



*Preparing to Launch:
Capital Plans and Formula Funding*

MassNAHRO
2009 Fall Conference



Presentation Outline

- FY 2010 CAP

- Capital Planning Pilot

- Capital Plans & Formula Funding
 - Funding Strategy
 - Program Guidelines
 - Next Steps

Today's Main Goal:

*You're Prepared for Capital Planning in 2010
and Formula Funding in FY2011*



FY 2010 CAP

*FY 2010 CAP for State Public Housing
is **\$87,000,000***

The plan is available online at www.mass.gov/capital



FF Transition: Recap

Sea Crest: Spring 2008

- ❑ **Eliminate Competitive Cars & Initiate Formula Funding**
- ❑ **We asked:** How can we shrink the CAR pipeline to initiate formula funding?

NAHRO Fall Conference: 2008

- ❑ **What we heard:** Initiate a gradual transition to formula funding NOW while we have the momentum (Sept 15th, 2008 cut-off announced)

Sea Crest: Spring 2009

- ❑ **FF Pilot Kick-off**
 - Explore capital planning practices
 - Given potential reduction in CAP, test the effectiveness of different formula funding levels
- ❑ **Selected 6 LHAs (Everett, Falmouth, Nahant, Monson, Pittsfield, Woburn)**



Pilot Observations

- Bob McNabb, *MassNAHRO President and Executive Director of the Woburn Housing Authority*

- Susan Horner, *MassNAHRO Mod Squad Participant and Executive Director of the Easton Housing Authority*



Funding Strategy

How did the pilot influence DHCD's Funding Strategy?

- During the pilot, 3 funding levels tested:
 - \$450- slow FF transition, fund all existing project pipeline (EPP) in 5 years
 - \$700- gradual transition, funding all EPP in 10 years
 - \$900 PUPY average- fast transition, fund only EPP component projects and no kitchen and bath (K&B) projects

- Long term asset preservation requires annual FF and eventual comprehensive modernization

- Portfolios in better condition will have greater success with FF long term

- Portfolios in worse condition will need comprehensive funding sooner



Funding Strategy

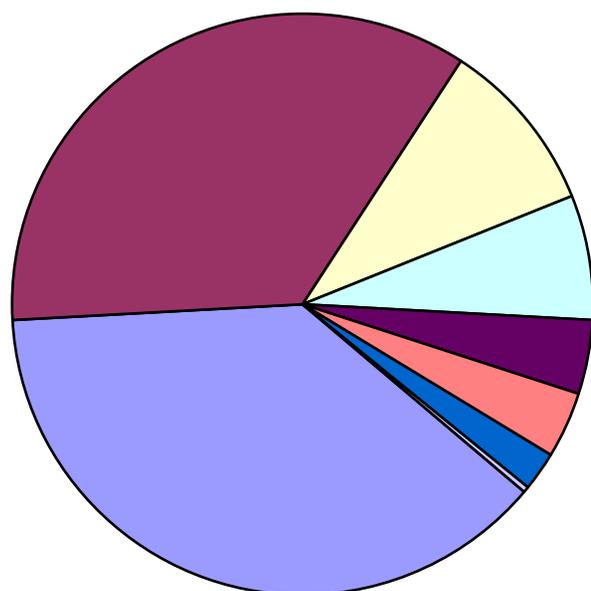
- Gradual Transition: Assumes \$90 M annual cap
- Existing Project Pipeline
 - Fund components (FY10 & FY11)
 - Fund K&B projects gradually (FY10-FY20)
- Formula Funding
 - \$650 average per unit per year (PUPY) (FY10-F16)
 - Approx. \$1,000 average PUPY with new bond bill and fewer EPP projects
 - DHCD central emergency and compliance reserves
- Mixed Finance and High Leverage Projects
- Sustainability Initiative
- Regional Support Seed Funding

This strategy funds component projects
and comprehensive modernization

Funding Strategy

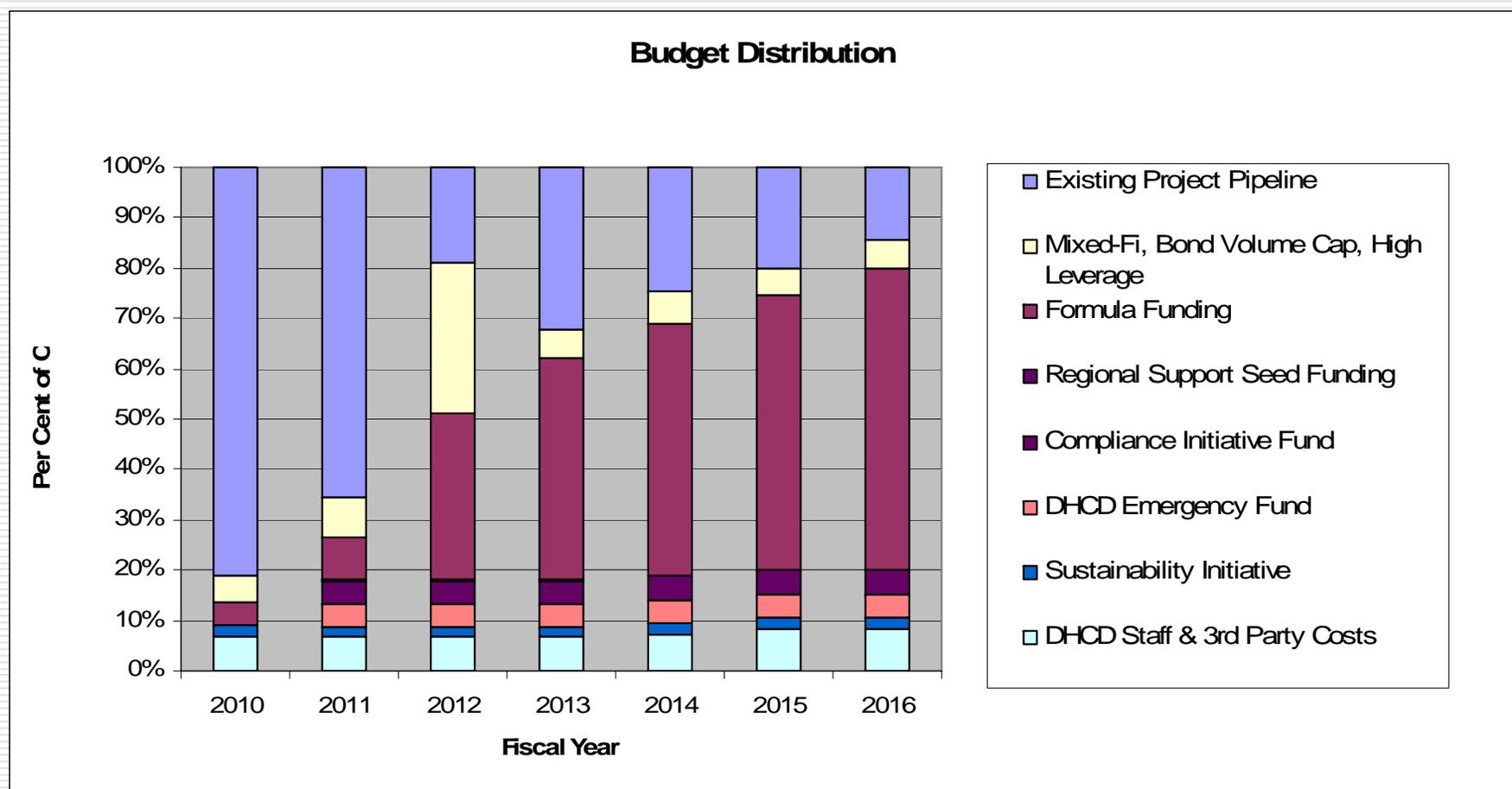
Modernization Resource Allocation FYs 2010-2016

Total Modernization Allocation: \$580M



- Existing Project Pipeline \$221 M
- Formula Funding \$203 M
- Mixed-Fi, High Leverage \$56 M
- DHCD Staff & 3rd Party Costs \$41 M
- Compliance Initiative Fund \$23 M
- DHCD Emergency Fund \$22 M
- Sustainability Initiative \$12.5 M
- Regional Support Seed Fund \$1.4 M

Funding Strategy

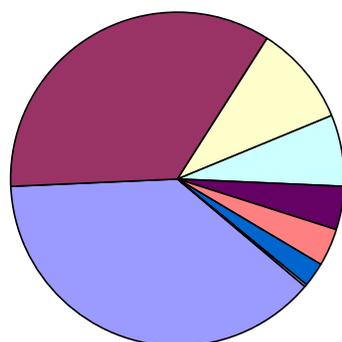




Funding Strategy

Modernization Resource Allocation FYs 2010-2016

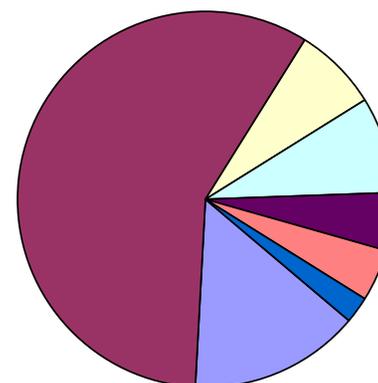
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Modernization Resource Allocation FYs 2014-2020

Total Modernization: \$628M (estimated based on \$90m annual cap)



- Existing Project Pipeline \$92 M
- Formula Funding \$365 M
- Mixed-Fi, High Leverage \$46 M
- DHCD Staff & 3rd Party Costs \$51 M
- Compliance Initiative Fund \$32 M
- DHCD Emergency Fund \$28 M
- Sustainability Initiative \$14 M



The Formula

LHA Award =

$$\frac{\text{Value of LHA Failed Components}}{\text{Value of all Failed Components}} \times \text{Statewide Available}$$

EXAMPLE:

- ❑ LHA has \$10,000,000 in failed components
- ❑ All LHAs have \$1 billion in total failed components
- ❑ LHA FF will be 1% of the available funds, which is \$2,210,000.

$$\text{LHA Award} = \frac{\$10,000,000}{\$1,000,000,000} \times \$221,000,000 = \$2,210,000$$

- ❑ The number of years an LHA has to spend their total FF allocation will depend on current and future annual cap



FF Program Guidelines

FF Spending Requirements

- FF allocation for 689s must be spent on that 689 development
- FF allocation for 200, 667 and 705s can be spent across developments
- Administrative costs must be paid out of FF allocation and cannot exceed 10% of the total project cost
- FF expenditures must be consistent with an approved capital plan
- Timing of FF projects will be driven by DHCD's annual CAP
- Predevelopment and 3rd party expenses must be paid with FF



FF Program Guidelines

LHA Formula Funding Reserve Requirements

- Small HAs (200 state units or less) set aside 10% of total FF
- Large HAs (201 state units or greater) set aside 15% of total FF

DHCD Compliance Initiative Funds

- Limited to: lead paint, asbestos, underground storage tanks, MAAB/ADA
- Compliance Initiative Eligibility
 1. Unit(s) or building out of compliance with laws;
 2. LHA has exhausted a prorated/per year share of its emergency reserve and;
 3. Non-modernization resources (extraordinary maintenance, operating reserve, local funds) not available.

DHCD Central Emergency Fund

- Immediate health/safety threat
- Prevents occupancy
- Cannot be funded by restructuring CIP
- LHA has exhausted its own FF reserve
- Non-modernization resources (extraordinary maintenance, operating reserve, local funds) not available.
- Repair is minimum to solve problem until more FF is available



FF Program Guidelines cont.

Unit Shuttering and Demolition

- If Modernization cost >> replacement cost: LHA can propose FF for relocation and shuttering and potentially demolition until redevelopment funds are available
- Small ANUEL to cover fixed costs

Unit Disposition and Redevelopment

- Chapter 121 B: one-for-one replacement must precede disposition
- Mixed-fi regulations: various forms of disposition with redevelopment possible within 121 B (including private partnerships)



Next Steps

- During the pilot CPS condition assessments were generally accurate but some inventory errors were identified
 - Inventory Data Audit
 - October – November, 2009
 - No less than 60 developments
 - Audit will include a ½ to full day on-site visit:
 - Verify number of dwelling units
 - Spot check the inventory
 - Verify the facility types
 - **Make sure to review and comment on your CIP10 condition assessments and inventory.** After we take our baseline “snapshot”, you will be able to make corrections yourselves.
- CIP Training
 - Focused on using the CIP5 software application (companion to CPS)
 - Regional sessions
 - Beginning this Winter



Next Steps

- Formula Funding Allocations
 - FF award letters issued to all LHAs in March 2010
 - Detailed program guidelines issued to all LHAs in March 2010
 - CFA's issued upon CIP5 approval

- Capital Plan Submissions
 - Rolling submissions (first round) beginning in April 2010
 - Annual updates/revisions submitted/reviewed with annual operating budget submission



What's Next for the Mod Squad?

- ❑ CIP5 Software Application
- ❑ FF Formula
- ❑ Regional supports
- ❑ FF Innovation and Cost Savings



Thanks!

Questions?

Comments?