



Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**

Charles D. Baker, Governor ♦ Karyn E. Polito, Lt. Governor ♦ Chrystal Kornegay, Undersecretary

Public Housing Notice 2016-07

To: All Local Housing Authority Executive Directors

From: Sarah Glassman, Associate Director, Division of Public Housing & Rental Assistance

Subject: Updated Rolling Requests for Proposals - High Leverage Asset Preservation Program (HILAPP)

Date: April 14, 2016

1. Overview

Since launching the High Leverage Asset Preservation Program (HILAPP) in 2013, DHCD has awarded about \$25 M in grants to Local Housing Authorities (LHAs) that are forecasted to leverage more than \$70 M in outside funding. These investments will preserve 1,197 units of state-aided public housing. With the intention of building upon these successes, DHCD is now issuing an updated HILAPP Request for Proposals (RFP) and soliciting rolling applications. HILAPP 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.

Currently, DHCD has a full pipeline of HILAPP projects that will be in construction through Fiscal Year 2018 (FY18). DHCD plans to keep this NOFA open, funding permitting, and award another \$5-10M each fiscal year.

2. What's New in this NOFA

This year, DHCD made some major adjustments to the program rules and application process. These are highlighted below:

- a) **DHCD is no longer accepting projected New Metering Credit (NMC) savings as an eligible leverage source.** Unlike other local matching fund sources which immediately fund a portion of the project, LHAs using NMC savings have typically needed DHCD funds to provide the initial "match", and then repay DHCD with the savings over the next 10 to 20 years. This reduces the amount of our bond cap available for other capital programs. Given the uncertainty of future resources and the number of deals that have been recently executed, DHCD is no longer able to front-fund capital projects with the plan of recapturing NMC savings in future years. However, if an LHA is able to get a conventional loan from a bank based on their

NMC deal and put those funds into the capital project immediately, then DHCD will consider the application.

- b) In addition, both 9% and 4% Low Income Tax Credit Equity are also no longer eligible leverage sources.** Any LHA that wants to pursue a Low Income Housing Tax Credit development project should contact Paul.McPartland@state.ma.us to discuss possible options.
- c) LHAs may use unrestricted reserves (not state public housing operating reserves) as match.** These include funds that HUD has allowed LHAs to use for capital improvement projects in state-aided public housing. In such cases, the LHA must obtain verification from HUD that this is an allowable use, or provided a copy of the regulations or guidelines that state this is the case.
- d) Lastly, all HILAPP applications from this date forward should be sent directly to DHCD,** as the Massachusetts Housing Partnership is no longer the administering the program on DHCD's behalf.

3. Eligible Developments

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. See Public Housing Notice 2013-11 for a full list of these requirements at <http://www.mass.gov/hed/docs/dhcd/ph/publicnotices/13-11.pdf>.

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 in DHCD's Capital Planning System (CPS) as of April 11, 2016. Developments that have existing project-based Section 8 units are not eligible. Developments that have already been granted a HILAPP award are also not eligible.

See Attachment B for a complete list of eligible developments.

Note that the list has been significantly altered since the last call for applications. This is a result of the 5-year portfolio-wide needs assessment that recalibrated the CPS inventory in Fall 2015. 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.

4. Eligible Activities

Eligible HILAPP funded capital improvement activities include: partial modernization, comprehensive modernization, and redevelopment. HILAPP strongly encourages project scopes that can sustain a development for 20 years of useful life. 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.

5. Application Process and Requirements

Applications are accepted on a rolling basis, funding permitting. 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) per year. Scattered site developments of the same program group may be bundled into one application.

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.

LHAs must email one electronic copy (scanned pdf) of the complete application to: Amy Stitely (amy.stitely@state.ma.us). 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:

Amy Stitely, Division of Public Housing
Department of Housing and Community Development
100 Cambridge Street, Suite 300
Boston, MA 02114

See Attachment C, the list of Frequently Asked Questions (FAQ) and DHCD's responses. If you have further questions, contact Amy Stitely, by email at the address above.

After DHCD has reviewed applications, LHAs will be asked to respond to requests for more information and to host a review team site visit. Once a complete application has been submitted, the review process may take up to six months, depending on the complexity of the project.

6. Grant Limits

Awards will vary in amount according to project scale and complexity. The review team will determine the appropriate funding level. In cases where leverage funds and conditions are uncertain, DHCD will grant a maximum of \$100,000 per development to cover predevelopment expenses. However, most projects will receive significantly less than that amount. A pre-development award may be applied to feasibility analysis, project development, and due diligence services. If, on the other hand, the LHA has all of its leverage funds "in hand" at the time of application, then DHCD may choose to grant a larger award.

Regarding maximum awards,

- The majority of HILAPP funding (estimated at 75%) is intended for projects that request no more than \$65,000 per unit from DHCD.

- The remaining portion of funding (estimated at 25%) is intended 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 (FY13-18) 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.

7. Technical Assistance

In the situation where an applicant needs technical assistance with finalizing the scope of work and/or solidifying leverage sources, DHCD will assign a development or project management consultant to work with the LHA and pay for the consultant’s services. This assistance will only be made available to LHAs that submit complete applications with clearly identified, viable leverage sources.

8. 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 | 3 | 25 |
| Project Management Capacity | 5 | 10 |
| Property Management Capacity | 5 | 10 |
| Community Need | 5 | 10 |
| Total Application Score Range | 28 | 75 |

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. ***HILAPP strongly favors project proposals that allow developments to meet 20 years of capital needs, assuming Formula Funding will remain at current levels. In addition, the review team strongly recommends that scopes 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 3 required)

It is understood that many 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 secure a match of at least \$0.30 for every DHCD dollar (score a minimum of 3 points in this section). 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.)
- 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 may be applied to projects but will not count toward match include:

- Formula Funding
- Operating Reserves
- Grants from state funded programs that are managed by other divisions of DHCD
- 4% tax credit equity (although these very limited funds may not be available)
- Projected sources of income that are not available at the time of project construction, such as Net Metering Credit savings.

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.
- Other evidence, as proposed by the applicants.

9. 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.