

**Department of Housing and Community Development
Supportive Housing for Vulnerable Populations
Notice of Funding Availability**

**National Housing Trust Fund (HTF)
October 2016**

The Baker Polito Administration is committed to increasing the supply of housing throughout the Commonwealth for individuals and families with various income levels and various needs. One of the Administration's priority housing goals is the creation of more affordable rental units for vulnerable populations, who often need support services in order to access and maintain stable housing. To help achieve this goal, the Massachusetts Department of Housing and Community Development (DHCD) will make certain funds available through a competition to be held in January 2017. In particular, DHCD will make available National Housing Trust Fund (HTF) and Massachusetts Rental Assistance Vouchers (MRVP) to help finance rental projects with support services. The National Housing Trust Fund (HTF) is a newly-authorized federal program to support the development of affordable housing for low-income individuals and households. Working with the Community Economic Development Assistance Corporation (CEDAC), DHCD will make HTF and MRVP available to qualified and experienced sponsors whose projects are highly ready to proceed. Support service funds will be attached to the MRVP vouchers. The populations to be targeted for HTF/MRVP assistance include, but are not limited to, homeless families, homeless individuals (including veterans), unaccompanied homeless youth, frail seniors with service needs, and individuals in recovery from substance abuse. Projects intended to serve homeless families will have the highest priority during the January 2017 funding competition.

DHCD will make up to \$3.4 million in HTF capital funds available during the January 2017 competition. Approximately 100 MRVPs also will be available, with the potential of \$1,500 per unit per year in service funding attached to each MRVP. Sponsors also may seek additional DHCD capital sources – primarily the Housing Innovations Fund (HIF) -- to complete their financing packages. Sponsors who intend to seek additional DHCD capital funds should contact Department staff before preparing a pre-application, since not all DHCD capital resources will be available during this competition. Low Income Housing Tax Credits generally will not be available in this competition. All sponsors should note that they may seek both HTF and MRVP or either source on its own.

Sponsors interested in participating in the January 2017 funding competition must submit a pre-application to the Department through the on-line Mass OneStop+ system on or before November 21, 2016. Based on the information contained in the pre-application, DHCD will determine whether the sponsor has the demonstrated capacity to develop the housing and provide the necessary services and is in good standing with the Department. Sponsors who lack experience in supportive housing will not be eligible for the January funding competition. At the pre-application stage, DHCD also will determine whether the proposed project is highly ready to proceed. The Department will evaluate the status of necessary zoning and permitting approvals, the status of architectural documents, and the status of other funding commitments as part of its

readiness determination. DHCD anticipates completing its review of pre-applications by December 2, 2016. Sponsors whose projects receive preliminary approval from DHCD during the pre-application process will be invited to submit full funding applications. Preliminary approval is not a commitment of funding. Full funding applications must be submitted through the on-line Mass OneStop+ system, on or before January 13, 2017. No funding applications will be accepted after January 13, 2017.

National Housing Trust Fund (HTF) -- Background:

The National Housing Trust Fund (HTF) is a newly-authorized federal program to support the development of affordable housing for low-income individuals and households. The HTF will be funded annually with certain proceeds available from two government-sponsored entities – the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). The U.S. Department of Housing and Urban Development (HUD) will administer the HTF at the federal level and will distribute trust funds to participating states in accordance with an established formula. In the Commonwealth of Massachusetts, Governor Charles D. Baker has identified the Department of Housing and Community Development (DHCD) as the allocating agency for the HTF.

DHCD consulted with numerous housing developers, other housing professionals, municipal officials, affordable housing advocates, and other interested parties and prepared an allocation plan for the distribution of the HTF monies available in 2016. DHCD received comments on this plan between the dates of July 8, 2016 and August 8, 2016, and the plan was approved by HUD through a grant agreement on October 11, 2016. The Massachusetts 2016 HTF Allocation Plan, attached to this document, states that HTF units must be occupied by individuals or households who can benefit from the availability of support services, and who earn no more than 30% of area median income. In addition, it states that HTF and other capital sources will support development costs; project sponsors will be responsible for identifying appropriate funding sources to cover the cost of support services for qualified tenants.

HTF -- General Criteria:

HTF projects must be structured as sound real estate investments as well as effective opportunities for low-income tenants who need support services. Sponsors who wish to seek DHCD capital resources other than HTF must contact the Department to determine which resources may be made available through this funding application process. HTF sponsors must ensure that their applications meet all existing requirements of any other DHCD resources to be sought. Please see the 2016 Qualified Allocation Plan (QAP) for Massachusetts for specific programmatic requirements. Sponsors also should note that HTF applications must meet DHCD's limits on development and operating costs per unit for supportive housing, which are also discussed in the QAP.

To be eligible for the HTF competition, sponsors must be non-profit entities, or partnered with non-profit entities, that receive support service funds from federal sources, from private

foundations or sources, from the Executive Office of Health and Human Services, and/or from the Executive Office of Elder Affairs. In addition, DHCD will provide limited service funds to projects that are awarded MRVP. Eligible sponsors will have the opportunity to apply for HTF, as well as certain state bond funds and MRVPs. Sponsors may choose to identify particular units within a larger project as supportive housing (SH) units eligible for funds under this NOFA.

HTF -- Eligible Tenant Populations:

Sponsors may seek HTF funds to serve many income-eligible constituencies, including but not limited to homeless families, seniors and other individuals, persons with disabilities, military veterans, homeless individuals, and persons with other special needs. The populations to be served must be able to benefit from housing support services, and the source of service funding must be identified in the application to DHCD for HTF resources. If a sponsor requests and receives state rental assistance for the project, the Department will make available up to \$1500 per unit per year for support services. The sponsor must identify funding sources to cover any additional cost of services.

Successful full applications will include a description of how the project responds to the need for affordable supportive housing in Massachusetts as well as a tenant section plan and affirmative fair housing marketing plan.

HTF -- Support Services:

Support services for individuals or families living in supportive housing units must be based on an individualized and detailed assessment of the individual or family's strengths and areas of needed support and improvement. In order for the assessments to be effective, the service provider must be experienced in outreach to and engagement with the population to be served. As part of the full application for SH funds under this NOFA, the sponsor is expected to describe the method to be used to prepare individual or family assessments.

Through this NOFA, DHCD will give preference to qualified applicants who intend to create SH units for individuals or families who face multiple barriers to securing and/or maintaining permanent housing. Barriers may include poor credit, prior evictions, poor rental history, and multiple emergency shelter placements.

Effective stabilization and case management should assist an individual or family in maintaining a successful tenancy and increasing self-sufficiency. After an initial assessment of each tenant household, the service provider will develop an individualized service plan with measurable goals and objectives. The service plan should address the following:

- maintaining a successful tenancy;
- securing quality childcare, education, healthcare and recreational activities for any children in the household,
- securing or improving adult education attainment and employment;

- improving and maintaining behavioral and physical health;
- improving financial and asset management skills; and
- improving community connections.

The entity providing stabilization services and case management must document the individual or family's initial assessment and work plan and also must track and document the individual or family's engagement and progress toward the goals and measures outlined in the work plan. The services to be provided as well as the reporting requirements are subject to further DHCD guidance.

If the service provider is a different entity from the owner of the property receiving HTF, the provider and the owner should have a successful record of previous collaboration and should provide DHCD with documentation (such as an MOU) of their previous work together.

No occupant of an HTF housing unit may be required to accept supportive services as a condition of his or her tenancy.

HTF – Program Restrictions and Funding Limits:

In accordance with HUD guidance, the funds available through HTF can only be used to directly support housing units for the target income groups (VLI and ELI individuals or households). HTF units can be included in projects that also serve higher income tenants, but the HTF monies can only support the HTF-designated units. All HTF-assisted rental housing must meet a 30-year affordability period. On May 20, 2016, the U.S. Department of HUD issued a notice stating that state allocating agencies may only award their initial allocations of HTF -- the 2016 allocations -- to ELI individuals or households.

In accordance with HUD guidance, HTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction and/or rehabilitation of non-luxury housing with suitable amenities. HTF will not be used to refinance multifamily debt. All HTF applications must include a description of the eligible activities to be conducted with HTF funds. Funds may be used to support:

- Real property acquisition
- Site improvements and development hard costs
- Related soft costs
- Demolition
- Financing costs
- Relocation assistance

HUD requires that each sponsor of an HTF-assisted project certify the number of units by income group. In addition, sponsors must certify that:

- All tenants in HTF-assisted units meet the income limits as required by program guidelines
- The sponsor will comply with rent limits, determined to be no more than 30% of 30% of area median income

In general, DHCD will cap all HTF awards at approximately \$50,000 to \$100,000 per unit, depending on project characteristics, and at \$500,000 per project. HTF will be made available as zero-interest soft loans and closed through the MassDocs process.

Availability of Other DHCD Resources:

Sponsors who are invited to submit One-Stop applications for HTF and/or MRVP during the January 2017 competition may be able to apply for certain other DHCD capital resources, including, but not necessarily limited to The Housing Innovations Fund (HIF), but should contact Department staff before preparing a pre-application. Not all DHCD resources will be available in this competition. Sponsors can obtain information about HIF on the DHCD website at <http://www.mass.gov/hed/housing/affordable-rent/housing-innovations-fund-hif.html> and also can contact Sara Barcan of the Community Economic Development Assistance Corporation (CEDAC) at 617-727-5944.

January 2017 Competition -- Readiness Standards:

As indicated, the Department intends to make HTF and/or MRVP awards only to projects that are highly ready to proceed. At the time of full application, the project should have secured all necessary permits and public approvals, including zoning. The sponsor must have architectural design plans that are advanced to a degree acceptable to DHCD. The sponsor must have identified any environmental issues related to the project site and must have a plan to address any such issues. The sponsor is expected to have most or all funding commitments, other than DHCD's resources, in place. If relevant, the sponsor must have received Parts I and II historic approvals from the U.S. Department of the Interior. The sponsor must be able to represent to DHCD that there are no unusual circumstances that would delay a loan closing and 2017 construction start.

January 2017 Competition -- Application Process:

Sponsors who intend to seek HTF and/or MRVP and other DHCD subsidies during the January 2017 competition must follow a two-step process. The sponsor must:

- Prepare a pre-application for funds. All pre-applications must be submitted through DHCD's online Mass OneStop+ system by November 21, 2016.

- If approved at pre-application, prepare a Mass One-Stop+ funding application for submission to DHCD no later than January 13, 2017. DHCD will provide sponsors who are invited to submit full applications with instructions on accessing DHCD's online system. All full applications must be submitted through the online system, and no applications will be accepted after the close of business on January 13, 2017.

The Department anticipates making funding recommendations on HTF applications in March 2017.

Sponsors should refer to DHCD's NOFA for its Winter 2016 rental funding round to determine the application fee for any sources other than HTF. The application fee for HTF will be \$1,000.

For further information, please contact Catherine Racer or Ayana Gonzalez in DHCD's Division of Housing Development.