



Commonwealth of Massachusetts  
DEPARTMENT OF HOUSING &  
COMMUNITY DEVELOPMENT

Deval L. Patrick, Governor ♦ Timothy P. Murray, Lt. Governor ♦ Tina Brooks, Undersecretary

## Frequently Asked Questions

### 1. What does an LHA need to do to get approval to start projects?

An LHA needs to submit a Capital Improvement Plan (CIP) and have it approved by DHCD through DHCD's new Capital Improvement Management System (CIMS). The CIP will include information on what projects the LHA will spend its award on and how it will schedule them to match the LHA's cap share. There are narrative questions to help DHCD understand why the LHA chose its projects and how it will maintain other high priority components to which it is not directing capital funds. Once DHCD approves the CIP, we will authorize the LHA to move forward on projects with start dates during the first plan year.

### 2. What is CIMS?

CIMS (Capital Improvement Management System) is a web-based system for LHAs to prepare and submit their CIPs to DHCD for review and approval. DHCD hired a consultant to create CIMS. It is being developed now and will be tested by a number of LHAs in September. We expect CIMS to be available to all LHAs in November 2010. LHAs will use CIMS to prepare and submit their CIP to DHCD for review and approval. CIMS will also be a tool for tracking and managing an LHA's formula funding award, annual cap share and any other capital funding sources utilized by an LHA for state-aided public housing.

### 3. When does an LHA need to submit its CIP?

For this first year, CIP submission is on a rolling basis and LHAs can submit between November 2010 and October 2011. We're allowing a year so that LHAs have the time to come up to speed on the FF program and CIMS software. We're also allowing a year so that DHCD staff have sufficient time to provide assistance to LHAs, review and approve CIPs, continue working on existing projects and retool our technical assistance to help LHAs and their consultants manage the greater number of projects we anticipate through the FF program.

In subsequent years, LHAs will submit an annual CIP at the same time they submit their annual operating budget in order to consider project-related operating and capital expenditures at the same time.

### 4. What can an LHA do now to be ready to submit its CIP?

An LHA can prioritize its capital projects so it will be ready to complete its CIP once CIMS is available, starting with the Capital Planning System (CPS) Capital Improvement Plan report prepared by DHCD's consultants. The Capital Improvement Plan report shows all of the LHA's capital needs for a 10 year

## Frequently Asked Questions

period together with their current estimated costs. The CIP the LHA will create will show the shorter list of high priority projects that can be completed within its award amount and cap shares.

### **5. Can an LHA get assistance from DHCD to prioritize its projects?**

DHCD's new CIP Field Assistance Program will assist LHAs to review and prioritize needs and develop a paper CIP so the LHA will be ready to move forward once CIMS is available. CIP Field Assistance is open to all LHAs, with first priority to LHAs with part-time directors, then to LHAs without dedicated modernization staff. To sign up for CIP Field Assistance please e-mail Gail Cassarino at [gail.cassarino@state.ma.us](mailto:gail.cassarino@state.ma.us).

### **6. What other training will DHCD offer?**

Beginning Tuesday, August 10, 2010, DHCD will be conducting weekly on-line CPS Technical Assistance sessions. Each Tuesday morning from 10:00 AM until 12 Noon Rick Brouillard will conduct Go To Meeting sessions. LHAs will be able to attend and fully participate in these sessions from any remote location providing Internet access. In the session an LHA can view its CPS data and ask questions regarding any aspect of CPS.

To sign up for a CPS Technical Assistance session please e-mail Rick Brouillard at [richard.brouillard@state.ma.us](mailto:richard.brouillard@state.ma.us). Sessions will be limited in size to allow for an open forum.

DHCD will offer CIMS and additional CPS refresher training starting in the late Fall, including group training and remote electronic learning. We'll provide training schedules as soon as they are established.

### **7. When will the complete FF Program Guidelines be published by DHCD?**

DHCD will publish a complete guide book of FF policies, guidelines and procedures this Fall.

### **8. What is the AIMM program?**

Accelerated Independent Modernization and Management (AIMM) is a new program for LHAs that want to work more independently on their modernization projects. AIMM housing authorities will take responsibility for all aspects of the modernization process and submit certifications for compliance with DHCD design standards and applicable law and regulation. Because AIMM designees will be spending more time on projects, they are eligible for a higher admin rate of up to 13%. DHCD will fast-track the CIP review and approval of AIMM designees. DHCD will also focus its design review on a limited number of design milestones, relying more directly on AIMM LHAs to oversee the design process. DHCD may audit projects after completion.

To be eligible for AIMM designation, the LHA needs to meet program eligibility criteria and demonstrate experience with modernization. Contact your Project Manager to determine program eligibility.

### **9. What is FCI?**

FCI (Facilities Condition Index) is a ratio of the value of the expired components compared to replacement cost. It is a quantitative measure of the condition of a building. The industry standard FCI is

## Frequently Asked Questions

5%, that is, the value of the components that need to be replaced should equal no more than 5% of the cost to replace the building. The mean FCI in the state-aided portfolio is 7.9%, that is, half the buildings have FCIs lower than 7.9% and half are higher. FCI level is one of the criteria for continuation in the AIMM program.

### **10. How is the award amount calculated?**

The award is calculated by comparing the capital need of each LHA to the total capital need for the entire state-aided portfolio. This proportion determines the share of the capital funds set aside for the FF program that is awarded to the LHA.

Using CPS data, DHCD calculated a FCI for each state-aided public housing building or site. The FCI provides an adjusted value of expired building/site components. Awards were made based on a building or site's FCI relative to that of all state-aided public housing buildings and sites, and was proportional to funds available.

### **11. What is the math used to make the award amount calculation?**

- a) Using CPS, DHCD created a list of all components which will expire on or before 12/31/2015
- b) Remove from this list all buildings/sites which are Section 8 New Construction/Substantial Rehab
- c) Remove from this list all buildings/sites being federalized
- d) Adjust (decrease) the value of the expired components for buildings/sites which currently have a major construction project underway or will have one begin within two years
- e) Create a Facilities Condition Index (FCI) for each building/site by dividing the adjusted value of the expired building/site components by the replacement value of that building/site (as generated by CPS).
- f) For buildings/sites with FCIs below 5%, increase the value of the expired components to equal 5% of the replacement value of the building/site
- g) For buildings/sites with FCIs above 50%, decrease the value of the expired components to equal 50% of the replacement value of the building/site
- h) Total the value of the adjusted expired components for all buildings/sites on the list
- i) Divide the value of the adjusted expired components for each individual building/site by the total value of adjusted expired components for all buildings and sites
- j) Multiply the fraction created in i) by the amount of money allocated to the formula funding program to arrive at a formula funding amount per building/site
- k) Aggregate the formula funding amounts for all the buildings/sites at one LHA to arrive at the formula funding award for that LHA

### **12. What are the award amount set-asides?**

In order to address emergencies in the current budget year without having to completely revise their capital plans, small LHAs (200 state units or fewer) must set aside 10% of their award amount as an LHA emergency reserve. Larger LHAs must set aside 15% of their award amount as an emergency reserve. In subsequent years, these reserves can be reduced to percentages of remaining balances.

## Frequently Asked Questions

All LHAs need to set-aside at least 1% of their award amount for improvements required by the Americans with Disabilities Act (ADA). The set-aside is to be used for accessibility projects, including reasonable accommodations. This is intended to provide a dedicated resource to assist LHAs to meet ADA obligations.

LHAs with c. 689 or c. 167 developments for individuals supported by the Department of Developmental Services (DDS) or the Department of Mental Health (DMH) have set-asides for DDS and DMH properties. They are the portion of the formula funding award amount attributable to conditions at those properties. These set-asides are to be used for properties by agency designation: capital work on DDS properties is to be funded from the DDS set-aside and DMH properties from the DMH set-aside. This is intended to direct resources to these smaller properties that may not have received funding through the CAR award process.

### **13. What is a formula funding advance?**

A formula funding advance is an award or approval to use formula funding that an LHA received prior to its formula funding award letter. These were usually for new emergency projects or to fill a funding gap on a CAR project or an emergency project awarded before 9/15/08. The award amount in the formula funding award letter already reflects the deduction of the LHA's formula funding advances. Only some LHAs have formula funding advances.

### **14. What are project savings?**

Project savings are savings achieved on a CAR project or emergency project awarded before 9/15/08 that was approved for construction bidding after 9/15/08. Project savings are calculated as the difference between the DHCD-approved Total Development Cost (TDC) and the final cost, if less, and are split between the LHA and DHCD. The award amount in the formula funding award letter already reflects the addition of the LHA's share of project savings. Only some LHAs have project savings.

### **15. What is bond cap?**

For each state fiscal year (July 1-June 30), DHCD is allocated a share of the state's total capital spending, which is referred to as bond cap. While DHCD's funding is authorized through periodic bond bills, annual bond cap is the portion of the funding that DHCD can spend in a given fiscal year. There is no provision for DHCD exceeding annual bond cap or carrying unused bond cap over to a subsequent fiscal year. When we spend the entire bond cap, we make the maximum amount of resources available to LHAs, so we want to continue to do that every year.

### **16. What is cap share?**

Cap share is the LHA's estimated share of DHCD's annual bond cap to be used for capital planning and spending purposes. An LHA's formula funding cap share is a proportional share of DHCD's annual bond cap, allocated based on the LHA's proportional share of the FF program total. Because DHCD's annual bond cap must be managed so precisely (see FAQ# 15 above) it is very important for LHAs to keep their projects on schedule and spend according to their approved cap share.

## Frequently Asked Questions

### **17. What if DHCD's bond cap changes?**

The formula funding cap shares included in the award letter are based on DHCD receiving an anticipated \$90 million bond cap for each of the three years. DHCD's actual bond cap is confirmed annually, usually at the start of the fiscal year. If DHCD's cap changes substantially from what was anticipated, we will provide all LHAs an updated cap share and request that you adjust your CIP accordingly. In this instance your formula funding award will not change, rather the rate at which you can spend your award will speed up or slow down according to DHCD's actual annual bond cap.

### **18. How does the timing of an LHA's CIP submission affect its cap share?**

The cap shares included in the award letter are based on CIP submission early in the one-year (November 2010-October 2011) submission timeframe, so that the LHA has the time to implement projects that will use its FY '12 share. An LHA that submits its plan near the end of the submission period may not have enough time to plan projects to meet its FY '12 cap share and may need to request a revision to direct more of its spending to later years. DHCD's ability to approve the LHA's specific request will depend on the sum total of cap in all approved plans.

### **19. What if an LHA doesn't have enough cap share in a particular year to implement a desired project? Likewise, what if it doesn't use all of its cap share in a given year?**

Managing cap is one of the harder challenges of this program. We are counting on LHAs to do everything they can to keep projects on schedule to spend to their approved cap share because that is how DHCD will meet its bond cap. Meeting annual bond cap is critical to maintaining and hopefully increasing bond cap levels from year to year.

In order to allow LHAs flexibility to implement projects that require more or less cap in any given year, LHAs will be able to propose alternative cap plans. DHCD's ability to approve alternative plans will depend on the sum total of cap in all approved plans.

DHCD will ask LHAs to report on the status of projects and an LHA will need to submit a revised plan if its projected spending varies too much from its approved cap share. This will allow DHCD to assess how we're doing relative to total annual bond cap and make correcting adjustments to LHAs' cap shares if additional cap becomes available.

At the end of the fiscal year, DHCD will calculate the difference between what the LHA spent and its approved cap share and, if possible, the difference will be spread over the next two fiscal years. In the first three years of the program LHAs will not lose any of their award due to differences between approved and actual spending.

After the first year of the program we will have a better sense of how cap management is working and may provide you with different guidance.

## Frequently Asked Questions

### **20. What if an LHA's award amount isn't sufficient to cover urgent needs?**

DHCD has an Emergency Reserve for small and large housing authorities to cover urgent conditions that is available if the LHA's award is already dedicated to other urgent needs. There is also a Compliance Reserve for projects required to comply with laws or regulations covering deleading, asbestos abatement, abandoned underground oil tanks, Massachusetts Architectural Access Board requirements and ADA requirements for accessibility in public areas. LHAs can request funding from DHCD's reserves when they submit their CIP, but these funds are extremely limited.

LHAs should also seek grants for capital improvements from other funders. The most common other source is Community Preservation Act (CPA) funds, in those communities that have passed CPA. Obtaining additional funding sources will not reduce an LHA's cap share or award.

### **21. What if an LHA needs funding before it submits its CIP?**

Formula funding advances are available for urgent conditions where the work must be done immediately for resident health and safety, to maintain unit occupancy or for compliance with statute or regulation. Generally, these will be smaller projects that fix an immediate problem. The bigger fix that may follow would be part of the LHA's CIP. Contact your Housing Management Specialist to make a request for a formula funding advance if such a condition exists at your LHA.

### **22. Does DHCD have other funds available?**

DHCD will periodically make available modernization funds on a competitive basis to LHAs for sustainability investments, mixed-finance and high leverage projects, and other special projects and programs as funding permits. The availability of such funds and the corresponding program guidelines will be announced through public housing notices as well as posted on DHCD's website.

### **23. How will formula funding be disbursed?**

Release of funds will be like it is now: funds will be sent to the LHA upon submission of invoices for an approved project. The funding mechanism is the Contract for Financial Assistance (CFA), like it is now.

### **24. When will an LHA receive a CFA?**

An LHA will receive a CFA in the next 60 days for the full amount in the June 16, 2010 award letter. It will be a multi-year CFA that will cover the all the projects to be included in the LHA's DHCD-approved CIP. This will start the formula funding 5000 series, with the LHA's first formula funding CFA numbered 5001.

### **25. What is the Public Housing Innovation Program (PHIDP)?**

PHIDIP was authorized in the 2008 housing bond bill and permits DHCD to waive certain regulatory and statutory requirements in order to demonstrate cost-effective revitalization methods for state-aided public housing that reduce the need for future state modernization funding. AIMM LHAs will be eligible to apply to DHCD to receive all or a portion of their formula funding award under PHIDP when the relief they are seeking supports PHIDIP goals.

## Frequently Asked Questions

### **26. Is there a set-aside for c. 689 projects with human services sponsors other than DDS or DMH?**

There is no set-aside for c. 689 properties with other sponsors. LHAs may use their unrestricted formula funding for work at these properties.

### **27. Which Massachusetts Certified Public Purchasing Official (MCPPO) training is required for LHAs that receive AIMM (Accelerated Independent Modernization and Management) designation from DHCD?**

Unless already certified, the Chief Procurement Officer of an AIMM-designated LHA needs to complete the MCPPO Public Contracting Overview training within 12 months of the Authority's AIMM designation. This is a 3-day course that costs \$450.

### **28. How do LHAs pay for MCPPO Public Contracting Overview training?**

Whether or not they intend to participate in the AIMM program, LHAs may request reimbursement of the \$450 course cost from their formula funding upon successful completion of the course by their chief procurement officer. If an LHA would like to certify another staff member as a MCPPO, the LHA can pay for the cost of the training from their operating reserves and expense the cost as extraordinary expenses. The description must state, "MCPPO Certification," and include the employee name.

### **29. What is the source of the data in CPS?**

CPS is populated with data from: the original DHCD Capital Improvement Inventory System (CIIS); other data sources here at DHCD; information provided from inspections of a representative sample of units in each development by two DHCD hired consultants; and conventional sources of construction information such as RS Means construction cost data and Commonwealth of Massachusetts Department of Labor and Workforce Development (Prevailing Wages). All data pertaining to the specifics of a particular local housing authority's (LHA) portfolio is open to correction or modification by that LHA with or without the assistance of DHCD technical staff.

### **30. How accurate is the CPS Project Information?**

The scope, schedule and budget information contained in CPS are only rough estimates based on condition assessment surveys conducted by DHCD hired consultants. Therefore, CPS project information should be used for planning purposes only. Actual scopes, schedules, and budgets need to be refined for project implementation.

### **31. If CPS underestimated the cost of a project, does that mean the LHA should have received more Formula Funding?**

No. In calculating each LHA's share of FF, we looked not at the estimated cost of each LHA's projects, but rather at the value of all the expired building components at each LHA, as a percentage of all the total statewide cost of all expired building components. That is, if the cost of the expired components was 1% of the state total, the award amount was 1% of the state's available Formula Funding (aside from some minor adjustments we made to ensure everyone got some money and the very worst developments didn't absorb too much).

## Frequently Asked Questions

We didn't use the relative project cost at each LHA to calculate FF awards because there are many unknowns in putting together the cost of a project - hidden conditions, decisions about whether to replace components that still have some useful life because it may be more efficient to do it at the same time you replace an expired component, and so on. Such factors can lead to significant cost differences even in a "simple" project like roofing. (Are the sheathing or soffits rotting? Do you need to add insulation? What about the gutters? etc.) Identifying expired building components is much simpler to do and was the fairest way to compare the relative need from building to building, and from LHA to LHA.

### **32. How should I use the CPS project information?**

CPS project information should only be used to create a Capital Improvement Plan (CIP). Project implementation needs more current, more precise and more carefully considered project figures.

CPS project information can be used as the starting point for requesting designer services but should **not** be used as the basis for a design contract.

CPS project information should **not** be used as the basis of a construction contract. Construction estimates need to be created by experienced professionals using actual project scopes and schedules and current cost data including market conditions and calendar seasons.

## Frequently Asked Questions

### **Glossary: What are the new acronyms and terms that LHAs need to know?**

**AIMM: Accelerated Independent Management and Modernization-** A new program for LHAs that want to work more independently on their modernization projects. AIMM LHAs are designated by DHCD and take responsibility for all aspects of the capital planning and modernization process for their own portfolio.

**Award Amount-** The amount in the June 16, 2010 award letter that is the LHA's share of FF program funds.

**Cap Share-** An LHA's share of DHCD's annual bond cap that is allocated based on the LHA's share of the FF program total.

**CIP: Capital Improvement Plan-** A capital plan prepared and updated annually by an LHA that describes the LHAs' capital priorities as well as anticipated capital improvement projects, schedules and budgets, including projections for two additional years for use by DHCD in its projections for the Office of Administration and Finance.

**CIMS: Capital Improvement Management System-** Web-based system for LHAs to prepare and submit their CIPs to DHCD for review and approval. Also a tool for tracking and managing an LHA's formula funding award, annual cap share and any other capital funding sources.

**CPS: Capital Planning System-** State-wide inventory and condition assessment system for state aided public housing.

**FCI: Facilities Condition Index-**The ratio of the cost of expired building components to the cost of replacing the building altogether.

**FF: Formula Funding-** The DHCD program that distributes state-aided public housing modernization funds authorized periodically by the Massachusetts Legislature. LHAs receive multi-year shares based on proportional capital funding need as determined by the state-wide CPS inventory and condition assessment of building and site components.