

Federalization of State Properties October 2009

The Brookline Housing Authority (BHA) is considering converting two properties presently built and subsidized by the Commonwealth of Mass. to receive on-going and future subsidies from the federal government, U.S. Department of Housing and Urban Development (HUD).

Under provisions of the 2009 American Recovery and Re-investment Act (ARRA), there is opportunity to add units to the HUD and BHA Annual Contributions Contract (ACC). The existing 439 BHA federal units had been capped by law in the mid 1990's (via the Faircloth Amendment). Under 2009 ARRA, housing agencies may apply to expand the units under the ACC if acquired using \$2,000 in ARRA funds for rehabilitation.

Why consider BHA existing properties?

BHA has been in financial crisis with state assisted units for the more than a decade. In 2005, BHA and two other public housing agencies sued the Commonwealth for breach of contract. The lawsuit was withdrawn with promises and hope from the new Administration. At that time there was reason for optimism, however the 2008 financial crisis and continued cuts in subsidy put the entire state portfolio at risk for serving low income families over the next 2 decades. Under *federal subsidy formula*, funding has been at 88% of formula over the past five years. However, using a very *similar state formula*, funding has been at 50% over the past 15 years.

Further, under federal formula, the BHA would receive an estimated \$70,000 in capital fund grants if federally assisted. Presently there is no state modernization expected for state properties. The award for Trustman (\$8 million) has been put on hold due to cuts in state bonding capacity. In addition, the federal governments offers several service grants that could benefit all federal properties. These include Service Coordinators for Family and/or Senior properties, Self Sufficiency Grants, Crime Prevention Grants and modernization through Energy Reduction opportunities.

BHA Proposes to federalize Col. Floyd Apartments and Egmont Veterans Apartments

To be successful in federalizing properties, the properties that will be most successful will be the properties in the best physical shape. Given a less than full share of modernization funds for the first 10 years (estimated at 50% or \$70,000 annually) most systems need to be in good working order. At Col. Floyd, all building components except unit windows (25 years old) are in good shape and have only used less than half of useful system life. At Egmont St. heating systems and unit windows are both at the end of useful life. The worst conditions will be upgraded in the \$2,000 per unit requirement and the balance will be addressed when capital fund and increased operating expense levels are established.

Why maintain Trustman and High St. Veterans under the lower funded State Programs?

There is appeal to requesting consideration of all state properties. However, BHA is hopeful of eventually receiving the \$8 million capital improvement grant for Trustman. This level of funds would be most unlikely from the federal government, especially as one of the “newer” properties in federal portfolio. For High St. Veterans, it has a higher level of per unit and total capital needs. As a slightly older and larger complex, we believe the numbers just do not work as well, and if the State portfolio is slimmed throughout the state, High St. Veterans would be a good candidate for a sizeable comprehensive re-investment grant. There are also several policy nuances that given BHA occupancy patterns, several low income families would be underserved if the entire BHA portfolio was federal.

What are the differences between state and federal public housing?

1. Money, higher operating expense levels and annual capital grants from HUD in comparison to state.
2. More grant possibilities
3. Flexibility of funds, capital funds can have percentage support operating expense, management improvements and social services.
4. Policy and Regulatory Issues
 - a) State age eligibility for seniors is 60, for federal it is 62- 1 person possibly impacted
 - b) State allows seniors an earned income disallowance of ~\$7,000 annually, HUD does not-possible impact ~15 households.
 - c) State allows housing agencies an option to charge minimal rent to veterans with service related injuries-1 person impacted
 - d) State allows housing undocumented non citizens; HUD does not- impact likely
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5. Maintaining a state housing transfer option would minimize any negative impact on these residents.
6. There are numerous similar but different requirements in rent calculations, eligibility assessments, lease provisions and reporting requirements. In many ways, HUD allows flexibilities to better serve the Brookline community.

BHA Commitment

The Board of Commissioners has stated several times publicly, their commitment to be resourceful to preserve the existing housing units for our present client profile for generations going forward. To meet this challenge, opportunities to re-invest in the units, buildings and systems is essential. It is for the opportunity to preserve, the BHA is undertaking this venture.

Brian Cloonan
Executive Director

