



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

Charles D. Baker, Governor ◆ Janelle Chan, Undersecretary

Public Housing Notice 2018-17

To: All Local Housing Authority Executive Directors

From: Amy Stitely, Associate Director, Division of Public Housing & Rental Assistance

Subject: Notice of Funding Availability (NOFA) – Modernization to Independence (MTI) Federalization Program

Date: September 10, 2018

1. Program Description and Goals

As the 45,000-unit state public housing portfolio continues to age, DHCD is continually seeking new methods to preserve individual developments and the portfolio as a whole. The Modernization To Independence (MTI) program (the Program) will **award up to a total of \$3.0 M in grants to fund projects over state fiscal years 2019, 2020 and 2021** that will rehabilitate existing state public housing developments, provided that the rehabilitated development will a) be permanently preserved as public housing that provides the same number of public housing units as currently exist on the site, serves households of comparable sizes and income levels, b) will not require any state public housing capital or operating subsidies following completion of rehabilitation. This program is targeted at converting selected eligible state-funded family and elderly developments to federal funding and oversight at Local Housing Authorities (LHAs) that have capacity to federalize units under the HUD Faircloth limit.

Proposals that eliminate the need for state public housing capital and operating subsidies for an LHA's entire state public housing portfolio - thus streamlining administration and oversight processes - may be awarded additional points in DHCD's ranking of responses to the NOFA. Funding for the Program will come from the state Public Housing Capital Funds. These funds will carry deed restrictions or legally-binding covenants to ensure long term affordability.

Funds may only be used for capital improvements and repairs to bring a state-funded public housing development to a condition that will enable it to qualify for conversion to HUD-funded federal public housing ("Federalization"). This would include funds provided for capital improvements and repairs that would ensure that the property meets the physical condition requirements of HUD's Real Estate Assessment Center (REAC) inspection program, and any other HUD related requirements, including but not limited to, repairs or the replacement of building components that are necessary to maintain and/or extend the life of the property.

Awards will be issued to Local Housing Authorities (LHAs) who propose feasible plans to meet the program criteria. The goal of the Program is to maintain the overall stock of deeply affordable rental housing in the Commonwealth by using a capital rehabilitation grant to leverage future federal funding for operations and maintenance projects at the development and improve per-unit funding for remaining state units in an environment of limited overall funding available. Priority will be given to applicants with feasible proposals who require the

lowest amount of Program funds per unit, can leverage local funds for rehabilitation, and currently have higher per-unit capital and operating subsidies from the state.

2. Award Amount and Use of Funds

Awards will be prioritized for proposals which demonstrate a readiness to proceed. Awards can also be requested by fiscal year; **DHCD will be awarding a max of \$500,000 to be disbursed in state fiscal year 2019, \$1,000,000 to be disbursed in state fiscal years 2020 and a max of \$1,500,000 to be disbursed in state fiscal year 2021.**

DHCD will evaluate the status of necessary permits, the status of architectural documents, the status of other funding commitments, and requirements for HUD approval for federalization when reviewing proposals. HUD approval will require that the property meets the physical condition requirements of HUD’s Real Estate Assessment Center (REAC) inspection program, and may require additional repairs or the replacement of building components that are necessary, to maintain and/or extend the life of the property.

Grants will not exceed \$30,000 per assisted unit, with a total maximum grant amount of \$1,000,000 per development. All funds must be utilized for DHCD-approved development costs, documented with the submission of invoices and other supporting documentation as requested. Funds will be available for release upon invoicing from contractor for completed services, following agreed upon draft project schedule between DHCD, LHA, and contractor.

3. Eligible Activities

Funding may be used for most typical development costs, including but not limited to:

- Design costs, including environmental and engineering evaluations.
- Site survey
- Legal
- Relocation
- Construction

4. Eligible Applicants

Eligible applicants are local housing authorities that own state-assisted public housing, developed pursuant to the c. 200, c. 667, or c.705 programs and eligible for state public housing capital and/or operating assistance, which they wish to rehabilitate and preserve pursuant to the requirements of this Program. Only authorities with available room under the HUD “Faircloth Limit” for total federal housing units may pursue funding for rehabilitation to conversion projects under this program. Eligible authorities below:

Housing Authority Name	Faircloth Limit	Current Federal Units	Remaining Room Under Faircloth Limit	Current State Units (c 705, 667, 200 Only)
Boston Housing Authority	12,086	11,354	732	2,333
Fall River Housing Authority	2,188	2,039	149	283
Falmouth Housing Authority	283	223	60	79
Fitchburg Housing Authority	99	50	49	540
Holyoke Housing Authority	1,031	922	109	72
Lowell Housing Authority	1,712	1,698	14	132

Lynn Housing Authority	460	459	1	387
New Bedford Housing Authority	1,750	1,748	2	737
Pittsfield Housing Authority	168	164	4	534
Quincy Housing Authority	651	650	1	901
Springfield Housing Authority	1,809	1,801	8	353
Worcester Housing Authority	2,729	2,474	255	472
TOTALS	24,966	23,582	1,384	6,823

DHCD believes these numbers to be accurate, but any LHA can apply if they can document that their federal unit count is below the Faircloth limit. The 2018 Faircloth limits by Housing Authority can be found here:

https://www.hud.gov/sites/dfiles/PIH/documents/Faircloth%20List_6-30-2018.pdf

5. Competitive Evaluation Criteria

Applications will be reviewed to determine overall consistency with the goals of the program and DHCD goals and objectives. Applications will only be scored if they meet the following criteria:

Minimum Threshold Criteria

- Submitted application is complete, including all required supporting attachments.
- Completed projects will provide the same number of deeply affordable units as currently exist on the site, serve households of comparable sizes and income levels, and be subject to federal laws, regulations and guidelines regarding Federal Public Housing.
- LHA certifies that development federalized through this funding will not require any state public housing capital or operating subsidies in the future following completion of project.

Competitive Evaluation Criteria

Applications that meet the minimum threshold criteria will be evaluated to determine how well their proposals meet program requirements and priorities in the areas below. Please respond thoroughly to the Application Questions included in this NOFA. In order to qualify for award, projects need to meet minimum scoring levels for all five criteria described below. An application can score a maximum of 100 points.

Category	Maximum Points Available	Minimum Required
Scope & Cost	50	10
Project Feasibility	15	5
Leverage	10	0
Ongoing Costs Deferred	25	10

a. Scope & Cost points (50 points)

Applicants should strive to determine a scope that is at the same time cost-effective and sufficient to ensure that the project will meet federal standards for conversion to HUD-funded public housing. All work must comply with DHCD design and construction standards (Attachment B) and applicable federal requirements,

as detailed in REAC Regulations and 24 CFR Part 941 (Attachment B). Consideration is given to the extent to which the project is consistent with the Commonwealth's Sustainable Development Principles and DHCD's Fair Housing Principles (Attachment B).

Projects will earn up to 50 points for this category and must meet a threshold score of 10 points.

- Up to 30 points will be awarded for adequacy and quality of proposed rehab scope to ensure long term habitability and that it meets federal standards for conversion to HUD-funded Federal public housing
- Up to 20 points will be awarded for affordability of rehab choices (i.e., work is sufficient but not excessive; good rehab value for the dollar). This will be chiefly evaluated on the projected cost per unit to be converted.

b. Project Feasibility (15 points)

Applicants will earn up to 15 points for a strong demonstration of project feasibility, focusing particularly on: extent to which the proposal appears to identify and address all the key hurdles to completion; demonstration that a Program grant award will lead to project construction start within 6 months of award date if awarded FY2019 funds, 12 months of the award date if awarded FY2020 funds and 24 months of the award date if awarded FY2021 funds, and probability of receiving HUD approval to convert to Federal Public Housing.

Applicants should provide a clear timeline illustrating key project development dates, including start and completion dates for relocation (if needed), key design milestone dates, and construction milestone dates (including bid date, NTP date and date of substantial completion), and HUD review and inspection dates

c. Leverage (10 Points)

Scoring for this criteria rewards Housing Authorities that have obtained non-state funding to leverage DHCD capital dollars for the proposed project and will be highest for those with demonstrable commitments of this funding. LHAs should also identify any other 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 that require relatively less state capital resources to complete the proposed rehabilitation will also be scored higher. Potential leverage sources include, but are not limited to:

- Community Preservation Act (CPA) funds
- Other locally-controlled funds (such as CDBG, HOME, local housing trusts, etc.)
- Revenue from lease or sale of surplus public housing land
- Utility energy efficiency funding through Energy Star or Low Income Multifamily Energy Retrofit programs
- State public housing Formula Funding grant funds

d. Ongoing Costs Deferred (25 points)

Applicants will earn up to 25 points for the degree to which the project will remove the need for state capital & operating funds and oversight. Applicants will be ranked and scored based off the current state subsidy for the units proposed for federalization, the expired component value of the units as of 7/1/2018. (See Attachment D) Proposals that transfer the entirety of an authority's state-funded portfolio to HUD funding will receive maximum points.

6. Application Process

1. Applications are due by 5:00 PM on Friday, November 9, 2018. Applications filed after that may be considered with priority falling below on-time applicants.

2. Submit an electronic copy of the application to: ben.stone@mass.gov
3. All Application must include the following to be considered complete and eligible for consideration:
 - a. A narrative cover letter briefly explaining why the proposed development is a strong candidate for Federalization. Letter must be signed by Chair of Board of Commissioners and Executive Director (2 page maximum);
 - b. Completed Application Form (Attachment C);
 - c. A board vote of application approval, as evidenced by a certified extract from the minutes of the board meeting;
 - d. 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 6.09 i](#)). If no letter can be obtained, then the LHA director may instead submit a letter certifying that tenants were offered the opportunity to be involved in setting the needs and priorities of the application.
4. LHAs selected by DHCD as finalists for consideration must schedule site visit with DHCD Architecture/Engineering and Facilities Management staff to assess capital needs, costs, and ability to conform to HUD guidelines before final award decisions are made. DHCD staff will assess requested scope against HUD guidelines, and will only recommend funding for scope needed to achieve federal standards. HUD approval will require that the property meets the physical condition requirements of HUD's Real Estate Assessment Center (REAC) inspection program, and may require permanent repairs or the replacement of building components that are necessary, to maintain and/or extend the life of the property.
5. All other inquiries regarding this NOFA should be made via e-mail and directed to: Ben Stone at ben.stone@mass.gov no later than 4:00 p.m., Friday, September 28, 2018. Inquiries should have a subject line entitled: "Modernization To Independence Program 2 - NOFA Inquiry". Any inquiries after such date will not be accepted. All inquiries and responses will be shared with all proposers on a regular basis during this NOFA process.
6. DHCD Plans to make awards by approximately Friday December 7, 2018.
7. PLEASE NOTE: ANY ADDENDA TO THIS NOFA WILL BE POSTED ON DHCD's WEBSITE AS ADDENDA TO THE ORIGINAL PUBLIC HOUSING NOTICE #2018-XX, which can be found here: <https://www.mass.gov/service-details/public-housing-admin-notices>
6. Email notification of the posting on DHCD's website of any new addenda to this NOFA will only be sent to housing authorities and any other interested parties who request to be placed on a NOFA contact list and who provide their name, address, email and phone contact information to Ben Stone at the email address noted above.

ATTACHMENTS:

Attachment A – Application Questions

Attachment B – For informational purposes: Links to relevant documents referenced in the NOFA

Attachment C – Application Form

Attachment D – Eligible Developments (excel)

Attachment E – Federalization Process

Attachment A

Application Questions:

Please provide thorough and concise narrative responses to each question

Scope of Work:

- a. Provide a summary of the proposed scope of work, including but not limited to:
 - i. The type and number of units of public housing (Chapter 200, 667, 705) that currently exist at the site.
 - ii. Confirmation that the completed project will provide the same number of affordable housing units as currently exist on the site, serve households of comparable sizes and income levels, and will be operated under HUD federal public housing laws, regulations and procedures. DHCD expects that the affordable housing units will retain the current unit mix in terms of the number of units, by bedroom size, that are available in the public housing development. If proposing to change this unit composition, please highlight this in your proposal and provide supporting details.
 - iii. Site plan illustrating the current layout of the development and also noting any proposed changes to the layout of the redeveloped site.
 - iv. Outline the proposed scope of work with the estimated cost of the scope items, including soft costs and relocation. Project scope and cost estimates should reference CPS if no other study has been performed.
 1. Describe why the proposed scope will ensure sustainability, long-term habitability and security of the development.
 2. Describe the choices that were made to ensure the scope of work is cost-efficient (i.e., it is sufficient but not excessive; good rehab value for the dollar).
 3. Describe how the scope of work will enable development to meet HUD standards for Federal Public Housing. The scope should include all work necessary to ensure that the property meets the physical condition requirements of HUD's Real Estate Assessment Center (REAC) inspection program, which may include additional repairs or the replacement of building components that are necessary, to maintain and/or extend the life of the property. Note: items not required to meet HUD standards will not be funded.
 - v. Describe any studies or evaluations that have been done to date to ensure the proposed design will thoroughly address the development's needs.

Project Feasibility

- a. Provide a clear timeline illustrating key project development dates, including projected dates for applying for and securing all necessary funding sources, prospective dates for HUD inspections and reviews, start and completion dates for relocation (if needed), key design milestone dates, and construction milestone dates (including bid date, NTP date and date of substantial completion). Timeline should demonstrate a feasible construction start date within 6 months of award date if awarded FY2019 funds, 12 months of the award date if awarded FY2020 funds and 24 months of the award date if awarded FY2021 funds.
- b. Provide a preliminary discussion of how you plan to approach tenant relocation, and the projected cost.
- c. Describe any other potential barriers (zoning, regulatory approvals, community, environmental, financial, etc.) to moving the project forward, and your plans and timeline to address them.
- d. Describe any potential difficulties with receiving HUD approval to federalize development.

Leverage

- a. Provide documentation of any funding commitments that are currently in place for the project.
- b. Describe other capital or operating funds you anticipate needing or obtaining, the amount you will be seeking, a timeline and process for acquiring the funding and an explanation of why you expect to be successful in obtaining the funds. Include any letters of intent or support from expected funders.

Ongoing Costs Avoided

- a. Describe the current level of state operating subsidy for the development
- b. Include the monthly rent due for the affected units.

- c. Describe the expired component total for the development, the formula funding per unit for the authority in FY19, and any recent state-funded capital projects on the development
- d. Note how many state funded units will remain at the Housing Authority
- e. Certify that the development will no longer be eligible for state operating or capital subsidy.

Attachment B: Relevant Documents

- **Faircloth Limit Unit Counts:** https://www.hud.gov/sites/dfiles/PIH/documents/Faircloth_List_11-30-2017.pdf
- **REAC Regulations:** https://www.hud.gov/program_offices/public_indian_housing/reac/products/prodpass
- **24 CFR Part 941:** <https://www.gpo.gov/fdsys/pkg/CFR-2011-title24-vol4/pdf/CFR-2011-title24-vol4-part941.pdf>
- **DHCD Design Guidelines:** <https://www.mass.gov/service-details/design-construction-guidelines-standards>
- **Sustainable Development Principles:** http://www.mass.gov/envir/smart_growth_toolkit/pdf/patrick-principles.pdf
- **Fair Housing Principles:** <https://www.mass.gov/files/documents/2017/11/03/2015-29-dhcd-fair-housing-principles-attachment-b.pdf>