



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

Charles D. Baker, Governor ♦ Karyn E. Polito, Lt. Governor ♦ Jennifer D. Maddox, Undersecretary

ADDENDUM #11 to Public Housing Notice 2019-14

To: All Local Housing Authority Executive Directors
From: Ben Stone, Associate Director, Division of Public Housing
Subject: Public Housing Innovations NOFA – Update to Q & A
Date: March 2, 2020

Notice of Funding Availability - Public Housing Innovations (PHI)

**Partnership to Expand Housing Opportunities
(PEHO) Round II**

Update to Q & A: DHCD has issued the following answer to the questions received below:

Q: What expenses are included in what the Allowable Non-Utility Expense Level (ANUEL) will pay for? Are items like management fee and replacement reserve deposits included in ANUEL?

A: The DHCD-published ANUEL is the guaranteed revenue level available to offset the project's non-utility operating expenses, including the state-aided public housing unit's proportionate share of any project-wide operating expenses. This revenue level is calculated on a per-unit basis. The project's operating expenses should be reasonable and necessary. These expenses include reasonable management fees and replacement reserve deposits.

Q: Can the local housing authority/developer share in any reduction in the owner-paid utility portion of operating expenses?

A: It depends. Page 7 of the NOFA states that *"DHCD will commit to maintaining the public housing operating subsidy at current levels for the replacement public housing units."* With this in mind, DHCD will consider offsetting owner-paid utility cost savings achieved through energy efficiencies with a risk-adjusted increase to the ANUEL to the extent that DHCD is confident the state subsidy will remain net-neutral over time (see Number 9 of the Commonwealth's Sustainable Development Principles for examples of meaningful energy efficiencies). The proposed utility costs should be reasonable and modeled on data and trends from comparable, stabilized projects and systems already in service. DHCD may request supporting documentation in this regard, and, in addition, expects that other financing sources confirms the appropriateness of the utility cost estimates.

Q: Is there a minimum amount of market rate housing (as a percent of total development) that DHCD expects to see in PEHO II proposals?

A: No. However, DHCD does expect that the proposal's market rate component will generate significant value in excess of their own development costs to provide a strong amount of cross-subsidy to help fund the replacement of the state-aided public housing units. Since the purpose of this program is to generate the maximum dollars to help fund the replacement of the state public housing units, this usually requires the development of at least two market rate units for each public housing unit, depending on the market.

Q: How would DHCD compute the value of any tax credit funding in terms of the \$250,000 per unit cap; would this be the credit allocation?

A: DHCD will include the value of the projected equity raised from the tax credit allocation within this \$250,000 per state-aided public housing unit cap.

Page 4 of the NOFA states: *"Final awards will be limited by a cap of \$250,000 per state-aided public housing unit in total eligible state-controlled capital resources (inclusive of the PEHO award, as well as any Moving to Work, MassWorks, Low Income Housing Tax Credits, and/or 40R incentives); however, applications will be more competitive if they require less state capital subsidy per unit and can generate a larger cross-subsidy from market rate production."*

Q: Does DHCD require that a resident of the development being considered for a PEHO II grant sit on the LHA's committee to evaluate and select its developer partner?

A: No. However, the LHA must comply with the requirements of the tenant participation regulations at 760 CMR 6.09, with particular attention to 6.09(3)(i) and 6.09(4), as well as related requirements at 760 CMR 11.

GENERAL NOTICE: Prospective applicants should review the original NOFA, all addenda and all related attachments to the NOFA before drafting their applications for funding. All documents can be found at: <https://www.mass.gov/service-details/public-housing-admin-notices> under the heading "2019-14 Public Housing Innovations (PHI)."

If you have additional questions about the NOFA, please submit them via email to ben.stone@mass.gov and paul.mcpartland@mass.gov.