



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

Charles D. Baker, Governor ♦ Karyn E. Polito, Lieutenant Governor ♦ Chrystal Komegay, Undersecretary

Public Housing Notice 2015-22

To: Local Housing Authority (LHA) Executive Directors
From: Sarah Glassman, Associate Director, Division of Public Housing & Rental Assistance
Date: September 29, 2015
Re: FY16 Capital Program Update

The purpose of this Public Housing Notice (PHN) is to provide all Local Housing Authorities (LHAs) important updates about DHCD's FY16 capital program. Key highlights in this announcement:

- Page 3: DHCD is pleased to announce that the FY16 bond cap is again set at \$85M for public housing, with an additional \$5M from the Affordable Housing Trust.
- Page 3: DHCD will be raising the annual Formula Funding (FF) allocation from \$45M to \$50M for FY18.
- Page 3: DHCD will be recalculating all LHA annual FF allocations based on the recalibrated inventory data in the Capital Planning System (CPS).
- Page 4: DHCD will be launching the Regional Capital Assistance Team (RCAT) Program and soliciting nominations for the advisory boards.
- Page 4: DHCD will not be funding the Health and Safety and Emergency Generator Initiatives.
- Page 11: DHCD will be making funds available for new special initiatives:
 - Urban Agenda (\$1M)
 - Major Modernization (Up to \$5M)

FY 15 Recap: Accomplishments and Lessons

We are pleased to report that **in FY15 we disbursed \$93.2 M of bond cap, the largest amount in one fiscal year since the launch of Formula Funding (FF)**. Congratulations and thank you to everyone who kept their projects moving and on schedule, despite the tough winter that delayed many project starts. Here is a summary of accomplishments:

- a. **FF Performance:** \$47 M was reserved for FF projects in FY15, of which DHCD disbursed \$40M to LHAs (reaching 85% of the target). While this is a bit of downslide from the previous fiscal year where we spent 92% of allotted FF, DHCD was still pleased with the overall rate of project completion in FY15. That said, we feel it's worth reminding everyone once more that:

The number one priority is that LHAs make full use of their annual Formula Funding.

Until now, there have been few ramifications for under-spending one's FF. However, now that the FF program has been up and running for more than three years, DHCD will be taking steps to correct the problem of under-utilization. Under the new, legislatively-mandated Performance Management Program that is scheduled to launch after the New Year, all LHAs are going to be evaluated on their utilization of FF. Any LHA that spends less than 50% of the previous three years' allotment of FF will be put on notice for corrective action. In addition, DHCD will not be considering RCAT program waivers for any LHAs that have spent less than 80% of their previous three-year allotment of FF.

For these reasons and more, we again emphasize the importance of staying on top of your FF projects. If a project comes in under budget, please adjust your plan and start a new one. If you are awarded extra funds from your town/city or from a DHCD special initiative, then move any previously assigned FF to a new project. In short, keep those FF resources flowing back into the assets at a timely rate. Once the RCATs are up and running, they will be able to help participating LHAs manage their capital program, but in FY16, every LHA must continue to diligently mind their own pool of FF.

- b. **'Use it or Lose it' Cap on Small Projects:** DHCD estimates that about \$1.3M in cap will be taken back as a result of no action on FY15 small projects. That means about 20% of small projects did not start as planned last year. DHCD expects that this number will hold steady until the RCATs are up and running. As a reminder, those LHAs who did not invoice for their small projects last year will not lose the award, but the cap, which means the LHA will have less spending authority in this year and that a project might have to be deferred to a future year.
- c. **50% Rebate on Small Project Designer Fees:** In FY15, 40 LHAs took advantage of the rebate opportunity for hiring designers to assist with small projects. As a reminder, LHAs are entitled to a 50% rebate on costs of hiring designers for projects under \$25,000, not to exceed \$3,000 per project. If you need help identifying a designer, please consult the following lists:
 - House Doctors: <http://www.mass.gov/hed/docs/dhcd/ph/small-projects/dhcdhousedoctorlist.pdf>
 - House Doctor Lites: <http://www.mass.gov/hed/docs/dhcd/ph/small-projects/housedoctorliteprogramforsmallproj.pdf>

- d. **E-hosting and E-bidding Rebate:** Last year, DHCD decided to rebate the cost of E-hosting and E-bidding on all projects that employed one or both of these services. In FY15, ~85 LHAs took advantage of these rebates. For more information on how to participate, please contact: david.mcclave@state.ma.us

DHCD staff will soon be following up to confirm all 'Use it or Lose it' and 'Rebate' adjustments. All rebates will be included in the next round of adjustments to each affected LHA's Contract for Financial Assistance.

FY16 Policy and Program Updates

DHCD is happy to report that this year's bond cap is again set at \$85M for state public housing, with another \$5M available from the Affordable Housing Trust Fund. Currently, we have a full pipeline of about 1,500 live projects. Below, we've listed the major planned policy and program updates:

- a. **DHCD will be raising the total annual Formula Funding (FF) allocation from \$45M to \$50M for FY18.** We are granting this increase in accordance with the completion of many legacy CAR projects and the need to adjust for inflation.
- b. **LHA annual FF shares are being recalculated now that CPS inventory has been updated.** Having just completed the state-wide facility and accessibility needs assessment, DHCD has updated the entire public housing component inventory in CPS. In tandem, we have also updated replacement values for all components and facilities so that they reflect current construction economics. As a result of these recalibrations, every LHA should expect to see:
 - a. A change in its annual share of FF, which will be reflected in the FY18 award letters. Most LHAs will see a modest change in their FF award level (+/- 20% from the FY17 award). However, a minority will get a substantial increase or decrease;
 - b. Updated Facility Condition Indices (FCIs) listed in CPS; and
 - c. A new list of eligible developments for funding consideration under the High Leverage Asset Preservation Program (HILAPP);
- c. **CPS Update Protocol at end of project:** The state-wide assessment has allowed DHCD to bring CPS fully up to date. Now that we have a clean and accurate inventory, DHCD plans to engage Cybersense consultants to update CPS data at the end of every capital project. This way, LHAs will not be burdened with this task, and DHCD can be assured that all CPS inventory components get accurately updated and recorded in a timely manner. Stay tuned for a future communication that gives precise details on how the new process will affect project close-out.
- d. **CPS Project Creation:** In May, DHCD's Capital Projects Coordinator, Peter Lew, began conducting follow up site visits to review assessment data in order to create scopes, budgets, and schedules for new projects in CPS. So far, he has visited 40 LHAs, prioritizing those that lack a robust CPS project list. For

more information or to request a site visit for this purpose, please contact: peter.lew@state.ma.us or richard.brouillard@state.ma.us

- e. **Regional Capital Assistance Teams (RCATs):** Lastly, DHCD has identified potential RCAT Host Housing Authorities for the Central-West and Southeast Regions. Soon, DHCD will be re-posting the Request For Responses for the Northeast Region, since no LHAs responded to the original post. Once we announce the hosts, DHCD will initiate the waiver request process and, soon after, solicit nominations for the three advisory boards. Stay tuned for more information.

FY16 Special Initiatives – How to Access

This year, DHCD has shifted its priorities regarding special initiatives. While lowering utility costs, increasing accessibility, and addressing long-term unit vacancy remain high priorities for DHCD, **we will be discontinuing all funding for the Health and Safety and Emergency Generator Initiatives.** LHAs may still choose to use their own FF for such projects, but DHCD will not be granting special awards for these purposes.

DHCD plans on launching new special initiatives throughout this fiscal year, as funding becomes available. Below and on page 11, we offer a preview of things to come:

- a. In the coming weeks, the Executive Office of Housing and Economic Development (EOHED) will be posting a Notice of Funding Availability (NOFA) for the Urban Agenda initiative, which will award pre-development grants to LHAs and municipalities for creating new affordable units on vacant land.
- b. Come spring, DHCD will announce a new initiative that will award significant grants to highly distressed developments, where HILAPP is not viable.

Both of these initiatives are meant to address the long-standing desires to capture the full value of real estate in strong markets and to reward LHAs for high performance and/or innovative management practices.

For your reference, all of the FY16 DHCD public housing special initiative allocations are summarized below.

Table of Special Initiatives

Initiative	Funds to Be Awarded in FY16	Purpose	Application Process	Timeline
Sustainability – Energy or Water	\$2M	Upgrade building components in order to save energy and water.	Request funds thru CIP and/or directly to Betsy Harper.	Ongoing
Vacant Unit (up to \$25K/unit)	\$200K	Renovate and reoccupy units needing costly rehab that have been vacant more than 60 days.	Request funds through DHCD HMS or PM.	Ongoing
Vacant 705s & 667 Congregate Units (\$25k to \$65K/unit)	\$1M	Reoccupy longer-term vacant units that need significant reprogramming and/or very costly rehabilitation.	Direct inquiries to Paul McPartland.	Ongoing
Second Elevator	\$1M	Build second elevators in multi-story elderly buildings where the only elevator has exceeded its useful life.	No application. Needs based award.	Ongoing
Accessible Unit	\$1M	To make annual progress on reaching 5% fully accessible units.	Targeted application.	Separate PHN in February 2016
Disposition Initiative 705/167/689	n/a	To permit the disposition, without 1-for-1 replacement, of deteriorated 705 units that cannot feasibly be made habitable, or 689/167 developments no longer needed by DDS and DMH.	Open application if units meet criteria.	Please see PHN 2013-28.
HILAPP	\$2M	Leverage matching funds for developments with a high level of capital needs.	Targeted application.	Rolling applications. Eligible Development List to be updated in November 2015
NEW!!! Urban Agenda	\$1M	Develop new affordable/mixed-income units on LHA- or Municipality-controlled vacant parcels.	Open application if site meets criteria.	NOFA to be posted by EOHEd in October 2015.
NEW!!! Major Modernization	\$5M	To substantially assist those development(s) with very high capital needs, but no available leverage source. Reward LHAs that score high on performance management program benchmarks.	To Be Determined.	Separate PHN in March 2016

Note that all of the special initiatives have specific threshold eligibility and prioritization criteria that are used for targeting awards. Below, we have summarized all relevant information for each initiative. Please be sure to read each section carefully before making an assumption that your LHA will be eligible for funds.

a. Sustainability Initiative - \$2M in FY16

Eligibility: In order to be considered for an award, developments must meet the threshold energy or water consumption levels, as described in guidelines below.

Criteria for selection: Proposed projects will be reviewed with each quarterly submission of CIPs, as well as upon request.

Application process: **Request Sustainability Funds in your CIP submission**, or contact betsy.a.harper@state.ma.us for ad hoc requests.

Guidelines: For the past seven years, DHCD has dedicated \$2M+ per year to strategic energy and water savings capital investments, and/or toward design work that has leveraged millions in federal funding and utility energy efficiency program funding. This year DHCD will again award \$2M in funds to the following types of sustainability projects:

- **Water Saving:** Up to \$750k will be disbursed for installing low-flow toilet replacements, with priority given to developments where water & sewer expenses exceed \$60 per unit per month (PUM) or where there are septic system problems;
- **Augmenting Approved Capital Projects with Energy-Saving Opportunities:** Awards up to \$100,000 per project will be provided to improve the energy efficiency of HVAC systems or for adding insulation and air sealing to siding or roof projects. Priority will be given to developments that consume over 700 therms per unit per year or over 8,000 kWh per unit per year. **In order to receive an award, LHAs must be fully on track to spend FF per their CIP.**
- **Energy Efficiency Measures for LHAs served by Municipal Electric & Gas Service:** Priority will be given to developments with electric use higher than 6,000 kWh per unit per year. Measures will be similar to what is offered in utility-funded efficiency programs (described below), such as refrigerators, lighting, insulation and in highest-use developments, air source heat pumps.
- **Air Source Heat Pumps for electrically-heated community rooms, offices and laundry:** Awards up to \$100,000 will be made to change from electric heat (electric resistance baseboard) and window a/c to high efficiency air source heat pumps.

In addition to the above bond-funded sustainability opportunities, we always encourage LHAs to apply for free utility-funded energy audits and efficiency upgrades. The Low-Income Multifamily Energy Retrofit (LIMF) program runs on a calendar year and has improved offerings each year since launching in 2010. The electric measures include:

- Refrigerator replacements (for models over 10 yrs. old);
- Lighting upgrades (interior fixture or bulb replacement, motion sensors in stairwells and hallways, plus exterior and common area LED fixtures and bulbs);
- Thermostats with maximum set-points;

- Heat pump water heaters to replace inefficient electric hot water heaters;
- Weatherization for electric heat units (air sealing, insulation, weather-stripping); and
- Air source heat pumps (duct-less mini-splits) to replace electric baseboard heat where kWh usage is extremely high.

The gas measures include high-efficiency boilers, weatherization as noted above, and/or customized cash incentives toward capital-funded, Ch. 149 procured heating system upgrades.

To apply for LIMF, go to www.leanmultifamily.org, and/or contact betsy.a.harper@state.ma.us.

b. Vacant Unit Initiative (up to \$25K/ unit) – Up to \$200K in FY16

In the past four years, more than 500 units were reoccupied through DHCD Vacant Unit Initiatives. DHCD’s new online vacancy reporting system will be live in January 2016. This system will allow DHCD to target funds to units where LHAs have requested a “type 6” waiver (unit vacant due to need for major unfunded mod work or mold abatement). In the meantime, if an LHA needs extra funds to cover the modernization costs of reoccupying a unit (must be vacant over 60 days), please follow the guidance below:

- **For projects with costs under \$3,500 per unit**, only when the LHA does not have sufficient operating reserves, contact your assigned DHCD Housing Management Specialist to request a budget exemption.

NOTE: In order to receive a turnover award in excess of \$3,500 per unit, an LHA must first contribute any operating reserve amount in excess of 70% and show that no other CIP projects may be deferred.

- **For projects with costs between \$3,500 and \$25,000**, include the re-occupancy project in your CIP, or do a CIP revision. LHA must defer all other non-urgent FF projects.
- **For requests over \$25,000 per ch. 200 or ch. 667 unit**, contact your assigned Project Manager. After the Project Manager reviews the request, a DHCD Construction Advisor will come to the LHA for a site visit. Both Project Manager and Housing Management Specialist must approve and submit a request for funding at this level. If approved, a DHCD architect will draft the scope of work. Depending on the urgency of other planned projects, you may be asked to contribute FF to the project.

c. Vacant 705/667 Congregate Initiative (\$25K to \$65K/unit) – \$1M in FY16

Eligibility: Awards for this program will be limited to units at ch. 705 or ch. 667 congregate developments that meet the following criteria:

- Have been vacant for more than 60 days and/or have a historically high level of chronic vacancy;
- Cannot be rehabilitated within the constraints of existing resources, including a reasonable allocation of FF; and
- Can be returned to habitability with \$25,000 to \$65,000 in additional resources.

Criteria for selection: Awards will be prioritized based on a needs-based assessment that considers data from the DHCD Vacancy Ledger and site visits.

Application process: No application. DHCD will outreach directly to LHAs with developments that meet eligibility criteria. If an LHA wants to inquire about a particular unit, contact paul.mcpartland@state.ma.us.

Guidelines: This initiative awards grants up to \$65,000 per unit to cover the following scopes of work:

- **Ch. 705 units:** Repairs and modernization sufficient to ensure the unit(s) can be reoccupied and maintained with formula funding for the next 15 years.
- **Ch. 667 congregate units:** The redesign and/or rehabilitation of existing units where current programming and layout of units (primarily shared living) has led to a chronic history of vacancies. The goal is to improve units so they fit the needs of the existing program or reconfigure the layout to meet another program for which there is greater demand (e.g. converting to conventional one-bedroom senior housing).

Awards will be limited up to a maximum of \$65,000/unit. However, LHAs may contribute FF for projects that exceed this limit.

If you have questions about the Vacant 705/667 Congregate Unit Program, please contact paul.mcpartland@state.ma.us.

d. Accessible Unit Initiative – \$1M in FY16

Eligibility: Ch. 200, 705, 667 developments managed by LHAs that have less than 5% accessible units per population served (family or elderly) may apply for an award; however, **priority will be given to those LHAs that currently have zero accessible units available for the population served.**

Criteria for selection: Awards will be targeted to developments according to the following principles:

- Prior, pending, and/or potential litigation or administrative complaints regarding lack of accessibility or other accessibility issues;
- Low supply of accessible units (% available for each population served – elderly or family);
- High need/demand for accessible units, as demonstrated by waitlist or other local data;
- Ability to convert unit for a reasonable cost (less than \$100,000 per elderly unit and less than \$250,000 per family unit);
- Total number of units that would be taken offline in renovation and would require tenant relocation;
- Consistency with LHA's ADA self-evaluation and transition plan; and
- Ability to leverage other non-DHCD funding sources for the project.

Application process: DHCD will solicit applications via separate notice.

Guidelines: DHCD is committed to increasing the number of accessible units across the entire public housing portfolio and has a goal of having 5% accessible units within every program (elderly, family, and special needs).

If you have questions about the Accessible Unit Initiative, please contact amy.stitely@state.ma.us.

e. Second Elevator Initiative – \$1M in FY16

Eligibility: Awards for second elevators will be limited to ch. 667 multi-story developments with a single passenger elevator.

Criteria for selection: Awards will be targeted to developments according to the following principles:

- Age of single elevator (30 years or older);
- Number of floors (4 minimum); and
- Number of units that are above the second floor.

Application process: No application. DHCD will outreach directly to LHAs with developments that meet the selection criteria.

Guidelines: A needs assessment has shown that approximately 89 Ch. 667 buildings are multistory with a single passenger elevator(s). Of these 89 buildings, 13 are of greatest concern because a 30-plus-year-old elevator serves four or more floors of units. Loss of an elevator for any period of time at one of these buildings would be a major inconvenience to residents, and the cost and process of relocation would be extremely disruptive. DHCD will allocate at least \$1M annually toward the construction of new passenger elevators at the above-mentioned 13 buildings. DHCD will contact the affected housing authorities as funding is available to start projects.

If you have questions about this new Single Elevator Program, please contact cindy.zabriskie@state.ma.us.

f. Special 689/705 Disposition Initiative

Eligibility: Units eligible for consideration for disposition or demolition without replacement include:

- Ch. 705 units that were vacant prior to November 1, 2012 and have remained vacant since then;
- Ch. 689 and ch. 167 units that are currently vacant.

Criteria for selection: DHCD and LHA Board must both determine that:

- It is not financially feasible to bring the unit(s) up to a reasonable program standard for occupancy or permissible to convert units to another low-rent housing program; and

- The inventory of available housing units remaining in the surrounding community would not be substantially diminished as a result of disposition or demolition.

Application process: Details in PHN 2013-28

Guidelines: The Commonwealth's FY14 budget included, at DHCD's request, language authorizing the sale, without 1-for-1 replacement, of vacant c. 689 and c. 167 community residences and certain c. 705 units. (Note that the sale without replacement of c. 200 and c. 667 units was not authorized). The purpose of this bill was to permit the disposition of the programs' most troubled structures which could not feasibly be made habitable, and for which funds were not available to build or buy the statutorily-required replacement unit.

The key requirements are that:

- DHCD and the LHA must determine that it is not financially feasible to re-use the building;
- Disposition will not significantly diminish the community's inventory of available housing units;
- If it is a c.705 unit, it must have been vacated prior to 11/1/12; and
- If it is a vacant c. 689 or c. 167 unit, DHCD must receive written confirmation from both the Department of Developmental Services and the Department of Mental Health that it is obsolete and inappropriate for housing their clients.

Units must be sold per the requirements of MGL c. 30B, sec. 16, with priority given to buyers who commit to maintaining permanent affordability at the site. Sales proceeds are deposited in a DHCD-controlled trust, to be used for capital improvements at other c. 705, 689 and 167 units. A link to the budget's Outside Section 104 can be found here: http://www.mass.gov/bb/gaa/fy2014/os_14/h104.htm.

PHN 2013-28 outlines the process to identify, evaluate and sell units under this new provision: <http://www.mass.gov/hed/docs/dhcd/ph/publicnotices/13-28.pdf>. If you have questions, please contact paul.mcpartland@state.ma.us.

g. High Leverage Asset Preservation Program (HILAPP) – Up to \$2M in FY16

Eligibility: State-aided public developments with an FCI higher than 15% will be eligible for consideration. The eligible development list will be updated annually. In order to be considered for an award, LHAs must be up to date on all operating and capital reports and certifications.

Criteria for selection: The criteria for evaluating applications includes:

- Amount of leverage funding (minimum of \$.30 for every DHCD dollar) and reliability of source (likelihood of securing the match);
- Soundness of proposed scope (is adequate, but not excessive, and still addresses 20 years of capital needs);
- LHA operating management and project management capacity; and
- Community need.

Application process: A new PHN is forthcoming that will update the eligible development list, per the recent state-wide facility condition assessment. All information and application may be downloaded here: <http://www.mass.gov/hed/housing/ph-mod/high-leverage-asset-preservation-program-hilapp.html>

Guidelines: Full guidelines for eligibility and criteria for evaluating applications can be found here: <http://www.mass.gov/hed/housing/ph-mod/high-leverage-asset-preservation-program-hilapp.html>.

If you have questions about HILAPP, please contact amy.stitely@state.ma.us.

h. NEW!!! Urban Agenda – Up to \$1M in FY16

In October, DHCD will be making predevelopment grants available to LHAs and municipalities to support the development of new affordable units and/or mixed-income developments on municipality- or LHA-controlled vacant land. Guidelines and criteria will be included in the NOFA to be released by the Executive Office of Housing and Economic Development (EOHED), so stay tuned for this announcement. DHCD anticipates granting up to \$1M in awards.

i. NEW!!! Major Modernization - Up to \$5M in FY16

In the spring of 2016, DHCD plans to solicit applications for a grants under this new program. Guidelines and criteria are still yet to be defined, but DHCD anticipates granting up to \$5M in funds to rehabilitate distressed state public housing developments in communities where the LHA has demonstrated strong management and administration practices but there is no local match or tax credit financing opportunity. Because this is the first year of this initiative, only 1 to 3 projects will be funded. However, moving forward, DHCD plans to award \$10M annually for these purposes, subject to funding availability.

Eligibility: Ch. 667, 200, or 705 developments with 20 or more units with very high assessed FCIs will be eligible for consideration. In addition, LHAs must score favorably on all indicators of the new Performance Monitoring Program that is scheduled to also launch in the Spring of 2016.

Criteria for selection: If a development and LHA meet basic eligibility criteria, projects will be selected based on competitive criteria that will be defined in a future PHN.

Application process: Future PHN will list eligible developments and give instructions on how to apply.

Guidelines: Awards will likely be limited to \$65,000 per unit. However, LHAs may apply FF, reserves, or other resources to the total project cost. A full set of guidelines will be included in the PHN.