Public Housing Notice 2013-20

To: Public Housing Authority Executive Directors

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

Subject: **FY14 Capital Program and Special Initiatives, including New Grant Programs for Public Housing**

Date: September 24, 2013

The purpose of this Public Housing Notice (PHN) is to provide all Local Housing Authorities (LHAs) important updates about DHCD's FY14 capital spending plan and to give a **preview of special initiatives that will provide new capital grants**. Key highlights include:

1. FY13 Recap: Accomplishments and Lessons

2. FY14 Policy & Program updates
   a. House Doctor program expands eligibility to all projects under $500,000
   b. Small Project funds: 'Use it or lose it' cap
   c. House Doctor Lite program available for small projects
   d. LHAs with less than 200 units qualify for 50% rebate on small project designer fees

3. FY14 Special Initiatives Overview. (Please note that only the Sustainability program is soliciting applications in this PHN. The rest of the initiatives are simply summarized for planning purposes.)

   a. Sustainability Initiative
   b. Health and Safety Initiative
   c. Vacant Unit Initiative (under $25,000 per unit)
   d. **NEW! -** Vacant 705/667 Congregate Initiative (under $65,000 per unit)
   e. **NEW! -** Second Elevator Initiative
   f. **NEW! -** Accessible Unit Initiative
   g. **NEW! -** Emergency Generator Initiative
   h. **NEW! -** Special 689/705 Disposition Initiative
   i. High Leverage Asset Preservation Program (HILAPP)

Attachment A: Application for Sustainability Initiatives

1. *FY 13 Recap: Accomplishments and Lessons*

We are pleased to report that in FY13 we disbursed $90M of bond cap. Congratulations and thank you to everyone who kept their projects moving and on schedule. FY13 was the first year that the formula funding (FF) program ran at full capacity; $46.6M of the bond cap was reserved for FF projects. Unfortunately, we only disbursed $33.7M (reaching 72% of the target) – not bad for a first year. However, DHCD needed to implement a number of capital initiatives mid-year in order to spend to our full capacity. To compensate for lack of FF spending, last year DHCD awarded approximately $13M in cap to LHAs for targeted efforts, including Vacant Unit Initiative Round 2, Health and Safety, and ESCO payoffs. The Vacant Unit and Health & Safety initiatives were hugely popular (over 200 LHAs participated) and met important program goals. While we will continue these initiatives, please note that:

The single most important priority is to complete 100% of all planned FF projects in FY14 and every fiscal year beyond! Successful performance is essential if we are to continue receiving the generous bond cap allocations of recent years.

2. *FY14 Policy and Program Updates*

DHCD has modified and created new FY14 policies that should help with getting more small and medium projects completed on time, and therefore get us to 100% spending on the FF projects.

a) **The House Doctor program is now expanded to cover all projects with estimated construction costs under $500,000** (up from $250,000), including those that incorporate multiple trades. This means more medium-sized projects can start design faster since they will no longer go to the Designer Selection Committee. For more information, please contact david.mcclave@state.ma.us.

b) **DHCD is implementing a 'Use It or Lose It' cap policy for small projects**. As of today, every project under $25,000 must be initiated in the fiscal year that is carried in your approved CIP. **Cap for small projects will no longer roll from year to year**. **Approved projects with FISH numbers that were planned for FY14 or previous fiscal years must be initiated by the end of FY14.** If a project does not go forward in the year it was planned, then the LHA will lose the associated cap that year and will have to wait for a future year when DHCD has extra cap available to implement the project. Availability of extra cap in future years is not guaranteed, so LHAs are encouraged to utilize their annual cap share according to their approved plan.

c) **DHCD has launched the new House Doctor "Lite" program to help housing authorities implement small projects**. This program expands the pool of private practice architects and engineers with training in LHA business needs who can assist LHAs on projects with estimated construction costs under $100,000. Many of these are smaller firms that are eager to provide LHAs a cost-effective menu of "a la carte" modernization services. Please consider hiring one of these professionals to plan and scope your small jobs, prepare bid packages, and oversee construction. For more information, please contact richard.ness@state.ma.us.

d) **This year, LHAs with fewer than 200 units will be eligible for a DHCD supplemental "rebate" on 50% of the cost of hiring private practice architects and engineers to help advance small projects.** The total amount of the rebate may not exceed $3,000 per project, since design fees for small projects would typically be no higher than $6,000 on a $25,000 project. These supplemental funds will be not be disbursed through an amendment but instead be processed as a rebate that will be added to the LHA's next year FF award. More guidance is forthcoming in a future PHN.

Last year, only 50% of planned small projects incurred any spending in FY13 and many LHAs were bidding jobs in June that should have been wrapping up by then.[1] Small projects account for roughly 10% of our annual bond cap, so we need to push for better outcomes. This is the reasoning behind the new 'Use It or Lose It' cap policy, House Doctor Lite, and the new 50% designer fee rebate for small projects. However, if there are LHAs that are concerned about finishing all their current and past small projects, please contact your project manager to discuss how to consolidate small projects into larger ones.

3. ***FY14 Special Initiatives – Beyond Formula Funding***

As you may recall, back in 2008, when we began working together to create the FF program, DHCD forecasted a 5-year transition period, which included the winding down of legacy 'CAR' projects and a ramping up of FF and other capital programs. I am happy to report that our 5-year transition period is 100% on track thanks to everyone's hard work and diligence. Legacy CARs are nearly complete, and FF is well on its way to being fully operational.

At this time, DHCD is expanding funds for special initiatives that make several targeted, strategic capital investments in the state-aided portfolio. While FF is a predictable source of funds that allows LHAs to plan for and prioritize the replacement of expired components, special initiatives address specific, acute needs across the entire portfolio. The initiatives help us lower utility costs, address long-term unit vacancy, and minimize risks to the health and safety of residents. The FY14 funding allocations are summarized in the table below:

[1] In contrast, the Health & Safety Initiative, which had a 'use it or lose it' provision (for the award, not only bond cap) performed much better, with 79% of projects completed by the end of the fiscal year.

Initiative	FY14 Allocation	Purpose	Application Process	Timeline
Sustainability	$3M	Upgrade building components in order to save energy and water.	Targeted application.	Return attached form by Oct. 21
Health and Safety	$3M	Reduce site and common area hazards that endanger the health and safety of residents.	Open application.	Separate PHN in September.
Vacant Unit (up to $25K/unit)	$2M	Renovate and reoccupy units needing costly rehab that have been vacant more than 60 days.	Open application.	Separate PHN in September.
Vacant 705s & 667 Congregate Units ($25k to $65K/unit)	$2M	Reoccupy longer-term vacant units that need significant reprogramming and/or very costly rehabilitation.	No application. Needs based award.	Direct outreach by DHCD to eligible LHAs in October.
Second Elevator	$1M	Build second elevators in multi-story elderly buildings where the only elevator has exceeded its useful life.	No application. Needs based award.	Direct outreach by DHCD to eligible LHAs in October.
Emergency Generator	$1M	To install emergency generators at multi-story elderly buildings with elevators.	No application. Needs based award.	Direct outreach by DHCD to eligible LHAs in October.
Accessible Unit	$1M	To make annual progress on reaching 5% fully accessible units.	Targeted application.	Separate PHN in October.
Disposition Initiative 705/167/689	n/a	To permit the disposition, without 1-for-1 replacement, of troubled developments that cannot feasibly be made habitable.	Targeted application.	Separate PHN in October.
HILAPP	$1M	Leverage matching funds for developments that are at risk for irreversible degradation without a major investment.	Targeted application.	Next RFP/PHN in January 2014.

Note that all of the special initiatives have specific threshold eligibility and prioritization criteria that are used for targeting awards. Below, we have summarized all relevant information for each initiative. Please be sure to read each section carefully before making an assumption that your LHA will be eligible for funds in FY14.

a. Sustainability Initiative - $3M in FY14

Eligibility: In order to be considered for an award, developments must meet the threshold energy or water consumption levels, as described in guidelines below.

Criteria for selection: Proposed projects will be reviewed on a first-come, first served basis.

Application process: Return form attached to this PHN by October 21, 2013 to debra.hall@state.ma.us

Guidelines: For the past five years, DHCD has dedicated $2M per year to strategic energy and water savings capital investments, and/or toward design work that has leveraged millions in federal funding and utility energy efficiency program funding (that was expanded through MA Green Communities Act of 2008). This year, DHCD will target $3M in funds to the following types of sustainability projects:

- **Water Saving:** At least $1 million will be disbursed for installing low-flow toilet replacements, with priority given to developments where water & sewer expenses exceed $50 per unit per month (PUM) or where there are septic system problems;

- **Accelerating Approved Capital Projects with Energy-Saving Opportunities:** Awards up to $200,000 per project will be provided to accelerate phased HVAC, siding, window, or roof projects so that a whole development can be upgraded by end of FY14. Awards will also be granted for augmenting scope to include energy-saving measures, such as adding insulation during siding repairs. Priority will be given to developments that consume over 500 therms per unit per year or over 5,000 KWH per unit per year. **In order to receive an award, LHAs must be fully on track to spend FF per their CIP.**

- **Energy Efficiency Measures for LHAs served by Municipal Electric & Gas Service:** Priority will be given to developments with electric use higher than 5,000 KWH per unit per year. Measures will be similar to what is offered in utility-funded efficiency programs (described below), such as refrigerators, lighting, and insulation.

In addition to the above bond-funded sustainability opportunities, we always encourage LHAs to apply for free utility-funded energy audits and efficiency upgrades. The Low-Income Multifamily Energy Retrofit (LIMF) program runs on a calendar year and has improved offerings each year since launching in 2010. The electric measures include:

- Refrigerator replacements (for models over 10 yrs. old);
- Lighting upgrades (interior fixture or bulb replacement, motion sensors in stairwells and hallways, plus exterior LED fixtures);
- Heat pump water heaters to replace inefficient electric hot water heaters; and
- Weatherization for electric heat units (air sealing, insulation, weather-stripping).

The gas measures include high-efficiency boilers, weatherization as noted above, and/or customized cash incentives toward capital-funded, Ch. 149 procured heating system upgrades.

To apply for LIMF, go to www.leanmultifamily.org, or contact debra.hall@state.ma.us.

b. **Health and Safety Initiative - $3M in FY14**

Eligibility: All LHAs are invited to submit applications for funding.

Criteria for selection: DHCD Facilities Management Specialists will review all proposed projects to make sure that they fit within the definition of a true health and safety liability.. Total maximum award per LHA is estimated at $100 per state public housing unit. **In order to receive an award, LHAs must be fully on track to spend FF per their CIP.**

Application process: Details in separate PHN (forthcoming).

Guidelines: DHCD will award $3M in funds to LHAs for addressing health and safety hazards in site and common areas. In preparation for applying, LHAs should proactively examine their properties for potential hazards that threaten the health and safety of residents, staff, and visitors. Awards will be for capital projects that:

- If *not* completed, could put the LHA (and indirectly DHCD) at risk for future liability claims;
- Require between $1,000 and $25,000 in capital funds; and
- Can be fully completed in the current state fiscal year (by June 30, 2014).

As was true last year, awards will not carry over into the next fiscal year. DHCD will recoup all unspent Health and Safety funds. This initiative is specifically targeting the following types of work:

- Eliminating on-site trip and fall hazards;
- Replacing damaged, loose, or missing handrails;
- Replacing on-site public safety lighting;
- Removing trees or large tree limbs near buildings or power lines;
- Replacing windows with damaged balances; and
- Replacing broken doors or inoperable door closers that lead to slamming doors.

If you have questions about the Health and Safety Program, please contact amy.stitely@state.ma.us.

c. **Vacant Unit Initiative (up to $25,000 per unit) - $2M in FY14**

Eligibility: All LHAs are invited to submit applications for units that have been vacant for more than 60 days, as of time of application.

Criteria for selection: Eligible projects will be reviewed and funded on a first come, first serve basis. We will be verifying unit status in the DHCD Vacancy Ledger before granting awards.

Application process: Details in separate PHN (forthcoming).

Guidelines: Similar to FY13, the Vacant Unit Turnover Initiative this year will award funds to LHAs to assist in the cost of renovating and reoccupying units that have been vacant for more than 60 days. DHCD will dedicate $2 million to this initiative. Each unit is eligible for up to, but not more than, $25,000 per unit. LHAs can request funding for multiple units; and all programs (ch. 167, 200, 667, 689, and 705) are eligible. The work must be complete, the units reoccupied, and invoices submitted by June 30, 2014 in order for LHAs to receive reimbursement.

If you have questions about the Vacant Unit Initiative, please contact juliana.gamble@state.ma.us.

d. Vacant 705/667 Congregate Initiative ($25,000 to $65,000 per unit) - $2M in FY14

Eligibility: Awards for this program will be limited to units at ch. 705 or ch. 667 congregate developments that meet the following criteria:

- Have been vacant for more than 60 days, as of date of application and/or have a historically high level of chronic vacancy;
- Cannot be rehabilitated within the constraints of existing resources, including a reasonable allocation of FF; and
- Can be returned to habitability with $25,000 to $65,000 in additional resources.

Criteria for selection: Awards will be prioritized based on a needs-based assessment that considers data from the DHCD Vacancy Ledger and site visits.

Application process: No application. DHCD will outreach directly to LHAs with developments that meet eligibility criteria.

Guidelines: DHCD has developed a number of capital programs for turning over and reoccupying vacant units. In FY12, we launched the above-mentioned Vacant Unit Turnover Initiative for units that require less than $25,000 per unit in repairs. In FY13, we launched HILAPP, which encourages LHAs to secure leverage funds to pursue more comprehensive modernization projects. This year, we also obtained legislative approval to sell, without replacement, certain ch. 705, 167, and 689 units where it is not financially feasible to rehab or reprogram (see description in section 'h' below).

However, there are still vacant units within our portfolio that are in need of reprogramming and/or rehabilitation, but there is no funding available for the work. In response, DHCD will be targeting $2M of FY14 cap toward reoccupying ch. 705 and 667 congregate units that have capital needs that cannot be sufficiently addressed with FF or a regular Vacant Unit Initiative grant of less than $25,000 per unit, but are also not eligible for HILAPP. This new initiative awards grants up to $65,000 per unit to cover the following scopes of work:

- **Ch. 705 units:** Repairs and modernization sufficient to ensure the unit(s) can be reoccupied and maintained with formula funding for the next 15 years.
- **Ch. 667 congregate units:** The redesign and/or rehabilitation of existing units where current programming and layout of units (primarily shared living) has led to a chronic history of vacancies. The goal is to improve units so they fit the needs of the existing program or

reconfigure the layout to meet another program for which there is greater demand (e.g. converting to conventional one-bedroom senior housing).

Awards will be limited up to a maximum of $65,000/unit. However, LHAs may contribute FF for projects that exceed this limit.

If you have questions about the new Vacant 705/667 Congregate Unit Program, please contact paul.mcpartland@state.ma.us.

e. **Second Elevator Initiative - $1M in FY14**

Eligibility: Awards for second elevators will be limited to ch. 667 multi-story developments with a single passenger elevator.

Criteria for selection: Awards will be targeted to developments according to the following principles:

- Age of single elevator (30 years or older);
- Number of floors (4 minimum); and
- Number of units that are above the second floor.

Application process: No application. DHCD will outreach directly to LHAs with developments that meet the selection criteria.

Guidelines: A needs assessment has shown that approximately 89 Ch. 667 buildings are multistory with a single passenger elevator(s). Of these 89 buildings, 13 are of greatest concern because a 30-plus-year-old elevator serves four or more floors of units. Loss of an elevator for any period of time at one of these buildings would be a major inconvenience to residents, and the cost and process of relocation would be extremely disruptive. It is, therefore, important that we take proactive steps to avoid the situation of component failure.

Beginning in FY14, DHCD will allocate at least $1 annually toward the construction of new passenger elevators at the above-mentioned 89 buildings, beginning with those 13 that meet the priority criteria. DHCD will soon contact the affected housing authorities to begin initiating projects.

If you have questions about this new Single Elevator Program, please contact cindy.zabriskie@state.ma.us.

f. **Emergency Generator Initiative - $1M in FY14**

Eligibility: Awards will be limited to ch. 667 multi-story, elevator developments that are not already required by code to have an emergency generator (buildings less than 70 feet in height).

Criteria for selection: Developments will be prioritized based on the number of units that require an elevator or stairs to exit the building.

Application process: No application. DHCD will outreach directly to LHAs with developments that meet selection criterion.

Guidelines: During storms and extreme weather events, loss of electric power, for any length of time, can be a hardship for residents, particularly in situations where a resident needs power for an oxygen pump or other special equipment in order to maintain his/her health. Elderly residents in multi-story public housing developments are at a distinct disadvantage during power outages; if the elevator becomes inoperable, then they may be stranded indefinitely.

In light of this reality, DHCD is changing its former policy on the use of FF for emergency generators and also making $1M of bond cap available each year for installing new generators at multi-story Ch. 667 buildings with elevators. Until now, our policy was to prohibit LHAs from spending FF on an emergency generator that was not required by code if the LHA had other high priority projects in its CIP. As of this date, we have amended our policy. LHAs may now apply FF to emergency generator installation so long as any other 'unselected' high priority capital needs can be deferred and funded by a future formula funding award to the LHA.

Regarding special generator awards for multi-story ch. 667 developments, DHCD intends to make 8 to 10 awards per year and prioritize by the criterion listed above. In FY14 and 15, the awards will be restricted to buildings with 40 or more units that require an elevator or stairs to exit. We will soon contact this year's eligible housing authorities to begin initiating projects.

LHAs that would like to proceed with a generator project using their own FF should contact their project manager. Questions about the special emergency generator awards may be directed to cindy.zabriskie@ma.state.us.

g. Accessible Unit Initiative - $1M in FY14

Eligibility: Ch. 200, 705, 667 developments managed by LHAs that have less than 5% accessible units per applicable program (family or elderly) may apply for an award; however priority will be given to those LHAs that currently have zero accessible family and/or elderly units.

Criteria for selection: Awards will be targeted to developments according to the following principles:

- Prior, pending, and/or potential litigation or administrative complaints regarding lack of accessibility or other accessibility issues;
- Low supply of accessible units (% available by program type);
- High need/demand for accessible units, as demonstrated by waitlist or other local data;
- Ability to convert unit for a reasonable cost (less than $80,000 per elderly unit and less than $250,000 per family unit);
- Total number of units that would be taken offline in renovation and would require tenant relocation;
- Consistency with LHA's ADA self-evaluation and transition plan; and
- Ability to leverage other non-DHCD funding sources for the project.

Application process: Details in separate PHN (forthcoming)

Guidelines: DHCD is committed to increasing the number of accessible units across the entire public housing portfolio and has a goal of having 5% accessible units within every program (elderly, family, and special needs). Based on data in our Capital Planning System (CPS), we estimate that 2.2% of all family units are accessible, 3.4% of the elderly units are accessible, and 57% of special needs units are accessible. In order to reach the 5% threshold, we would need to convert about 900 units. While, this initiative will only effect a limited number of units per year, given funding constrains, it's a good start.

In FY14, DHCD will award $1M in design awards for accessible unit projects, with the intention of allocating $2M of cap to this effort every following year. The funding for this initiative is separate and above the existing DHCD compliance reserve and the required 1% FF reasonable accommodation set aside. Units upgraded through this program must meet MAAB & ADA code compliance (plus Fair Housing and UFAS, where applicable).

DHCD will release a separate PHN in the coming weeks. If you have questions about the Accessible Unit Program, please contact amy.stitely@state.ma.us.

h. Special 689/705 Disposition Initiative

Eligibility: Units eligible for consideration for disposition or demolition without replacement include:

- Ch. 705 units that were vacant prior to November 1, 2012 and have remained vacant since then;
- Ch. 689 and ch. 167 units that are currently vacant.

Criteria for selection: DHCD and LHA Board must both determine that:

- It is not financially feasible to bring the unit(s) up to a reasonable program standard for occupancy or permissible to convert units to another low-rent housing program; and
- The inventory of available housing units remaining in the surrounding community would not be substantially diminished as a result of disposition or demolition.

Application process: Details in separate PHN (forthcoming).

Guidelines: The Commonwealth's FY14 budget included, at DHCD's request, language authorizing the sale, without 1-for-1 replacement, of vacant c. 689 and c. 167 community residences and certain c. 705 units. (Note that the sale without replacement of c. 200 and c. 667 units was not authorized). The purpose of this bill was to permit the disposition of the programs' most troubled structures which could not feasibly be made habitable, and for which funds were not available to build or buy the statutorily-required replacement unit.

The key requirements are that:

- DHCD and the LHA must determine that it is not financially feasible to re-use the building;
- Disposition will not significantly diminish the community's inventory of available housing units;

- If it is a c.705 unit, it must have been vacated prior to 11/1/12; and
- If it is a vacant c. 689 or c. 167 unit, DHCD must receive written confirmation from both the Department of Developmental Services and the Department of Mental Health that it is obsolete and inappropriate for housing their clients.

Units must be sold per the requirements of MGL c. 30B, sec. 16, with priority given to buyers who commit to maintaining permanent affordability at the site. Sales proceeds are deposited in a DHCD-controlled trust, to be used for capital improvements at other c. 705, 689 and 167 units. A link to the budget's Outside Section 104 can be found here: http://www.mass.gov/bb/gaa/fy2014/os_14/h104.htm.

DHCD will soon issue a PHN outlining the process to identify, evaluate and sell units under this new provision. If you have questions in the meantime, please contact paul.mcpartland@state.ma.us.

i. High Leverage Asset Preservation Program (HILAPP) - $5M in FY15

Eligibility: State-aided public developments with an FCI higher than 15% as of December 31, 2013 will be eligible for consideration. The list will be updated upon release of next request for proposals (RFP). In order to be considered for an award, LHAs must be up to date on all operating and capital reports and certifications.

Criteria for selection: The criteria for evaluating applications will be the same, or very similar, to those used in FY13. These include:

- Amount of leverage funding (minimum of $.50 for every DHCD dollar) and reliability of source (likelihood of securing the match);
- Soundness of proposed scope (is adequate, but not excessive, and still addresses 20 years of capital needs);
- LHA operating management and project management capacity; and
- Community need.

Application process: The next RFP is scheduled for release in January 2014. Responses will be due in March. **Since many funding programs, like the Community Preservation program, have long lead times of up to six months to apply for funding, LHAs should take the time now to prepare scopes and begin securing commitments from leverage sources.**

Guidelines: The guidelines for eligibility and criteria for evaluating applications will be the same, or similar, to those in the first RFP (PHN 2013-12), which can be found here: http://www.mass.gov/hed/housing/ph-mod/high-leverage-asset-preservation-program-hilapp.html.

If you have questions about HILAPP, please contact amy.stitely@state.ma.us.