



# Commonwealth of Massachusetts

## DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT

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

### Public Housing Notice 2013-12

To: All Local Housing Authority Executive Directors

From: Lizbeth Heyer, Associate Director, Division of Public Housing & Rental Assistance

Subject: Request for Proposals - High Leverage Asset Preservation Program

Date: May 20, 2013

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#### 1. Overview

The Department of Housing and Community Development (DHCD) is pleased to announce the launch of the High Leverage Asset Preservation Program (HILAPP) and solicit first-round applications for funding. DHCD developed HILAPP in partnership with MassNAHRO and other affordable housing leaders who are part of the Mixed-Finance and Funding Working Group. DHCD convened this working group in fall 2012 in accordance with recommendations from the Governor's Commission on Public Housing Sustainability and Reform. The Massachusetts Housing Partnership (MHP) has been an active member of the working group and will continue to support DHCD in the management of HILAPP. MHP will be assisting with the application review and pre-development processes.

HILAPP is a complement to the Formula Funding program which was launched five years ago. Whereas Formula Funding predictably disburses capital bond funds across the entire state-aided public housing portfolio according to a needs-based formula, HILAPP grants funding awards via competitive process. The program is guided by the following core principles:

- a) Preserve as many units as possible;
- b) Prioritize developments with significant capital needs that cannot sufficiently be addressed with Formula Funding;
- c) Prioritize developments in communities with the highest need for extremely low income housing; and
- d) Leverage as much capital as possible from sources other than DHCD.

Over the next five fiscal years, DHCD intends to distribute a total of approximately \$75 million in capital funds through HILAPP. Program spending will ramp-up gradually, since the availability of funds is limited by the number of existing legacy projects (from a pre-Formula Funding program known as 'CAR') that are still under construction. From FY14 through 16, DHCD will disburse only modest funds (approximately \$20 million over the three-year period). However, beginning in FY17, DHCD estimates that most 'CAR' projects will be finished, and the HILAPP program will regularly disburse more than \$20 million annually.

In the ramp-up years, FY14 through 16, HILAPP funds will primarily support pre-development due diligence and technical assistance for selected projects. In situations where projects have already secured, or can quickly secure,

a local match, HILAPP will also support initial construction costs. DHCD plans to repeat the competitive award process annually, funding permitting, in order to build and maintain a consistent pipeline of HILAPP projects.

## 2. Eligible Developments

In this first round, HILAPP funding is reserved for modernization of state-aided public housing developments that have a facility condition index (FCI) of 15% or higher as recorded on 12/31/12 in DHCD’s Capital Planning System (CPS). Developments that have existing project-based Section 8 units are not eligible. A breakdown of eligible developments is outlined in the chart below.

PROGRAM GROUP	15% FCI or higher	
	Developments	Units
Ch. 167	4	40
Ch. 689	55	251
Ch. 667	57	2878
Ch. 200	14	2124
Ch. 705	267	1669
<b>TOTAL</b>	<b>397</b>	<b>6962</b>
<b>% of PORTFOLIO</b>	<b>29%</b>	<b>16%</b>

See Attachment B for a complete list of eligible developments. If a Local Housing Authority (LHA) believes that an eligible development has been omitted from the attached list due to error in the CPS generated FCI calculation, then the LHA may submit an appeal along with the application for that development.

**PLEASE NOTE:** In order to be considered for an award, applying LHAs must be up to date with all DHCD reporting, capital planning, and certification requirements.

## 3. Eligible Activities

Eligible HILAPP funded capital improvement activities include: partial modernization, comprehensive modernization, and redevelopment. While DHCD will accept proposals that include new construction, HILAPP awards can only be applied to the modernization or statutory one-for-one replacement portion of the project, not toward the construction of net additional new units.

## 4. Application Process and Requirements

In order to apply for this program, LHAs must submit a very brief, one-paragraph letter of interest via email to Susan Connelly ([sconnelly@mhp.net](mailto:sconnelly@mhp.net)) by Friday, May 31, 2013. The letter should list the development name(s) and number(s) for which the LHA intends to submit an application(s) as well as a primary contact person with contact information. In the subject of the email, please write: ‘HILAPP LOI’.

Complete applications will be due **at 4:00pm** on Wednesday, June 19, 2013. LHAs must submit one application package per development. An LHA may submit multiple applications but may not submit more than one application per program group (ch.167, 689, 667, 200, 705). Scattered site developments of the same program group may be bundled into one application.

Please note that LHAs are required to complete this application without the assistance of a consultant; the application is relatively simple in order to encourage broad participation. While DHCD recognizes that certain projects will benefit from the assistance of a development consultant, we are prohibiting their use during the initial application phase in order to emphasize the importance of LHA leadership and initiative in undertaking these time consuming projects.

Each application must include:

- a) A completed application form (Attachment A).
- b) A narrative cover letter briefly explaining why the proposed development is a strong candidate for HILAPP funds. Letter must be signed by the chair of board of commissioners and executive director (2 pages maximum).
- c) Resume(s) for key staff/ board overseeing the project.
- d) Interior and exterior photos of the property (12 maximum).
- e) Site plan (e.g. copy of assessor's map).
- f) Accompanying letters of intent and/or support from likely funding sources.
- g) A board vote of application approval, as evidenced by a certified extract from the minutes of the board meeting.
- h) A letter from the head of the tenant organization(s) or representative of tenants that demonstrates evidence of compliance with tenant participation regulations ([760 CMR 11.10](#)) If no letter can be obtained, then the LHA director may instead submit a letter certifying that tenants were involved in setting the needs and priorities of the application.

**PLEASE NOTE:** Items f), g), and h) above may be submitted after the application due date, but no later than Friday, July 19, 2013.

Applications are due by **4:00 pm** on Wednesday, June 19, 2013. LHAs must email one electronic copy (scanned pdf) of the complete application to: Susan Connelly ([sconnelly@mhp.net](mailto:sconnelly@mhp.net)). In the subject of the email, please write: 'HILAPP application'. Applicants may choose to submit a hard copy (one copy) instead of an electronic copy to Ms. Connelly at the address below. The due date and time are the same.

Contact Ms. Connelly, by email, if you have questions about this process. During the open application time, frequently asked questions and responses will be circulated to the contacts provided in the letter of interest. All questions must be received by 5:00 pm Tuesday June 11, 2013. A complete summary of submitted questions will be circulated on or before June 14, 2013.:

Susan Connelly, Director of Community Housing Initiatives  
Massachusetts Housing Partnership  
160 Federal Street  
Boston, MA 02110

Because funds are limited, and DHCD does not want the application process to be unnecessarily onerous, there will be a two-stage review process. DHCD and MHP will review all completed applications and notify semi-finalists by August 15, 2013. Semi-finalists will then be asked to respond to requests for more information and host a review team site visit. After this second stage of review, DHCD will award pre-development funds to finalist projects. DHCD anticipates making the first HILAPP awards in October 2013.

## 5. Grant Limits

Pre-development awards will vary in amount according to project scale and complexity. The review team will determine the appropriate funding level. The maximum pre-development award will be \$100,000, though DHCD expects that most projects will receive significantly less than that amount. The pre-development award will be applied to feasibility analysis, project development, and due diligence services. MHP will assign a pre-qualified lead development or project management consultant to work with the LHA, if needed.

Regarding maximum awards,

- The majority of HILAPP funding (75%) shall go to projects that request no more than \$65,000 per unit from DHCD.
- The remaining portion of funding (25%) is reserved for developments facing high levels of distress and/or functional obsolescence. These projects may request no more than \$165,000 per unit from DHCD.

DHCD will aim to achieve the above distribution goals over the course of five years but will not necessarily segregate awards along these lines in any single year.

DHCD reserves the right to limit HILAPP funds per project and/or applicant.

## 6. Competitive Evaluation Criteria

In order to qualify for review, projects need to meet minimum scoring levels for all four criteria described below:

Criteria	Minimum Points Needed	Maximum Points Available
Scope	10	20
Leverage	5	25
Project & Property Management Capacity	10	20
Community Need	5	10
<b>Total Application Score Range</b>	<b>30</b>	<b>75</b>

### a. Scope (20 points; minimum score of 10 required)

Applicants should strive to determine a scope that is at the same time cost-effective and sufficient to ensure the continued sustainability, marketability and security of the units. Applications should propose projects that allow developments to meet 20 years of capital needs, assuming Formula Funding will remain at current levels. The scope must account for bringing the development up to current state and federal accessibility code requirements. All work must comply with [DHCD design and construction standards](#). Projects will earn up to 20 points for this category and must meet a threshold score of 10 points.

- Up to 10 points will be awarded for adequacy and quality of proposed rehab scope to ensure sustainability, marketability and security.
- Up to 10 points will be awarded for cost-effectiveness of rehab choices (i.e., work is sufficient but not excessive; good rehab value for the dollar).

**b. Leverage (25 points; minimum score of 5 required)**

Given the timing of this RFP process, it is understood that most applications will not have firm commitments of matching funds. LHAs without firm commitments should instead identify possible sources of funding, a time line and process for acquiring the funding and, when possible, letters of intent or support from likely sources.

Projects will earn 1 point for every \$0.10 of matching funds provided per dollar of state capital funds, up to a maximum of 25 points. For example, a project providing \$2.00 of other funds for every dollar of DHCD capital funds will earn 20 points. Projects must score at least 5 points in this category in order to be eligible for funding (in other words, projects must leverage at least \$0.50 for each DHCD dollar). Firmer commitments of funding shall be weighted higher in the scoring of this section.

Potential matching fund sources include, but are not limited to:

- Community Preservation Act (CPA) funds
- Other locally-controlled funds (such as CDBG, HOME, local housing trusts, etc.)
- Tax credit equity
- Conventional mortgage financing (beyond Section 8 leverage, as described below).
- Operating support (project-based Section 8)
- Property tax relief, to the extent that it lowers existing PILOT payments
- Utility energy efficiency funding through Energy Star or Low Income Multifamily Energy Retrofit programs.
- Other sources identified by LHAs

Sources of funds that will not count toward match include:

- Formula Funding
- Operating Reserves
- Grants from programs that are managed by other divisions of DHCD

**c. LHA Project and Property Management Capacity (20 points; minimum score of 10 required)**

Applicants will earn up to 20 points for a high level of development and management capacity relative to the requirements of the proposed project. Applicants must meet a threshold score of 10 points in this category (5 for project management and 5 for property management). Where appropriate, the review team will consult historical data to assess LHA capacity.

- Up to 10 points will be awarded for LHAs that can demonstrate expertise and experience in completing development and/or construction projects effectively and efficiently according to schedule and within the projected budget.
- Up to 10 points will be awarded for LHAs that can demonstrate strong property management capacity in compliance with the requirements of the proposed rehab funding sources.

**d. High Level of Community Need (10 points; minimum score of 5 required)**

Projects can earn up to 10 points for a high level of community need for the housing. Projects must meet a threshold score of 5 points in this category. Need must be demonstrated by:

- High levels of demand for this program (667, 200, 705) as demonstrated by the program waitlist. For 689 and 167 developments, this requirement can be met by a letter from the sponsoring state agency (DDS, DMH, DSS) stating a continued need for the development for at least five additional years.
- High levels of demand in other LHA-managed developments serving the same population (i.e., seniors or families), also demonstrated by waitlist data.
- Low vacancy rates in local rental housing, as demonstrated by most recent census or other data.
- High levels of local homelessness among the target population group, as demonstrated by demand for emergency assistance (EA) or other data.
- Other evidence, as proposed by the applicants.

## **7. Encouraging supportive services**

The review team will look favorably on applications for projects at developments with existing or proposed supportive services (with a reliable funding source identified) for residents. Though this is not part of the official threshold evaluation criteria, services may be used by the review team to differentiate between projects with otherwise similarly competitive scores. Please be sure to note service levels in your application.