PHN 2023-19

To: All Local Housing Authority (LHA) Executive Directors
From: Ben Stone, Director, Division of Public Housing
Document Name: Public Housing Innovations 2024 Notice of Funding Availability
COMMBUYS BID Number: BD-24-1076-OCDDE-PH005-94091
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Please Note: This is a single document associated with a complete Bid (also referred to as a Notice of Funding Availability (NOFA), Procurement, or Solicitation) issued by the Executive Office of Housing and Livable Communities (Executive Office, EOHLC, or HLC) that can be found on COMMBUYS (www.COMMBUYS.com). All Bidders (also referred to as Respondents or Applicants) are responsible for reviewing and adhering to all information, forms and requirements for the entire Bid, which are all incorporated into the Bid. Bidders may also contact the OSD Help Desk Helpdesk at OSDHelpDesk@mass.gov or the OSD Helpline at 1-888-MA-STATE. The Helpline is generally staffed from 8:00 AM to 5:00 PM Monday through Friday Eastern Standard or Daylight time, as applicable, except on federal, state and Suffolk County holidays.

The terms of 815 CMR 2.00, State Grants, Federal Grant Awards, Federal Subgrants and Subsidies are incorporated by reference into this NOFA. Contract and fiscal requirement terms used in this NOFA shall have the meanings defined in 815 CMR 2.00.

I. Program Description

The Public Housing Innovations Notice of Funding Availability (PHI 2024 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 producing net-new housing units and reducing or eliminating the need for future state capital and/or operating subsidies for the development.

Beginning with the PHI 2024 NOFA, EOHLC will offer annual funding rounds for public housing redevelopment, aligned approximately with the recurring timeline for the Housing Development "Winter Rental Round."

II. Program Updates

This notice makes the following program updates:

- This NOFA establishes this program as an annual, recurring funding round moving forward- subject to funding availability. EOHLC believes this predictability will allow LHAs to plan for redevelopment projects more effectively and help EOHLC build a sustained pipeline of projects.
- The PHI funding program will offer all related funding from the Divisions of Public Housing and Rental Assistance through one application. This includes, but is not limited to: PHIDP funding, Moving to Work (MTW) funding, and Massachusetts Rental Voucher Program (MRVP) and Housing Choice Voucher (HCV) project-based vouchers (PBVs).
- EOHLC is aligning the timeline of this NOFA with the Division of Housing Development's Winter Rental Round so that we may better coordinate our funding on awarded projects. Projects submitted through this NOFA that require resources awarded through the Rental Round must submit applications to **both** NOFAs so that the Divisions may review the funding as a package.

III. Available Funds (2024)

- Up to $10M in PHIDP capital funds;
- Up to $15M in Moving to Work funds*;
- Up to 75 MTW Housing Choice Vouchers*; and
- Up to 25 MRVP vouchers.

All contracts and awards are subject to the availability of funding and the Commonwealth Bill Paying policy.

LHAs may request up to $300,000 per replacement public housing unit. Note that EOHLC will consider each PBV equivalent to $250,000 in capital awards for purposes of comparing applications. Full funding will not be released by EOHLC until the projects have reached financial closing, however up to 10% or $1,000,000 (whichever is less) may be accessed in advance of closing to fund pre-development activities. These pre-closing disbursements are made at the discretion and approval of EOHLC.

While these limits apply to funds awarded through this NOFA, EOHLC will review total funding requests across the Public Housing and Housing Development NOFAs, and will prioritize projects that minimize draw on state-administered resources, including tax credits and soft debt.

We anticipate funding one to two major redevelopment projects through the PHI 2024 funding round.

Please see: https://www.hud.gov/sites/documents/PIH2011-45.PDF Note that projects receiving MTW funds must follow federal parameters and guidelines related to local non-traditional activities as set forth in the U.S. Department of Housing and Urban Development (HUD) PIH Notice 2011-45 including, but not limited to, Davis-Bacon wages, federal Fair Housing and Equal Opportunity statutes, HUD site and neighborhood standards and regulations, subsidy layering review where vouchers or Low Income Housing Tax Credit (LIHTC) are involved, and HUD Section 3 requirements. Sponsors must agree to provide information requested by EOHLC and/or HUD on the use of MTW funds and compliance with federal requirements, including information required by EOHLC to prepare MTW Annual Plans and Reports.

IV. Program Timeline

Pre-Applications due: Friday November 24, 2023 at 5pm

Final Applications due: Thursday February 15, 2024 at 5pm

Awards made: Spring 2024

V. Program Details

Public Housing Innovations 2024 will provide up to a maximum of $300,000 per 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 EOHLC 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. EOHLC will only consider projects that propose to add additional housing units in the course of the redevelopment, whether affordable or market rate.

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. This can include Faircloth to Rental Assistance Demonstration (RAD) conversions.

EOHLC will review all 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:

- As part of the redevelopment, all state-aided public housing units must be replaced on a 1:1 basis with equivalent permanently affordable units in perpetuity; reduction of deeply affordable units will not be considered. (As stated above, EOHLC will only consider projects that propose to add additional housing units in the course of the redevelopment, whether affordable or market rate.)
- Chapter 200, 667, and 705 developments are eligible. C. 689 housing is not eligible.
- Project design must adhere to the EOHLC Design Guidelines for New Construction. Waivers may be granted on a case by case basis, subject to EOHLC discretion.
- Projects must include net-new housing production. These new units should be funded primarily with sources outside this NOFA. Public Housing capital and MTW Reserve funds will not be available for construction of non-public housing replacement units or for expansion of the number of public housing units, except those that meet the conditions set out in PHN 2019-20. Applicants may request project-based vouchers through this NOFA to support the production of new units.
    - Acceptable sources of leveraged funding include:
        - State LIHTC (must be requested through the Affordable Housing Competition for Rental Projects)
        - 4% LIHTC with tax-exempt bond financing through MassHousing or MassDevelopment
        - Private equity
        - Private debt

        - EOHLC Soft Debt: a limited amount of EOHLC 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/Community Development Block Grant (CDBG)
        - CPA
        - HCV vouchers controlled by the Housing Authority. Projects that restrict use of HCV to net-new affordable units will be scored more favorably.
        - MRVP or HCVs awarded through this NOFA; these will be prioritized for LHAs that cannot project-base a sufficient number of their own vouchers.
        - 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 EOHLC's Division of Housing Development accepts pre-applications in November and full applications in February, 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 EOHLC public housing capital funding.
- Projects that propose turning the existing state-aided public housing units over to a federal subsidy (i.e. federal Section 8 Vouchers, or a RAD conversion) should note that the units will no longer be subject to EOHLC oversight and funding, and will be considered Federalized per S34 of MGL121b.
- 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 the entire project, including any possible construction of market-rate units. Proposals requesting use of MTW funds should note that the project must then include Davis Bacon wages and will also be subject to a HUD Environmental Review, Subsidy Layering Review, and other requirements in accordance with HUD PIH Notice 2011-45.
- Project should incorporate procurement flexibilities granted through Chapter 268 of the Acts of 2022, as summarized via PHN 2023-04.

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;
- 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, EOHLC will only make the balance of the capital award available upon financial closing of the project.

Pre-Application Proposal Requirements

Pre-Application Proposals are due to EOHLC by November 24, 2023. They should be no longer than 10 pages, and must include descriptions of the following:

1. **Scope**:
    a. Description of development and current conditions
    b. Proposed scope and concept of project
    c. Anticipated relocation needs
    d. Feasibility issues to be addressed
    e. Schedule of major project milestones
    f. If applicable, description of proposed new ownership structure
2. **Cost:**
    a. Rough cost estimate and description of basis for estimate
    b. Financing plan outline, including proposed funding sources, dates for application and expected award of leveraged funding
3. **Team:**
    a. Experience of current team members
    b. If applicable, description of plan and timeline to procure developer partner
4. **Other Project Benefits (as applicable):**
    a. Sustainable design components
    b. Resiliency to climate change hazards
    c. Net-new affordable units
    d. Economic mobility or neighborhood revitalization
    e. Accessibility and community amenities

Any LHA planning to request any resources from the Winter Rental Round must also submit a preapplication to EOHLC's Division of Housing Development. Mixed-income projects that do not require tax credits or soft debt may not need to submit an application through Housing Development, but should call this out in their pre-application proposal to the Division of Public Housing. EOHLC will not consider projects for funding that do not file pre-applications for all funding requested.

Final Proposal Requirements

Projects that are invited to submit a formal application will be expected to submit a full project proposal as part of Stage II. Required submission items are:

1. Narrative Cover Letter (10 pages max) describing updated concept and goals of project
2. A Sources/Uses development proforma (provide in Excel)
3. A 20-year operating proforma (provide in Excel)
4. A detailed development schedule, including expected dates of funding and local approvals
5. Market assessment (if project involves market-rate units)
6. Photos of existing site
7. Site plan of existing site
8. Site plan of proposed project
9. Copy of RFP used to select Developer Co-Applicant and any addenda and attachments thereto.
    a. This template Request for Proposals (RFP) was created for the original PEHO program, and may be adapted for use with this NOFA.
10. Copy of selected Developer's response to RFP.
11. Memorandum of Understanding with the Developer Co-Applicant.
12. A housing authority board vote approving the program application, as evidenced by a certified extract from the minutes of the board meeting.

13. 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 6.00). If no letter can be obtained, then the LHA executive director may instead submit a letter certifying that tenants were involved in setting the needs and priorities of the application.

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 Request for Quotes (RFQ) process by the 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. https://malegislature.gov/Laws/SessionLaws/Acts/2022/Chapter268The LHA will need to secure a third-party valuation of the parcel before final disposition.

M.G.L. c. 121B, sec. 34, as amended by c. 268 of the Acts of 2022, relieves public housing redevelopment projects involving conveyance to an affiliated non-profit or a private entity from most requirements of public construction procurement contained in MGL c. 149. Prevailing Wage and contractor bonding requirements under MGL c. 149 Secs. 26 to 27F, inclusive, and Sec. 29 will still apply. For more information, please refer to PHN 2023-04.

VI. Application Process

Pre-Application:

- Pre-Applications are due to EOHLC by 5pm on November 24, 2023.
- All inquiries regarding this NOFA should be made via e-mail and directed to dhcddesignsubmission@mass.gov. Inquiries should have a subject line entitled: "Public Housing Innovations 2024 NOFA Inquiry." All inquiries should be received by November 3, 2023 at 5pm. A final Question & Answer (Q&A) will be posted by November 10, 2023 at the latest.
- EOHLC will review Pre-Application proposals and evaluate at our discretion based on the extent to which the proposal meets the overall intent of the NOFA and funding availability. EOHLC will invite no more than 3 projects to submit a full application.
- EOHLC will only advance pre-application submissions that reference funds administered by Division of Housing Development if the applicant also submits a pre-application to housing development.

Final Application:

- The projects selected to advance will submit their full project proposal by February 15, 2024.
- Bidder's Conference to take place via video conference in early December. EOHLC will post an addendum to this NOFA with a link to the meeting.
- Proposals must be submitted via e-mail to dhcddesignsubmission@mass.gov by February 15, 2024.
- EOHLC will review proposals against the scoring criteria below and approve 1-3 projects, depending on projected cost and funding availability.
- Note: EOHLC will only consider proposals that include funds administered by Division of Housing Development if the applicants has also submitted "One-Stop" application for the concurrent Winter Rental round.

VII. Scoring Criteria for Stage 2

Applications will be reviewed to determine overall consistency with the goals of the Innovations 2024 Program and with EOHLC goals and objectives. Applications will only be scored if they meet the project requirements listed on page 2.

PROJECT FEASIBILITY: SCOPE &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 EOHLC.

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 7/1/2023.
- Projects that propose to include LHA or EOHLC-controlled project-based vouchers of any kind will be allowable, but scores will be negatively impacted on a sliding scale depending on percentage of LHA or EOHLC-controlled project-based vouchers to total replacement units. There is no penalty for proposing project-based vouchers for net-new units.

OTHER PROJECT BENEFITS | 20 POINTS

- Net-new Units: Affordable or Market Rate (primary other project benefit)
- Economic Mobility and Neighborhood Revitalization
- The extent to which the project includes sustainable design components
- The extent to which project design promotes resiliency to climate change hazards
- Accessibility and community amenities

NOTE: projects that do not add density and units will not be considered for funding.

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. EOHLC will review and make determinations at its discretion. Review includes:
    - LHA's experience with other large capital projects
    - LHA's current pipeline of major capital projects
    - Performance Management Review (PMR) and Agreed Upon Procedures (AUP) findings
    - Development partner resume and experience (if applicable)

VIII. General

This NOFA includes the minimum anticipated scope of services. EOHLC may elect to modify or redefine the scope of services as needed to ensure compliance with state and federal statutes, regulations, and other EOHLC policies and requirements. EOHLC may also negotiate and execute contract amendments with the awarded LHAs to include the above and/or related initiatives or projects which were not previously addressed, and which EOHLC reasonably determines are within the scope of this NOFA and necessary to result in best value to the Commonwealth.

All responses and information submitted in response to this NOFA are subject to the Massachusetts Public Records Law. All written correspondence and materials submitted to EOHLC during this process, including as part of the response to this NOFA, become the property of EOHLC upon their receipt and will not be returned to the submitting parties. Except as provided in the Public Records Law, all materials submitted to EOHLC are subject to release as public records. In no event shall EOHLC, or any of their agents, representatives, consultants, directors, officers, or employees, be liable to an LHA for the disclosure of all or a portion of a response or related information submitted in connection with this NOFA.

By submitting their NOFA application, the Bidder agrees to the terms of the NOFA, affirms that they are not subject to any state or federal debarment order, and affirms that all contracted services shall be provided consistent with state and federal law, and any applicable EOHLC administrative guidance, policies, or other technical requirements.

This NOFA does not commit EOHLC to pay any costs incurred in the preparation of an LHA's response to this NOFA or to enter into a contract for services. EOHLC may (i) accept or reject any and all proposals received as a result of this NOFA; (ii) contract for some, all or none of the services offered by LHAs in response to this NOFA; (iii) negotiate with one or more of the qualified LHAs; (iv) cancel, in part or in its entirety, this NOFA if it is in the best interest of the Commonwealth to do so; and/or (v) waive any informality, and/or exclude any proposals from further consideration for failure to fully comply with the requirements of this NOFA if EOHLC determines it is in the best interests of the Commonwealth to do so.

EOHLC reserves the right to make amendments to the NOFA after initial publication. Any such amendment will be posted to COMMBUYS. It is each LHA's responsibility to check COMMBUYS for any amendments, addenda or modifications to this NOFA, and any Q&A records related to this NOFA. EOHLC accepts no responsibility and will provide no accommodation to LHAs who submit a response based on an out-of-date NOFA or on information received from a source other than COMMBUYS.

Bidders may not alter the NOFA language. Modifications to the NOFA, or additions which change the intent of this NOFA, are prohibited and will be disregarded. Content submitted in response to this NOFA must be suitable for public viewing, and EOHLC reserves the right to edit or delete any inappropriate content.

Bidders with disabilities or hardships that seek reasonable accommodation, which may include the receipt of NOFA information in an alternative format, must communicate such requests in writing to the contact person. Requests for accommodation will be addressed on a case-by-case basis. An LHA requesting accommodation must submit a written statement which describes the respondent's disability and the requested accommodation to the contact person for the NOFA.

EOHLC reserves the right to use other available information regarding a Bidder's history, experience and past performance as a EOHLC grantee or borrower (as applicable) when evaluating applications, including whether the Bidder has:

- Met prior work plan objectives in a timely and proper manner in accordance with an approved budget, and otherwise performed effectively;
- Complied with the terms and conditions of previous contracts;
- Conducted due diligence, closed loans and constructed program/projects in accordance with applicable requirements;
- Maintained compliance with applicable programmatic and legal requirements for any required period of affordability, and;
- Has a significant balance of unutilized resources provided by any division of EOHLC, including without limitation capital grants from the Division of Public Housing, or capital grants, loans, or tax credits from the Division of Housing Development.

NOTE: Applications submitted via email to EOHLC must upload all required application documents to a file-sharing site such as Dropbox and grant access to anyone with the link. Please do not send files as attachments to the email.