



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

Charles D. Baker, Governor ♦ Karyn E. Polito, Lt. Governor ♦ Janelle Chan, Undersecretary

**ADDENDUM #3 to Public Housing Notice 2019-14**

To: All Local Housing Authority Executive Directors

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

Subject: **ADDENDUM #3 – Public Housing Innovations (PHI) Notice of Funding Availability Q&A Update**

Date: August 20, 2019

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**Notice of Funding Availability - Public Housing Innovations**

**A. Partnership to Expand Housing Opportunities (PEHO) Round 2  
B. Gateway Cities Revitalization**

**ADDENDUM #3 – UPDATE TO Q&A**

Through this notice, DHCD is sharing written answers to all questions that have been submitted since the July 10<sup>th</sup> bidder's conference regarding the Public Housing Innovations (PHI) Notice of Funding Availability (NOFA) which was posted on May 15th, 2019 ([PHN 2019-14](#)). Prospective applicants should review this document and the original NOFA before drafting their applications for funding. PHI funding applications are due by 4 pm on Wednesday, December 11th, 2019. If there are additional questions about the NOFA, please submit them via email to [ben.stone@mass.gov](mailto:ben.stone@mass.gov) and [paul.mcpartland@mass.gov](mailto:paul.mcpartland@mass.gov).

**PLEASE NOTE:** Along with this addendum, the department has uploaded a new version of the Draft Developer RFP for PEHO. The only change is to include the fee proposal within the competitive evaluation criteria, and to specify that a portion of the fee must go to pay the Local Housing Authority for its asset management responsibilities.

**Partnership to Expand Housing Opportunities 2 (PEHO 2)**

1. **What is the scope for the technical assistance on offer from DHCD and MHP to prospective PEHO applicants?**

The technical assistance is principally to assess feasibility of the development in question for redevelopment as a denser, mixed-income project, based on site characteristics and local market conditions. DHCD and/or MHP may also provide some limited assistance for the LHA in drafting a Request for Proposals, but we suggest the LHA start with the template RFP as set out in PHN 2019-14.

**2. Can PEHO be used at c. 667 elderly developments?**

The PEHO program is open to all state-funded public housing developments, but DHCD has not figured out how meet the programmatic goals of using market rate development to subsidize the replacement costs of public housing without an increase to the operating subsidy. The extremely low current c. 667 operating budgets (\$3,134/unit plus the actual cost of utilities) are far below what affordable housing underwriters require to finance a deal, which is likely at least in the \$7-8000/unit range. Other than project-basing Sec. 8 or MRVP subsidies, we have not identified a feasible way to bridge that substantial gap. Additionally, high market rent conventional housing developments restricted to seniors is generally much harder to market than housing that is not age-restricted, so the feasibility is challenging.

**3. Can the PEHO project include additional subsidized family or workforce units, beyond the public housing replacement units?**

Generally these units either require additional resources (always in the case of subsidized units) or at best the rents are only able to support their own development costs (in the case of the workforce units). The total subsidy per public housing replacement unit for this program is capped at \$250,000/unit. Since the purpose of this program is to generate the maximum dollars to help fund the replacement of the state public housing units, which usually requires the development of at least 2 market rate units for each public housing unit, we generally don't encourage the creation of additional affordable or workforce units. However, in very strong rental markets, a workforce component might be feasible and perhaps politically helpful in getting project approval. In any case, the most financially feasible projects will have the best chance of getting funding.

**4. Can I issue an RFP that lets the developer choose from a list of my possible developments, rather than asking them to focus only on one particular site?**

This proposal presents several challenges. A request for qualifications (RFQ) could be structured this way. However, since this NOFA requires an application to have procured a developer as well as provided for property disposition, applying authorities must go through the Request for Proposals (RFP) process and make a preliminary disposition of property. See MGL c. 30B, sec. 16 - <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIII/Chapter30B/Section16>. Additionally, it will be difficult to competitively evaluate different proposals for various sites.

DHCD may consider a two-step RFQ and RFP process in the future, but for this funding round we encourage housing authorities to issue RFPs on a site-by-site basis, using the template provided.

**5. Will DHCD consider extending the application deadline from its current December 11<sup>th</sup> date?**

The department will decide whether to extend the deadline by early September. Our preference is to maintain the deadline in order to secure a pipeline of PHI projects that matches with our funding availability in Fiscal Years 2022, 2023, and 2024. Please let [ben.stone@mass.gov](mailto:ben.stone@mass.gov) and [paul.mcpartland@mass.gov](mailto:paul.mcpartland@mass.gov) know if you are considering responding to this NOFA, and if so, when you plan to issue an RFP.