

Department of Housing and Community Development
MassHousing
Notice of Funding Availability
Community Scale Housing Initiative
February 2019

The Baker-Polito Administration is committed to increasing the production of affordable housing throughout the state. The Administration is working with municipal officials in cities and towns throughout Massachusetts to support projects appropriate in size for the particular community. In larger cities and towns, the Administration is working with municipal officials to help support larger-scale projects that will result in more affordable units. However, the Administration also is committed to supporting new projects that are not large in scale and thus more appropriate for the smaller cities and towns in which they will be built. These smaller cities and towns have a clear need for more affordable rental units at a scale appropriate to their population, geographic size, land availability, and local architecture, yet they often do not have adequate resources to support these projects. To help address their needs, the Department of Housing and Community Development (DHCD) and MassHousing are pleased to announce the Community Scale Housing Initiative (CSHI). On behalf of the Baker-Polito Administration, DHCD and MassHousing have joined efforts to design a special initiative to address the need for smaller scale affordable housing projects that are sized to fit well within the host community. The initiative provides up to \$10 million in funding for these projects. The funding consists of \$5 million from DHCD's Housing Stabilization Fund and a \$5 million investment from MassHousing's Opportunity Fund.

PROJECT ELIGIBILITY CRITERIA

The project eligibility criteria for all applications include the following:

- CSHI funds are intended for projects in communities with a population of 200,000 or fewer.
- Projects sponsored by nonprofit and for-profit entities are eligible.
- The proposed project will include at least 5 rental units, but no more than 20 rental units.
- The proposed project must be new production (new construction or adaptive re-use) resulting in additional affordable rental units. This initiative is not intended to support occupied preservation projects.
- The project sponsor must have a demonstrated ability to develop a project of the type, size, and complexity proposed.
- CSHI affordable units will be targeted to households at or below 80% of AMI.
- A minimum of 20% of the total project units must qualify as CSHI affordable units. However, both DHCD and MassHousing expect that most proposed projects will have a minimum of 50% of such units. CSHI funding will be made available only to support the CSHI eligible units.
- There must be a financial commitment for the project from the host community. If the community does not have local funds for affordable housing, the sponsor must submit a letter from the municipality stating this is the case. DHCD and MassHousing expect these municipalities to support these projects in other ways and to contact the public

agencies to discuss their proposed support. The project must have received all funding commitments, except those which are being applied for in this funding round.

- The CSHI subsidy requested may not exceed \$200,000 per CSHI unit assuming the sponsor is not requesting DHCD project-based rental assistance. However, if the sponsor also intends to seek DHCD project-based rental assistance, the CSHI subsidy may not exceed \$150,000 per CSHI unit.
- Typically, there is a \$1.3 million maximum for CSHI projects with 5-10 CSHI units and typically a \$1.7 million maximum for projects with 11-20 CSHI units.
- Sponsors should request and will be awarded, if successful, the least amount necessary for project feasibility as determined by DHCD and MassHousing.
- The total development cost per unit for CSHI projects may not exceed \$350,000.
- The project must be financially feasible without federal 9%, federal 4%, or state low income housing tax credits, or any other state housing resources that have not been previously committed and are not available in this NOFA.
- Projects that receive awards are expected to close and proceed to construction within 12 months of the date of the award letter.

PROJECT EVALUATION CRITERIA

In general, the evaluation criteria for all applications include, but are not limited to, the following:

- Percentage of units to be reserved as affordable
- Strength of overall concept
- Strength of development team
- Submission of a plan to include M/WBE participation on the development team
- Submission of a third party market study demonstrating market demand for all units in the project
- Evidence of satisfactory progress on projects previously funded by DHCD and/or financed by and/or regulated by MassHousing
- Appropriate design for the project that promotes green building standards and increased accessibility
- Appropriate scope of construction for the project
- Appropriate total development costs
- Appropriate operating costs
- Degree to which the project maximizes sustainable development principles
- Evidence of readiness to proceed
- Consistency with the Massachusetts Fair Housing Mission Statement and Principles (Attachment A)

DHCD and MassHousing intend to award the CSHI funds competitively through the process described above. However, the Department and the Agency reserve the right to consider accepting a highly-ready application out of round. The Department and the Agency will accept out-of-round applications only if resources are available and, as indicated, the project is highly ready to proceed.

SCHEDULE/FEES

A funding competition for the CSHI funds will be held in 2019 according to the following schedule:

February 27, 2019	Notice of Funding Availability
March 29, 2019	Q&A Session
April 30, 2019	Pre-applications Due to DHCD in Intelligrants
May 14, 2019	Decisions Regarding Pre-applications
June 28, 2019	Applications Due to DHCD in Intelligrants
July 1, 2019	Hard Copies of the Mass OneStop+ and 11"x17" Architectural Plans to DHCD
September/October 2019	Decisions Regarding Applications

The pre-application fee, payable to DHCD, is \$1,000 per project. The full application fee, payable to DHCD, will be \$2,500 per project for nonprofit sponsors and \$5,000 per project for for-profit sponsors.

PRE-APPLICATION PROCESS

Sponsors who intend to seek CSHI funds must submit pre-applications to DHCD by close of business on the deadline referenced above. Sponsors may submit up to two pre-applications. If a pre-application is approved, the project will be eligible for consideration in the funding competition. Only one application per sponsor will proceed to the funding competition. If the pre-application is denied, the sponsor may submit the project to a later CSHI rental funding competition. All pre-applications will be reviewed to determine that the proposed projects are eligible according to the CSHI criteria included in this NOFA. There will be special emphasis placed on whether a proposed project is ready to proceed to closing and construction start within 12 months of the date of the award. All pre-applications must be submitted through the DHCD Intelligrants system (OneStop+). The link to the application system is <https://massonestopplus.intelligrants.com>. Sponsors may submit no more than two pre-applications. It is anticipated that pre-application decisions will be made by the deadline referenced above.

APPLICATION PROCESS

Sponsors who have received approval subsequent to review of their pre-applications may proceed to submit a full application seeking CSHI funds to DHCD by close of business on the deadline referenced above. All applications must be submitted through the Intelligrants system (OneStop+). The link to the application system is at <https://massonestopplus.intelligrants.com>. Applicants must also submit to DHCD one original hard copy of the Mass OneStop+ online application including 11"x17" plans by close of business on deadline above.

PLEASE NOTE: For projects for which sponsors have submitted an application to DHCD's February 21, 2019 rental funding round, DHCD may, at its discretion, move an application into the CSHI funding round if the application a) will not receive an award in the rental funding round

and/or b) meets the criteria for CSHI funding. If, as a result of this action, there are two CSHI applications per sponsor, DHCD reserves the right to waive the one application per sponsor requirement for CSHI.

SOURCES OF FUNDING

The sources that will be available for the Community Scale Housing Initiative are as follows:

- \$5,000,000 from the DHCD Housing Stabilization Fund
- \$5,000,000 from an investment of MassHousing’s Opportunity Funds
- DHCD Rental Assistance (A limited number of DHCD’s Section 8 and MRVP rental assistance vouchers will be available)

FUNDING ADMINISTRATION

CSHI funds will be made available to selected projects through deferred payment loans. Assuming a project is meeting its CSHI requirements under the applicable legal documents, the deferred payment loan will have no interest or principal payments during its term and will be due in full at the end of the loan term. See below for additional CSHI requirements.

ADDITIONAL CSHI REQUIREMENTS

Affordability Requirements	<=80% of Area Median Income
Affordability Term	50 Years
Loan Term/Interest Rate	50 Years/0%-Applicable Federal Rate
Foreclosure Affordability Termination Provisions	Pursuant to MassDocs Requirements
Prepayment	May Be Prepaid But Affordability Remains
Prevailing Wages	None Required
Limited Distribution Requirement	None Required
First Mortgage Financing	Sponsor Selects First Mortgage Lender
MBE/WBE Requirements	Required
Fair Housing Requirements	See Attachment A

Please contact Lynn Shields at 617/854-1381 with any questions.

Attachment A

Massachusetts Fair Housing Mission Statement and Principles

The mission of DHCD through its programs and partnerships is to be a leader in creating housing choice and providing opportunities for inclusive patterns of housing occupancy to all residents of the Commonwealth, regardless of income, race, religious creed, color, nation origin, sex, sexual orientation, age, ancestry, familiar status, veteran status, or physical or mental impairment.

It shall be our objective to ensure that new and ongoing programs and policies affirmatively advance fair housing, promote equity, and maximize choice. In order to achieve our objective, we shall be guided by the following principles:

1. **Encourage Equity.** Support public and private housing and community investment proposals that promote equality and opportunity for all residents of the Commonwealth. Increase diversity and bridge differences among residents regardless of race, disability, social, economic, educational, of cultural background, and provide integrated social, educational, and recreational experiences.
2. **Be Affirmative.** Direct resources to promote the goals of fair housing. Educate all housing partners of their responsibilities under the law and how to meet this important state and federal mandate.
3. **Promote Housing Choice.** Create quality affordable housing opportunities that are geographically and architecturally accessible to all residents of the Commonwealth. Establish policies and mechanisms to ensure fair housing practices in all aspects of marketing.
4. **Enhance Mobility.** Enable all residents to make informed choices about the range of communities in which to live. Target high-poverty areas and provide information and assistance to residents with respect to availability of affordable homeownership and rental opportunities throughout Massachusetts and how to access them.
5. **Promote Greater Opportunity.** Utilize resources to stimulate private investment that will create diverse communities that are positive, desirable destinations. Foster neighborhoods that will improve the quality of life for existing residents. Make each community a place where any resident could choose to live, regardless of income.
6. **Reduce Concentrations of Poverty.** Ensure an equitable geographic distribution of housing and community development resources. Coordinate allocation of housing resources with employment opportunities, as well as availability of public transportation and services.
7. **Preserve and Produce Affordable Housing Choices.** Encourage and support rehabilitation of existing affordable housing while ensuring that investment in new housing promotes diversity, and economic, education, and social opportunity. Make housing preservation and production investments that will create a path to social and economic mobility.
8. **Balance Housing Needs.** Coordinate the allocation of resources to address local and regional housing need, as identified by state and community stakeholders.

Ensure that affordable housing preservation and production initiatives and investment of other housing resources promote diversity and social equity and improve neighborhoods while limiting displacement of current residents.

9. **Measure Outcomes.** Collect and analyze data on households throughout the housing delivery system, including the number of applicants and households served. Utilize data to assess the fair housing impact of housing policies and their effect over time, and to guide future housing development policies.
10. **Rigorously Enforce All Fair Housing and Anti-Discrimination Laws and Policies.** Direct resources only to projects that adhere to the spirit, intent, and letter of applicable fair housing laws, civil rights laws, disability laws, and architectural accessibility laws. Ensure that policies allow resources to be invested only in projects that are wholly compliant with such laws.