



Commonwealth of Massachusetts EXECUTIVE OFFICE OF HOUSING & LIVABLE COMMUNITIES

Maura T. Healey, Governor ♦ Kimberley Driscoll, Lieutenant Governor ♦ Edward M. Augustus, Jr., Secretary

Public Housing Notice 2023-10

To: All Local Housing Authority Executive Directors

From: Fatima Razzaq, Director, Bureau of Housing Development and Construction

Subject: High Leverage Asset Preservation Program (HILAPP) Updates

Date: July 19, 2023

Link to Application: <https://massgov.formstack.com/forms/hilapp>

1. Overview

Since launching the High Leverage Asset Preservation Program (HILAPP) in 2013, EOHLC has awarded about \$80 M in grants to Local Housing Authorities (LHAs) that are forecasted to leverage more than \$90 M in outside funding. With the intention of building upon these successes, EOHLC is now issuing an updated HILAPP Notice of Funding Availability (NOFA) and soliciting rolling applications. 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. Leverage as much capital as possible from sources other than EOHLC resources.

2. HILAPP Program Eligible Sources of Leverage:

HILAPP offers EOHLC matching funds that leverage non-EOHLC resources that LHAs have obtained. EOHLC 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 being equal. This leverage ratio is a ceiling and EOHLC is not obligated to fund HILAPP projects up to this maximum. All awards remain subject to funding availability.

The following are eligible sources of leverage for HILAPP projects:

1. Community Preservation Act (CPA) funds granted by municipality;
2. CDBG or HOME funds allocated by municipality;
3. Affordable Housing Trust Funds;
4. Other municipal funds, such as municipal ARPA funds;
5. Proceeds from disposition or lease of LHA real property;
6. LHA reserves OTHER THAN state public housing operating reserves;

7. Conventional mortgage financing ;
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; and
11. Other funding sources not included above or listed below as ineligible sources will be evaluated on a case-by-case basis.

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

Ineligible sources:

1. Net Metering Credit (NMC) and other Solar Power savings: These credits and savings cannot count as a leveraged funding source. However, 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 EOHLC will consider the loan as eligible leveraged funds.
2. 9% and 4% Low Income Tax Credit Equity: While LHAs may wish to consider tax credits as a funding source for their projects, such equity cannot count as a leveraged funding source. Note: Any LHA that wants to pursue a Low Income Housing Tax Credit development project should contact the EOHLC Redevelopment Specialist 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.
4. Formula Funding: While Formula funding or other EOHLC public housing programs may be used as funding sources for the project, they cannot count as a leveraged funding source.
5. Legislative or state ARPA Earmarks: Because these funds are awarded through the State's budget, they do not qualify as external, leveraged funding sources

3. Eligible Activities

PLEASE NOTE: In order to be considered for an award, applying LHAs must be up to date with all EOHLC reporting, capital planning, and certification requirements.

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 EOHLC 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-new additional units.

4. Application Process and Requirements

Applications are accepted on a rolling basis and awarded as funding permits.

Applications must be submitted online at this link: <https://massgov.formstack.com/forms/hilapp>

Application must include the following required uploads:

1. 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;
2. A detailed construction budget. For projects requesting \$500,000 and above, construction estimates must be produced using estimating software or by a professional cost estimator or licensed designer;
3. A commitment letter for the external funding source;
4. A board vote of application approval, as evidenced by a certified extract from the minutes of the board meeting; and
5. 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(4)(a)(3)). If no letter can be obtained, then the LHA director may instead submit a letter certifying that tenants were notified of the LHAs proposed plans and provided with an opportunity to provide comments.

If you have questions on the HILAPP program, contact Avalon McLaren at Avalon.Mclaren@mass.gov

5. Grant Limits

Awards will vary in amount according to project scale and complexity and availability of funding.

Costs of accessibility improvements should be included in project budget, though they may be funded through other EOHLC 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 accessible.

The maximum award for a HILAPP project is \$100,000 per unit from EOHLC. The projects will be evaluated for cost- effectiveness and those with lower-per unit costs may be more competitive, depending on capital needs.

EOHLC reserves the right to limit or deny HILAPP funds per project and/or applicant.

6. Technical Assistance

In the situation where an LHA needs technical assistance with finalizing the scope of work and/or solidifying leverage sources, they should reach out to their RCAT project manager. For LHAs not in the RCAT program, please reach out to Avalon McLaren at Avalon.Mclaren@mass.gov to discuss support EOHLC may be able to provide.

7. Evaluation Criteria

Applications will be reviewed as they are received. Awards will be made to applicants that confirm receipt of eligible leveraged funding sources and address pressing capital needs that cannot otherwise be accommodated through formula funding. Awards are dependent on EOHLC's funding availability. Eligible LHAs must be in good standing with all EOHLC reporting and evaluations, including: PMR, AUP, CIP and Annual Plan.

8. Other Information

While the program is intended to be rolling, EOHLC may issue calls for applications should additional funding or significant new sources of leverage become available. In those instances, the below competitive evaluation criteria will apply.

9. Competitive Evaluation Criteria

Criteria	Maximum Points
Scope	25
Leverage	25
LHA Management Capacity	10
Community Need	10
Total Application Score	70

a. Scope (25 points)

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 EOHLC Design and Construction Standards. Projects will earn up to 25 points for this category.

- Up to 15 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).

a. Leverage (25 points)

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 timeline 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 EOHLC capital funds will earn 20 points. 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
- LHA State Public Housing Operating Reserves
- Grants from state funded programs that are managed by other divisions of EOHLC
- Tax credit equity Projected sources of income that are not available at the time of project construction, such as Net Metering Credit savings.

a. LHA Project and Property Management Capacity (10 points)

Applicants will earn up to 10 points for a high level of development and management capacity relative to the requirements of the proposed project.. 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 EOHLC reporting requirements not covered by PMR:
 - Budget Submissions and Certifications
 - Board Training
 - Board Attendance

a. High Level of Community Need (10 points)

Projects can earn up to 10 points for a high level of community need for the housing. 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 applicant.