



Chicago Housing Authority  
Office of the Inspector General

# Audit of CHA's Tracking & Management of Vacant Public Housing Units

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ACRONYMS

- **APG:** HUD Agency Priority Goal
- **CDOB:** Chicago Department of Buildings
- **CHA:** Chicago Housing Authority
- **HUD:** United States Department of Housing and Urban Development
- **JOC:** Job Order Contracting
- **MASS:** Public Housing Assessment System Management Assessment
- **MTW:** Moving to Work
- **OIG:** Office of the Inspector General
- **PAM:** Property and Asset Management Department
- **PHA:** Public Housing Authority
- **PHAS** Public Housing Assessment System
- **IMS/PIC:** Inventory Management/Public Housing Information Center (HUD)
- **PPM:** Private Property Management
- **RAD:** Rental Assistance Demonstration
- **24 CFR:** Code of Federal Regulations Title 24

## Executive Summary

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The Chicago Housing Authority (CHA) Office of the Inspector General (OIG) conducted a performance audit of CHA's management of its vacant housing stock, with a focus on scattered site public housing units. The audit reviewed CHA public housing vacancy rates as of September 2021 as compared to December 2016, when the OIG last audited CHA's occupancy and vacancy rates. The audit further sought to determine whether CHA has adequate controls to ensure scattered site properties are monitored, repaired, and put back into service promptly. Finally, the audit assessed whether CHA complies with the City of Chicago's vacant building registration ordinance and requirements regarding the maintenance of vacant buildings.

The OIG initiated this audit in response to a complaint received in July 2021 regarding a CHA scattered site property, a single-family home, that had been vacant for more than 10 years, as well as OIG's preliminary review of CHA records, which suggested that CHA's long-term vacancy rates had increased compared to 2016 when the OIG last audited CHA's vacancy rate.

### 2017 CHA OIG Occupancy Audit<sup>1</sup>

The OIG last audited CHA's vacancy and occupancy rates in 2017, using data on vacant units as of December 31, 2016, and a sample selection of 41% of all vacant scattered site units. In 2017, the OIG found that CHA had a high vacancy rate, with an unadjusted vacancy rate of 18% (2,772 out of 15,734) and an adjusted vacancy rate of 7% (961 out of 13,923), representing a grade of "F" using historical HUD performance indicators. The length of vacancy time for unoccupied units was prolonged and well beyond recommended HUD guidelines, with an average vacancy duration of 13 months for the sampled scattered site units. At that time, CHA had 795 units scheduled for modernization and/or make-ready work. The renovation work for some of these units had been ongoing for years. Finally, CHA's Property Office reported to the OIG that it maintained an off-line report, separate from Yardi, CHA's system of record, to track occupancy/vacancy rates and that the records in Yardi were not accurate.

In its response published in May 2017, CHA management concurred with the OIG's findings and recommendations and reported that it had adopted an Occupancy Initiative/Business Plan, that would be completed by the end of 2017, to rapidly reduce the high vacancy rate. The Property Office noted that the primary drivers of occupancy are turning units and screening applicants but said that it was working to address the additional "process and capability gaps," which had led to a high vacancy rate. Among those process improvements, the Property Office was working to implement site-based waitlists and move to trades hired in-house by PPMs. Additionally, in March 2017, CHA gave PPMs authority to procure urgent services for work costing less than \$25,000. The Property Office further stated that the Job Order Contracting (JOC) program, a pilot program initiated in 2016, would also reduce vacancy rates, by facilitating construction and repairs needed to turn over a unit. According to the 2017 Occupancy Initiative/Business Plan,

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<sup>1</sup> The full OIG 2017 Occupancy audit report may be accessed here: [2017 CHA OIG Occupancy Audit](#).

the Property Office had set a goal of returning 220 units to rent-ready status each month, which would have abated all vacant traditional units within one year.

In a 2021 interview with OIG, a senior manager in the Property and Asset Management (PAM) Department (previously known as the Property Office) opined that the continued high vacancy rates and inability to complete the 2017 Occupancy Initiative were due in part to the failures of the CHA's JOC program, which ended in 2020 with mixed results.

## July 2021 Complaint

In July 2021, the CHA OIG received a complaint from a Chicago resident who lives near a CHA scattered site property, a four-bedroom, two-bath, single-family house, which the CHA has owned since 2010. The resident complained that the house, located in the Montclare neighborhood, had been vacant for over a decade, had fallen into disrepair, and was presenting a health and safety hazard to the neighbors. The neighbor complained the house was infested with raccoons and asked that the house be demolished.

OIG's review of CHA records showed CHA had obtained the property in September 2010. CHA purchased the property in the care of The Habitat Company, for \$252,000. In the more than 12 years that CHA has owned it, CHA has never leased the property, and it has remained vacant. The City of Chicago Department of Buildings online permit repository shows no building or construction permits have been pulled. The Cook County Assessor's website shows the property has been exempt from property tax since 2010, but had previously contributed \$6,357 in annual property taxes to the county.

In August 2021, CHA management responded to the complainant, stating that the property had been approved by the CHA Board of Commissioners for disposition, and once HUD provided approval, the property would be sold.<sup>2</sup>

CHA management later informed the OIG that it had identified serious structural problems and code compliance issues that pre-dated CHA ownership. CHA's subsequent appraisal of the property valued it at \$86,000, while necessary repairs would cost at least \$300,000. Per CHA management, CHA is working to identify redevelopment opportunities.



<sup>2</sup> See Board Meeting Public Comment Responses, July 2021 [July 20, 2021 Public Questions/Comments and Response](#); see also [January 18, 2022 Public Questions/Comment and Response](#).



## Summary Findings

In this audit the OIG identified the following:

- 1. CHA's public housing vacancy rate as of September 1, 2021, remained very high.**
  - a. CHA's vacancy rate remained very high at 14.63% as compared to the HUD national standard of 4%.
  - b. Units remained vacant for an extended period of time with no documented reason.
  - c. Scattered site vacancy rates were consistent with vacancy rates for the entire PH portfolio
  
- 2. CHA's internal methodology for tracking and calculating its vacancy rate was inconsistent with HUD methodologies for measuring vacancy rates during the audit period.**
  - a. CHA's inconsistent classification of vacant units resulted in discrepancies between the data reflected in CHA's Yardi database and HUD's IMS/PIC reporting system, used to track public housing metrics nationwide.
  
- 3. CHA was not in compliance with the City of Chicago's Vacant Buildings Ordinance.**
  - a. CHA had not registered its vacant buildings with the City of Chicago Department of Buildings.
  - b. In a sampling of vacant scattered site units, 31% were observed to be not properly secured or maintained.

## Summary Recommendations

The OIG recommends that CHA take the following actions:

1. Develop clear, written procedures and benchmarks to accurately track and manage all vacant units to ensure units are returned to the rent roll in a reasonable time or appropriately disposed of.
2. Establish a dedicated process to regularly review long-term unit vacancies, including those approved as vacant by HUD, to ensure progress is made in rehabbing, developing, or disposing of properties.
3. Develop written procedures regarding the classification of vacant units and methodology for reporting vacancy rates to ensure transparency and accountability in CHA reporting.
4. Work with the HUD Field Office to submit the necessary applications to HUD for approval to classify units as Demo-Disposition, Modernization, and Litigation, as appropriate, to ensure CHA reporting in PIC is accurate and consistent with internal Yardi records.
5. Develop internal procedures to ensure CHA Property and Asset Management staff monitors and manages PPMs' performance of their obligations to register vacant buildings with the City of Chicago DOB and to secure and maintain vacant properties in accordance with the City of Chicago municipal code.

## Authority and Role

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The authority to perform this audit is pursuant to the CHA Board of Commissioners approved *Inspector General Charter*, which states that the OIG has the authority and duty to review CHA programs. The OIG is tasked with identifying any inefficiencies, waste, and potential for misconduct therein; and recommending policies and methods for the elimination of inefficiencies and waste, as well as for the prevention of misconduct. Accordingly, the OIG conducts independent audits of CHA operations and programs and makes recommendations for improvement when appropriate.

## Standards

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The OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.<sup>3</sup>

## Independence

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The OIG auditors involved in this audit are free both in fact and appearance from personal, organizational, and external impairments to independence. All opinions judgments, conclusions, and recommendations are impartial and should be viewed as impartial by third parties.

## Audit Objectives

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The objectives of the audit were the following:

1. Evaluate current CHA public housing vacancy rates as compared to 2016, when the OIG last audited CHA's vacancy rate.
2. Determine whether CHA has adequate controls to ensure scattered site properties are appropriately monitored, repaired, and put back into service promptly.
3. Assess whether CHA complies with the City of Chicago's vacant building registration ordinance and requirements regarding the maintenance of vacant buildings.

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<sup>3</sup> The U.S. Government Accountability Office, Comptroller General of the U.S. (2018), *Government Auditing Standards* (The Yellow Book). Washington, DC: GAO.

## Scope

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For this audit, the OIG reviewed CHA vacancy data and rates as reported in Yardi, the CHA's system of record, as of September 1, 2021. Fieldwork was completed as of November 9, 2021.

## Methodology

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The OIG performed this audit by conducting interviews, reviewing documentation, analyzing relevant CHA data, fieldwork inspections, and testing. Specifically, OIG audit staff interviewed employees in the PAM department responsible for oversight and management of vacant units as well as representatives from HUD's Regional and MTW Offices familiar with CHA reporting and PHA reporting methodologies. Audit staff performed various analyses of Yardi data within the scope described above.

For this audit, the OIG computed CHA's vacancy rate using HUD's Agency Priority Goal (APG) formula. While the CHA is not required to meet this standard, the OIG chose the APG methodology as a relevant benchmark, which was used by HUD during the audit scope in 2021 and early 2022 to measure other housing authorities.

The OIG conducted field testing of a random sampling of vacant scattered sites in early November 2021. Using Teammate Analytics' random sampling selection tool, the OIG selected 23 scattered site units out of 192 that were vacant for more than 365 days (one year) for field testing. Except for one unit, which was found to have been rented in October 2021, the testing confirmed that units were vacant as reflected in Yardi. Additionally, the OIG tested the selected units for ground maintenance and secured entryways. The OIG's selection of scattered sites for field testing was based on the OIG's professional judgment regarding the perceived risks associated with scattered sites and those units vacant for an extended period of time. The duration of 365 days is significantly longer than the current CHA requirement that a PPM make a vacant, but previously leased unit, ready for occupancy within 30 days.

The OIG reviewed the following relevant documents:

1. HUD Regulations and Guidance: Public Housing Assessment System
2. HUD Notice PIH-2011-7, "Subject: Guidance on IMS/PIC Development Sub-Module Reporting and Validation"
3. HUD Notice PIH-2021-35, "Subject: Guidance on Inventory Management System/PIH Information Center (IMS-PIC) Sub-Module Reporting and Validation"
4. HUD Notice PIH 2021-07 (HA), "Subject: Demolition and/or disposition of public housing property, eligibility for tenant protection vouchers, and associated requirements."
5. HUD PIH Systems IMS / PIC
6. City of Chicago Municipal Code – Vacant Building Registry, M.C.C. Title 14X-12
7. CHA PPM Procedural Manual (September 2020)
8. 2015 and 2021 CHA & PPM Agreements



The OIG believes the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives to identify conditions and/or an environment that results in, or could result in, waste, fraud, abuse, misconduct, or mismanagement.

The OIG provided CHA management a draft report with findings and recommendations and allowed CHA management time to respond. Management submitted written responses, which are incorporated in the report. This report was presented to the CHA Board of Commissioners, Finance and Audit Committee.

## Background

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### PHA Vacancy Rate Standards

HUD uses public housing occupancy and vacancy rates as one metric to measure PHA performance. How vacancy rates are benchmarked depends upon the PHA's status as an original member of HUD's Moving to Work (MTW) Demonstration Program, a newly-admitted MTW Expansion agency, or a non-MTW agency.<sup>4</sup>

For traditional, non-MTW housing authorities, HUD measures performance using the Public Housing Assessment System (PHAS) methodology. PHAS evaluations measure occupancy and vacancy rates as part of "management operations indicators." 24 CFR § 902.9. The PHAS occupancy rate metric "measures the occupancy for the project's fiscal year, adjusted for allowable vacancies." 24 CFR § 902.43(a)(1). Based on the overall PHAS scoring, a non-MTW PHA can be designated as a high, standard, substandard, or troubled performer. 24 CFR § 902.11. Deficiencies may subject a PHA to various forms of remedial action by HUD.

By contrast, CHA and the other 38 original MTW agencies are required to meet the terms contained in the Standard MTW Agreement, an agreement between each existing MTW agency and HUD.<sup>5</sup> MTW agencies are not scored in PHAS unless they elect to be scored.

The duration of unit vacancies is also monitored by HUD. Certain vacancy categories, such as units undergoing modernization or court litigation, are limited by HUD to set durations of two or three years. HUD regulations do not otherwise provide a defined metric for the duration of a public housing unit vacancy. The HUD MTW Office informed the OIG that any length of vacancy should be "justifiable." CHA's contracts with the three PPMs managing the public housing portfolios immediately prior to the date of OIG's data analysis, included a contract term requiring that previously leased units be made ready within 20 days. CHA's current private property

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<sup>4</sup> MTW agencies are afforded greater flexibility in meeting program goals based on specific HUD requirements, see <https://www.hud.gov/mtw>.

<sup>5</sup> See e.g., CHA Amended and Restated MTW Agreement Sect. II.G., 2008. See also, HUD Operations Notice for the Expansion of the Moving to Work Demonstration Program, Sec. 7(b)VII.

management (PPM) contracts, which became effective as of September 1, 2021, require previously leased units (those considered “online”) to be made ready within 30 days.

In early 2022, as part of its strategic plan, HUD set a nationwide occupancy rate goal of 96% (4% vacancy rate) in the Public Housing and Multifamily programs.<sup>6</sup> In support of this goal, HUD reported that it would modernize its information technology systems to use real-time data. At approximately the same time, HUD’s Office of Public and Indian Housing (PIH) released a new Public Housing Data Dashboard, on its website:

[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/ph/PH\\_Dashboard](https://www.hud.gov/program_offices/public_indian_housing/programs/ph/PH_Dashboard).

The new Public Housing dashboard provides additional data visualizations based on data from HUD’s Inventory Management System (IMS)/Public and Indian Housing Information Center (PIC) system along with other sources. The dashboard provides public reporting on the nationwide public housing occupancy and vacancy rates, and users can also drill down to view the rates of each housing authority.

## Methods of Computation for PHA Vacancy Rates

An agency’s vacancy rate is calculated based on the occupancy status of each public housing unit as reported in HUD’s PIC system. HUD regulations require all PHAs to report information regarding their public housing occupancy and vacancy in PIC.<sup>7</sup> HUD uses this data, along with other reporting, to assess overall PHA performance and determine funding levels. HUD guidance in effect on September 1, 2021, the relevant audit period, provided clear instructions for MTW and non-MTW agencies on how to accurately report the status of vacant and occupied units in PIC.<sup>8</sup> This Notice set out the various vacant unit status categories and the necessary steps to obtain HUD approval before reporting units within those categories in PIC.

HUD has recognized several different methods to calculate PHA unit occupancy/vacancy rates.<sup>9</sup> While the basic occupancy/vacancy rate could be calculated by taking the total number of occupied (or vacant) units and dividing by the total number of units owned by the housing authority (referred to herein as “simple” occupancy or vacancy rate), such a metric does not account for units that may be appropriately used for non-dwelling purposes or vacant for other

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<sup>6</sup> See HUD FY 2022-2026 HUD Strategic Plan, p. 35, March 28, 2022, available at <https://www.hud.gov/sites/dfiles/CFO/documents/FY2022-2026HUDStrategicPlan.pdf>.

<sup>7</sup> About IMS/PIC, HUD.gov, [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/systems/pic/about](https://www.hud.gov/program_offices/public_indian_housing/systems/pic/about).

<sup>8</sup> HUD Notice PIH-2011-7, “Guidance on IMS/PIC Development Sub-Module Reporting and Validation,” <https://www.hud.gov/sites/documents/pih2011-7.pdf> (this notice has since been superseded by HUD Notice PIH-2021-35, “Guidance on Inventory Management System/PIH Information Center (IMS-PIC) Sub-Module Reporting and Validation,” issued December 17, 2021) <https://www.hud.gov/sites/dfiles/PIH/documents/PIH2021-35.pdf>. See also [https://www.hud.gov/sites/dfiles/PIH/documents/Unit\\_Tenant\\_Status\\_Changes-PHA\\_Instructions.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/Unit_Tenant_Status_Changes-PHA_Instructions.pdf).

<sup>9</sup> See HUD “INTEGRATED ASSESSMENT SUBSYSTEM - PUBLIC HOUSING ASSESSMENT SYSTEM (NASS-PHAS)” [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/reac/products/prodphasinrule](https://www.hud.gov/program_offices/public_indian_housing/reac/products/prodphasinrule).

approved reasons. Accordingly, HUD methodologies for reporting occupancy/vacancy rates, permit varying exclusions of categories of units from the calculation, and the various HUD methods differ in the categories included in the equation's numerator as "occupied," the categories included in the denominator as part of the total number of units considered, and whether the duration of unit vacancies is taken into consideration.<sup>10</sup> The three recognized HUD methods for calculating occupancy/vacancy rates are as follows:

- PHAS Management Assessment (MASS)
- PHAS Capital Fund
- Agency Priority Goal (APG)

Under the MASS methodology, PHAs may exclude certain vacant units from their total unit inventory (denominator) *if* the PHA applies for and receives HUD's approval to classify the units in one of the following "vacant with HUD approval" categories:

Vacant – Undergoing Mod

Vacant – Court Litigation

Vacant – Natural Disaster

Vacant – Casualty Loss

Vacant – Market Conditions

The MASS methodology further provides that the exclusion of units in these categories may only be used for a limited time. Under both HUD Notices PIH-2011-07 and PIH-2021-35, units that were in the "vacant with HUD approval" categories had a "maximum term of initial approval" of two or three years, with the possibility in some cases for an extension.

Additionally, certain units are not considered in the MASS calculation: those categorized as "Demo-Dispo (Approved and Vacant)" as well as certain Non-Dwelling purposes: Special Uses Anti-Drug Crime; Self Sufficiency, Other Resident Activities, and Non-Dwelling MTW.

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<sup>10</sup> MASS includes duration based on the calculation of a PHA's fiscal year unit months leased over unit months available. PHAS Capital Fund looks only at data in PIC as of the last day of the fiscal year. The APG calculation is based on data in PIC as of the day captured. See HUD Website, INTEGRATED ASSESSMENT SUBSYSTEM - PUBLIC HOUSING ASSESSMENT SYSTEM (NASS-PHAS), [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/reac/products/prodphasintrule](https://www.hud.gov/program_offices/public_indian_housing/reac/products/prodphasintrule): "HUD PHA Occupancy Percentage Calculations": [PHA Occupancy Percentage Calculations](#)

The following graphic describing the calculation methods is taken from HUD's website:<sup>11</sup>

**PHA Occupancy Percentage Calculations**

	IMS/PIC Building and Unit Submodule: Unit Tenant Status Categories and Sub-Categories*	PHAS Management Assessment (MASS)		PHAS Capital Fund		HUD Agency Priority Goal (APG) Reporting	
		Numerator - UML	Denominator - UMA	Numerator	Denominator	Numerator	Denominator
1	Occupied-Assisted Tenant	√	√	√	√	√	√
2	Occupied-Employee	√	√	√	√	√	√
3	Occupied-Non Assisted Tenant Over income	√	√	√	√	√	√
4	Occupied-Police Officer	√	√	√	√	√	√
5	Occupied-Unauthorized		√		√		√
6	Vacant-Undergoing Mod		**		√		√
7	Vacant-Court Litigation		**		√		√
8	Vacant-Natural Disaster		**		√		√
9	Vacant-Casualty Loss		**		√		√
10	Vacant-Market Conditions		**		√		√
11	Non Dwelling-Special Use: Anti Drug Crime			√	√	√	√
12	Non Dwelling-Special Use: Self Sufficiency Activities			√	√	√	√
13	Non Dwelling-Special Use: Other Resident Activities			√	√	√	√
14	Non-Dwelling-Moving to Work			√	√	√	√
15	Non-Dwelling-Administrative		√		√		√
16	Non-Dwelling-Resident Amenities		√		√		√
17	Non-Dwelling-Unauthorized		√		√		√
18	Demo-Dispo (Approved and vacant)						
19	Vacant/Vacant		√		√		√

\* See PIH Notice 2011-07, Guidance on IMS/PIC Development sub-Module Reporting and Validation, on the use of public housing units and unit reporting in IMS/PIC.

\*\*In accordance with the PHAS Interim rule (24 CR part 902), these units are excluded when approved by HUD.

**PHAS MASS:** PHA fiscal year unit months leased (FDS line 11210) over units months available (FDS line 11190)

**PHAS Cap Fund:** from PIC as of the last day of the PHA's fiscal year

**HUD APG:** from PIC for the entire portfolio of PHAs as the date captured/reported

In December 2021, shortly after the OIG Audit Scope, HUD issued new guidance on PIC reporting and PHA vacancy rates. Although not applicable to the audit scope of September 1, 2021, one notable change included in HUD Notice 2021-35, issued December 17, 2021, was the addition of a vacancy sub-category for units planned for modernization but not yet under construction, meaning no construction contract has yet been awarded. Additionally, HUD began calculating and publicly reporting PHA vacancy rates using the MASS formula, which omits additional categories of units from the denominator or total population altogether.

<sup>11</sup> Source: HUD Website, INTEGRATED ASSESSMENT SUBSYSTEM - PUBLIC HOUSING ASSESSMENT SYSTEM (NASS-PHAS),

[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/react/products/prodphasinrule](https://www.hud.gov/program_offices/public_indian_housing/react/products/prodphasinrule) :

“[HUD PHA Occupancy Percentage Calculations](#): This chart summarizes the HUD PHA occupancy percentage calculations under the PHAS Interim Rule for the Management Operations Indicator and the Capital Fund Program Indicator. In addition, the chart also provides the Public Housing occupancy percentage calculation under HUD’s Agency Priority Goal Reporting.”

For this audit, the OIG computed CHA's vacancy rate using the APG formula, which HUD utilized for vacancy/occupancy calculations during the Audit Scope period. The OIG chose the APG methodology as a relevant benchmark, used to measure other PHAs during the scope period.<sup>12</sup> As compared to MASS, the APG methodology also omits fewer unit categories from the overall calculation and therefore provides a more accurate measure of the properties owned and leased by the housing authority at a given point in time. The APG formula is calculated as follows:<sup>13</sup>

$$= \frac{\text{total occupied--assisted tenant units + non-dwelling units (special use and MTW)}}{\text{total inventory units minus units approved for demolition or disposal}} \times 100$$

HUD publishes the "Public Housing Dashboard," publicly providing data and statistics regarding PHA inventory and vacancy rates.<sup>14</sup> In March 2022, the Public Housing Dashboard calculated PHA vacancy rates using the APG formula. As of March 10, 2022, CHA's APG vacancy rate based on CHA's reporting in PIC, was 14% excluding RAD CHAP units, and 13.9% including RAD and non-RAD units. The raw inventory numbers were reported as 15,495 total units, and 13,250 units occupied (a difference of 2,245 units and a simple vacancy rate of 14.5%).

Field Office: SAPH:ILLINOIS STATE OFFICE PHA: IL002:Chicago Housing Authority

## Public Housing Dashboard

03/10/2022 Help

PHA Code: **IL002** PDF PHA Names: **Chicago Housing Authority** Latest Historic Trend

Public Housing Unit Data					
<b>ACC Units</b>	<b>15,495</b>	<b>Vacant - Vacant</b>	<b>1,673</b>	<b>Uninhabitable</b>	<b>2</b>
<b>APG Occupancy Rate Including RAD and Non-RAD Units</b>	<b>86.10%</b>	<b>Vacant-Vacant 60+ Days</b>	<b>1,564</b>	<b>Demo/Dispo Approved</b>	<b>2</b>
<b>Assisted Tenants Occupied</b>	<b>13,250</b>	<b>Vacant-Vacant 180+ Days</b>	<b>1,306</b>	<b>Other Vacant HUD Approved (not Mod)</b>	<b>438</b>
<b>Unassisted Tenants Occupied</b>	<b>0</b>	<b>Vacant for Modernization</b>	<b>0</b>	<b>Non-Dwelling</b>	<b>132</b>
<b>APG Occupancy Rate Excluding RAD CHAP Units</b>	<b>86.0%</b>	<b>Vacant for Mod 730+ Days</b>	<b>0</b>		

**PHAS Scores**

No Data Returned

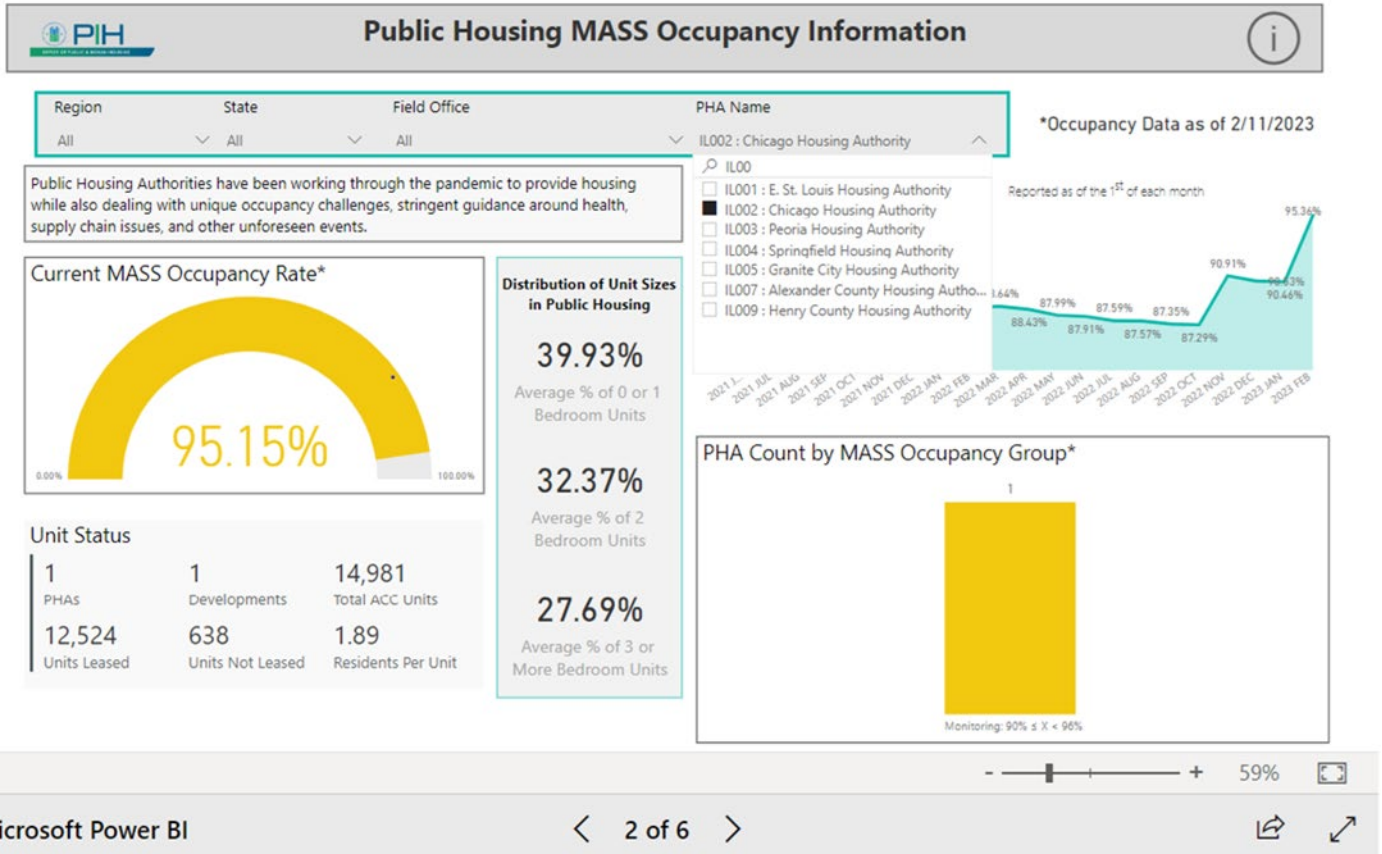
Following the change in HUD Guidance in December 2021—and with the implementation of its updated Public Housing Data Dashboard—HUD has since transitioned to reporting PHA vacancy rates using the MASS formula. Unlike APG, which includes in the calculation all but those units approved for demolition or disposition, MASS excludes additional categories—such

<sup>12</sup> See HUD MTW Operations Notice, Paragraph 7.c.v, Appendix III, which provides a table illustrating the methodology for calculating occupancy rates for *newer* MTW agencies. Note 2 of that table provides as follows: "Current monitoring of public housing occupancy rates for all agencies is conducted according to the current HUD Agency Priority Goal (APG) reporting categories. Should this change, MTW agencies would be subject to the same monitoring of public housing occupancy rates as all non-MTW agencies."

<sup>13</sup> CHA did not have units in the additional HUD categories of "employee occupied units," "police officer occupied units," or "occupied-non assisted tenant over income units."

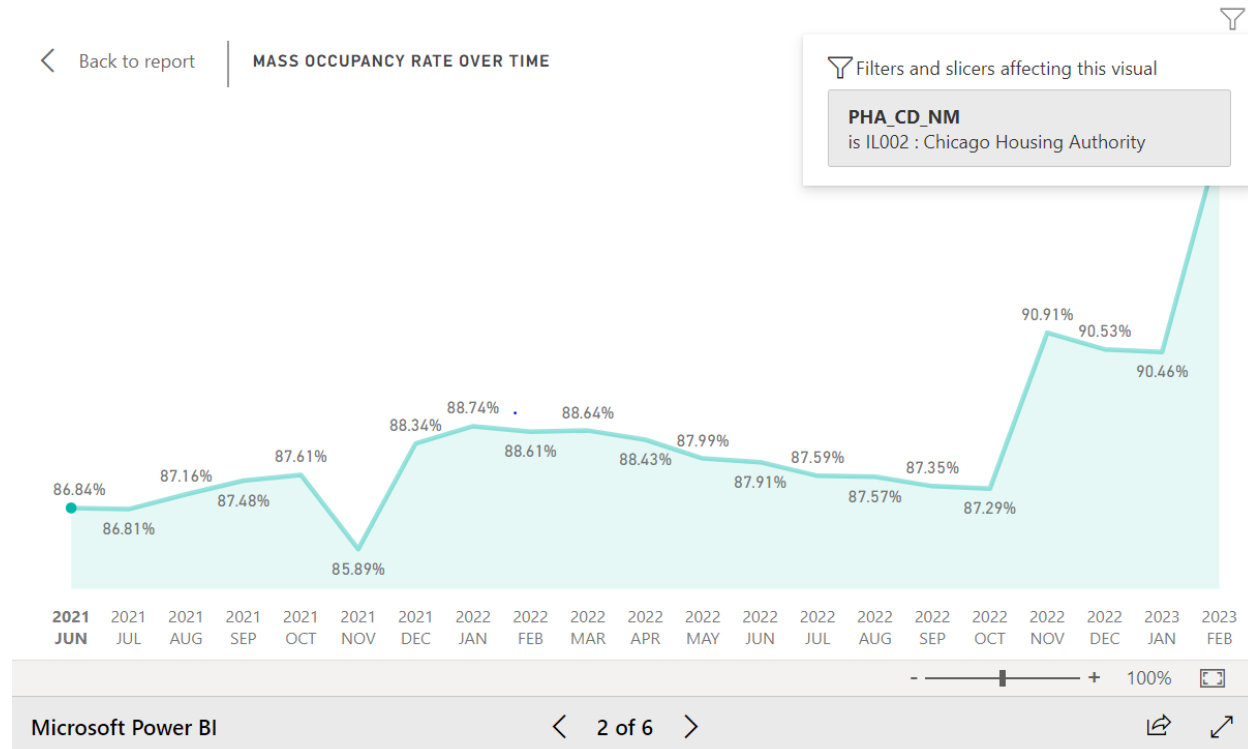
<sup>14</sup> HUD, Public Housing Dashboard, [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/ph/PH\\_Dashboard](https://www.hud.gov/program_offices/public_indian_housing/programs/ph/PH_Dashboard).

as units undergoing modernization, units planned for modernization but not yet under contract, or units under litigation—from the calculation altogether. As of February 11, 2023, the Public Housing Data Dashboard reported CHA's MASS vacancy rate, based on CHA's reporting in PIC, and with additional units approved as vacant – under modernization not under contract, as 4.85%. The revised Dashboard reports raw inventory data as well, showing a total of 14,981 public housing units, and 12,524 units leased (a difference of 2,457 units and a 16.4% simple vacancy rate on February 11, 2023).





The Dashboard also provides historical information regarding the MASS occupancy and vacancy rates. The Dashboard data indicates CHA's MASS occupancy rate was 87.48% (a 12.52% vacancy) as of September 1, 2021, the date of the OIG's Audit scope data.



The steep increase in occupancy between October 2022 and February 2023, is due, in part, to a change in the denominator of the occupancy calculation. First, following the change in HUD Guidance, CHA obtained permission from HUD to omit a significant number of vacant units from consideration. Second, between March 2022 and February 2023, HUD approved the conversion of 514 CHA public housing units to Rental Assistance Demonstration (RAD) units, which are removed from the public housing inventory, but remain part of CHA's affordable housing options through voucher-based funding.<sup>15</sup> These changes have allowed CHA to very nearly meet the nationwide HUD goal of 96% occupancy as of February 2023. At the same time, the unadjusted number of vacant units owned by CHA has largely remained consistent, ranging from a minimum of 2,245 total vacant units in March 2022, to as many as 2,457 total vacant units in February 2023.

<sup>15</sup> See HUD Website: Rental Assistance Demonstration (RAD); [HUD RAD](#).

## CHA's Public Reporting of Vacancy Rate

Until the first quarter of 2021, CHA regularly reported its occupancy and vacancy rates to the public in its quarterly reports. In its last published quarterly report, as of March 31, 2021, the CHA's published vacancy rate was 12.1%, calculated as "the total number of on-line units that were non-leased," resulting in an occupancy rate of 87.9%.<sup>16</sup>

In response to OIG inquiries, CHA described its methodology for calculating its vacancy rate, as provided in the CHA quarterly report as follows:

$$\frac{(\text{Vacant Units} + \text{Vacant JOC Units})^{17}}{(\text{Vacant Units} + \text{Vacant JOC Units} + \text{Occupied Units})} \times 100$$

CHA stated that it does not count the following unit categories in the Vacancy Rate:

- Non-Dwelling (6 categories in all)
  - Non-Dwelling Administration
  - Non-Dwelling Neighborhood Services
  - Non-Dwelling Resident Amenities
  - Non-Dwelling Anti-Crime
  - Non-Dwelling Resident Activities
  - Non-Dwelling Self Sufficiency
- Essential Employee
- Approved Demo
- Under Mod
- Litigation

## CHA Scattered Sites

CHA's scattered site properties consist of 2,831 public housing units scattered individually or in small groups throughout Chicago's 77 communities and diverse housing populations. Scattered site units offer a variety of housing options including homes in newer construction condominium buildings, single-family detached homes, and within market-rate rental developments.<sup>18</sup> CHA's scattered sites are divided into four regions and are managed by three Private Property Management (PPM) firms, Manage Chicago, East Lake Management, and Hispanic Housing Development Corp. Immediately prior to September 1, 2021, the scattered sites were managed by Manage Chicago and East Lake Management.

<sup>16</sup> See CHA Quarterly Report, 1<sup>st</sup> Quarter 2021, [CHA Quarterly Reports Through 2021](#).

<sup>17</sup> "Vacant JOC Units" refers to units assigned to the CHA's former "Job Order Contracting" program, which was used for unit renovations.

<sup>18</sup> See CHA website, [CHA Scattered Sites](#).

Scattered site units that are long vacant and would meet the HUD obsolescence test may be disposed of if the CHA obtains HUD approval.<sup>19</sup> The approval process to demolish or dispose of public housing involves multiple steps, including notice provided in the Authority's annual plan, public hearing on the plan, consultation with resident organizations, Board approval, and other steps, depending on the circumstances involved.

The following are links to interactive Google maps of CHA long-term vacant, scattered sites as of September 1, 2021. (See also **Appendix B**).

**Map 1 shows the 52 scattered site units vacant for 5 to 15 years:**

<https://www.google.com/maps/d/edit?mid=1WqsGeXPMSDig6OGK64YUD-igHeDQg-fN&usp=sharing>

**Map 2 shows the 122 units vacant for 2 to 4.99 years:**

[https://www.google.com/maps/d/edit?mid=1AFXQUMBKcM7YBQLE3307hPkseiSh7n\\_W&usp=sharing](https://www.google.com/maps/d/edit?mid=1AFXQUMBKcM7YBQLE3307hPkseiSh7n_W&usp=sharing)

## Impact of Long-Term CHA Vacancies

The long-term vacancy of CHA-owned properties, particularly scattered site units throughout Chicago, presents multiple risks for CHA and the City of Chicago. First, to the extent such extended vacancies are the result of inadequate monitoring and maintenance of CHA-owned properties, they present a clear reputational risk.

Second, such vacancies may represent waste of CHA and HUD resources, particularly at a time when the need for affordable housing is high.<sup>20</sup> Vacant buildings, when not actively maintained, present added risks for crime and decreased property values for surrounding properties.<sup>21</sup> A housing unit that sits vacant for a long period of time further increases the risk of rapid physical deterioration, requiring greater rehab and construction costs in the future. Additionally, an increased vacancy rate reduces the overall amount of rent receivables the CHA would otherwise be collecting.



<sup>19</sup> See HUD forms HUD-52860-A (4-2018) and HUD-52860-B (4-2018); HUD Notice 2021-07.

<sup>20</sup> At the close of the first quarter of 2021, CHA had 87,222 applicants on its family and senior public housing waitlists. CHA Quarterly Report, 1<sup>st</sup> Quarter 2021 (page 4) - [CHA Quarterly Report - 1Q 2021](#).

<sup>21</sup> See e.g. Alan Mallach, *The Empty House Next Door: Understanding and Reducing Vacancy and Hypervacancy in the US*, 2018, [The Empty House Next Door](#); Vacant Properties: The True Costs to Communities, 2015, Nat'l Vacant Properties Campaign; [Vacant Properties True Cost to Communities](#).

## Findings and Recommendations

### 1. CHA's Vacancy Rate as of September 1, 2021, Remained Very High

#### CHA's Vacancy Rate Remained High at 14.67%.

CHA continued to have a high public housing vacancy rate as measured against HUD's national standard for all PHAs of no more than 4% vacancy and a minimum occupancy of 96%. OIG's calculation of the CHA's vacancy rate as of September 1, 2021, using the HUD APG reporting method, showed a 14.67% vacancy and 85.33% occupancy rate.

As of September 1, 2021, Yardi data showed that CHA had 15,852 traditional and mixed-income public housing units. Based on the APG computation method,<sup>22</sup> 1,753 of the 15,852 units (14.67% vacancy rate and excluding Non-Dwelling, Approved for Demolition/Disposition, and HUD approved Litigation recorded in PIC) were counted as vacant for the APG rate. In accordance with APG, OIG excluded units categorized as Non-Dwelling Special, Approved for Demolition, or Court Litigation.

Of note, CHA's mixed-income properties met HUD's vacancy standard of 4% or less. By contrast, CHA's traditional portfolio properties, family and senior properties, including scattered sites, had higher vacancy rates.

As of September 1, 2021, Yardi reflected that CHA's public housing portfolio vacancy rate was 11.23%, with an 88.77% occupancy. However, the APG computation would have given the CHA 14.67% vacancy, with an 85.33% occupancy.

<b>CHA Portfolio</b>	<b>Total Inventory</b>	<b>Occupied Units</b>	<b>Occupancy % APG Method</b>	<b>Vacancy % APG Method</b>	<b>Vacancy % Reported by CHA</b>
Traditional & Mixed-Income	15,852	13,503	85.33%	14.67%	11.23%
Traditional	12,727*	10,400	83%	17%	13.2%
Mixed-Income	3,125	3,013	96.4%	3.6%	3.6%

\* This number includes 28 Vacant approved for Demo-Disposition, 438 in Litigation, and 135 Non-Dwelling Special Use Units.

<sup>22</sup> See PHA Occupancy Percentage Calculations graph, [PHA Occupancy Percentage Calculations](#).

### Units Remained Vacant for an Extended Period with No Documented Reason

As of September 1, 2021, 1,711 units, representing 97.6% of all vacant units, had been vacant for more than 50 days. This does not include the 607 units categorized by CHA in Yardi as Non-Dwelling Special, Approved for Demolition, and Court Litigation. Of these 1,711 units, only 29% were recorded as vacant for modernization or major repairs through the JOC program.

As shown in the table below, CHA's Yardi records reflected that 1,033 units were vacant for more than one year, and 666 units had been vacant for more than 2 years. There were 190 units that were vacant for 10 years or more, with just 5 of those designated as under modernization.

Number of Years Units Vacant	Total Vacant Units	Units under Modernization	Units under JOC
Greater than or Equal to 10 Years	190	5	
Between 5 Years and 9 Years	76	13	1
Between 2 Years and 4.99 Years	400	106	32
Between 1 Year and 1.99 Years	367	14	153
Between 50 days and 1 Year	678	3	174
<b>Total Units</b>	<b>1,711</b>	<b>141</b>	<b>360</b>

The average duration of the vacancies for these for these 1,711 units was 3.1 years, with a median vacancy of 1.3 years.

The table below shows the detail of vacancy duration by portfolio.

	Average or Mean	Median
All Traditional	3.18	1.32
Family	3.92	1.67
Scattered Sites	2.23	1.21
Senior	1.41	1.04
Mixed Income	0.81	0.58

Of the 1,711 vacant units, 501 vacant units were recorded as undergoing repairs through the CHA modernization or JOC programs, and another 191 units were recorded as “make ready” or “disposition,” but 1,019 units, which had been vacant for more than 50 days, had no recorded explanation documented in Yardi.

The table below represents the Yardi classification of the 1,711 units as September 1, 2021.

<b>Vacancy Classification</b>	<b>Vacant Units over 50 days</b>	<b>Approved for Disposition</b>
Comprehensive Mod	141	
Disposition	91	24
JOC	360	
Make Ready	100	
Vacant	1,019	
<b>Total Units</b>	<b>1,711</b>	

### Scattered Site Vacancy Rates were Consistent with Vacancy Rates for the Entire PH Portfolio

As of September 1, 2021, CHA had 2,831 scattered site units. The APG vacancy rate for the scattered sites was 14%, which was consistent with the vacancy rate for CHA's entire public housing portfolio at 14.67%, (traditional family and mixed-income), and lower than the rate of 17% for just traditional family public housing sites.

The CHA's scattered site vacancy rate increased from 13% to 15% from 2016 to 2021, when calculated based on a simple vacancy calculation, dividing all vacant units by all public housing units. When using the APG method, CHA's scattered site vacancy rate was 14% in 2021. While there was a slight increase in the available units in the scattered site portfolios, from 2,764 units in 2016 to 2,831 units in 2021, the positive effect this should have had on the vacancy rate was negated by an increase in the vacancy rates at Scattered Site Regions 2 and 3. Scattered Site Region 2 had an excessive APG vacancy rate of 24%.

During the audit, a senior manager in PAM reported that starting with the new PPM contracts, effective in the last quarter of 2021, the CHA and the PPMs were working in tandem to fix vacant units using Section 3 Businesses, PPM maintenance staff, and other construction companies.



**Table VI Scattered Site (SS) Vacancy Comparison Years 2016 and 2021**

As of 09/01/2021						As of 12/31/2016			
SS Region	Total Units	Occupied Units	Vacant Units	Vacancy % APG Method	Simple Vacancy %	Total Units	Occupied Units	Vacant Units	Simple Vacancy %
SS Region 1	1,437	1,274	151	11%	11%	1,433	1,266	167	12%
SS Region 2	607	456	144	24%	25%	570	469	101	18%
SS Region 3	363	315	43	12%	13%	337	302	35	10%
SS Region 4	424	363	48	12%	14%	424	354	70	17%
<b>Total</b>	<b>2,831</b>	<b>2,408</b>	<b>386</b>	<b>14%</b>	<b>15%</b>	<b>2,764</b>	<b>2,391</b>	<b>373</b>	<b>13%</b>

The table below illustrates the length of time scattered site units were vacant by region.

**Table VII Number of Years A Unit Was Vacant**

	Scattered Site Region 1	Scattered Site Region 2	Scattered Site Region 3	Scattered Site Region 4	Total Scattered Sites
Greater than or Equal to 10 Years			1	4	<b>5</b>
Between 5 Years and 9 Years	3	19	3	3	<b>28</b>
Between 2 Years and 4.99 Years	14	58	3	21	<b>96</b>
Between 1 Year and 1.99 Years	31	20	8	4	<b>63</b>
Between 50 days and 1 Year	77	42	25	13	<b>157</b>
<b>Total Units Unapproved Vacancy</b>	<b>125</b>	<b>139</b>	<b>40</b>	<b>45</b>	<b>349</b>

### Risks

- Inefficient administration of the program
- Loss of rental income
- Agency reputation

### Recommendations

- Develop clear, written procedures and benchmarks to accurately track and manage vacant units to ensure units are returned to the rent roll in a reasonable time.
- Establish a dedicated process to regularly review long-term unit vacancies, including those approved as vacant by HUD, to ensure progress is made in rehabbing, developing, or disposing of properties.

- Work with PPMs to reduce the vacancies at scattered site properties. Given the small number of units at each site, longer term vacancies at scattered sites may have greater negative impacts to the surrounding neighborhood and the conditions of the scattered site property itself.
- Routinely review Yardi unit statuses to ensure PPMs document the reason for any extended vacancy in Yardi. As noted above, 1,019 units had been vacant for more than 50 days with no documented reason. Clearer documentation would assist PAM staff in its oversight of PPMs.

### Management Response – Finding 1

Management Response:		
<input type="checkbox"/> Concur with findings and recommendation	<input checked="" type="checkbox"/> Do not concur with findings and recommendation	<input type="checkbox"/> Concur with part of the findings and recommendation
<p>Management strongly objects to the characterization that CHA uses its own formulae for calculating occupancy. While the OIG may question the soundness of HUD's methodology, CHA must continue to use and comply with HUD's prescribed MASS methodology for calculating and reporting vacancy rates. HUD's definitions and classification of unit status (HUD PIH Notice 2021-35) are incorporated in CHA's system of record, Yardi.</p> <p>Since the 2021 study period, CHA has substantially improved occupancy of leasable units and has implemented several measures to monitor, track and incentivize PPMs to reoccupy units. Additionally, Management could not completely validate the OIG's long-term vacancies figures. However, Management surmises that of the 1,019 long-term vacancies noted, most are due to units under development or comprehensive rehabilitation projects.</p>		
<b>Custodian:</b>		
<b>Implementation Timeline:</b>		

## 2. CHA's Internal Methodology for Tracking and Calculating its Vacancy Rate was Inconsistent with HUD Methodologies

The OIG found that CHA's internal methodology for calculating its vacancy rate was inconsistent with any of the recognized HUD methodologies for measuring and reporting vacancy rates. As described above, CHA's calculation of the CHA vacancy rate differed from the APG calculation in that CHA was not including the following unit categories in the calculation's denominator: Non-Dwelling (six categories), Under Mod, or Litigation. Unlike the CHA's methodology, the APG calculation includes all categories in the denominator except for those units specifically approved by HUD for demolition or disposition.

Additionally, CHA's calculation also did not comport with the MASS calculation in two ways. First, while both the APG and MASS calculations allow for the omission of certain categories

from the denominator, such as units under “litigation” or “modernization,” those units may only be omitted with written approval from HUD. Secondly, CHA’s calculation did not follow the MASS calculation as it did not take the duration of vacancies into account.

### CHA’s inconsistent classification of vacant units resulted in discrepancies between Yardi and IMS/PIC

While CHA was internally recording vacant unit statuses in Yardi, in many instances, the CHA had not obtained HUD approval to use those unit statuses in HUD’s centralized reporting platform IMS/PIC (Inventory Management/Public Housing Information Center). As a result, there were significant discrepancies between CHA’s reporting in its internal system of record, Yardi, and HUD’s system, IMS/PIC. While some of these discrepancies may have been the result of delays in reporting in IMS/PIC as opposed to Yardi, significant differences were due to the lack of HUD approval for certain classifications. The differences between the data reported in the two systems are illustrated in the table below:

<i>Table I CHA's Yardi and HUD's PIC Data Comparison as of March 10, 2022</i>	<b>Yardi Reporting</b>	<b>APG Based on IMS/PIC Data</b>	<b>MASS Based on IMS/PIC Data<sup>23</sup></b>
TOTAL UNITS	15,433	15,495	
Assisted Tenants Occupied	13,193	13,250	
Vacant	1,086	1,673	
Vacant for Modernization	143	0	
Unhabitable		2	
Demo/ Dispo Approved	32	2	
Other Vacant HUD Approval (Not Mod) Litigation	768	438	
Non-Dwelling	129	132	
<b>Occupancy Excluding RAD %</b>	<b>91%</b>		<b>89%</b>
<b>APG Occupancy Excluding RAD %</b>		<b>86%</b>	

For example, as of March 10, 2022, CHA classified 329 units at Lathrop Homes, 438 at Cabrini, and one unit at Roosevelt Square as vacant due to litigation in Yardi, but had not obtained approval from HUD to be able to report these units in this category in PIC. HUD Notice PIH-2011-7 (HA)<sup>24</sup> provided the following guidance on the litigation status:

Court Litigation: Per § 24 CFR 990.145(b)(1), this Sub-Category is intended for units that must be vacant either as a result of litigation or to prevent future litigation.

<sup>23</sup> MASS Occupancy rate as of March 1, 2022, as reflected on PH Data Dashboard, as of February 11, 2023, referenced above. The dashboard provides only the total rate with no breakdown by category.

<sup>24</sup> HUD Notice PIH-2011-7 (HA) - Guidance on IMS/PIC Development Sub-Module Reporting and Validation, (in effect as of September 2021, and superseded by Notice PIH-2021-35).

Each of these events is unique and infrequent. To obtain an Approval Letter, the PHA must provide sufficient documentation that the unit meets the qualifications described immediately above. Acceptable examples may include: copies of court orders, settlement agreements, or other litigation-related documents. ...

While Lathrop Homes may in fact meet HUD's litigation category definition, CHA had not submitted the necessary application to the HUD Field Office to move those units into the Court Litigation category in PIC. PAM staff confirmed that its unit statuses in Yardi were inconsistent with those reflected in PIC. In some instances, the unit status reflected in Yardi was recorded at the direction of senior staff; there was no underlying written procedure or internal back up documentation to support the unit status recorded in Yardi.

The Cabrini Rowhouses had 438 vacant units subject to litigation stemming from redevelopment. At Lathrop Homes, 329 units remained unoccupied, pending redevelopment of the site. Using the APG computation, the OIG identified 17 sites (senior and family), excluding Cabrini Rowhouses and Lathrop Homes, that had vacancy rates ranging from 10% to 32%. Several of these buildings had higher vacancy rates during this time due to planned redevelopment and conversion to RAD. See **Appendix A** for full detail.

## Risks

- Inefficient administration of the program
- Loss of rental income
- Agency reputation

## Recommendations

- Develop written procedures regarding the classification of vacant units and methodology for reporting vacancy rates to ensure transparency and accountability in CHA reporting.
- Work with the HUD Field Office to submit the necessary applications to HUD for approval to classify units as Demo-Disposition, Modernization, and Litigation, as appropriate, to ensure CHA reporting in PIC is accurate and consistent with internal Yardi records.

## Management Response – Finding 2

<b>Management Response:</b>		
<input type="checkbox"/> Concur with findings and recommendation	<input checked="" type="checkbox"/> Do not concur with findings and recommendation	<input type="checkbox"/> Concur with part of the findings and recommendation
<p>Management strongly objects to the characterization that CHA uses its own formulae for calculating occupancy. While the OIG may question the soundness of HUD's methodology, CHA must continue to use and comply with HUD's prescribed MASS methodology for calculating and reporting vacancy rates. In accordance with HUD PIH Notice 2021-35 which was issued after the 2021 study period, CHA has submitted, and HUD has approved all PIC classifications for CHA units (as of December 2022). CHA has also begun implementation of procedures consistent with HUD's classifications and requirements.</p>		
<b>Custodian:</b>		
<b>Implementation Timeline:</b>		



OIG photos of vacant CHA Scattered Site properties taken during audit fieldwork in November 2021.

### 3. CHA was Not in Compliance with the City of Chicago's Vacant Buildings Ordinance

#### Vacant Buildings were Not Properly Registered with the City of Chicago Department Buildings as Required by the Municipal Code

As of September 2021, when the OIG initiated its audit, the CHA was not in compliance with the City of Chicago's Vacant Buildings Registration ordinance, and had not registered any properties at all, despite its ownership of multiple buildings, including single-family houses, that had been vacant for an extended period of time.

The City of Chicago Construction Code, Title 14X-12, "Chicago Minimum Requirements for Existing Buildings, Vacant Buildings," requires owners of vacant structures to register the property with the City, provide proof of insurance, and maintain the property according to detailed requirements.<sup>25</sup> As expressly stated in the ordinance, government agencies that own vacant property "are exempt from the registration and renewal fees." The ordinance does not expressly exempt government agencies from the registration and renewal requirements.

The registration requirement for vacant properties has been in effect since the year 2000.<sup>26</sup> DOB has issued Rules Regarding the Registration and Securing of Vacant Buildings, with detailed instructions on the required maintenance standards online.<sup>27</sup> DOB provides the registered owner of a vacant building with a daily e-mail report of public service requests (311 calls) and police activity at the property. Relevant code provisions are as follows:

14X-12-1204.1 - The owner of a structure that is vacant must register the structure with the building official as provided in Sections 14X-12-1204.2 through 14X-12-1204.9.

14X-12-1204.2 - This obligation begins 30 days after a structure becomes vacant or 30 days after the owner becomes owner of the structure, whichever is later. The obligation continues as long as the structure remains vacant.

14X-12-1204.4 Fees - "The fee for each registered structure for each registration or renewal period is \$30. The registration fee or renewal fee is \$100 if the

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<sup>25</sup> Title 14X, "Chicago Minimum Requirements for Existing Buildings" may be accessed online here: [Vacant Buildings 14X](#).

Effective August 1, 2020, Title 14X Existing Buildings, superseded any conflicting provisions in Titles 13, 15 and 18 of the Municipal Code. M.C.C. § 14A-1-105.14.

<sup>26</sup> See Amend Count. J. 4-12-00, p. 29471, § 1, available at [Journal of the Proceedings of the City Council of the City of Chicago, IL 2000](#).

<sup>27</sup> See City of Chicago DOB, Vacant Buildings, [Vacant Building Owners](#) and "Rules Regarding Registration and Securing of Vacant Buildings, effective October 22, 2015, [City of Chicago - Registration and Securing of Vacant Buildings](#).



applicable registration or renewal takes place not through voluntary and timely compliance, but as the result of a City identification of a violation of Section 14X-12-1204.”

Exception: Governmental agencies are exempt from registration and renewal fees.

14X-12-1204.5 Duration – “A registration is valid for six months from the date of registration.”

At the initiation of the OIG audit in September 2021, the OIG sent an audit engagement memo to CHA's PAM department, which referenced the audit objective of verifying compliance with the City's Vacant Building Registry. In response, a senior manager in PAM began the process of registering vacant CHA properties with the City of Chicago Department of Buildings (DOB). PAM staff informed the OIG that it was working with DOB to create an account, and going forward, the CHA will comply with local law regarding vacant building registration.

During the audit, the OIG requested and obtained from DOB the listing of all registered vacant buildings. OIG's review revealed that, as of October 15, 2021, only three CHA buildings had been registered with the city. These properties had all been registered within the prior month.

A subsequent response from CHA management expressed uncertainty whether the registration requirement applies to CHA's vacant properties, specifically noting the definition of “vacant” provided in the Municipal Code, found at MCC § 14X-2-202 which reads:

**VACANT.** A *structure* that is lacking habitual presence of human beings who have a legal right to be on the *premises*, or located on *premises* at which substantially all lawful business or construction operations or *occupancy* has ceased, or that is substantially devoid of contents. In determining whether a *structure* is *vacant*, it is relevant to consider, among other factors, the overall floor area of the *structure* or floor relative to floor area of occupied portions, the condition and value of any personal property at the *premises*, and the presence of rental or for sale signs on the *premises*. **A residential building is not vacant if it has been used as a residence by an individual entitled to possession for a period of at least three months within the previous nine months and an individual entitled to possession intends to resume residing at the building. A building containing ten or more dwelling units or sleeping units is vacant when at least 90% of the units are unoccupied.** A *structure* is *vacant* if it has been declared unfit for *occupancy* by the *building official*, *fire code official*, Department of Public Health, Police Department, or a court or administrative agency and that official or agency has ordered that the *structure* remain unoccupied. (bolding added for emphasis).

To the extent CHA management objects to the application of the ordinance to specific CHA properties or to the CHA as a whole, CHA management should enquire with the City of Chicago Department of Buildings or Department of Law for additional guidance.

## Nearly One-Third of the 23 Sampled Vacant Units Were Not Properly Secured or Maintained

During fieldwork, the OIG visited 23 scattered site units, including both single-family homes and specific units within multi-unit buildings, that had been vacant for more than 365 days and identified 8 units (35%) that were either not properly secured or not properly maintained, meaning auditors observed grass that had not been mowed and/or overflowing garbage bins. The 2020 PPM Procedural Manual requires PPMs to monitor and maintain all assigned CHA property through health and safety inspections.<sup>28</sup> In addition, relevant municipal code provisions regulate the maintenance of both vacant and occupied buildings, including the height of grass and weeds, accumulation of rubbish and garbage, rodent harborage.<sup>29</sup>

While not a statistically representative sample, the field work raised concerns with the quality of service provided by PPMs assigned to maintain these properties. The following table shows units and properties that were not properly secured and/or the grounds were not maintained.

**Table VIII** *Vacant Units Not Properly Secured and/or Ground Not Maintained*

Community Name	Unit Code	# of days vacant	Secured	Ground Maintained	Unit Type*
Fuller Park	SE0009	738	No	Yes	S
East Side	SE0473	881	No	No	S
Englewood	SW0162	385	No	Yes	M
North Lawndale	WE0189	2,371	Yes	No	M
Logan Square	NC0641	580	No	No	S
Humboldt Park	NC0213	2,119	Yes	No	S
Edgewater	NE0440	414	No	Yes	M
West Pullman	SW0171	1,408	No	Yes	S

\* Single-family (S) and Multi-family (M).

## Risks

- Agency reputation
- Regulatory enforcement by DOB for non-compliance with the Chicago municipal code
- Liability risk

<sup>28</sup> See 2020 PPM Procedural Manual Chapter 14. The Procedural Manual does not specifically address maintenance of vacant units or buildings. The Manual does however address vacant lot maintenance in Chapter 2.

<sup>29</sup> See MCC Title 14X Minimum Requirements for Existing Buildings; §14X-3 “Property Maintenance;” § 14X-12 “Vacant Buildings;” and MCC § 7-28-120 “Weeds;” available:

[https://codelibrary.amlegal.com/codes/chicago/latest/chicago\\_il](https://codelibrary.amlegal.com/codes/chicago/latest/chicago_il)

### Recommendation

- The OIG recommends that CHA develop internal, written procedures to ensure CHA PAM staff regularly monitors PPMs' performance of their obligations to register vacant buildings with the City of Chicago DOB and to secure and maintain vacant properties in accordance with the City of Chicago municipal code and PPM contracts. Such monitoring may include regular audits, spot checks, or field visits to ensure PPM performance.

### Management Response – Finding 3

Management Response:		
<input type="checkbox"/> Concur with findings and recommendation	<input type="checkbox"/> Do not concur with findings and recommendation	<input checked="" type="checkbox"/> Concur with part of the findings and recommendation
<p>CHA has registered properties it believes fall within the scope of City of Chicago ordinance requirements. Management will continue to regularly evaluate PPMs' performance under their contractual obligations which include securing and maintaining properties.</p>		
<b>Custodian:</b>		
<b>Implementation Timeline:</b>		



OIG photos of vacant CHA Scattered Site properties taken during audit fieldwork in November 2021.

## Appendix A – Calculation of CHA APG Vacancy Rates

Sites with Vacancy Rate Above 10% as of 09/01/2021						
Development <sup>30</sup>	Development Type	Total Units	Occupied Units	Special Use Units	Vacant % per CHA Yardi	APG Vacancy %
062-Irene McCoy Gaines*	Senior	151	100	2	9%	32%
061-3030 W. 21st Pl.*	Senior	350	236	5	18%	31%
035-Scattered Site Region 2	Scattered Site	607	456	2	24%	24%
074-Edith Spurlock Sampson	Senior	394	299	8	22%	22%
039-Washington Park	Family	252	199	7	10%	18%
079-Mary Jane Richardson-Jones	Senior	267	225	1	15%	15%
093-Horner - Westhaven	Family	353	305	0	14%	14%
044-Flannery - 1531 N. Clybourn	Senior	252	217	1	14%	13%
038-Trumbull	Family	465	394	11	13%	13%
018-Lake Parc Place	Family	290	243	10	13%	13%
033-Scattered Site Region 3	Scattered Site	363	315	5	12%	12%
034-Scattered Site Region 4	Scattered Site	424	363	2	12%	12%
095-Lawndale Garden	Family	121	103	5	11%	11%
032-Scattered Site Region 1	Scattered Site	1,437	1,274	0	9%	11%
042-Alfred Barnett Duster	Senior	129	113	3	10%	10%
040-Wentworth Gardens	Family	343	301	8	10%	10%
081-Ada S. Dennison-McKinley	Senior	125	111	2	10%	10%

<sup>30</sup> Several of the buildings, including Irene McCoy Gaines and Albany Terrace at 3030 W. 21st Pl., had higher vacancy rates due to planned redevelopment and/or the process of preparing for RAD conversion.

## Appendix B – CHA Scattered Site Maps

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Below are maps of CHA scattered sites, including links to interactive Google maps for greater detail. All data referenced is as of September 1, 2021.

**Map 1 shows the 52 scattered site units vacant for 5 to 15 years:**

<https://www.google.com/maps/d/edit?mid=1WgsGeXPMSDig6OGK64YUD-igHeDQg-fN&usp=sharing>

**Map 2 shows the 122 units vacant for 2 to 4.99 years:**

[https://www.google.com/maps/d/edit?mid=1AFXQUMBKcM7YBQLE3307hPkseiSh7n\\_W&usp=sharing](https://www.google.com/maps/d/edit?mid=1AFXQUMBKcM7YBQLE3307hPkseiSh7n_W&usp=sharing)



OIG photo of vacant CHA Scattered Site property taken during audit fieldwork in November 2021.



