

Pay for Success Permanent Supportive Housing Demonstration Frequently Asked Questions (FAQs)

These Frequently Asked Questions (FAQs) are a resource to provide applicants with general information about the Pay for Success Permanent Supportive Housing Demonstration (PFS Demonstration). Always refer to the PFS Demonstration Notice of Funding Availability (NOFA) to ensure compliance with application and program requirements.

1. PFS Demonstration Application Information

1.1 - How do I apply for the PFS Demonstration?

Applicants are required to submit their applications electronically via the Grants.gov website. Access the PFS Demonstration NOFA and application materials at: <http://www.grants.gov/view-opportunity.html?dpp=1&oppPkgId=219161&fromEmail=true>. Read the PFS Demonstration NOFA and the HUD FY2015 NOFA General Section at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/grants/fundsavail/2015gensec to ensure that you meet all PFS Demonstration application requirements.

Instructions for downloading, completing, submitting, and tracking grant application packages are available at Grants.gov. Applicants submitting more than one application must download and submit a separate application package for each application. Refer to Grants.gov for download information and Adobe software and system compatibility information.

1.2 - What is the application deadline?

Applications and all required materials are due on February 12, 2016 by 11:59:59 Eastern Time. Late applications will not be accepted.

1.3 - Is there a way to upload attachments/appendices so graphics, maps, charts, etc. can be included?

HUD will only accept supplemental documentation identified in the application checklist (see Section IV.B.1. of the PFS Demonstration NOFA). Additional materials will not be reviewed.

See Section IV.B.1. of HUD's FY 2015 NOFA General Section for information about how to electronically submit required forms and attachments through Grants.gov.

1.4 - DOJ was appropriated \$10 million (\$5 million FY 2014 and \$5 million FY 2015). Why is the competition only distributing up to \$8.679 million?

In addition to the \$8.679 million available for awards, \$1 million is set aside for the HUD's evaluation of the PFS Demonstration and \$321,000 is needed to cover the costs of grant administration.

1.5 - What parts of the application are included in the 45-page limit?

Only narrative responses are included in the page limit. Required forms and attachments listed in Section IV.B.1 of the PFS Demonstration NOFA and the PFS Demonstration Budget Forecast worksheet are not included in the page limit.

1.6 - Can applicants apply for PFS projects for multiple Demonstration Sites?

Applicants may only apply for one Demonstration Site per application. However, applicants may submit more than one application.

1.7 - Are performance measures required at the time of application?

No, applicants are not required to include performance measures in their application. Once selected for award, grantees will be required to develop performance measures to assess their progress in achieving the objectives for each eligible activity as described in Section I.A.1.c. of the PFS Demonstration NOFA. HUD will work with grantees to finalize the performance measures that will be included in the Cooperative Agreement.

1.8 - If my organization only intends to apply for Feasibility Analysis funding, should we still answer the narrative prompts related to transaction structuring, outcome evaluation, and success payments?

Yes. Fully develop responses to all narrative prompts, not only those that are specific to an eligible activity for which the applicant is applying. Applications will be evaluated based on the quality of overall program design for all phases of the PFS project – not only for the eligible activities for which funding is requested by the applicant.

If not requesting funding for all of the four specific eligible activity types, the applicant is required to describe how those activity costs will be funded or substantiate that a specific PFS project phase has been completed (see narrative prompt at Section V.A.1.e.vi. of the PFS Demonstration NOFA).

1.9 - Can an applicant apply for funding for more than one eligible activity? For example, can an applicant apply for both feasibility analysis and transaction structuring?

Yes, an applicant can apply for any combination of the four eligible activities (Feasibility Analysis, Transaction Structuring, Outcome Evaluation, Success Payments). Grant funds may not be used for the direct provision of housing or services.

2. PSH Intervention Framework

2.1 - Are Intermediaries responsible for obtaining private funding for the PSH Intervention?

One major role of the Intermediary in the PFS project is raising capital and developing the capital structure of the PFS project.

2.2 – Section I.A.1.a.iv.(b). of the PFS Demonstration NOFA states that the government entity must be at least one of the payors responsible for making Success Payments when successful outcomes are achieved. However, the letter of interest from the government entity makes no mention of this requirement. Must the government entity also serve as a payor?

Yes, the government entity must be at least one of the payors responsible for Success Payments as stated in Section I.A.1.a.iv.(b). of the PFS Demonstration NOFA. The letter of interest is not intended to be a legal agreement between the intermediary advisor and the government entity that establishes the government entity's role as payor. The letter of interest from the government entity must demonstrate an existing or potential partnership, not merely general support of the PFS project. For purposes of the application, applicants are only required to show that, at a minimum, a potential partnership exists. In order to meet this requirement, the letter must:

1. Be signed by the representative(s) of the government entity with the authority to commit to a partnership with the intermediary;
2. Establish that the government entity intends to partner with the applicant to pursue a PFS-finance PSH Intervention for the reentry population;
3. Confirm that the government entity is willing to establish with the applicant a memorandum of agreement to share relevant data with the intermediary for the purposes of the PFS Demonstration in accordance with all applicable confidentiality requirements.

As partners in a PFS-finance PSH Intervention, the government entity is ultimately responsible for making success payments to social investors. Section I.A.1.b.iv. of the PFS Demonstration NOFA, which describes key roles and partnerships, provides further detail about what the government entity's role entails. Again, the letter of interest is not intended to be an official partnership agreement between the government entity and the intermediary. Rather, the letter must demonstrate a potential or existing partnership.

3. Applicant Eligibility

3.1 - I am a homeless assistance provider. My nonprofit organization is interested in Pay for Success. Are we eligible to apply for the PFS Demonstration?

If a homeless assistance provider meets the PFS Demonstration NOFA eligibility criteria for an eligible applicant, that provider is technically eligible to apply. However, the provider may not use grant funds for the direct provision of housing or services. PFS Demonstration grantees will fulfill the role of intermediary that is responsible for assessing the feasibility of a PFS project and/or structuring a PFS transaction and/or overseeing implementation of a PFS project. These activities may include partnership building, capital-raising activities, and program design for the target population at the Demonstration Site, managing contracts with service providers, making Success Payments on behalf of the government entity or other payors, and managing third-party evaluators. Intermediaries may carry out all activities directly and/or subaward funds to subrecipients or procure the services of contractors to carry out PFS activities.

3.2 - Can a for-profit organization apply for the PFS Demonstration?

No, eligible applicants are limited to private institutions of higher education, public institutions of higher education, private non-profit organizations, and public non-profit organizations. For-profit entities are not eligible PFS Demonstration applicants. However, grantees may sub-award funds to subrecipients or subcontract with for-profit organizations to carry out award activities as necessary. In addition, for-profit organizations can participate as providers of funding for PFS Demonstration activities that are not otherwise covered by grant funds.

3.3 - Applicants without direct PFS experience are required to have an Intermediary Advisor. If my organization has no experience with Permanent Supportive Housing (PSH), can we partner with an advisor with PSH experience?

Applicants that have no experience in Pay for Success projects are required to have an Intermediary Advisor with PFS experience. There is no requirement for previous experience in Permanent Supportive Housing (PSH). However, the Project Experience with PSH and the Reentry Population is assigned 12 points under the Organization Experience and Commitment Rating Factor. This subcategory requires applicants to demonstrate their prior and ongoing experience in PSH initiatives for high-need target populations experiencing homelessness and cannot substitute the experience of an advisor or any other entity.

4. Eligible Activities

4.1 - If my organization is currently conducting a Feasibility Analysis, can we apply for PFS Demonstration grant funding for Feasibility Analysis?

In order to apply for and expend PFS Demonstration grant funds to be used for a Feasibility Analysis that is already underway, that Feasibility Analysis must specifically analyze the feasibility of a PSH Intervention for the reentry population in accordance with the PFS Demonstration NOFA guidelines.

4.2 – In order to apply for grant funds for Outcome Evaluation or Success Payments, is my organization required to have already completed Phase 1 (Feasibility Analysis) and Phase 2 (Transaction Structuring)? If we apply for funds for Transaction Structuring, are we required to have already completed Feasibility Analysis by the application due date?

The eligible activities for which applicants may request funding is not limited by the status of a PFS project. In other words, an applicant could apply for all 4 eligible activity types without having started a PFS project. At the same time, HUD expects applicants to fully develop their plans for all phases of the PFS project – even for those phases not funded by PFS Demonstration grant funding.

4.3 – Are applicants prohibited from applying for amounts exceeding the recommended threshold amounts for eligible activities?

No, applicants are encouraged, but not required, to request amounts within the following recommended threshold amounts for each eligible activity type:

- Feasibility Analysis: Up to \$250,000.00
- Transaction Structuring: Up to \$600,000.00
- Outcome Evaluation: Up to \$250,000.00.
- Success Payments: Any amount up to the \$1.3 million maximum individual award amount.

Applicants may not request more than \$1.3 million per award.

4.4 - One part of the application states that PFS Demonstration grant funds may not be used to construct or rehabilitate homes. However, Section III.C.3.a.iii. refers to “PFS financing” being expended for housing construction or rehabilitation. Are we able to request funds for construction or rehabilitation in the grant proposal?

No, PFS Demonstration grant funds may not be used for any direct housing or services costs (including the costs of rehabilitation and construction). The “PFS financing” referenced in your question is not PFS Demonstration grant funding but the social financing secured through PFS transaction structuring that can cover the costs of services and housing, which may include rehabilitation and construction, if necessary.

4.5 – Is a Feasibility Analysis for the provision of Permanent Supportive Housing not specifically for the reentry population acceptable for the PFS Demonstration?

No. A Feasibility Analysis for the PFS Demonstration must be site-specific and specifically address the feasibility of the PSH Intervention for the reentry population in accordance with the PFS Demonstration NOFA guidelines.

4.6 – The PFS Demonstration NOFA states that grant funds may not be used for the direct provision of housing or services. What types of ramp-up activities can be paid for with grant funds?

Under the PFS Demonstration NOFA, ramp-up activities do not include the direct provision of housing or services and are limited to those needed to assist homeless assistance providers to scale up their operations for the PSH Intervention. The PFS Demonstration NOFA provides examples of acceptable ramp-up activities in Section I.A.1.c.ii.(b).(4).

4.7 - Can a grantee that is awarded grant funds for Success Payments use those funds to supplement the local government's success payments?

Yes – this is precisely the purpose of Success Payments. The objective of this eligible activity is to provide government entities with assistance in funding Success Payments, which will compensate investor(s) for the financial investment in PSH Intervention costs, once outcome goals have been met. Intermediaries may make Success Payments on behalf of the government entity or other payors or may subaward grant funds to the government entity for the purpose of making Success Payments to investor(s).

4.8 - Do evaluators have to be competitively selected before or after award or can they be designated as part of the applicant's response to the NOFA?

Under the PFS Demonstration NOFA, grantees may designate or competitively select the third-party evaluator. However, grantees must also comply with any applicable state and local laws.

If using PFS Demonstration grant funds for Outcome Evaluation activities, the grantee must also comply with 2 CFR Part 200 in designating or competitively selecting the third-party evaluator. Whether the third-party evaluator is competitively selected or designated depends on whether the evaluator is fulfilling the role of a contractor (competitively selected) or subrecipient (can be designated or competitively selected). The timing of the selection or designation is flexible: third-party evaluators do not need to be identified at the time of application.

While a subrecipient can be **designated** by the grantee, contractors must be selected through a **competitive procurement process**. However, other than rules relating to bonding, insurance, prevailing wages and other such provisions, most of the standard Federal administrative and monitoring requirements (described in 2 CFR Part 200, as applicable) do **not** apply to contractors, once the procurement process is complete. Those regulations, however, must be followed, as applicable, by all subrecipients.

See 2 CFR 200.330 for assistance in determining whether to establish a subrecipient or contractor relationship with the third-party evaluator.

Under most circumstances the distinction between a contractor and a subrecipient is clear. For example: a development firm hired to build a new senior center is a contractor. A community development corporation running senior service programs at the center is a subrecipient. However, there can be some tricky cases. For example, if a non-profit day care provider is **hired** by a grantee (after a procurement process) to provide day care services to a lower-income neighborhood, the non-profit is a **contractor** in this instance, even though the grantee could have chosen to designate the non-profit as a subrecipient to carry out the very same activity. The difference lies in the procurement process and in the administrative and monitoring requirements for subrecipients.

The bottom line is that the procurement process tends to be more rigorous for contractors, while the administrative and monitoring requirements tend to be greater for subrecipients.

5. Conflict of Interest

5.1 - Would a firm that teams as a research partner with a NOFA applicant would be precluded from bidding on the overall evaluation of the demonstration?

A firm that tentatively teams as a research partner with a NOFA applicant may still apply for the position of HUD evaluator for the national evaluation of the PFS Demonstration. However, organizations may not fulfill the roles of both HUD Evaluator and local third-party evaluator for the PFS Demonstration. If both the firm and its partner are awarded the grants for which they applied, the firm would need to choose to fulfill the role of either HUD evaluator or local third-party evaluator.

5.2 - Can an intermediary also be the third-party evaluator for the same PFS project?

Yes, intermediaries may carry out all activities directly and/or subaward funds to subrecipients or procure the services of contractors to carry out PFS activities. Grantees will provide, directly or through a subrecipient or contractor, the services of a third-party evaluator to carry out the activities described in Section I.A.1.c.iii. of the PFS Demonstration NOFA.

5.3 - Can a PFS Demonstration grantee act as an investor in any of the deals as a separate and ongoing business activity?

Since they will be providing direct services for Feasibility Analysis and Transaction Structuring, PFS Demonstration grantees are prohibited from acting as an investor for the PFS project.

6. Budget

6.1 - Do applicants have to submit budgets for the total project period or just for year 1?

Applicants must submit budgets for the entire project period. Costs should be divided by eligible activity type. The PFS Demonstration Budget Forecast spreadsheet provides separate tabs for each eligible activity type: Feasibility Analysis, Transaction Structuring, Outcome Evaluation, and Success Payments.

Applicants are not required to divide costs by year in the PFS Demonstration Budget Forecast. However, applicants must describe the annual budget per year for each year of the proposed project period. The applicant should estimate the time (number of years) required to complete the project, based on the current status of the project and the eligible activities for which it is applying.

6.2 – Is the 10% cap on administrative costs calculated on an annual basis or for the total award amount.

The 10% cap on administrative costs is applied to the total award amount. Remember that HUD will stagger the release of funds in conjunction with the status of the PFS process and HUD's review of all deliverables. Therefore, grantees may only use administrative costs incurred for the eligible activity they are currently carrying out. For example: While conducting a Feasibility Analysis, a grantee may incur administrative costs associated with that activity only. The grantee may not begin incurring administrative costs for Transaction Structuring until it completes the Feasibility Analysis and HUD makes those Transaction Structuring funds available to the grantee.

6.3 - Should the submitted application budget include only the PFS Demonstration grant amount or include the total project cost?

Budgets must reflect the total costs, including any leveraged funds. Identify the amount of grant funds for each budget category under the "HUD Share" column (Column G) of PFS Demonstration Forecast Excel worksheet. Identify the total project costs of each budget category under the "Estimated Costs" column (Column E).

7. PFS Demonstration NOFA Requirements

7.1 – How is the maintenance of effort requirement evaluated? If PFS financing covers 50% of the service costs and government-funded programs cover 100% of the housing and 50% of the service costs, would the project be eligible under the NOFA? Is this maintenance of effort requirement applied in aggregate over the total term of the PFS transaction or in any given year?

The intent of the maintenance of effort requirement is to ensure that the PSH Intervention expands on existing PSH programs or makes available new PSH. This requirement is applied to the total costs of housing and services in aggregate (not based on annual costs). Ultimately, at least 50% of the total housing and services costs of the PSH Intervention must be covered by PFS financing. The PFS financing could cover the costs of the housing or the services, so long as the total amount of PFS financing is at least 50% of the total cost of housing and services. If PFS covers 50% of the service costs of a project while the government-funded program covers 100% of the housing and the other 50% of the services then this project would not meet the maintenance of effort requirement. The PFS Demonstration NOFA requirement is for PFS financing to cover at least 50% of the total cost of housing and services, whether the PFS financing goes to entirely housing costs or entirely services costs or both housing and services.

7.2 – Are PFS Demonstration grantees required to comply with HUD requirements other than program specific requirements established in the PFS Demonstration NOFA?

Yes, there are government-wide regulations (referred to as the Cost Principles) which govern the costs that may be charged to Federal funds and matching funds under Federal grants. All PFS Demonstration grantees will be required to comply with the Cost Principles that are applicable to their organizations. Refer to the Federal cost principles at: <http://www.whitehouse.gov/omb/circulars/index.html> for information on allowable costs in Federal grants.

In addition, there are other HUD requirements that apply to all HUD FY 2015 Program NOFAs. These are identified in HUD's FY2015 NOFA General Section at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/grants/fundsavail/2015gensec.

8. Award Information

8.1 - If awarded funds for all eligible activities: Feasibility Analysis, Transaction Structuring, Outcome Evaluation, and Success Payments, will grantees receive the full award once the grant term begins?

HUD will obligate the entire amount of the grant upon award. However, HUD will stagger grantees' access to funds in conjunction with the status of the PFS process and HUD's review of all deliverables. For example, if a grantee is awarded funds for all four eligible activities, Phase 1 - Feasibility Analysis would need to be completed with the PFS project deemed feasible before HUD makes funding for Phase 2 - Transaction Structuring available to the grantee. Additionally, Phase 2 - Transaction Structuring would need to be completed with a PFS Contract in place and PFS Contract Implementation underway before HUD releases funding for Outcome Evaluation to the grantee. HUD will only release funding for Success Payments after (1) DOJ and HUD have reviewed and approved the outcome validation methodology, which must be submitted to DOJ and HUD before the PFS Contract is finalized; and (2) the third-party evaluator verifies that an outcome goal, as established and agreed upon in the PFS Contract, has been met.

8.2 - How and when will funding for grantees be available?

HUD will provide information on how to gain access to the Disaster Recovery Grant Reporting (DRGR) System. HUD will obligate the entire amount of the grant upon award but will stagger grantees' access to funds in conjunction with the status of the PFS process and HUD's review of all deliverables. HUD expects conditional awards to be announced in the spring of 2016.