

**FY2012 Choice Neighborhoods Implementation Grants
NOFA Questions and Answers**

1. Do we need to have a HUD-approved Transformation Plan or have been a prior Choice Neighborhoods Planning Grant recipient to apply for an Implementation Grant?

No, other planning projects that have not previously received a HUD Planning Grant are eligible for Implementation Grants (as long as they meet the other eligibility criteria). Furthermore, recipients of a Choice Neighborhoods Planning Grant must compete for an Implementation Grant and do not receive a preference or bonus points in Implementation Grants competition.

2. What are the key changes to this year's NOFA from the previous NOFA?

- A. The competition will now be conducted through a single NOFA with three stages rather than the two-round process used in FY2010/2011 with separate NOFAs.
- Stage 1: Screen for threshold compliance and review Capacity and Need rating factors. Applicants must score a minimum number of points to move on to Stage 2.
 - Stage 2: Score Vision rating factor and combine with Capacity and Need rating factors. HUD will rank applications in score order and competitive applications will move on to Stage 3 as finalists.
 - Stage 3: Conduct site visits with finalists. Upon conclusion of the site visits, HUD will finalize the preliminary score for all rating factors and make awards based on score order.
- B. The FY2012 appropriations law requires that at least \$80 million of the total \$120 million be set-aside to applications where a PHA is the Lead Applicant or Co-Applicant. The NOFA also sets-aside one grant to an application that targets an assisted housing project submitted by a high-capacity team.
- C. The "Other Sites for Transformation Plan Activities" documentation requirement is now part of the scoring criteria in the Vision-Neighborhood section rather than a threshold requirement. This means that detailed site control documentation for non-housing sites will be rated, but is no longer a requirement for an application to be scored.
- D. Supportive Services funding- During the term of the grant, grantees will now only be able to use up to 10 percent of their grant for supportive services. An additional 5 percent can be requested but will be held back by HUD and released, in the form of an endowment, at the end of the grant term only if anticipated supportive service outcomes have been achieved and if such services can be demonstrated to further desired outcomes beyond the grant term. A rating factor related to supportive services sustainability has been added to incentivize applicants to request the full 15 percent of grant award permitted for supportive services.
- E. A rating factor has been added to the People section focused on public safety strategies to reflect its importance in a comprehensive strategy.
- F. The rating factor for 'Neighborhood-Anticipatory Leverage' rating factor has been deleted. Instead, the points for the 'Alignment with Existing Efforts' rating factor has been increased. This has the effect of shifting the rating emphasis from evaluating based on a dollar amount

of committed neighborhood funds to the underlying quality of partnerships and coordination.

3. Does the lead applicant have to be a housing authority in order to be eligible to submit the grant application for funding?

No. Nonprofits, local governments, for profit developers that partner with a public entity, and tribal entities are the other types of organizations that, in addition to public housing agencies, can also be the Lead Applicant. Please note that if the target housing is a public housing project, the public housing agency will need to be involved with the Transformation Plan, particularly with regard to the site control threshold.

4. Does HUD allow a Lead Applicant to have more than one Co-Applicant? For example could there be one Lead Applicant with 3 co-applicants?

Yes, this is allowed under the NOFA. However, applicants should be mindful of the impact it will have on governance and the overall organizational structure of the team during implementation, and specifically in the NOFA rating factors regard the framework for capacity and decision-making.

5. Must an application target a public housing project?

No, an application can include only public housing, only HUD-assisted multifamily housing, or both. Choice Neighborhoods applications should be tailored to the needs in the target neighborhood and therefore can include a combination of severely distressed public and/or HUD-assisted housing.

6. We have demolished a public housing site and plans for redevelopment are well underway. In fact, we expect to begin construction on the first phase, for a portion of the on-site redevelopment, soon. Can this site still meet the “Eligible Target Housing” threshold?

Yes, as long as the site has not been completely redeveloped or disposed of, it could still be eligible.

7. We are in an area that may be eligible for an exception to the one-for-one replacement requirement. When should we submit our request to HUD?

Applicants are encouraged to submit the exception request as soon as possible so that there is time to devise the appropriate Transformation Plan. Additional details on the criteria and process for being granted an exception are posted on the FY2012 NOFA and Funding Information Page of the Choice Neighborhoods website.

8. The data that we received from the mapping tool related to the Eligible Neighborhoods threshold is different from the data we received for last year’s application using the same neighborhood boundaries. Why?

Where available, HUD is using more recent data for the mapping tool for the prior competitions. For example, it now uses 2005-2009 American Community Survey (ACS) data rather than the 2000 Census data for some indicators. You must use the data from the FY2012 module of the Mapping Tool in order to be eligible for funding under this NOFA.

9. Does the American Indian community within a geographic area qualify as a “neighborhood” for these funds?

No, the definition of neighborhood is strictly based on geography, not a subset of the population within that defined geography. Please refer to the definition of “Neighborhood” and the Eligible Neighborhood threshold in the NOFA for more details.

10. Can we apply for a project that is within the target neighborhood of a prior Choice Neighborhoods Implementation Grant?

No, an Implementation Grant is awarded to fund the Transformation Plan that covers an entire neighborhood- not just specific activities within that neighborhood independent of the larger plan. As such, applications for the same neighborhood would be considered duplicative funding, which is not permitted per section VI.A.2 of the General Section NOFA.

11. Page 18 of the NOFA says: “HUD recognizes that some of the eligible neighborhoods may be impacted areas and/or areas of minority concentration. Since a goal of this program is to transform such areas into neighborhoods of choice, these neighborhoods are still eligible for funding under this NOFA.” Does this mean that neighborhoods (impacted areas or areas of minority concentration) still need to meet one of the other criteria, as listed on page 18 (poverty, substandard housing, Part I Violent crimes, etc.)?

Yes, all neighborhoods must meet the specific eligibility criteria. This statement was added at our General Counsel’s request to clarify that we are not violating fair housing laws by investing in impacted areas.

12. As an alternate to demonstrating distress through a low REAC score, we understand that we can provide an excerpt from a Physical Needs Assessment (PNA) report. Are there HUD standards for the PNA?

HUD has not established formal standards for PNAs. Generally it should be prepared by an independent registered engineer or architect that conducts a physical inspection of at least 10 percent of the dwelling units and 50 percent of the non-dwelling space. We would suggest that it take into account the life cycle replacement costs of all building systems for a period of 20 years, though for purposes of the rating factors in this NOFA HUD will only consider the current rehabilitation needs.

13. May we use a real estate broker to provide the preliminary market assessment letter? Is a broker considered to be a “professional” in your eyes?

Yes, a real estate broker could provide the preliminary market assessment letter for the type of development activity in which he/she specializes. For example, a broker that focuses on single-family home sales could provide an assessment related to the market rate homeownership housing proposed in the Transformation Plan. However, it does not seem like that broker would be able to provide a qualified professional opinion on market rate rental housing or economic development (including retail development or other activities).

14. As we are planning and preparing to apply for the Implementation Grant, we are formulating a plan for mixed-income housing and attempting to deconcentrate our current public housing. We are trying to purchase enough acreage to spread our units out and mix in market rate homes/apartments, but one owner has indicated it would prefer to lease the land to us. Is it permissible to sign a 99-year lease to build public housing within CN rules?

Yes, so long as the proper documentation is submitted to satisfy the “Site Control for Target and All Replacement Housing Sites” threshold requirement, this ownership arrangement would be acceptable to HUD.

15. For housing development leverage, it is clear that “donated land” can be counted. However, if an entity is providing land at less than full appraised value but not at zero cost, can the difference between the appraised value of the land and the discounted cost of the land be counted in leverage?

Yes, the value of the land would still need to be confirmed through an appraisal in indicated in that section of the NOFA.

16. Can you clarify in NOFA Grant Sizing Methodology section E.3.b.(b) Certain Critical Community Improvements – would these funds requested be in addition to, i.e. excluded from, the TDC/Cost Cap calculation?

Yes, the grant sizing calculation includes the cost to provide replacement housing plus supportive costs and critical community improvements.

17. It is clear that grant funds can be used to develop ACC units either with or without LIHTC. However, is it permissible to use grant funds to develop LIHTC units which have also been awarded a project-based voucher?

Since units with project-based voucher (PBV) assistance are a type of replacement housing, Choice Neighborhoods grant funds can be used to construct those that are replacement housing and those units should be included in the grant sizing calculation described in section IV.E.3 of the NOFA. Choice Neighborhoods funding can be used to build units that are “affordable” units (as defined in section I.C), but those units are not included in the grant sizing calculation.

18. How does the HUD Total Development Cost (TDC) limit affect acquisition/rehabs?

The TDC limit for rehabilitation only includes units that are already in HUD's inventory as public or assisted housing. For replacement units to be provided through acquisition, either with or without rehabilitation, those would be included in the "new construction" TDC limits.

19. Please can you clarify whether a target project that is NOT demolished, will automatically receive the two points for Replacement Housing (under Vision – Housing)? There appears to be some confusion about the language in the NOFA for this scoring category.

Yes, applications that target a housing project that is not yet demolished or disposed of are required to comply with the one-for-one replacement threshold requirement. Thus, those applications automatically receive the two points. This rating factor is intended to encourage those applications that target a site that has already been demolished to build back as many of the original units as possible.

20. If residents were relocated from the targeted public housing development over four years ago, how should we respond to the Resident Needs Assessment and Results Rating Factor?

HUD would expect an assessment of the former residents that were relocated prior to demolition and other residents in the neighborhood.

21. How should we handle the Walkscore requirement for a target housing project that is scattered sites or if we have more than one target housing site?

HUD recommends that you pick an address reflective of the greatest concentration of units in the target housing project. If the units are equally scattered throughout the neighborhood, then you could pick an address near the center point of the target housing units.

22. Is failure to meet adequate yearly progress (AYP) under No Child Left Behind for two years a good rule of thumb for determining low-performing schools?

Yes, that is a main component of determining whether a school is in corrective action or restructuring. However, the school also needs to comply with the Title I component of the definition of a low-performing school. Each state education agency is required to post their reports online each year about which schools are considered to be "low-performing".

23. Is the Section 3 hiring report HUD 60002 required for the entirety of an organization or just the piece of an organization currently subject to the regulations?

Applicants should follow their current reporting requirements. In general, for community development, the section 3 reporting requirements only apply to the portion(s) of covered funding that were used for project/activities involving housing construction, rehabilitation, demolition, or other public construction. For more information on section 3 requirements, please visit HUD's section 3 website: <http://www.hud.gov/offices/fheo/section3/section3.cfm>.

- 24. In the “Goals and Outcomes” rating factor in the Vision-Neighborhood section, [V.A.3.c(1)], applicants must “describe the methods to avoid or ameliorate patterns of racial or ethnic segregation.” What does HUD mean by that?**

Applicants must address this aspect of the rating factor or they will not be able to obtain full points under the rating factor. An appropriate response could include, for example, describing how the applicant has or will analyze demographic data for alternative sites for replacement housing that would result in the least adverse effect on minority concentration or result in the greatest racial and/or ethnic diversity or selecting sites that would increase access to employment, education, recreation, service, and other opportunities to racial and ethnic minorities.

- 25. Do all areas (Housing, People and Neighborhood) need to be addressed in this proposal, or can one area be selected and comply with all the necessary requirements?**

Yes, a comprehensive transformation plan is at the core of the Choice Neighborhoods program.

- 26. We are planning to provide all of the replacement housing within the target neighborhood. How will this be handled in the “Access to Opportunity” rating factor under Vision-Housing (section V.A.3.a(2)), which seems to address plans that propose to build some of the replacement housing outside of the neighborhood?**

Applications that demonstrate the plan is to provide all of the replacement housing within the target neighborhood will receive full points for this rating factor.

- 27. In the “Project Readiness” rating factor under Soundness of Approach (section V.A.4.c), if the first phase includes public housing Capital Funds, applicants are instructed to provide a commitment letter in the same attachment as the Sources and Uses information. Isn’t this redundant of the letters we will include in the documentation for Housing Leverage?**

Since public housing funds cannot be counted as match or leverage, applicants should not provide a commitment letter for such funds in the attachment for Housing Leverage (Attachment 45). However, HUD recognizes such funding is an important resource and could be committed to the project. Thus, if Capital Funds are in the first housing phase that includes Choice Neighborhoods funds, which is the basis upon which points are awarded for the “Project Readiness” rating factor, HUD still needs the applicant to demonstrate that all funding is firmly committed. That letter should be provided in Attachment 13.

- 28. In the capacity section, applicants must to submit the “most recent operating statements” for each of the three projects described. However, each audited statement is several pages long. How are we to comply with this while still meeting the page limit requirements?**

Applicants should only submit the relevant excerpts from the audit to show that existing properties are not requiring ongoing cash infusions by the owner.

29. Attachment 4 is the Legal Contract for For-Profit Developer Applicant per Article III.C.2.a(1)(a) and Attachment 5 is the Partnership Legal Contract per Article III.C.2.a(4) of the NOFA. Can these documents be combined into one ‘master’ document showing the relationships and responsibilities of all parties involved or do they have to be kept as separate documents?

While HUD views these as documents fulfilling separate purposes, the NOFA does not explicitly require them to be separate documents.

30. For the Partnership Agreement, will HUD accept a Memorandum of Understanding (MOU) from the partners, so long as it clearly defines the roles of each entity in the transformation and complies with the NOFA?

The NOFA specifically states that applicants must submit a partnership contract, which is a more formal agreement than an MOU.

31. Is there a HUD form to be used for “(gg) Attachment 33: Certification of Accessibility, Adaptability and Visitability. Review and respond to Rating Factor V.A.3.a(6) by providing a certification and description,” or should our architect create a certification form themselves?

There is not a HUD-prescribed form for the required certification.

32. The documentation required for rating factor V.A.3(a)(8) is “a certification that all required discretionary land use approvals” other than design review, have been received. While the NOFA uses the term certification, many municipalities utilize different formats of approvals. Is a site plan approval from the city sufficient to meet this criterion?

HUD understands that there are many different formats and local requirements that HUD would not know about - that is why the NOFA requires a certification from the appropriate local stating that the required discretionary land use approvals have been secured.

33. The Choice Neighborhoods application does not have a category to note a property that would also be the subject of a Rental Assistance Demonstration (RAD) application. What is the HUD suggested method to include a potential RAD conversion project in a Choice Neighborhoods application?

In this Choice Neighborhoods competition the use of RAD will have no scoring implications. Applicants who intend to pursue RAD for a Choice Neighborhoods property may indicate such in the Vision-Housing section of the narrative. For more information on RAD, please see www.hud.gov/RAD.