



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

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

PHN 2021-08

To: All Local Housing Authority (LHA) Executive Directors
From: Ben Stone, Director, Division of Public Housing
Re: Public Housing Innovations, Round II Notice of Funding Availability
Date: May 10, 2021

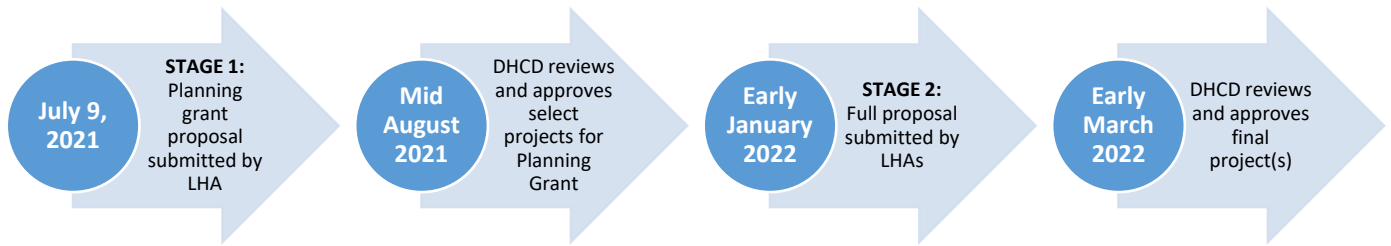
I. Program Description

The Public Housing Innovations Notice of Funding Availability (Innovations II NOFA) offers an updated program for Local Housing Authorities (LHAs) to request funds for the transformation of state-aided public housing developments. These programs are authorized by the Public Housing Innovations Demonstration Program (PHIDP) as enacted in the 2008, 2013, and [2018 Housing Bond Bills](#) and defined by regulation in [760 CMR 63](#). The Innovations program provides for awards that fund rehabilitation and redevelopment of public housing, using innovative methods including, but not limited to, mixed-income redevelopment including market-rate production, alternate funding sources with new management or capital structures potentially including affordable housing production, or conversion to federal public housing. The goal of the program is to develop and promote innovative and cost-effective means of modernizing public housing and preserving it for the long term while reducing or eliminating the need for future state-funded capital and/or operating subsidies for the development.

II. Available Funds

DHCD public housing is making up to \$30 M available through this NOFA from Fiscal Year (FY) 2023-26 from the Public Housing Innovation Demonstration Program (PHIDP). These funds will be awarded through a two-stage application process. At the end of Stage 1, DHCD will award planning grants of up to \$50,000 for the applicant to establish baseline feasibility for the project and develop a complete final application for submission in Stage 2. This will include funding for legal, engineering, environmental, zoning, permitting and other feasibility work coordinated by Mass Housing Partnership (MHP). DHCD will issue the Stage 2 application and detailed scoring metrics as addendums to this NOFA and will make preliminary capital awards of up to \$15,000,000 overall /\$250,000 per unit following review of full Stage 2 proposals. Full capital funding will not be released until the projects reach financial closing.

III. Program Timeline



IV. Program Details

Public Housing Innovations II will provide up to a maximum of \$15 million per development/\$250,000 unit in planning, design, and construction funding to LHAs proposing to redevelop their state-aided public housing development(s) such that it reduces or eliminates the need for DHCD funded capital and/or operating costs in perpetuity. The goal of this program is to physically revitalize and financially stabilize state-aided public housing developments, ensuring their long-term viability while also allowing existing state capital and operating funds to be more effectively used on the smaller remaining statewide portfolio.

The redevelopment goals set forth in this NOFA to physically revitalize and financially stabilize state-aided public housing may be achieved in a number of different ways. Models include but are not limited to the following:

- Mixed-finance: Leveraging public and private resources into the project's capital sources.
- Mixed-income: Intermixing public housing units with non-public housing units; including, other low-income housing and/or market rate housing units.
- Federalization: Converting eligible state-funded family and elderly developments to federal funding and oversight at LHAs that have capacity to federalize units under the HUD Faircloth limit.

DHCD will review all Stage 1 Proposals that pursue the goals of this NOFA, and proposals can combine the above models or suggest alternative concepts.

All proposals must adhere to the following rules:

Project Requirements:

- 1:1 replacement of all state-aided public housing units with equivalent permanently affordable units in perpetuity; reduction of deeply affordable units will not be considered.
- Chapter 200, 667, and 705 developments are eligible. Ch. 689 are not eligible.
- Projects proposing the creation of new units must have leveraged funding sources. Public Housing capital funds will not be available for construction of non-public housing units or for expansion of the number of public housing units, except that those that meet the conditions set out in [PHN 2019-20](#).
 - Acceptable sources of leveraged funding include:
 - State LIHTC (must be requested through [Affordable Housing Competition for Rental Projects](#))
 - 4% LIHTC with tax-exempt bond financing through MassHousing or MassDevelopment
 - Private equity
 - Private debt
 - DHCD Soft Debt: a *limited* amount of DHCD Development funding may be available to fund proposed production of net-new affordable units. LHAs must apply through the [Affordable Housing Competition for Rental Projects](#) ("rental round").

- Local HOME/CDBG
- CPA
- Section 8 vouchers controlled by the Housing Authority. Projects that restrict use of section 8 to net-new affordable units will be scored more favorably.
- MassWorks
- Other funds, on a case-by-case basis
- Project Budgets should **not** include:
 - State HOME/CDBG funds
 - HDIP
 - 9% LIHTC
- Projects contemplating the inclusion of state LIHTC or Housing Development soft debt should be aware that the Rental Round in DHCD's Division of Housing Development accepts pre-applications in October and full applications in January, with awards made in the Spring. LHAs should only apply for these funds if they are proposing a significant number of new income-restricted units, and should be aware this funding is highly competitive.
- Projects must demonstrate achievement of long-term financial stability that reduces or eliminates the need for future DHCD public housing capital funding.
- Projects proposing a new ownership structure must ensure that property management structure preserves public housing affordability and long-term tenant protections in perpetuity for residents in replacement units.
- Project should assume that Prevailing Wage will apply on entire project, including any possible construction of market-rate units. In prior projects, the project teams have filed successful Home Rule petitions which alleviated Ch. 149 requirements, but **not** prevailing wage requirements. Application should address whether project will follow c.149 or will pursue a home-rule petition, factoring that decision into costs and timelines.

Use of Funds:

- Public Housing Innovations grant funds may only be used for state-aided public housing projects undertaken pursuant to clause (j) of [section 26 of 121B](#);
- Planning grant funds must be expended with Mass Housing Partnership or other DHCD –approved consultants;
- Up to 10% or \$1M, whichever is less, of final capital award may be spent on a reimbursement basis in advance of closing on predevelopment costs in mixed-finance projects, including feasibility, design, legal work, and resident engagement; however, DHCD will only make the balance of the capital award available upon financial closing of the project.

Stage 1 Proposal Requirements

Stage 1 Proposals are due to DHCD by July 9, 2021. They should be no longer than 10 pages, and must include descriptions of the following:

Scope	Cost	Team	Other Project Benefits as applicable
<ul style="list-style-type: none">•Description of development and current conditions• Proposed scope and concept of project•Anticipated Relocation needs•Feasibility issues to be addressed•Schedule of major project milestones•If applicable, description of new ownership structure	<ul style="list-style-type: none">•Cost estimate based on CPS components, RS Means, or consultant•Financing plan outline, including proposed funding sources, dates for application and expected award of leveraged funding•Itemized list of expenses to be paid with Planning Grant	<ul style="list-style-type: none">•Experience of current team members•If applicable: description of plan and timeline to procure developer partner	<ul style="list-style-type: none">•Sustainable design components.•Resiliency to climate change hazards•Net-new affordable units•New market rate units•Economic Mobility and Neighborhood Revitalization•Accessibility and community amenities

LHAs should also submit extracts of board meeting minutes with board vote in support of the Stage 1 Proposal.

Stage 2 Proposal Requirements

Projects that are awarded a Planning Grant in Stage I will be expected to submit a full project proposal as part of Stage II unless the analysis and testing funded by the Planning Grant shows that the project is infeasible due to legal, engineering, environmental, zoning, permitting, financial or other obstacles.

Proposals that include a mixed-income or mixed-finance component will be required to procure a developer partner pursuant to a c. 30B-compliant RFP or RFQ process by time of final application. The developer should have demonstrated success in developing affordable housing, and if the project includes market rate housing the developer should have experience with developing mixed-income communities. The RFP or RFQ must specify that the LHA intends to dispose of the property at a cost exceeding \$35,000, and that it will comply with the requirements of M.G.L. c. 30B, Sec. 16. The LHA will need to secure a 3rd party valuation of the parcel before final disposition.

A Stage 2 proposal must include a fully completed Application form that will be released at time of planning grant award and all requested attachments. Proformas must be provided in excel format. LHAs may consider using the "[OneStop](#)" excel template for proformas.

V. Application Process

Stage 1:

- Stage 1 proposals are due to DHCD by 4pm on July 9, 2021.
- Stage 1 proposals must be submitted through [COMMBUYS](#) using bid solicitation number **BD-21-1076-OCDD-OCDD01-62410**. See instructions for responding through COMMBUYS at this [link](#).
- All inquiries regarding this NOFA should be made via e-mail and directed to Fatima Razaq at Fatima.Razaq@mass.gov. Inquiries should have a subject line entitled: "Public Housing Innovations II NOFA Inquiry". All inquiries should be received by May 31, 2021 at 4PM. A final Q&A will be posted by June 11, 2021 at the latest.
- DHCD will review Stage 1 proposals and evaluate at our discretion based on the extent to which the Stage 1 proposal meets the overall intent of the NOFA and funding availability. DHCD will approve no more than 5 projects for a Planning Grant by mid-August 2021.

Stage 2:

- Projects selected for a Planning Grant will work with staff at Massachusetts Housing Partnership (MHP) and third party consultants approved by MHP on a feasibility analysis of the project, in preparation for the final Stage 2 application. This work will be funded by the Planning Grant, and DHCD will facilitate that working relationship between Applicants and MHP.
 - NOTE: LHAs may request a waiver from this process if (1) they are submitting a Simple Federalization Proposal for which a modified Stage 2 application may be permitted as described below or (2) they believe they have already conducted sufficient legal, engineering, environmental, zoning, permitting and other predevelopment testing and analysis to be able to demonstrate project feasibility in their Stage 2 application.
- Bidder's Conference to take place via video conference in early September 2021. DHCD will post an addendum to this NOFA with a link to the meeting.
- The projects selected for a Planning Grant will submit their full project proposal by early January. Exact deadline will be announced at time of planning grant awards.
- Proposals must be submitted via e-mail to Shanna.Redmond2@mass.gov
- DHCD will review proposals against the scoring criteria below and approve 1-5 projects, depending on projected cost and funding availability, for Stage 1 awards by mid August 2021. DHCD will issue more detail on implementation grant scoring criteria and release a full Stage 2 application on or before the date that DHCD announces awards of planning grants .

Simple Federalization Proposals

LHAs proposing simple federalization projects should submit a Stage 1 Proposal for DHCD's review. For the purposes of this NOFA, a simple federalization project is defined as having a moderate rehab scope of under \$100,000/unit and \$5M total, no private development partner, and no mixed-finance components or proposals for a RAD conversion. Based on the proposed scope, while such projects will need to submit a Stage 1 application, they may not be required to complete a full feasibility analysis with MHP before receiving a final award. Federalizations involving mixed-finance and/or a RAD conversion will be expected to submit a full feasibility analysis as part of their Phase 2 application.

Additional Application Info:

- LHAs must submit supporting documentation to verify information set forth in their application. The extent to which an application provides such verifying documentation, and its quality, will be taken into account in scoring.
- It is the responsibility of the applicant to ensure that its application is received by DHCD. Please be aware of file sizes. If your proposal is too large to submit via email, please host it on a file-sharing site and share

the link with us by the deadline. All applications will be logged as to date and time received and kept on file as public record.

- DHCD reserves the right to request additional information from the applicant or external sources as may be necessary in order to complete the application review.
- PLEASE NOTE: ALL FUTURE ADDENDA TO THIS NOFA WILL BE POSTED ON DHCD'S WEBSITE AND COMMBUYS AS ADDENDA TO THIS ORIGINAL PUBLIC HOUSING NOTICE, which can be found [here](#).

VI. Scoring Criteria for Stage 2

Applications will be reviewed to determine overall consistency with the goals of the Innovations II Program and with DHCD goals and objectives. Applications will only be scored if they meet the project requirements listed on page 2. DHCD will release more detailed scoring information on or before the date that DHCD announces awards of planning grants. This information will not change the below criteria, but will describe how points will be allocated within each category.

PROJECT FEASIBILITY: SCOPE AND COST | 35 POINTS

- Extent to which the project demonstrates vision, reasonable scope, and cost. Extent to which project meets goals of PHIDP program (760 CMR 63.03).
- Current Physical Condition; extent to which project would address capital needs at development, as demonstrated by Capital Planning System (CPS) Facility condition index or other metrics.
- Consideration will be made for the utilization of public and private sources of funding, more favorably scoring projects that minimize the use of funds administered by all Divisions of DHCD.

ONGOING COSTS DEFERRED | 20 POINTS

- Extent to which the project will remove the need for state capital and/or operating funds. Applicants will be ranked and scored based off the current state subsidy for the units and the expired component value of the units as of 7/1/2020.
- Projects that propose to include LHA-controlled project based vouchers of any kind will be allowable, but scores will be negatively impacted on a sliding scale depending on percentage of vouchers to total units. There is no penalty for proposing project-based vouchers for net-new units. Projects may not assume availability of DHCD-controlled project-based vouchers of any kind.

OTHER PROJECT BENEFITS | 20 POINTS

- Net-new affordable units
- New market rate units
- Economic Mobility and Neighborhood Revitalization
- Accessibility and community amenities
- The extent to which the project includes sustainable design components.
- The extent to which project design promotes resiliency to climate change hazards.

READINESS TO PROCEED | 15 POINTS

- Applicants should demonstrate project feasibility, focusing particularly on: extent to which the proposal appears to identify and address all the key hurdles to completion; applicant must input development schedule timeline dates that demonstrate the ability of the project to begin construction within 24 months of award.

- Applicants should provide a clear timeline illustrating key project development dates, including: start and completion dates for relocation (if needed), expected leveraged funding application and commitment dates, confirm zoning compliance or expected timeframe for receipt of zoning relief, key design milestone dates, and construction milestone dates (including bid date, NTP date and date of substantial completion), and if applicable, HUD review and inspection dates.

TEAM CAPACITY | 10 POINTS

Scoring Criteria:

- Management and organizational capacity is vital for a successful project. DHCD will review and make determinations at its discretion. Review includes:
- LHA experience with other large capital projects
- LHA's current pipeline of major capital projects
- PMR and AUP findings
- Development partner resume and experience (if applicable)