehensive modernization projects as a companion to FF.
- e. Address the need to restore to use the approximately 1,000 units that are vacant more than sixty days and lack the funding needed to prepare them quickly for reoccupancy. The Commission supports DHCD’s proposed increase in public housing’s annual allocation from the Affordable Housing Trust Fund from \$5 million to \$7 million in order for the agency to annualize and expand the Unit Turnover Initiative conducted successfully in FY 2012.
- f. DHCD should discontinue providing operating subsidy for units vacant longer than 60 days unless a waiver is granted by DHCD due to a lack of available LHA funding to restore the unit to occupancy. In cases where a waiver is granted, operating subsidy should be limited to an amount necessary to “make safe” the unit and provide minimal heat to prevent freezing.
- g. Certain communities have the resources and motivation to invest local funds into state-aided public housing. The Commission agrees that DHCD should take steps to encourage and preserve strong local partnerships to ensure these funds are leveraged whenever possible.
- h. Redevelopment programs should seek to preserve 100% of the state’s public housing stock (with perhaps limited exceptions for combining very small units into larger apartments) and should not permanently displace any public housing residents.

- i. In targeted locations, mixed-finance low income housing tax credit financing should be supported in order to increase the resources available for comprehensive modernization, with the goal of increasing the number of affordable units available. DHCD should support such projects where a) an LHA has capacity or can acquire it through a partnership arrangement; b) the market can attract an investor; and, c) the LHA can secure additional capital and operating resources to help support the added costs associated with leveraging tax credits.
 - Additional types of innovative public and private financing for re-capitalizing public housing should also be explored. For example, would it be possible to borrow redevelopment funds, recognizing the existing equity value of public housing, perhaps by using a new source of state funding or restructured public housing capital funds to make debt service payments? (Under current statute, public housing capital funds come from state-issued bonds that cannot be used this way.)
 - j. If adequate capital and operating resources are not made available, due to the rapid deterioration of the aging stock, it may become necessary to divest from limited, targeted properties that require more resources than the state can afford in order to preserve the remaining portfolio. All parties should aggressively pursue all avenues to avoid this outcome. DHCD should engage stakeholders in a transparent process to develop statutory and regulatory guidelines to implement this recommendation, including developing clear priorities to guide decision-making that seek to maximize preservation of the overall public housing portfolio.
 - k. Additionally, if adequate capital and operating resources are not made available, due to the rapid deterioration of the aging stock, it may become advantageous to redevelop certain targeted properties using non-public housing resources. Relief from Chapter 121 B to allow for disposition without one for one replacement of such properties should be allowed only if the redeveloped housing will be permanently preserved as affordable to substantially the same number and type of households, at substantially the same income levels. DHCD should engage stakeholders in a process to develop statutory and regulatory guidelines to implement this recommendation.
 - l. DHCD should establish and participate in a working group to develop appropriate guidelines, regulations and/or legislation to facilitate the use of mixed-financing in redeveloping public housing. The working group should analyze previous mixed-finance projects to inform planning for future projects.
4. Statutory and Regulatory Framework
- a. A working group should be convened dedicated to identifying and recommending specific, detailed changes to Chapter 121B and/or public housing regulations.
 - b. A primary objective of statutory or regulatory change should be to ensure that residents' rights are maintained and protected. Another objective should be to assess whether changes are needed to enhance public housing residents' access to jobs in public housing operations and renovation projects.

- c. The working group should seek opportunities to eliminate inconsistency between federal and state public housing regulations, so long as such changes do not alter the state's program intent.
- d. The working group should identify regulatory and statutory changes needed to implement the Commission's recommendations.
- e. The goal should be to file a first round of appropriate legislation for the next Legislative Session. Additional regulatory and statutory changes will likely continue to be recommended thereafter.

5. Public Process and Transparency

- a. All public housing board members should be required to take a mandatory course of training to be paid for by DHCD within one year of being elected or appointed to a board and to participate in on-going training. DHCD should work with MassNAHRO, Mass Union of Public Housing Tenants and others to launch a training program within six months. A program should include, without being limited to, oversight of public housing operations, fiduciary responsibilities of board members and ethics.
- b. The names and contact information for all public housing board members and senior staff should be public information. It should be posted in each LHA business office, and if an LHA has a web site, it should be posted there and on the local community's website. Annual operating budgets, identifying all revenue sources, and operating statements of LHAs should be available publicly.
- c. The names and contact information for senior staff at DHCD who deal with public housing should be public information that is posted on its web site.
- d. After a transition period, project-based budgeting should be required for medium-sized and larger LHAs.
- e. DHCD should create an assessment tool for all LHAs that builds upon the Accelerated Independent Modernization and Management (AIMM) Program and incorporates both operating benchmarks (such as vacancy rates and time to turn-over vacant units) and fiscal benchmarks (such as comparing budget to actual financial performance). Other program benchmarks should be established for all LHAs such as attendance of members at their board meetings and attendance of appropriate staff and board members at mandatory DHCD trainings.
- f. All LHAs should be required to conduct an annual independent financial audit, and the auditing firm should be procured by the LHA every three years. When these audits are instituted, DHCD should seek to eliminate redundancy between them and state Auditor and federal audit requirements.
- g. Require that at least one staff from every LHA obtain MCPPO (Massachusetts Certified Public Purchasing Official) certification regarding MGL c.149 and MGL c.30 procurement and ensure that adequate trainings are offered by the Inspector General each year to fulfill this recommendation. Once the proposed management system is implemented, LHAs participating in it may be exempt from this requirement since staff of the management organization will have this certification.
- h. Any housing authority with a significant number of residents who speak a language other than English should employ staff (or interpreters) who speak the

residents' own language and DHCD should make sure important forms are available in a number of different languages (e.g., application forms, rent payment forms, requests for transfers, etc.).

- i. Create the position of ombudsman, independent of the housing authorities, who can help mediate disputes between resident and authority staff.
- j. The Commission recommends DHCD establish a Public Housing Advisory Committee ("the Advisory Committee"), open to the members of the Commission and expanded with additional participants representing other interested groups, to work with the Administration through continued policy discussions and further development and implementation of the Commission's recommendations.

Timeframe for Implementation

Given the scope of the Commission's recommendations, they will necessarily be implemented over a period of time. It is recommended that DHCD, working with the Advisory Committee, develop a timetable for them. The Commission further recommends that the sub-group of this Committee working on statutory and regulatory changes seek to file legislation in the next legislative session. It also recommends that the sub-group working on the unified property management system work to define quickly the overall governance and structure of this system so that, if legislation is needed to establish it, that too can be filed in the next legislative session.

Specific Action Items and Deliverables

Executive Order 539 directed the Commission to “develop recommendations for the sustainability and reform of public housing authorities and the portfolio of state-aided public housing that will ensure the long-term viability of public housing as an affordable housing resource, including the reform of the statutory governance structure with a goal of creating a practical, cost effective and modern regional governance structure.”

The Commission achieved consensus on a number of recommendations to achieve the sustainability of public housing. The recommendations range in their level of definition, with some proposals having greater detail than others. Therefore, specific action items and deliverables are divided into two categories:

- Recommendations to be further discussed and developed by an Advisory Committee; and,
- DHCD administrative initiatives.

Advisory Committee

Many recommendations in this report require further detailing. To that end, the Commission recommends DHCD establish a Public Housing Advisory Committee (“the Advisory Committee”) to work with the Administration through continued policy discussions and further development and implementation of the Commission’s recommendations.

Advisory Committee Members

Similar to the Commission, the Advisory Committee will be chaired and staffed by DCHD. The Advisory Committee should include interested Commission members and expanded with additional participants representing other interested groups.

Work of the Advisory Committee

In order not to lose the momentum of the Commission, it is recommended that the Advisory Committee begin meeting at the completion of the Commission’s 60 day period. The Advisory Committee should convene working groups around the five overarching themes of the Commission’s recommendations and specifically further discuss and develop policies around:

1. Asset Management and Governance
 - a. State-wide centralized application and wait list for public housing; and,
 - b. The recommended single, unified housing authority property management system.
2. Preservation of Extremely Low Income (ELI) Housing
 - a. Resident Services that address:

- i. Technical assistance for resident board members;
 - ii. New collaborations to strengthen the education of young public housing residents, at all phases of their development, so that they have the opportunity to succeed;
 - iii. Services to enhance aging in place;
 - iv. Services that address the needs of special needs residents; and,
 - v. Job training initiatives, including consideration of HUD’s Section 3 resident hiring requirement and other economic self-sufficiency initiatives.
- 3. Funding for Long-term Preservation and Sustainability
 - a. The leveraging of capital and operating funds necessary to stabilize the state-wide public housing portfolio, including but limited to:
 - i. Long term debt;
 - ii. Local resources;
 - iii. Mixed-finance low income housing tax credit financing; and,
 - iv. Additional types of innovative public and private financing for re-capitalizing public housing.
- 4. Statutory and Regulatory Framework
 - a. Changes to Chapter 121B and/or public housing regulations.
- 5. Public Process and Transparency
 - a. Project based budgeting
 - b. Annual audits by LHAs
 - c. Housing authority performance benchmarking

DHCD Administrative Initiatives

Some of the Commission’s recommendations can be launched by DHCD right away to achieve significant reforms and efficiencies in the short term. Following is a summary of specific action items and deliverables that the Commission members identified as initial steps toward implementing those recommendations.

- 1. Preservation of Extremely Low Income (ELI) Housing
 - a. DHCD will develop a workplan to examine Massachusetts demographic trends projected over the coming decade to assess what types of households are likely to need public housing in the future.
- 2. Funding for Long-term Preservation and Sustainability

- a. DHCD will develop a workplan that will allow it to update “The Real Cost of Operating Massachusetts Public Housing” annually and post such update on its website.
 - b. DHCD proposed an increase in public housing’s annual allocation from the Affordable Housing Trust Fund from \$5 million to \$7 million in FY13 in order to annualize and expand the Unit Turnover Initiative completed in FY12. The initiative is one step to address the need to restore to use the approximately 1,000 units that are vacant more than sixty days but lack the funding to prepare them quickly for reoccupancy.
 - c. DHCD will 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 due to a lack of available LHA funding to restore the unit to occupancy.
3. Recommendations re. Statutory and Regulatory Framework
- a. Further work needs to be done by the Advisory Committee before DHCD can propose statutory and regulatory changes. However, once changes are recommended, DHCD will guide the public process to review and institute the changes.
4. Public Process and Transparency
- a. DHCD will develop and issue a policy that requires LHAs to post the names and contact information for all public housing board members and senior staff.
 - b. DHCD will post the names and contact information for senior staff at DHCD who deal with public housing.
 - c. DHCD, MassNAHRO, Mass Union of Public Housing Tenants and other interested parties will develop and begin implementing a mandatory course of training for all public housing board members within six months of the issuance of this report. Furthermore, if the role of public housing board members at any significant number of housing authorities should alter as a result of other Commission recommendations, the trainings should be altered to reflect the changes.
 - d. DHCD, with input from the Advisory Committee will continue to develop its tools for assessment of LHAs. Tools will incorporate operating benchmarks (such as vacancy rates and time to turn-over vacant units), fiscal benchmarks (such as comparing budget to actual financial performance), and program benchmarks (such as compliance with the public housing statute and regulations).
 - e. DHCD will develop a tool to track the attendance of members at their board meetings (also part of the administrative reforms to date).
 - f. DHCD will develop a tool to track the attendance of appropriate staff and board members at mandatory DHCD trainings.
 - g. DHCD will develop a policy that requires all LHAs to conduct an annual independent financial audit where the auditing firm is procured by the LHA every three years. DHCD will also continue its discussions with the state Auditor to ensure that there is no redundancy between these audits and state Auditor and federal audit requirements.

- h. DHCD will develop a policy that requires that at least one staff member from every LHA obtain MCPPO (Massachusetts Certified Public Purchasing Official) certification regarding MGL c.149 and MGL c.30 procurement and will ensure that adequate trainings are offered by the Inspector General each year to fulfill this recommendation.

Conclusion

Massachusetts state-aided public housing provides decent, affordable homes for more than 45,600 households throughout the Commonwealth. However, as described in this report, much of this housing is threatened by deterioration due to lack of operational capacity and aging property. The Commission for Public Housing Sustainability and Reform has worked cooperatively and intensely during the past two months to define a comprehensive program of administrative, legal and operational changes that can lead to extensive improvement in the housing and better services for its many residents.

The Commission's recommendations range from specific, well-defined activities such as creating a single state-wide application and waiting list for all housing and more robust monitoring and auditing of LHAs to the broad reform of establishing a unified property management system for multiple small and medium sized LHAs. The Commission agrees that this range of large-scale operating changes, clear administrative changes, and statutory and regulatory reform are all necessary to improve and stabilize Massachusetts state public housing.

The majority of these changes will need new resources. A few will be possible with only a modest allocation of additional staff time at DHCD to work on administrative improvements. But many more will depend upon additional funding, including increased operating funds for maintenance and for staff capacity, plus capital resources for renovation and modernization of the buildings. Expanded supportive services for residents will mean working with many agencies in the Commonwealth to tap their skills and funding on behalf of public housing tenants. Crucially, the unified property management system will need ongoing operating support, along with start-up funds to establish a robust management capacity for the thousands of homes owned by smaller LHAs throughout the state. The Commission recognizes that all this can be achieved only with strong support from the Legislature and the Administration. It urges them to provide the resources that can set public housing on a sustainable path for the 21st century.

Achieving the Commission's recommendations will also depend upon enlisting the support of a broad constituency. Its own success in reaching consensus on a wide-ranging improvement program in a very short time demonstrates the power of an engaged planning process. It is, therefore, recommending the rapid establishment of a Public Housing Advisory Committee to work with DHCD on further planning and implementation of its recommendations. This Advisory Committee will work best if it includes both representatives of the many groups invested in public housing including, most importantly, public housing residents and local housing authorities and also skilled professionals with expertise in the substantive areas which need improvement, including but not limited to attorneys and property management experts in affordable housing operations. The diverse expertise on this Commission bears repeating. Legislative representatives, public officials, and leaders of quasi-public organizations with knowledge of housing finance and technical assistance to housing will also be essential participants, as such leaders were in the Commission.

It is further recommended that the Advisory Committee be divided into substantive working sub-groups that can focus and move quickly to detail specific areas of change. Appropriate sub-groups would include those with a focus on funding, on regulatory and statutory reform, on supportive services for residents, on administrative improvements, and on the new unified property management system. These groups should be able to proceed independently, with coordination provided by DHCD.

Planning for the management system will probably be the most complex task. It will need to address multiple implementation issues, such as details of the system's governance structure, procedures for accountability to the LHAs where it operates, a staffing plan, a transition plan, and an initial operating plan.

Implementation of the entire Commission report will take time, so it is recommended that DHCD prepare an overall timetable for its implementation, acknowledging the recommendations that will be able to proceed only with additional funding.

The Commission has developed a broad agenda for change that it believes is commensurate with the scale of challenges in the state public housing system. The best efforts of many organizations and individuals will be required to move ahead. Obtaining them will be no small task: many people will need to make a new or renewed commitment to public housing. But the Commission believes that its own work demonstrates how a small group of people, committed to working together, can create rapid change. It seeks the support of the Legislature, the Administration, public housing authorities and their residents, the communities where public housing provides an affordable resource for local citizens and others who care that Massachusetts' lowest income residents have decent and affordable homes.

Appendices

Appendix A: Recent Public Housing Administrative Reforms

Appendix B: Commission Members

Appendix C: Public Housing Overview

Appendix D: Summary of Testimony

Appendix E: Preliminary Organizational Matrix for a Unified Property Management System

Appendix F: Executive Order NO. 539

Appendix A: Recent Public Housing Administrative Reforms

In addition to the Executive Order establishing the Commission, the Governor's FY 2013 budget proposed a series of administrative reforms to improve financial transparency and management of the state's public housing portfolio. Since the release of the FY 2013, budget DHCD has begun to define and implement enhanced financial and reporting requirements via administrative action to address the charge.

- DHCD has implemented the following:
 - Require LHAs with state public housing to provide DHCD with the salaries of the five highest-paid management staff;
 - Set a maximum salary for LHA Executive Directors;
 - Require LHA board members to certify Executive Director salaries and contracts; and,
 - Require LHA board members to certify year-end financials.
- DHCD is in the process of:
 - Requiring reports to confirm that monthly LHA board meetings occur and to confirm the attendance of board members; and,
 - Re-examining delegated Authority for Procurement to allow authority for purchases, where it already exists, to continue to be delegated from an LHA board to the executive director, but requiring that purchases above certain thresholds be required to be approved by the board.
- DHCD will release guidance on the following in August or September when budget guidelines are issued to all LHAs:
 - Salary increases capped at a level consistent with comparable municipal employees; and,
 - Certification of payroll documents.

Two of the administrative reforms included in the Governor's proposal were addressed by the Commission and are included in the Commission recommendations:

- New mandatory ethics and other training for public housing employees and board members; and,
- Mandatory and more detailed auditing procedures.

Additionally, prior to the proposed reforms and administrative changes, DHCD requested all local housing authorities to submit information on their budgets, salaries of Executive Directors, year-end financial certifications, and the contracts of executive directors (also included in the enhanced financial and reporting requirements noted above). The following recommendations

have arisen from the review of all contracts submitted and will also be implemented by DHCD when FY 2013 budget guidelines are issued to all LHAs:

- Standard Contract Template Revision
 - DHCD's standard contract template should be revised to more fully address matters generally addressed in executive director employment contracts, particularly the following:
 - Ensure that the definition of total compensation is consistent with the new rules;
 - Incorporate clauses encouraging a beneficial employment relationship, such as required annual review by the LHA board and job responsibilities;
 - Incorporate clauses (or, on the other hand, not include clauses) to disallow practices the Department will not approve, such as unreasonable terms and/or automatic term renewal clauses; and,
 - Clarify any ambiguous language.
- Employment Contract Execution
 - Require LHAs that elect to utilize a contract to use DHCD's Executive Director form of contract.
- Annual Budget Submissions Regarding Salary
 - Revise the document that LHAs utilize to submit their annual budgets to require reporting on total compensation, not just "salary."

Appendix B: Commission Members

Chair, Aaron Gornstein, Undersecretary for Housing and Community Development

Susan Bonner, Tenant Commissioner, Nahant Housing Authority

Jack Cooper, Massachusetts Union of Public Housing Tenants

Senator Sal DiDomenico

Colleen Doherty, Taunton Housing Authority

Doreen Donovan, Corcoran Jennison Management

Rebecca Deusser, Executive Office for Administration and Finance

Annette Duke, Massachusetts Law Reform Institute

Senator James Eldridge

Barbara Fields, HUD Ex Officio

Lizbeth Heyer, DHCD

Representative Russell Holmes

Representative Kevin Honan

Diana Kelly, Maloney Properties

Tim Mahoney, Laborer's Council

Steve Merritt, Norwood Housing Authority

Representative George Ross

James Stockard, Harvard University, Graduate School of Design, and Commissioner, Cambridge Housing Authority

Senator Bruce Tarr

Mayor Thatcher Kezer, City of Amesbury

Jeffrey Sacks, Commissioner, Newton Housing Authority

Carl Valente, Town of Lexington

Clark Ziegler, Massachusetts Housing Partnership

Staff:

Sarah Glassman, DHCD

Debra Hall, DHCD

Paul McPartland, DHCD

Louise Elving, VIVA Consulting

Judy Weber, VIVA Consulting

Appendix C: Public Housing Overview

The Commission website which contains all the background and meeting documents from its work can be found at:

<http://www.mass.gov/hed/housing/ph-manage/commission-on-public-housing-sustainability-and-reform.html>

Key documents noted below identify highlights of the material on this website.



Background Materials

State-aided Public Housing Portfolio & Program: DHCD initially prepared briefing materials for the Commission pertaining to capital and operating budgets of the state-aided public housing portfolio and addressing these issues:

- Portfolio summary: how many & what types of units of public housing exist in Massachusetts
- Who lives in state-aided public housing
- How operating & capital subsidy work
- Summary of accomplishments and innovations under the Patrick Administration

<http://www.mass.gov/hed/docs/dhcd/ph/reform-commission/04112012briefingpresentation.pdf>

Portfolio Geography: These maps show the distribution of state- and HUD-supported public housing and vouchers across Massachusetts:

- Local Housing Authorities - [Total Federal and State Public Housing Units and Vouchers](#)  (distribution map)
- Local Housing Authorities - [Total State Public Housing Units and Vouchers](#)  (distribution map)

Operating Costs: The Commission's work was also informed by an earlier multi-stakeholder collaboration to estimate the "real cost" of operating the state public housing portfolio to affordable housing industry standards. Completed in 2008, the study was referenced in the Executive Order.

["The Real Cost of Operating Massachusetts Public Housing"](#)  - the Executive Summary for the report of the Real Cost Task Force, November 2008

State Public Housing Vacant & Offline Unit Report

Prepared April 27, 2012

Includes units in turn-over and units offline (“Offline” units are either 1) being used for alternative uses (such as senior supportive housing, daycare, computer learning center), or 2) are slated for sale, disposition, or federalization)

Total State PH Units			In Turn-Over: No Waiver Requested			In Turn-Over: Waivers Requested		Offline Units	
Total State PH Units	% of State PH Units in Turnover	Total Units In Turnover	Vacant 60 or fewer days	Vacant 60 or greater days	Vacant due to needed mod/rehab work (funding may or may not be in place)	Waivers Requested : includes THP units, no waiting list, staffing constraints	Waivers Requested: ONLY includes units needing mod/rehab; funding may or may not be in place	Offline: Alternative Use	Offline: Sale, Disposition, Federalization*
45600	2.8%	1287	213	306	252	107	387	175	294
Sub-Totals			771			494		469	
Total Units in Turn-Over			1265						
Total Offline Units			469						
Total Vacant & Offline Units			1734						

Notes: This report is based on data entered into DHCD’s vacancy ledger system by LHAs, and includes 90-95% of state public housing units. The number of vacant units changes each time the report is generated because unit turn-over is an on-going activity and the ledger reports in real time.

* This Offline column includes 100 vacant units at the Watuppa Heights development that received legislative approval for demolition.

Appendix D: Summary of Testimony

Two Public Hearings were held by the Commission, one on April 26, 2012 in Springfield and another on April 27 in Boston. DHCD's summary of the proceedings of the hearings is referenced here and the Commission website also includes written testimony which was submitted both during and after the public hearings.

- [DHCD April 30, 2012 Report to the Commission on the Proceedings of the Hearings](#) 
file size 1MB

Additionally, the Commission received the following written petition from tenant leaders:

- <http://www.mass.gov/hed/docs/dhcd/ph/reform-commission/petition.pdf>

Appendix E: Preliminary Organizational Matrix for a Unified Public Housing Management System

The matrix below illustrates the Commission’s recommendation to reorganize public housing operations at the local, regional and central (or state-wide) levels by creating a single unified property management system. It keeps maximum local responsiveness through local staff, while providing additional capacity to upgrade operations, better serve residents, improve the housing, and achieve long-term efficiency. This matrix does not address reorganization of governance functions.

OPERATIONS OF PUBLIC HOUSING		
LOCAL LEVEL	REGIONAL LEVEL	CENTRAL
Major functions – summary <ul style="list-style-type: none"> • “Front-line” operations • Day to day operations for physical sustainability, financial stability, and responsiveness to residents • Provide direct services to residents 	Major functions – summary <ul style="list-style-type: none"> • Technical assistance • Supervisory roles 	Major functions – summary <ul style="list-style-type: none"> • “Back-office operations” • Oversight • Overall policy setting • Finance and accounting • Training
<u>Tenant/Landlord and Resident Relations</u> <ul style="list-style-type: none"> • Respond to resident needs, questions, issues • Provide assistance to applicants & to residents, e.g., with rent payment, grievances, etc. • Provide residents with links to services/advocates • Interact with tenant organizations • Create local policies with residents (e.g., use of community room) 		<u>Tenant/Landlord and Resident Relations</u> <ul style="list-style-type: none"> • Rent payment receipt (thru lock-box) • Resident services overall planning • Set operational policies (e.g. rent collection policy, damage charge rates, house rules, non-resident units, etc.)
<u>Community Relations</u> <ul style="list-style-type: none"> • Human face to tenants and community • Work with regional staff to obtain local services (e.g., trash pick-up, snow removal, social services for residents) 	<u>Community Relations</u> <ul style="list-style-type: none"> • Support local staff on complex issues (e.g., grant requests) • Work with local staff to obtain local services 	
<u>Property Management</u> <ul style="list-style-type: none"> • Marketing and leasing, using central wait list • Initial income certifications & recertifications • Lease enforcement (e.g., monitor rent collections) • Initial property budgeting and on-going budget tracking 	<u>Property Management</u> <ul style="list-style-type: none"> • Finalize property budgets & ongoing budget monitoring • Monitor local operations against established standards 	<u>Property Management</u> <ul style="list-style-type: none"> • Maintain central wait list for public housing • Create budget guidelines; approve and monitor budgets
<u>Administration & Fiscal Operations</u> <ul style="list-style-type: none"> • Small scale purchasing & contracting • Invoice review • Contract/performance monitoring for on-site vendors (e.g. trash removal, elevator 	<u>Administration & Fiscal Operations</u> <ul style="list-style-type: none"> • Approve routine invoices or payment by central office <u>Human Resources</u>	<u>Administration & Fiscal Operations</u> <ul style="list-style-type: none"> • Provide accounting & bookkeeping • Manage accounts payable • Central IT management • Procurement & contract

<p>maintenance, emergency systems)</p> <ul style="list-style-type: none"> • Monthly reporting to regional management 	<ul style="list-style-type: none"> • Assist in recruitment & hiring of local staff • Assist in personnel management such as annual reviews & terminations • When needed, plan local staff coverage for vacations and sick leave, etc. 	<p>administration:</p> <ul style="list-style-type: none"> ○ Professional services (legal, IT, audits) ○ Large, routine contracts (utilities) ○ Centralized purchasing, when cost effective <ul style="list-style-type: none"> • Compliance, e.g., income certification and recertification • Regulatory reporting to DHCD & HUD <ul style="list-style-type: none"> ○ Coordinate between state & federal requirements, where relevant • Utility monitoring • Manage property and liability insurance, e.g., participate in the MA NAHRO insurance pool <p><u>Human Resources</u></p> <ul style="list-style-type: none"> • Create human resources policies • Recruitment, background checks, hiring • Personnel management - annual reviews, compensation, benefits, terminations • Handle staff grievances • Collective bargaining
<p><u>Maintenance (routine and preventive)</u></p> <ul style="list-style-type: none"> • Provide routine maintenance & custodial services • Work order response & prioritization • Knowledge of immediate physical needs – respond to emergencies • Unit turn-over* • Preventive maintenance implementation • Inventory control • Daily/weekly property inspections <p><i>* Unit turnover should be accomplished where it can be completed most quickly – “best available option.” This might be local or regional; might be staff or contracted.</i></p>	<p><u>Maintenance (routine and preventive)</u></p> <ul style="list-style-type: none"> • Monitor work order response • Plan for preventive maintenance w/ local staff • Unit turnover planning & monitoring* • Hire maintenance contractors when needed • Annual property inspections 	<p><u>Maintenance (routine and preventive)</u></p> <ul style="list-style-type: none"> • Overall planning and administration of maintenance systems, procedures and standards
<p><u>Capital Planning and Implementation</u></p> <ul style="list-style-type: none"> • Input into capital plans • Help coordinate capital work in occupied properties 	<p><u>Capital Planning and Implementation</u></p> <ul style="list-style-type: none"> • Direct small capital projects • Monitor capital projects • Assist in capital budgeting and prioritization 	<p><u>Capital Planning, Financing and Implementation. New Project Development</u></p> <ul style="list-style-type: none"> • Direct capital planning, including financing • Oversight of capital project implementation, including hiring contractors, inspections, payment, etc.

Appendix F: Executive Order NO. 539

By His Excellency

DEVAL L. PATRICK

GOVERNOR

EXECUTIVE ORDER NO. 539

ESTABLISHING A COMMISSION FOR PUBLIC HOUSING SUSTAINABILITY AND REFORM

WHEREAS, state aided public housing provides the largest source of affordable housing for extremely low-income elderly and family households across the Commonwealth;

WHEREAS, the Commonwealth is committed to the continued investment of tax dollars into the portfolio to ensure the long-term sustainability and preservation of this valuable resource for the benefit of current and future residents, as well as the communities in which the housing is located;

WHEREAS, thoughtful stewardship is critical to achieving efficient and cost-effective investment and outcomes;

WHEREAS, strengthening and reforming the asset management and governance systems of public housing authorities will lay the groundwork necessary to plan for future investments crucial to the long-term viability of the portfolio;

WHEREAS, the statutory and regulatory framework for public housing authorities and the public housing program was established 60 years ago and is outdated and inefficient;

WHEREAS, a public and accountable process is an essential aspect of the process of review and reform;

NOW, THEREFORE, I, Deval L. Patrick, Governor of the Commonwealth of Massachusetts, by virtue of the authority vested in me by the Constitution, Part 2, c. 2, § 1, Art. 1, hereby order as follows:

Section 1. There is hereby created the Commission for Public Housing Sustainability and Reform, hereinafter referred to as the “Commission.”

Section 2. As used in this Executive Order,

“Portfolio” means housing operated under the requirements of Sections 25 through 40 of Chapter 121B of the General Laws.

“Public housing authority” means an entity organized and existing under Section 3 or 3A of Chapter 121B of the General Laws.

Section 3. The purpose of the Commission is to develop recommendations for the sustainability and reform of public housing authorities and the portfolio of state aided public housing that will ensure the long-term viability of public housing as an affordable housing resource, including the reform of the statutory governance structure with a goal of creating a practical, cost-effective and modern regional governance structure. In developing its recommendations, the Commission shall consider:

- a. how many regional housing authorities would best serve the state and the composition of those authorities;
- b. the manner in which the contributions and interests of local communities can be maximized in a regional governance structure;
- c. best practices in leveraging resources and capacity from the private and non-profit sectors, including partnerships with these sectors;
- d. the findings of the “The Real Cost of Operating Massachusetts Public Housing: Analysis and Recommendations,” Department of Housing and Community Development, February 4, 2008;
- e. statutory and regulatory requirements that are overly burdensome or unduly constraining on the operations of public housing authorities;
- f. enhanced reporting and auditing procedures that will ensure the integrity of the state aided public housing system; and
- g. the vital need that the portfolio serves in housing extremely low-income residents of the Commonwealth.

Section 4. The Commission shall serve exclusively in an advisory capacity and shall not possess any powers or responsibilities associated with the actual implementation of its recommendations.

Section 5. The Commission shall consist of no more than 23 members. The Chairperson shall be the Undersecretary for Housing and Community Development. The membership of the Commission shall include: the Secretary of Housing and Economic Development; the Secretary of Administration and Finance; 2 Members of the Senate to be appointed by the Senate President; 2 Members of the House of Representatives to be appointed by the Speaker of the House of Representatives; 1 Member of the Senate to be appointed by the Senate Minority Leader; 1 Member of the House of Representatives to be appointed by the Minority Leader of the House of Representatives; the Associate Director of Public Housing and Rental Assistance; and the Executive Director of the Massachusetts Housing Partnership, or, in each case, their respective designee. In addition, the Commission shall include 5 members appointed by the Governor, 1 of whom shall be a tenant of the portfolio, 1 of whom shall be a commissioner of a local housing authority and 2 of whom shall be individuals with experience and expertise in managing private, multi-family assisted housing. The Commission shall also include 2 members appointed by the Massachusetts Municipal Association; 1 member appointed by the

Massachusetts Union of Public Housing Tenants; 2 housing authority members appointed by the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials; 1 member appointed by Citizens Housing and Planning Association; and 1 member appointed by the Massachusetts Law Reform Institute.

Section 6. The Commission shall hold at least two public comment sessions, one of which shall occur outside of Boston, before the issuance of its final report to the Governor.

Section 7. In performing its functions, the Commission shall present to the Governor a report no later than 60 days from the date of the Commission's first meeting. The report shall identify recommended statutory, regulatory and administrative actions to:

- a. design a regional governance structure that balances the needs of the portfolio and the current and future residents that are or will be served by the portfolio, with the interests of local communities;
- b. maximize the value of the state's investment in the portfolio;
- c. enhance and preserve the integrity of the public housing system;
- d. address the financial needs of the portfolio; and
- e. otherwise enhance the fiscal and operational viability of public housing authorities and the portfolio.

Section 8. The Department of Housing and Community Development shall assist the Commission in fulfilling its mission by providing all necessary support to the Commission, including any staff assistance, data or documents necessary to perform the mandate of the Commission, and may seek additional assistance from a third-party consultant to assist the Commission.

Section 9. The Commission shall perform the functions identified in the Executive Order until such time as it completes the report required in Section 7, upon which time it shall be dissolved.

Section 10. This Executive Order shall take effect immediately and shall continue in effect until amended, superseded, or revoked by subsequent Executive Order.

Given at the Executive Chamber in Boston this 25th day of January in the year of our Lord two thousand and twelve, and of the Independence of the United States of America two hundred and thirty-five.

DEVAL L. PATRICK
GOVERNOR
Commonwealth of Massachusetts

WILLIAM FRANCIS GALVIN
Secretary of the Commonwealth

GOD SAVE THE COMMONWEALTH OF MASSACHUSETTS

