



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

Charles D. Baker, Governor ◆ Karyn E. Polito, Lieutenant Governor ◆ Janelle L. Chan, Undersecretary

Public Housing Notice 2019-10

To: All Local Housing Authority Executive Directors

From: Amy Stitely, Associate Director, Division of Public Housing

Subject: Notice of Funding Availability - High Leverage Asset Preservation Program (HILAPP)

Date: April 17, 2019

1. Overview

Since launching the High Leverage Asset Preservation Program (HILAPP) in 2013, DHCD has awarded about \$53 M in grants to Local Housing Authorities (LHAs) that are forecasted to leverage more than \$70 M in outside funding. These investments will preserve 2,401 units of state-aided public housing. With the intention of building upon these successes, DHCD is now issuing an updated HILAPP Notice of Funding Availability (NOFA) and soliciting rolling applications and competitive applications, depending on size of requested award. . 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 resources.

Currently, DHCD has a full pipeline of HILAPP projects that will be in construction through Fiscal Year 2020 (FY20). DHCD is issuing this NOFA to start a **competitive** round for large projects and notify LHAs that applications will also be accepted on a rolling basis, subject to funding availability, for small projects until further notice.

DHCD has approximately \$3 M available in FY21 and \$5 M available in each of FY22 & FY23 for new HILAPP awards. Given project timelines and competing funding needs, applicants requesting large, competitively allocated awards should respond to this NOFA for funding in FY21-23.

Large projects are defined as those requesting \$500K or more of HILAPP Funds. Applications for large projects with construction spending in FY21-23 must be submitted by August 15, 2019.

Small projects are defined as those requesting less than \$500k of HILAPP funds. DHCD will review these on a rolling basis until further notice, subject to funding availability.

2. HILAPP Program Eligible Sources of Leverage:

The HILAPP program offers DHCD matching funds that leverage non-DHCD resources that LHAs have obtained. LHA will offer a maximum match of \$2.5 for every \$1 of leveraged funds that the LHA can contribute to the project. Applications that present a higher share of leveraged funds in the project will receive higher priority for funding, all else equal. This leverage ratio is a ceiling and DHCD is not obligated to fund HILAPP projects up to this maximum.

The following are eligible sources of leverage for HILAPP projects:

1. Community Preservation Act (CPA) funds granted by town;
2. CDBG or HOME funds allocated by town;
3. Affordable Housing Trust Funds;
4. Other municipal funds;
5. Proceeds from disposition or lease of LHA property;
6. LHA reserves **Other THAN** state public housing operating reserves;
7. Conventional mortgage financing (beyond Section 8 leverage, as described below);
8. Operating support (project-based Section 8);
9. Property tax relief, to the extent that it lowers existing PILOT payments;
10. Utility funding, including in-kind installations of energy saving measures through the LEAN Multi Family program of Mass Save - as in-kind energy installations are not direct project sources, the value of this leverage is only a maximum \$1 for every \$1 of in-kind energy efficiency measures
11. Other funding sources not included above or listed below as an ineligible sources will be evaluated on a case-by-case basis.

DHCD will require a commitment letter from the municipality for any funds allocated by the city or town for the requested project.

Ineligible sources:

1. **New Metering Credit (NMC) savings:** 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.
2. **9% and 4% Low Income Tax Credit Equity:** 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.
3. **LHA State Public Housing Operating Reserves:** 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. State public housing operating reserves may be used as a funding source for the project if reserves are at a healthy (>70%) level, but cannot count as a leveraged funding source that generates a multiple of DHCD funding.

- 4. Formula Funding:** While Formula funding or other DHCD public housing programs may be used as funding sources for the project, they cannot count as a leveraged funding source that generates a multiple of DHCD funding.

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.

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, 2016. Developments that have existing project-based Section 8 units are not eligible. Developments that have not yet been granted a HILAPP award, Emergency, ModPHASE award will be given priority for funding. Developments that have received more than \$1M in special funding since 2011 will not be eligible.

See Attachment B for a complete list of eligible developments.

Note that the list has not been significantly altered since the last call for applications in April 2016. This is because the data as of April 2016 was the most recently updated by the 2015 Facility Conditions Assessment (FCA).

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, or that conditions have deteriorated significantly from the 2015 assessment then the LHA may submit an appeal referencing the relevant CPS components along with the application for that development. DHCD will update the eligible list of developments in spring 2020 once the results of the 2019 Facility Conditions Assessment are known. The new list will be considered for the next round of competitive HILAPP Awards (large projects NOFA) with expected spending in FY24.

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 at least 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

There are different application processes for large and small projects, though both have the same application requirements:

Small Projects: Applications are accepted on a rolling basis, funding permitting.

Small projects are defined as those requesting less than \$500 K from the HILAPP program. These will be considered as they come into DHCD, subject to funding availability.

Large Projects: Competitive Award rounds

Large projects are defined as those requesting more than \$500 K from the HILAPP program. These will be evaluated on a competitive basis, and subject to funding availability and priorities. Some may not be funded or will be deferred past FY23.

- Applications Due: August 8, 2019
- Awards announced: mid September, 2019

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, the sources of funds, and why this capital need is a high priority for the LHA. Letter must be signed by the board chair and executive director (2 pages maximum);
- c) Resume(s) for key staff/ board overseeing the project;
- d) Project estimated budget. This budget should break out any requested or required accessibility work and provide the MAAB threshold calculation noted in Section 6: Grant Limits;
- e) Project proposed timeline;
- f) Interior and exterior photos of the property (12 maximum);
- g) Site plan (e.g. copy of assessor's map);
- h) Accompanying letters of intent and/or support from likely funding sources;
- i) A board vote of application approval, as evidenced by a certified extract from the minutes of the board meeting; and
- j) 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: dhcddesignsubmission@mass.gov. In the subject of the email, please write: 'HILAPP application'.

If you have questions on the HILAPP program, contact Ben Stone, by email at the ben.stone@mass.gov address above by May 8th. Answers will be posted as an addendum to this PHN on May 22nd.

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.

Costs of accessibility improvements should be included in project budget, though they may be funded through other DHCD capital grant programs. Applicants should note the number and percentage of accessible units in the development and LHA, as well as commenting on if the project cost is likely to exceed the Mass Architectural Access Board (MAAB) threshold for requiring the development to be made fully accessible¹.

The maximum award for a HILAPP project is \$70,000 per unit from DHCD. The projects will be evaluated for cost-effectiveness and those with lower-per unit costs may be more competitive, depending on capital needs.

DHCD reserves the right to limit or deny 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 “large grant” 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. Large projects will be scored competitively and ranked as part of the funding decision process:

Criteria	Minimum Points Needed	Maximum Points Available
Scope	10	20
Leverage	4	25
LHA Management Capacity	10	20
Community Need	5	15
Total Application Score Range	29	80

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.

¹ Threshold is for work exceeding 30% of replacement cost, with the replacement cost calculated at approximately \$74/square foot. Applicants should calculate whether work is near the threshold by calculating and recording in the application the estimated construction cost/(\$74x total square footage of all buildings in the development) The total square footage for the development can be found in CPS.



- 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 \$0.40 for every DHCD dollar (score a minimum of 4 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. Where appropriate, the review team will consult historical data to assess LHA capacity. Management Capacity will be demonstrated by:

- i. Performance Management Review (PMR) Findings
- ii. Agreed Upon Procedures (AUP) Findings
- iii. Compliance with DHCD reporting requirements not covered by PMR:

- Budget Submissions and Certifications
- Board Training
- Board Attendance

d. High Level of Community Need (15 points; minimum score of 5 required)

Projects can earn up to 15 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.

10. Critical Dates

April 17, 2019 – NOFA Issued

May 8, 2019 – Questions on NOFA due to ben.stone@mass.gov

May 22, 2019 – Answers posted as addendum to PHN

August 15, 2019 – Applications Due for Competitive (large project) awards

Late September, 2019 – Competitive Funding Awards

April, 2020 (estimate) – Revised NOFA with updated development list with data form 2019 FCA, and announcement of next competitive funding round (if funds available)

11. Attachments

Attachment A: HILAPP Application

Attachment B: Eligible Developments