Low Income Housing Tax Credit Program

2018-2019 Qualified Allocation Plan

Commonwealth of Massachusetts

Department of Housing and Community Development

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Section I. Executive Summary

I. Introduction:

The year 2017 was exceptionally challenging for many participants in the Low Income Housing Tax Credit (LIHTC) delivery system. During the first six months of the year, many tax credit investors reduced equity prices and adjusted terms in response to uncertainty over federal tax reform. Investors and other industry participants were concerned -- and remain concerned -- about the impact tax reform might have on corporate tax rates, depreciation schedules, and other factors that could affect the value of the credit. The changes in the equity market caused issues for developers throughout the country, including those working in Massachusetts. Numerous sponsors of Massachusetts projects with LIHTC awards spent the first part of 2017 working on funding gaps related in part to equity market changes.

The equity market stabilized to some degree by mid-year. However, in November 2017, as this Department -- the allocating agency for the federal credit in Massachusetts -- completed the draft 2018 QAP, the U.S. House of Representatives passed proposed tax reform legislation. The legislation eliminated the 4% credit, the federal historic tax credit, and the New Markets tax credit. The legislation further established 20% as the corporate tax rate. Shortly after the House action, the U.S. Senate released its version of tax reform legislation. As of the date of this draft QAP, the Senate has not yet voted on the proposed bill. As 2017 comes to an end, the fate of tax reform -- including key provisions affecting the housing, historic, and new markets credits -- is unknown.

Despite the many uncertainties related to tax reform and despite the unsettled affordable housing delivery system, DHCD has made the decision to release the draft 2018 QAP. There is such great need for affordable and mixed-income rental housing in Massachusetts. The Department intends to fulfill its responsibilities as the LIHTC allocating agency despite the unsettled federal environment. With this document, the Department seeks to promote as much consistency and stability as possible in the Massachusetts affordable housing delivery system. The QAP public hearing required by statute will be held on December 21, 2017.

II. Changes to the 2018-2019 QAP:

As 2018 approaches, DHCD anticipates that uncertainty and significant challenges will be factors throughout the year and into 2019. As indicated, the Department intends to make every effort to provide as much stability and continuity as possible in the tax credit allocation process. To serve that purpose, DHCD has made very few changes in the 2018 QAP and has decided to establish the 2018 QAP as a two-year document: the document is intended to govern allocations both in 2018 and 2019. However, all interested parties should note the following: the Department is committed to amending the 2018-2019 QAP as necessary to incorporate relevant changes to the LIHTC -- if and when such changes become law.

In summary, the Department has made the following changes to the 2018-2019 QAP:

- A fifth priority threshold category has been added on page 5 of the QAP. The new category is intended to encourage the production of affordable housing in communities with less than 12% affordable housing stock as measured by the state's Subsidized Housing Inventory (SHI).
- The preservation section of the document, including the preservation matrix, has been modified in several ways. Both the narrative and the matrix reflect the current stressed resource environment and encourage preservation developers to limit the initial proposed scope of rehabilitation and the state resources they seek. In addition, the calculation of developer fee on identify-of-interest preservation projects has been changed.
- DHCD has restricted the total amount of state Low Income Housing Tax Credit that a sponsor may seek. The resource is in great demand, and the Department has set firmer limits per project.
- In this QAP, DHCD has modified the language that would allow sponsors to submit certain projects on a rolling basis. DHCD has determined that the resource environment does not support rolling applications at this time.

The Department has made no other material changes to the 2018-2019 QAP. As indicated, it is DHCD's intent to provide maximum stability and consistency in the LIHTC and affordable housing delivery system during a time of unusual uncertainty at the federal level.

III. Ongoing Areas of Emphasis During 2018-2019:

The 2018-2019 QAP includes one significant change originally incorporated in the 2017 QAP:

- Sponsors of senior housing projects must include detailed and appropriate service packages intended to support an often vulnerable population. Sponsors also must demonstrate to the Department's satisfaction that they have the ability to pay for these services over time.

In addition, through the 2018-2019 QAP, DHCD intends to continue its emphasis on all the following matters related to the allocation process:

- The ongoing importance of managing project costs;
- The ongoing need to strictly prioritize preservation projects, given constraints on volume cap and other resources;
- The ongoing need to produce more units for extremely low-income (ELI) and homeless families and individuals;
- The ongoing need to produce more mixed-income housing, with units available to a broad range of households;
- The ongoing importance of producing more integrative housing opportunities for persons with disabilities;
- The ongoing need to continue promoting thoughtful and strategic efforts to affirmatively further fair housing in every community in the Commonwealth.

The Ongoing Need to Better Manage Project Costs:
During the past few years, the Department has been engaged with its quasi-public affiliates and members of the development community in ongoing efforts to better manage project costs. With limited tax credit and subsidy resources available, it is critical that all affordable housing be built as cost effectively as possible. The effort to manage and control costs is an ongoing process: it will continue during 2018 and 2019 and into the foreseeable future. The Department's position paper on managing costs is attached to this document as Appendix C.

The Ongoing Need to Strictly Prioritize Preservation Projects:
Sponsors of projects dependent on tax exempt bonds with 4% credits must carefully review the Department's revised priorities for these resources, which are in great demand. Sponsors of preservation projects also must carefully review and conform to the revised preservation matrix and instructions contained in Section IX of this document.

The Ongoing Need to Produce More Units for ELI and Homeless Families and Individuals:
The Baker-Polito Administration is committed to the provision of housing affordable to individuals and households with a wide range of incomes. There is significant need in Massachusetts, as in so many other states, for housing for extremely low-income individuals and families, including those making the transition from homelessness. As part of the ongoing effort to end homelessness in Massachusetts, the Department is committed to producing more permanent affordable rental housing for these households, with an emphasis on housing with services included. The Department also is committed to preserving existing ELI units. The threshold requirement for ELI units in all credit projects remains at 10% of total units. However, DHCD is encouraging sponsors to exceed the threshold requirement. The Department will continue its long history of supporting ELI units and units for the homeless with federal project-based Section 8 rental assistance as well as state-funded assistance through the Massachusetts Rental Voucher Program (MRVP). Support also may be available for tenants eligible for the HUD Section 811 program for persons with disabilities. In addition, DHCD will award funds from the newly-established National Housing Trust Fund (HTF) to encourage the development of ELI units with support services in Massachusetts projects.

The Ongoing Need to Produce More Mixed-Income Housing:
While there is widespread acknowledgement of the housing needs of ELI households and the homeless, there is growing recognition of the housing burdens faced by many middle-income working households -- especially those who live in highly desirable areas such as metropolitan Boston. To help address this issue, DHCD is encouraging the production of mixed-income housing, whether through the creation of new units or, in limited instances, through modification of the income mix in existing projects.

The Ongoing Need to Produce More Units for Persons with Disabilities:
Working in recent years with the Executive Office of Health and Human Services (EOHHS), the Department has been involved in the Community First initiative and other efforts to increase housing opportunities and quality of life for persons with disabilities. In its work with EOHHS, its commissions, and various advocacy groups, DHCD has identified potential design approaches in new construction, adaptive re-use, and preservation projects that will increase opportunities for persons with disabilities. These include the application of the principles of universal design and visitability. The Department

will continue its work with the development community during 2018 and 2019 to implement these approaches. DHCD also encourages developers to include within their projects more units for persons with disabilities than are required by various federal and state statutes.

The Ongoing Need to Promote Thoughtful and Strategic Efforts to Affirmatively Further Fair Housing:
The Department has consistently sought to affirmatively further fair housing by prioritizing development of housing in communities with excellent public schools and access to employment and public transportation, while maintaining a commitment to investment in low-income neighborhoods. HUD's final rule, issued in 2015, reinforces the importance of affirmatively furthering fair housing through a balanced approach that creates meaningful housing choice across a broad range of communities while continuing to invest in place-based strategies within low-income neighborhoods. Consistent with the HUD rule, the Department will continue to implement a balanced approach, but in evaluating projects in low-income communities, will prioritize proposals in which housing development is demonstrably part of a larger effort to expand access to jobs, education, transportation and other amenities to enhance residents' access to opportunity.

IV. Ongoing Implementation of Priority Funding Categories and Pre-Application Process:

The Department's priority funding categories and its pre-application process are important to its efforts to achieve the goals identified in this document. First implemented in 2013, the priority funding categories and the pre-application process are described as follows:

Priority categories for funding:
Applications to DHCD for funding awards in 2018-2019 will be required to fit within one or more of the following five categories. The fifth category has been added to this QAP.

1) **Housing for extremely low-income individuals (ELI), families, and seniors** earning less than 30 percent of area median income with a particular focus on those who are homeless or at risk of homelessness. Projects in this category must be supported by tenant services and include at least 20 percent ELI units. Projects can serve families or individuals, seniors, persons with disabilities, and persons with special needs.
2) **Investment in distressed and at-risk neighborhoods** where strategic housing investment has a strong likelihood of catalyzing private investment, improving housing quality, promoting occupancy for a range of household incomes, and supporting a broader strategy for community revitalization through investment in jobs, transportation, and education. Projects in this category include projects located in the Commonwealth's 24 Gateway Cities and/or Qualified Census Tracts (QCTs, as defined by Section 42 of the Internal Revenue Code). Projects serving families, seniors, persons with disabilities, or populations with special needs are eligible in this category.
3) **Preservation of existing affordable housing** that extends affordability in situations that are consistent with QAP policies and the preservation working group policies. (Please refer to the preservation matrix included in this document in the section beginning on page 23.) To be eligible to apply for 9% tax credits, a sponsor must demonstrate that the project is infeasible with 4% tax credits and tax-exempt financing. Projects serving

families, seniors, persons with disabilities, or populations with special needs are eligible in this category.

4) **Family housing production in neighborhoods and communities** that provide access to opportunities, including, but not limited to, jobs, transportation, education, and public amenities. Access to opportunity locations will be defined by publicly-available data. At least 65% of the units in a project must include two or more bedrooms, and at least 10% must be three-bedroom units, unless that percentage of two-bedroom or three-bedroom units is infeasible or unsupported by public demand. Projects serving families, including families with a member with a disability or special needs, are eligible in this category.

5) **Family or senior housing production in communities in which the affordable housing stock, as defined by the state Subsidized Housing Inventory (SHI), is lower than 12%.** Sponsors who seek to build affordable senior housing in these communities should note that DHCD will evaluate each community's prior support for affordable family housing. This priority category will be available to sponsors during calendar year 2018.

Pre-Application process:
The Department will continue the pre-application process during 2018-2019. The pre-application process has helped DHCD identify projects that are at an early stage and not ready to proceed to competitive review. The process also has helped DHCD identify projects that have significant cost issues and need to be restructured. Pre-applications for the winter 2018 rental funding competition were due on November 30, 2017, as per a NOFA released by DHCD in October 2017. Full applications are due on February 15, 2018. Projects must receive DHCD approval through the pre-application process in order to be eligible for the February 2018 competition. Sponsors should refer to DHCD's Notice of Funding Availability for the February 2018 competition to determine the pre-application fee amount for their projects.

All pre-applications must be submitted online at: https://massonestopplus.intelligrants.com. The information requested in the pre-application is intended to confirm that a project will be ready to move quickly if selected for funding during a full competition.

V. Other Matters of Importance During 2018-2019:

Discussing projects with the Department:
The Department has always encouraged developers to provide information on possible projects at a very early stage in the development process. DHCD again is encouraging developers to make early contact with Department staff, to discuss the five priority funding categories, the pre-application process, and aspects of each project. The early exchange of information on projects, policies, and practices is central to the success of the Massachusetts affordable housing delivery system.

Paperless system for submitting funding applications:
During 2018-2019, DHCD will continue using its online system - OneStop+ - for the submission of funding applications. First implemented in 2015, this environmentally-friendly system saves developers time and money and provides DHCD with extensive data on projects at various points in the life cycle of each project.

VI. Conclusion:

In summary, the Low Income Housing Tax Credit in Massachusetts has helped support the production or preservation of over 67,000 affordable multifamily rental units since the program became operational in 1987. The program is highly flexible and has been used to advance numerous policy goals: sustainable development; neighborhood revitalization; housing for extremely low-income households; housing for the homeless; housing for persons with disabilities; housing in areas of opportunity; new construction as well as adaptive re-use and preservation. At the national level, the LIHTC program has supported the production or preservation of almost 3 million housing units since 1987. No other housing program – federal or state – has the power of the Low Income Housing Tax Credit. No other housing program has supported the production or preservation of so many units. Every federal or state program should be measured by its outcomes. The Department is proud of the outcomes achieved each year with its Low Income Housing Tax Credit allocations and its commitment of subsidy funds.

Section II. Federal and State Requirements of the Qualified Allocation Plan

Each year, the state allocating agency for the federal Low Income Housing Tax Credit is required to publish a plan describing how it intends to award the credit. The requirement that states publish a plan was established in the Omnibus Reconciliation Act of 1989. The plan is called the Qualified Allocation Plan, or QAP.

In the Commonwealth of Massachusetts, the Department of Housing and Community Development, or DHCD, is the allocating agency for tax credits. The Department is responsible for preparing the annual allocation plan and making it available for review by interested members of the public before final publication.

Section 42 of the Internal Revenue Code is the federal statute governing the tax credit program. In accordance with Section 42(m), each state allocating agency must include the following in the annual allocation plan:

- Selection criteria for projects receiving tax credit allocations
- Preference for projects serving the lowest income tenants and for projects serving tenants for the longest period of time
- Preference for projects located in qualified census tracts, the development of which will contribute to a concerted community revitalization plan. (Qualified census tracts now are defined as tracts either in which 50 percent or more of the households have income less than 60 percent of the area median gross or with a poverty rate of 25% or greater.)

In addition, Section 42(m) states that the selection criteria must take into consideration the following project, community, or development team attributes:

- Location
- Need for affordable housing
- Project characteristics
- Sponsor capacity

- Tenants with special needs as a target population
- Public housing waiting lists
- Individuals with children as a target population
- Projects intended for tenant ownership

The 2018-2019 Qualified Allocation Plan prepared by the Department of Housing and Community Development conforms to all the plan requirements summarized in the paragraphs above. In preparing the QAP, the Department has paid particular attention to the first three project attributes (location, need, and project characteristics) in order to implement the Commonwealth's sustainable development principles and to address the critical need to produce new housing in Massachusetts. The 2018-2019 Qualified Allocation Plan reflects the ten sustainable development principles that have been in effect in Massachusetts since 2007. The ten principles are listed on the following pages. The Department will use the ten principles as part of the threshold evaluation for tax credit applications.

As of May 2007, the sustainable development principles are:

1. Concentrate Development and Mix Uses.
Support the revitalization of city and town centers and neighborhoods by promoting development that is compact, conserves land, protects historic resources, and integrates uses. Encourage remediation and reuse of existing sites, structures, and infrastructure rather than new construction in undeveloped areas. Create pedestrian friendly districts and neighborhoods that mix commercial, civic, cultural, educational, and recreational activities with open spaces and homes.

2. Advance Equity.
Promote equitable sharing of the benefits and burdens of development. Provide technical and strategic support for inclusive community planning and decision making to ensure social, economic, and environmental justice. Ensure that the interests of future generations are not compromised by today's decisions.

3. Make Efficient Decisions.
Make regulatory and permitting processes for development clear, predictable, coordinated, and timely in accordance with smart growth and environmental stewardship.

4. Protect Land and Ecosystems.
Protect and restore environmentally sensitive lands, natural resources, agricultural lands, critical habitats, wetlands and water resources, and cultural and historic landscapes. Increase the quantity, quality and accessibility of open spaces and recreational opportunities.

5. Use Natural Resources Wisely.
Construct and promote developments, buildings, and infrastructure that conserve natural resources by reducing waste and pollution through efficient use of land, energy, water, and materials.

6. Expand Housing Opportunities.
Support the construction and rehabilitation of homes to meet the needs of people of all abilities, income levels, and household types. Build homes near jobs, transit, and where services are available. Foster the development of housing, particularly multifamily and smaller single-family homes, in a way that is compatible with a community's character and vision and with providing new housing choices for people of all means.

7. Provide Transportation Choice.
Maintain and expand transportation options that maximize mobility, reduce congestion, conserve fuel and improve air quality. Prioritize rail, bus, boat, rapid and surface transit, shared-vehicle and shared-ride services, bicycling, and walking. Invest strategically in existing and new passenger and freight transportation infrastructure that supports sound economic development consistent with smart growth objectives.

8. Increase Job and Business Opportunities.
Attract businesses and jobs to locations near housing, infrastructure, and transportation options. Promote economic development in industry clusters. Expand access to education, training, and entrepreneurial opportunities. Support the growth of local businesses, including sustainable natural resource-based businesses, such as agriculture, forestry, clean energy technology, and fisheries.

9. Promote Clean Energy.
Maximize energy efficiency and renewable energy opportunities. Support energy conservation strategies, local clean power generation, distributed generation technologies, and innovative industries. Reduce greenhouse gas emissions and consumption of fossil fuels.

10. Plan Regionally.
Support the development and implementation of local and regional, state and interstate plans that have broad public support and are consistent with these principles. Foster development projects, land and water conservation, transportation and housing that have a regional or multi-community benefit. Consider the long-term costs and benefits to the Commonwealth.

The Department is committed to providing tax credits to projects in suburban, exurban, and rural communities in order to provide increased opportunities for underserved populations in those locations. This commitment is captured in part through DHCD's fourth priority funding category relating to family housing production in "areas of opportunity" or in communities that have not achieved 12% affordability housing stock on the state's Subsidized Housing Inventory (SHI). The Administration also is committed to working with municipal government to address local zoning obstacles faced by project sponsors as they attempt to produce critically needed affordable rental units. Project sponsors are strongly encouraged to seek project sites that will accomplish both sustainable development and fair housing objectives. The Department will continue to work closely with members of the development community in determining appropriate strategies for achieving these goals.

In preparing the 2018-2019 QAP, the Department considered various measures and indicators of affordable housing need in Massachusetts. The measures or indicators included the number of households on public housing waiting lists; average and median sales prices and rental rates, both statewide and in various regions; vacancy rates for rental housing; median household income, both

statewide and in various regions; number of households living below the federal poverty level; and so on.

During 2018-2019, the Department encourages developers to structure projects that emphasize the following characteristics:

1) projects that create new affordable housing units, in particular units suitable for families in locations with job growth potential and locations that constitute areas of opportunity
2) projects whose sponsors actively promote principles of fair housing
3) projects that are consistent with the ten sustainable development principles, including "green" design principles, etc.
4) projects that are part of comprehensive neighborhood improvement plans or initiatives, including projects in the federal Choice Communities pipeline
5) projects that preserve valuable existing affordable units and meet DHCD's preservation priorities
6) projects that include units for individuals or households with incomes below 30% of area median income, including the homeless
7) projects that include both affordable and market-rate units
8) projects that include more units than required for persons with disabilities and place emphasis on visitability
9) projects with acceptable per-unit costs and projects with lower-than-average per-unit costs
10) projects located in communities or neighborhoods with expanding social and/or educational opportunities, expanding employment opportunities or significant revitalization and investment activity
11) projects located in communities that have less than 12% affordable housing stock as defined by the Commonwealth's Subsidized Housing Inventory (SHI).

In addition, the Department has established five priority categories for all projects submitted for consideration during 2018-2019. The five priority categories are identified in earlier sections of this document.

This allocation plan also sets forth the application process and scoring system for 2018-2019.

It is important to note that the priorities included in this plan to a large extent are priorities for the Department's other affordable housing programs as well. This is true for two reasons. First, tax credit projects often require other DHCD resources in order to proceed. Thus, the priorities established for the tax credit program have a direct impact on DHCD's other housing programs. For example, when DHCD, through the tax credit allocation plan, establishes recommended cost limits for tax credit projects, the cost limits clearly apply to other DHCD programs in support of the same project.

The second reason is that the tax credit program, through the annual allocation plan, undergoes greater and more frequent scrutiny than other state housing programs. Although other housing programs have guidelines and regulations that are modified from time to time, the annual tax credit allocation plan is the public document in which the Department most clearly and most frequently attempts to state its priorities for state-assisted affordable housing projects.

Section 42 requires allocating agencies to make an allocation plan available for public review and comment before publishing a final plan. During 2017, DHCD met regularly in small groups and with individual representatives of the affordable housing community to discuss the status of the equity markets, cost management, individual tax credit projects, and possible QAP changes. As it prepared the 2018-2019 plan, the Department encouraged suggestions and comments from housing professionals, other experts, municipal officials, advocates, and concerned citizens. In accordance with code requirements, the Department presented the draft allocation plan for public review and comment at a public hearing held on December 22, 2017. The Department wishes to publicly acknowledge the Massachusetts development community for its thoughtful contributions during the QAP discussions, as well as for its outstanding work in the production and preservation of affordable housing.

Section III. Federal Credit Available in 2018

9% Credit

As of the effective date of the 2018-2019 QAP, the Department of Housing and Community Development anticipates having provided reservation letters allocating all but approximately $1,800,000 of the total available 2018 credit of $15,851,709. The total amount of 9% tax credits available for allocation in 2018 is subject to change. Additional credit may become available if projects that received allocations in prior years return tax credits to DHCD. Please note that DHCD will revisit this section of the 2018-2019 QAP at the end of 2018, to reflect the credit anticipated to be available in 2019.

DHCD will continue its efforts to encourage developers to strongly consider tax-exempt bond financing and 4% credits, rather than 9% credits, to finance their projects. On a case by case basis, DHCD reserves the right to ask developers seeking 9% credits to prepare alternative 4% scenarios for evaluation by the Department. Developers of preservation projects should expect to submit 4% credit applications, not 9% credit applications, as discussed in other sections of this document.

4% Credit

Prior to 2007, DHCD delegated the authority to allocate the federal 4% credit to two Massachusetts quasi-public housing agencies – MassHousing and MassDevelopment. Both agencies have the authority to issue tax-exempt bonds subject to the Commonwealth's private activity bond volume cap. As of October 31, 2007, DHCD opted not to delegate such authority and therefore is the sole agency that determines eligibility and allocates federal 4% credit to projects. Both MassHousing and MassDevelopment retain the authority to issue tax-exempt bonds to multifamily rental projects. In 2018, DHCD will continue working closely with both agencies to coordinate the allocation of the 4% credit with the allocation of volume cap for tax-exempt bond financing.

The demand for 4% credits with tax-exempt financing has increased dramatically during the last year. Some of the increase in demand is driven by the MassHousing portfolio of Chapter 13A projects. Many Chapter 13A projects are being sold and/or recapitalized; many sponsors are seeking volume cap and 9% credits to support the redevelopment of this important class of projects. Working with MassHousing, MassDevelopment, and its other quasi-public affiliates, DHCD has made changes to the 4% allocation process to ensure that the projects most in need of assistance and most ready to proceed receive priority in 2018-2019 allocations. Developers who hope to secure 4% credits and tax-exempt financing should refer to Sections VIII and IX of this document for additional information. Developers

who are interested in securing an allocation of 4% credit for their projects should contact DHCD's tax credit staff early in the development process. DHCD will require each developer seeking 4% credit to submit two items:

- a pre-application
- the preservation checklist (see Section IX)

Based on these documents, DHCD and its quasis will determine whether the project is eligible to pursue tax-exempt financing and/or 4% credits. Developers may submit OneStop+ applications with 4% credit requests to DHCD on a rolling basis, rather than waiting for a DHCD rental funding competition, if 4% credit is the only source being sought. However, the only determination DHCD will make on a rolling basis is whether the project is eligible for 4% credit. Developers who also are seeking DHCD subsidy financing and/or state LIHTC must submit a full funding application during a regularly-scheduled rental funding competition.

Section IV. Impact of Federal Legislation Enacted in Recent Years

The purpose of this section of the 2018-2019 QAP is to maintain a historical record of Congressional actions that have affected the LIHTC over time. This section does not address the current proposed changes to the LIHTC as part of the 2017 legislation related to the federal tax code.

From a program perspective, it would be difficult to overstate the importance to the tax credit program of the enactment of the American Recovery and Reinvestment Act (ARRA) of 2009. Signed into law by President Barack Obama on February 17, 2009, the ARRA statute contained two critically important relief measures for stalled tax credit projects. ARRA created both the Tax Credit Assistance Program (TCAP), administered by the U.S. Department of HUD, and the Tax Credit Exchange Program (Section 1602), administered by the U.S. Department of the Treasury. In total, the two new programs provided more than $170 million in funds to stalled credit projects in Massachusetts. The rapid and simultaneous implementation of two new programs in a short time period – less than four months – presented the Department with significant challenges. But DHCD was able to make the first TCAP awards in August 2009, and, two months later, the Department issued the first awards to Tax Credit Exchange projects. As of January 2011, all of the 32 TCAP or TC-X projects were either in construction or completed. As of January 2012, all 32 TCAP or TC-X projects were complete. During 2018-2019, DHCD will continue working with its asset management contractors to regularly evaluate the status of the now-occupied TCAP and TC-X projects.

Prior to the enactment of ARRA, Congress in 2008 enacted HERA – the Housing and Economic Recovery Act. That important legislation also contained provisions favorable to the tax credit program. DHCD incorporated certain changes allowed by HERA into the 2009 Qualified Allocation Plan, including changes to the calculation of the 9% credit and to the Department's annual allocation authority. As permitted by HERA, the Department from 2009 through 2017 added 61 cities and towns to the list of "difficult to develop areas" ("DDAs") in Massachusetts. Per the HERA legislation, these DDA designations apply only to 9% credit projects. The cities and towns designated by DHCD are listed as follows:

1.	Andover	17.	Fall River	33.	Methuen	49.	Springfield
2.	Arlington	18.	Fitchburg	34.	New Bedford	50.	Stow
3.	Ashland	19.	Gardner	35.	North Adams	51.	Taunton
4.	Attleboro	20.	Gloucester	36.	North Attleboro	52.	Tyngsboro
5.	Beverly	21.	Greenfield	37.	Northampton	53.	Uxbridge
6.	Boston	22.	Hanover	38.	Northbridge	54.	Wareham
7.	Brookline	23.	Haverhill	39.	Orange	55.	Webster
8.	Cambridge	24.	Holyoke	40.	Paxton	56.	Westfield
9.	Chelmsford	25.	Lawrence	41.	Pittsfield	57.	Westford
10.	Chelsea	26.	Leominster	42.	Provincetown	58.	Westport
11.	Chicopee	27.	Littleton	43.	Quincy	59.	Weymouth
12.	Danvers	28.	Lowell	44.	Revere	60.	Williamstown
13.	Dartmouth	29.	Ludlow	45.	Rockland	61.	Worcester
14.	Duxbury	30.	Lunenburg	46.	Salem		
15.	Easthampton	31.	Lynn	47.	Somerville		
16.	Easton	32.	Medfield	48.	Spencer		

In 2018-2019, DHCD will continue the DDA designations of the Barnstable County communities and the communities located in the Brockton, MA, HMFA, made in the 2011 QAP.

The designation of an area as a DDA and the degree of the resulting basis boost for a particular project or a building within the project will be made at the Department's discretion. The Department's decision to permit a basis boost will not necessarily apply to other projects or buildings in the same community if the basis boost is not needed for financial feasibility. The Department will determine the extent of the basis boost (up to 130%) in the communities listed on page 12 based on a given project's financial feasibility. The per-unit eligible basis caps and the per-project tax credit allocation limits are described in Section X of this QAP and will still apply. The sponsor of a credit project located in a community not currently designated as a DDA may contact the Department if he or she believes the community should be included on the designation list. The Department will require the sponsor to submit substantial documentation before it will evaluate such requests.

It also is important to note that legislation enacted by Congress provided changes to the credit in 2000. Those changes remain in effect in DHCD's 2018-2019 QAP. In December 2000, Congress passed legislation that provided $1.75 in per capita allocation authority to each state, subject to regular cost-of-living increases. As of January 2008, the Commonwealth's allocation was based on $2.00 per capita. That amount increased by $.20 to $2.20 with the enactment of HERA in July 2008 and increased again on January 1, 2009 to $2.30. In 2010, the per capita allocation rate was reduced to $2.10. As of January 2011, the per-capita allocation rate was $2.15. As of January 2012, the per-capita allocation rate was $2.20. In 2013, the rate was raised to $2.25; and in 2014, the rate was raised again to $2.30. As of January 2016, the rate was raised to $2.35.

In addition to providing a per capita increase, the December 2000 legislation required all states to incorporate certain changes in their annual Qualified Allocation Plans. Based on an advisory memo to all state allocating agencies from the National Council of State Housing Agencies (NCSHA), DHCD incorporated the following program changes in the 2002 QAP. These changes remain in effect in the 2018-2019 QAP.

- In accordance with the December 2000 law, the 2018-2019 QAP must give preference to community revitalization projects located in qualified census tracts. (Please note that the Commonwealth of Massachusetts QAPs historically have given preference to such projects.)
- In accordance with the law, the 2018-2019 QAP requires every tax credit applicant to submit a market study of the housing needs of low income individuals in the area to be served. A non-related party approved by DHCD must conduct the study at the developer's expense.
- In accordance with the law, DHCD will continue its practice of conducting regular site inspections to monitor compliance. (Please note that DHCD inspects projects at least once every three years.)
- In accordance with the law, DHCD will make available to the general public a written explanation of any allocation not made "in accordance with the established priorities and selection criteria of the agency."
- In accordance with the law, DHCD will permit sponsors of tax credit projects that receive allocations "in the second half of the calendar year" to qualify under the ten percent test within six months of receiving the reservations, regardless of whether the 10% test is met "by the end of the calendar year." (Please note that developers who receive reservations during the first half of a calendar year must meet their ten percent deadline by the end of the calendar year, or by an earlier deadline established by DHCD.) In addition, and in accordance with NCSHA's recommended industry practices, DHCD will require that developers provide a certified accountant's opinion relative to the ten percent test. The accountant's opinion must be in the format established by National Council of State Housing Agencies.

Section V. The Massachusetts State Housing Tax Credit

During 2013 and 2014 only, Chapter 142 of the Acts of 2011 had the effect of increasing DHCD's allocation authority for state housing credits from $10 million to $20 million. However, enactment in November 2013 of a major housing bond bill included an amendment to Chapter 142 of the Acts of 2011: DHCD now has authority to allocate up to $20 million each year in state housing credit through 2019, at which point the Department's annual housing credit authority will revert to $10 million. As of the date of this QAP, the legislature is continuing its work on a comprehensive housing bond bill that will increase DHCD's annual state LIHTC.

Over the past eight years, demand has steadily increased. As 2018 begins, demand for the state low-income housing tax credit remains at an all-time high. In recent competitions, as many as 32 applicants have requested state credit awards totaling $33.8 million -- far in excess of the Department's annual authority. The imbalance between demand and supply increased as the HOPE VI applications were submitted to DHCD for consideration during 2012 and 2013. The sponsors of both Fairfax Gardens in Taunton and Old Colony in Boston applied for state credits as well as federal credits to complete their financing packages. The sponsors of several very large-scale preservation projects also have sought state credit awards and tax-exempt bond financing, in order to preserve affordable units without accessing the 9% federal credit. The amount of annual state credit authority is critical to DHCD's

ability to support projects with state LIHTC. Because of current demand, and because DHCD does not yet know how much state LIHTC will be available as of January 1, 2020, the Department has established an upper limit for state LIHTC projects seeking commitments during 2018. The upper limit is $1,500,000. In 2018, DHCD expects requests for state LIHTC to range from $400,000 to $1,500,000.

During 2018-2019, the selection process for state credit projects fundamentally will be the same as the selection process for federal 9% credit projects. However, DHCD reserves the right to establish certain limits for the state credit that differ from limits for federal credit. The sponsors of projects may request an allocation of state credit in combination with federal credit. It is important to note that state credit typically will be allocated in lieu of a portion of federal credit, which the project might otherwise receive.

During 2018-2019, DHCD will continue working to restore a more reasonable balance between state credit demand and supply. During the winter 2018 competition, DHCD will limit each sponsor to no more than one state credit award. In addition, DHCD will limit the amount of state credit funding available per project and the amount available per team. While the Department may entertain some exceptions, sponsors should limit their state credit requests as follows:

- $ 400,000 for projects with 40 or fewer units
- $ 700,000 for projects with 41 to 60 units
- $1,000,000 for projects with 61 to 100 units
- $1,500,000 for projects greater than 100 units

Please note that exceptions to the amounts listed above will be made only if projects are very large-scale (greater than 400 units) or have unusually compelling characteristics.

In advance of the winter 2018 round, sponsors of projects seeking state credit should contact the Department to discuss the raises they hope to seek from the sale of state credits. At present, DHCD will not accept raises of less than 70 cents per state credit dollar.

In the winter 2018 funding round, sponsors of projects seeking state credit must meet one of the priority categories described in Section I of this QAP.

Sponsors should note that an eligible investor may claim each dollar of state credit allocated for a five-year period. In accordance with the process set forth in Section XII of this document, DHCD may elect to issue binding forward commitments during 2018-2019.

Interested sponsors should note that legislative changes in 2016 created a “donation tax credit” within the state LIHTC. The Department has published draft donation credit regulations effective as of 2017. However, there is no additional authority for donation credit projects. Sponsors must follow the normal competitive process for state LIHTC.

Section VI. Special Challenges in 2018

As was true in 2017, the primary challenge for DHCD in 2018-2019 is a resource challenge. The tax credit equity market continues to respond with enthusiasm to Massachusetts developers and projects. Tax credit pricing for Massachusetts projects has reached levels not seen before. The development pipeline is very full, and the demand for credit – federal 9%, federal 4% credit, and state housing credit – far exceeds the available resources. DHCD's challenge in 2018 will be to select the strongest projects, consistent with the four priority funding categories, with an emphasis on those projects most ready to proceed.

In view of the resource environment, DHCD has focused, as always, on several basic questions as it has prepared the 2018-2019 QAP:

- What kind of projects does DHCD most want to support?
- What kind of projects can attract investors at highly favorable prices?
- What is the fair division of tax credits among these projects?

In trying to answer these questions, the Department has considered the following:

- Where is the need for affordable rental units the greatest, as defined by rental rates, vacancy rates, public housing waiting lists, homelessness, and other factors?
- Where will the construction of affordable housing impact potential economic growth?
- What kind of impact will a tax credit project have on the surrounding neighborhood?
- Will the project demonstrate consistency with the Commonwealth's sustainable development principles?
- What kind of beneficial services will be available to the tenants of the completed project?
- What is the appropriate division of resources between family housing and housing intended to serve individuals, including the frail elderly?

As was true in 2017, the most significant challenge for DHCD in 2018-2019 will be selecting projects that meet Department and Section 42 priorities and preferences, that score well competitively, that are able to attract equity investors at high prices, and that are able to move expeditiously to a construction start. As indicated, all projects must conform to one or more of the priority funding categories described on page 5 of this document. In addition, the Department encourages certain types of projects, including, but not limited to, projects with some or all of the following characteristics:

- The project is sponsored by a non-profit;
- The project will have a significant impact on the neighborhood in which it is located;
- The project will include units and a service plan for extremely low income households, including the homeless;
- The project will include units and a service plan, if necessary, for persons with disabilities, as well as enhanced opportunities for persons with disabilities within the project;
- The project will offer both affordable and workforce or market-rate units;

- The project will help DHCD advance fair housing principles and affirmatively further fair housing goals;
- The project will result in abandoned or foreclosed property being restored to residential use;
- The project will preserve as affordable housing units that are threatened by conversion to market rate housing.

The body of this 2018-2019 Qualified Allocation Plan sets forth in detail the answers to the Department's basic questions and establishes the scoring system for 2018-2019 tax credit applications. In brief, the answers to the basic questions are as follows:

1) The Department wishes to support a reasonable mix of affordable housing projects, including projects that create new affordable units for families in areas of job growth and opportunity; preservation projects that maintain rents at affordable levels for low-income households; large-scale redevelopment projects with the potential to impact entire neighborhoods; and mixed-income projects intended to provide both affordable and workforce or market-rate units.

2) During 2018-2019, the Department intends to divide the available credit among these worthy projects such that:

   - 70% of the credit is allocated to projects that create new units, either through rehabilitation or new construction.
   - 30% of the credit is allocated to preservation projects, such as projects with expiring use restriction projects, and other preservation projects and smaller scale preservation projects.

3) Whether production or preservation, the ideal project must contain certain characteristics that make it worthy of tax credit consideration and equity investment. These characteristics are described in later sections of the 2018-2019 allocation plan.

Section VII. Evaluation of the Need for Affordable Housing in Massachusetts

Each year, in deciding how to allocate the housing credit, the Department of Housing and Community Development must consider the need for affordable rental units throughout Massachusetts. The effort to evaluate need is complicated by the fact that there is no single Massachusetts housing market. Rather, there are hundreds of local housing markets, and they differ significantly from each other. The median home sales prices in the most affluent western suburbs of Boston again exceed $1,000,000, yet homebuyers in the more rural areas of the state can still find units priced below $150,000. In addition, the effects of the deep recession and foreclosure crisis that began in 2007 continue to impact some communities far more than others.

Because of the disparate characteristics of various local housing markets, the best measures of affordable housing need in one market may not be the best measures in another. For example, some communities have relatively few residents with household incomes below 50% of area median income,

but the average sales prices for homes in these communities may be above $700,000. There may be virtually no rental units available to serve local housing needs, including the needs of elders, people with disabilities, and local workers. So, while one indicator of need -- the number of poverty households -- may be low, another indicator -- average or median sales prices -- may be extremely high.

While the indicators or measures of need are too numerous to list in full, the most basic measures of need in given market areas include many or all of the following:

- low median household income
- high percentage of low income households
- high percentage of households at extreme poverty level
- high percentage of homeless individuals or families in shelter
- high percentage of persons with disabilities who are unable to find suitable rental housing
- high percentage of renters in proportion to homeowners
- high percentage of households receiving welfare
- lack of affordable housing stock suitable to meet the needs of frail elders
- generally poor condition of the housing stock
- high rate of unemployment
- high rental rates in and near the market area
- high condominium and single family sales prices in and near the market area
- low vacancy rates
- long public housing waiting lists

For purposes of identifying need in this allocation plan, the Department has used the comprehensive data and analysis prepared by its policy staff as part of the consolidated plan submission to the U.S. Department of Housing and Urban Development (HUD). The data and analysis are contained in Section 3 of the Massachusetts' 2010-2015 Consolidated Plan. (The section is entitled "Housing and Homeless Needs Assessment" and can be downloaded at the following website: http://www.mass.gov/hed/docs/dhcd/cd/planpolicy/consolidated/2010conplan.pdf).

The data and analysis contained in the consolidated plan confirm what housing experts already know. There is an ongoing and substantial need for affordable rental housing in Massachusetts. As new tax credit projects came on line in certain Massachusetts markets in 2017, the number of applications received exceeded the number of available units by a ratio of 35:1 or 40:1. Rental vacancy rates in some metropolitan communities are below 3%.

After evaluating the available information, the Department has drawn the following basic conclusions regarding need:

- In most Massachusetts communities, there is a shortage of affordable rental units in good condition.
- In many Massachusetts communities, the need for family rental housing is still greater than the need for other types of affordable rental housing.

- There is an ongoing need for affordable accessible housing throughout the state.
- In certain areas with low rental rates and sales prices, the housing stock is so deteriorated that it must either be rehabilitated or demolished and replaced by new units.
- In other areas, the affordable housing stock includes affordable rental projects faced with expiring use restrictions. In some areas, these units will be lost as affordable housing unless there is intervention.
- In some communities in metropolitan Boston, high rental rates and median home sales prices have eroded the supply of affordable housing. New affordable rental units are badly needed in these communities.
- The rebounding housing markets in certain parts of the state also have caused significant issues for middle-income households seeking to rent.
- Homelessness remains an issue in certain Massachusetts communities.

The Department's determination of need is reflected in the set-aside categories established for 2018-2019 and described in detail in Section VIII of this allocation plan. DHCD's determination of need also is reflected in the scoring system established for 2018-2019 applications and described in Section XI of this plan.

Section VIII. Set-Aside Categories for 2018--2019

After careful consideration, the Department has established two set-asides for purposes of allocating the credit during 2018-2019: a set-aside for production projects and a set-aside for preservation projects. The set-aside categories apply to both the 9% and the 4% credit. DHCD expects developers of preservation projects to seek the 4% credit rather than the 9% credit.

The percentages of available credit established for each set-aside in 2018-2019 are goals rather than absolute minimums or maximums. In evaluating all projects and determining the most effective use of the available credit, DHCD, in its sole discretion, may choose to modify the percentages established as goals for each set-aside.

The two set-aside categories for 2018-2019 are described in brief below.

1) Production set-aside -- 70% of the available credit

The need and demand for affordable rental units is directly linked to the relative shortage of supply. Through this set-aside, the Department intends to allocate the competitive 9% credit to support the production or creation of new affordable rental units. However, developers also may structure production projects using the 4% credit. All applications for new construction projects will be evaluated in the production category. In addition, applications for rehabilitation will be evaluated in this category if:

a) The units have been vacant for two or more years; or
b) The units have been condemned or made uninhabitable through fire damage.

Seventy percent of the credit available for allocation in 2018-2019 is intended to support production. The minimum project size will be twelve units.

2) Preservation Set-Aside -- 30% of the available credit

Thousands of affordable housing units currently exist in privately owned Massachusetts properties. Developers often are able to gain control of these properties and submit them to DHCD for LIHTC consideration. To encourage preservation applications, the Department historically has included a preservation set-aside in its annual Qualified Allocation Plan. Consistent with past practice and with its ongoing commitment to preservation, DHCD is including a preservation set-aside in the 2018-2019 QAP and is strongly urging sponsors of preservation projects to structure their applications as tax-exempt bond transactions using 4% credits.

In prior years of economic distress – notably 2008, 2009, and 2010 – many sponsors were unable to secure tax-exempt financing, and few investors were willing to buy the 4% credit. However, as 2018-2019 begins, the bond and equity markets are healthy, although concern exists broadly about the possible ramifications of federal tax reform. Working with MassHousing or MassDevelopment, most sponsors of preservation projects should be able to structure a tax-exempt bond/4% application in lieu of a 9% application. In the winter 2018 rental competitions, any sponsor seeking 9% credit for a preservation application will have to make an extraordinary case to the Department that the project cannot proceed as a 4% credit bond project. All sponsors of preservation projects should anticipate that only the 4% credit will be made available for their applications.

However, the fact that the bond and equity markets are healthy has increased the pressure on the 4% credit. Given the current pressure, DHCD, in consultation with its quasi-public affiliates, has made changes to the 2018-2019 QAP that will affect preservation projects. Sponsors should review the following section of the QAP with care and should contact DHCD with any questions. In any 2018-2019 competition, preservation projects seeking 4% credit and DHCD subsidy will be considered under this set-aside only if the projects qualify under at least one of the subsections described below and in the section of the QAP entitled "The Massachusetts Preservation Matrix".

In brief, sponsors should evaluate proposed preservation projects in accordance with the subsections below:

a) *The housing is at risk of loss due to market conversion.* Typically, projects qualifying under this subsection will be existing affordable housing projects whose owners are able either to opt out of the Section 8 subsidy contract or prepay the existing mortgage financed through HUD, MassHousing or Rural Development. In addition, some projects are reaching the end of their 30 or 40 year governmentally financed mortgages, or governmental use restrictions. If these projects are converted to market, the units will continue to exist, but will be lost from the Commonwealth's inventory of affordable housing. In some cases, this will result in the displacement of existing residents through steep rent increases. Many of these projects are too valuable to lose. The replacement costs would far outweigh the cost to the state of preserving the existing stock. In general, projects will not be considered for funding under this set-aside unless they can be converted to market within 36 months. Rare exceptions may be made for particularly valuable projects in the strongest market areas.

b) *The housing is at risk of loss due to physical condition or financial distress.* A project in poor physical condition may be at risk of condemnation or other governmental action

to close the property. A property in financial distress has experienced serious cash flow problems that will likely lead to foreclosure. DHCD will evaluate an application to preserve a project in poor physical condition based on a capital needs assessment included in the OneStop+ submission. The assessment must describe how all the major capital needs of the project will be addressed. Applications to assist projects in financial difficulty must demonstrate that the financing, property management, and asset management plans will be sufficient to ensure the project's ongoing financial stability. In general, projects will not qualify for funding under this set-aside unless the capital needs assessment indicates a minimum rehabilitation expenditure of $30,000 per housing unit. However, sponsors should note that all DHCD resources are in high demand, and that DHCD may cap the resources available to support a given preservation project.

c) *The application represents a time-limited opportunity to purchase existing affordable housing.* In some cases, a preservation sponsor may have the opportunity to purchase a property due to a seller's need or desire to sell at a particular time. A purchase under Chapter 40T would also qualify under this subsection. While they may represent desirable transactions, projects qualifying as preservation projects under this subsection generally will rank lower than projects qualifying pursuant to subsections a and b above.

The Department intends to award its most valuable resources, including the 4% credit, to the projects that are at greatest risk of loss, or that represent an extraordinary opportunity to purchase and preserve a valuable property. In addition to the threshold criteria in Section XI, and the competitive scoring criteria in Section XII, the Department will take into account the "Priority Matrix for Preservation Properties", included in Section IX. The matrix has been revised for the 2018 QAP.

Within the preservation set-aside, the minimum project size will be twelve units, although the Department expects that most or all applications in this category will represent fairly large-scale projects. There is no maximum project size in this category, although the availability of resources may well restrict project size. Limits on cost, basis, and allocation amounts are described in a later section of this allocation plan. DHCD subsidy limits are described in the section of this plan entitled "The Competitive Scoring System".

Sponsors seeking DHCD allocations within the preservation set-aside should note that preservation projects, like production projects, must meet all eligibility and scoring criteria set forth in this QAP. Preservation sponsors should note the Department's ongoing commitment to sustainable developments with an emphasis on projects located near major public transit as well as extensive retail and commercial opportunities and services.

The Department recognizes that certain preservation transactions are too large to fit within the normal funding limits yet represent projects of scale well worth preserving. From time to time, if resources are available, DHCD is prepared to accept very large-scale preservation applications on a rolling basis. Such applications typically must represent projects that will include more than 500 units. Such applications also must include significant awards of local funds from the communities in which the projects are located. As of the effective date of this QAP, DHCD does not anticipate accepting rolling applications.

It is likely that some applications will be submitted for projects that include both production and preservation units, as described in this plan. If the majority of the units in a project qualify for the production set-aside, DHCD will evaluate the project in the production category. Conversely, if the majority of the units qualify for the preservation set-aside, DHCD will evaluate the project in the preservation category.

Non-profit set-aside:
Federal law requires that at least 10% of the credit available in 2018-2019 be allocated to projects involving "qualified non-profit organizations". DHCD will meet the 10% requirement by allocating credit to such organizations through the set-aside categories described in this section. Historically, the Department has allocated at least half of its 9% credit authority to qualified non-profit organizations.

To be considered a "qualified non-profit", an organization must:

- Meet criteria described in Section 501(c)(3) or (4) of the Internal Revenue Code and be exempt from payment of taxes under Section 501(a);
- Have as one of its exempt purposes the fostering of low income housing; and
- Not have a prohibited affiliation with, or be controlled by, a for-profit organization, as determined by DHCD.

DHCD will include in the tax credit application the necessary certification to substantiate qualified non-profit status. DHCD will make the required non-profit determination after reviewing the certification.

In order to count toward the 10% set-aside, a qualified non-profit organization, in accordance with Section 42 of the Internal Revenue Code, must:

- Own an interest in the project, directly or through a partnership; and
- Must materially participate (on a regular, continuous, and substantial basis within the meaning of Section 469(h) of the Internal Revenue Code) in the development and operation of the project throughout the tax credit compliance period.

In addition, qualified non-profit developers -- with or without material participation -- may have a right of first refusal to acquire a tax credit project after year 15, in accordance with Section 42 of the code.

Whether projects fit into the production or preservation category, they must include characteristics that make them worthy of consideration by numerous housing and development standards. The Department is intent on allocating its extremely valuable resources, the 9% and 4% credit, only to the strongest possible applications. The following statements describe some of the characteristics the Department seeks to encourage and reward through the scoring system, regardless of project type:

- The project will fill a genuine, documented need, readily supported by available market information.
- The project will provide affordable family housing in an area of opportunity.

- The project will include accessible units available to persons with disabilities, and the sponsor will incorporate visitability features, to the extent possible, throughout the project.
- The completed project will have a positive impact on the surrounding neighborhood.
- The completed project will have characteristics consistent with the Commonwealth's sustainable development principles.
- The completed project will contain elements of "green design" and will promote conservation of energy resources.
- Consistent with fair housing policies, the completed project will offer expanded opportunities to racial, ethnic, and other groups protected under fair housing laws who are underserved in the community in which the project is located.
- From an architectural perspective, the completed project will be compatible with the surrounding neighborhood.
- The units, including the affordable units, will be well-designed, desirable places to live.
- The completed project will include units reserved for individuals or families earning less than 30% of area median income, including individuals or families making the transition from homelessness.
- The developer will have made every effort to secure strong local support for the project.
- The development team has the financial strength to carry out the project.
- The development team has an excellent record in affordable housing development and management.
- Whether new construction or rehabilitation, the intended scope of work is appropriate for the proposed project.
- The total development cost of the project is reasonable, both in the context of industry standards and in the context of public perception.
- The developer's fee and overhead are consistent with the Department's written standards.
- Specific categories of project costs are reasonable, including estimated hard costs, estimated soft costs, and projected operating costs.
- The amount of public subsidy to be invested in the project is reasonable: typically, less than $100,000 per affordable unit, unless the project primarily is a special needs and/or supportive housing project.
- No member of the development team will profit unduly from participating in the project.
- The project meets a recognizable public purpose.

In addition, as described in Section I of this document, each application submitted in during 2018-2019 must meet at least one of the five priority categories for funding and must have been pre-approved for submission by DHCD.

Section IX. The Massachusetts Preservation Matrix

Background:

The Department of Housing and Community Development is a long-time member of the Massachusetts Interagency Working Group (IWG)[1] on preservation issues. Several years ago, as part of the effort to prioritize preservation projects seeking scarce public resources, the IWG created a priority preservation matrix. Broadly speaking, the goal of the matrix is to help various stakeholders understand which characteristics of preservation projects best fit with the funding priorities of DHCD and other Massachusetts public lenders.

In Massachusetts, the term "preservation" is used in a general sense to describe any occupied project with an affordable housing component and use restrictions. But the characteristics of preservation projects can vary significantly. The Commonwealth's overarching goal is to preserve as many affordable projects and units as possible. However, at any given point in time, some preservation projects, because of their underlying characteristics, are more in need of scarce public funding than other projects. The preservation matrix is intended to set forth the characteristics that are most important for funding during a particular time period – often the calendar years governed by the tax credit Qualified Allocation Plan.

The matrix contained in the 2017 QAP has been modified within this document -- the 2018-2019 QAP. In part, the modifications reflect a highly stressed resource environment for preservation projects, including great pressure on the availability of tax-exempt financing and 4% credits. Tax-exempt financing for Massachusetts multifamily rental projects is in significant demand; neither Mass Housing nor Mass Development is able to provide tax-exempt financing within a given calendar year to every sponsor who seeks it. Other sources that can be used to support preservation projects, including the state LIHTC and certain state bond programs, also are highly stressed. The demand for these sources far outstrips the financing that will be available in 2018-2019. As a consequence, DHCD and its partners have made certain changes to the preservation matrix included in this section.

During 2017, the IWG revised and streamlined the matrix by eliminating the second table and replacing it with a set of additional evaluation criteria that more clearly reflect DHCD's current priorities. In particular, DHCD will consider the total amount of state-controlled subsidy per affordable unit (including federal and state LIHTC equity) as a factor in awarding preservation resources, and also will carefully scrutinize proposed acquisition, rehabilitation, and soft costs for projects seeking higher amounts of state-controlled subsidy per affordable unit. Preservation projects that exceed $200,000 per affordable unit in state-controlled subsidies (including tax credit equity) will be especially scrutinized. The matrix identifies the preservation project characteristics that will be granted priority for funding consideration by the public lenders. However, it is important to note that priority status does not guarantee funding for a given project. For example, all preservation projects seeking tax credits and/or other DHCD resources must conform to the various thresholds and scoring criteria contained within the 2018-2019 QAP.

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[1] IWG members include Massachusetts Department of Housing and Community Development, MassHousing, Massachusetts Housing Partnership, MassDevelopment, Community Economic Development Assistance Corporation (CEDAC), Massachusetts Housing Investment Corporation, and the City of Boston.

The first section of the attached matrix identifies four priority eligibility criteria for preservation projects in Massachusetts. As part of any funding consideration, DHCD and its quasi-public affiliates will rank each project based on one of the four priority criteria. Although many preservation projects may meet more than one priority criterion, the public lenders will rank each project against a sole criterion and will select the highest priority criterion for a given project. If a project does not meet one of the four priority criteria, it is highly unlikely that it will be considered for funding from DHCD and/or its quasi-public affiliates during 2018-2019.

If a project meets one of the four priority criteria, DHCD and the quasi-public agencies will use the additional guidance in the matrix to further evaluate the priority status of the project, relative to the Commonwealth's multiple preservation goals. The additional guidance identifies six additional criteria for preservation projects that will be evaluated. As indicated, only those projects that meet one of the four priority eligibility criteria will be further evaluated against the six additional criteria.

Chapter 13A Preservation Projects:

Sponsors of the preservation projects initially financed by MassHousing through the state Chapter 13A program should note the following:

- MassHousing, working with DHCD, has identified a pool of funding resources to help current owners or new owners preserve these important projects. The affordability restrictions on most of the projects either have expired or will expire during 2018-2019. (A number of 13A projects already have been preserved.)

- It is DHCD's expectation that owners of Chapter 13A projects will work closely with MassHousing to access the funds identified by the Agency as appropriate to protect the 13A residents and support preservation of the projects.

- It is DHCD's further expectation that owners of Chapter 13A projects -- either current or new owners -- will not seek additional resources from DHCD for a given project unless MassHousing specifically recommends that they do so.

Examples of Preservation Decisions Based on the Matrix:
The following examples are intended to help stakeholders understand the matrix:
Project A is a 100-unit family preservation project located in a strong market with use restrictions expiring in 2018. Despite the strength of the market, the property is financially troubled, although able to maintain loan payments. Using the first section of the preservation matrix, DHCD and its quasi-public affiliates rank this project as a category I/tier I project (although the project also qualifies as a category I/tier 3). Moving on to the second section of the matrix, DHCD and its quasi-public affiliates assess the extent to which the project addresses the six additional evaluation criteria. The sponsor intends to seek pre-development and acquisition assistance from CEDAC as well as funding through DHCD's competitive rental round. The sponsor is directed to proceed with preparing various funding applications.

Project B is a 100-unit family preservation project located in a weak market with use restrictions expiring in 2024. The project is in need of rehabilitation but is not at risk due to its physical condition. The owner of the project typically is able to meet debt service covenant. The owner intends to seek tax-exempt financing and 4% credits during 2018-2019 in order to resyndicate and recapitalize the project. However, DHCD and its quasi-public affiliates make the determination that this project does not fit within any of the four priority funding categories of the matrix and should not be considered for tax-exempt financing and 4% credits during 2018-2019. Unless the availability of volume cap to support tax-exempt financing increases dramatically during these calendar years, resources will be insufficient to support a preservation project that does not rank well against matrix criteria. DHCD and its quasi-public affiliates strongly encourage the project owner to evaluate the feasibility of taxable financing, including through one of the quasis.

The updated preservation matrix is shown on the following pages.

			TIER 1	TIER 2	TIER 3
ELIGIBILITY CATEGORY	I.	**Risk of Loss to Market Conversion**[1] in Next 5 Years Ability to Increase Rents Substantially Through Conversion to Market Housing.	Strong rental market with no legal impediments to conversion to market rate.	Market is strong enough for potential conversion to market. No legal impediments to conversion to market rate.	Weak market, legal restrictions or inability of project to compete for market rate tenants.
	II.	**Risk of Loss Due to Physical Condition**[2]	Probable loss of the property in the next 2-4 years due to condemnation or government action. Significant code and safety issues.	Significant code and safety issues that present a risk to tenants and/or threaten the long-term viability of the property.	Extensive capital needs
	III.	**Risk of Loss Due to Financial Viability**[3] Analysis based on 3 years of financials.	Lender has declared or threatened to declare a default due to a payment default by the current owner.	Property income is insufficient to pay debt service and basic operating expenses plus required reserve deposits, requiring contributions from other sources.	Property is financially troubled, but able to maintain loan payments and basic operating expenses plus required reserve deposits.
	IV.	**Unique Acquisition Opportunity**[4]	Unique opportunity to purchase a project at a below-market price due to seller motivations, or opportunity as 40T designee.	Sale price based on present value of reduced income stream – value will increase as expiration date approaches.	Property for sale – no particular economic benefit to purchase at this moment.

1 Need to evaluate regulatory issues, marketability of project, conversion costs, etc.
2 Factors to consider: Year facility was built, number of years since last rehab, annual replacement reserve contribution, total reserves balance
3 Factors to consider: vacancy, municipal liens, sponsor financial condition, property management quality
4 Availability of non-state resources to take advantage of the opportunity is important.

Other Factors to Evaluate in Prioritization of Preservation Projects

Project is eligible for funding primarily under Eligibility Category _____ and qualifies as Tier _____

- Amount of state-controlled subsidy (including LIHTC) per affordable unit needed to preserve the property
- Degree to which affordability is preserved or enhanced, especially for ELI residents, relative to the current affordability level
- Duration of new use restrictions
- Risk of tenant displacement
- Location of the project in an Area of Opportunity
- Location of the project within a comprehensive neighborhood revitalization plan

Section X. Recommended Cost Limits; Caps on Eligible Basis; Cap on Allocations Per Project

The Department, its quasi-public affiliates, and members of the Massachusetts development community engaged in extensive discussions between 2013 and 2015 on how best to manage costs in LIHTC and other publicly funded projects. Informed by these discussions and careful analysis, the Department implemented the following "Total Residential Development Cost Limits". The limits will apply in 2018-2019 -- to all rental projects funded by DHCD with any of its rental resources.

Production Project	**(Residential TDC/Unit)**
Outside Metro Boston*	
Single Room Occupancy/Group Homes/Assisted Living/Small Unit** Supportive Housing	$199,000
Suburban/Rural Area with Small Units	$279,000
Suburban/Rural Area* with Large** Units	$319,000
Urban* Area with Small Units	$359,000
Urban Area with Large Units	$379,000
Within Metro Boston*	
Single Room Occupancy/Group Homes/Assisted Living/Small Unit Supportive Housing	$259,000
Suburban Area with Small Units	$329,000
Suburban Area with Large Units	$349,000
Urban Area with Small Units	$379,000
Urban Area with Large Units	$399,000
Preservation Project	**(Residential TDC/Unit)**
Outside Metro Boston*	
Single Room Occupancy/Group Homes/Assisted Living/Small Unit Supportive Housing	$139,000
Suburban/Rural Area, All Unit Sizes	$199,000
Urban Area with Small Units	$209,000
Urban Area with Large Units	$219,000
Within Metro Boston*	
Single Room Occupancy/Group Homes/Assisted Living/Small Unit Supportive Housing	$189,000
Suburban/Rural Area, All Unit Sizes	$229,000
Urban Area with Small Units	$299,000
Urban Area with Large Units	$299,000

*See the map contained in Appendix B to determine the proper geographic category for each project based on its location.
**Large Unit projects must have an average of at least two bedrooms per unit or consist of at least 65% two or more bedroom units and 10% three or more bedroom units. All other projects are considered Small Unit projects.

Sponsors should note the following: DHCD reserves the right to deny a tax credit award to any project deemed to be too costly.

Additional limitations for competitively allocated credits: Even if an application is accepted for review with costs higher than the recommended limits, DHCD typically will cap the project's eligible basis. For the purpose of this QAP, DHCD typically will cap the allowable eligible basis in the production set-aside at $250,000 per assisted unit for projects within the Boston metro area and $200,000 per assisted unit for projects outside the Boston metro area. DHCD typically will cap the allowable eligible basis in the preservation set-aside at $175,000 per assisted unit.

To determine the amount of tax credits for which a production project within the Boston metro area is eligible, the sponsor must multiply $250,000 in maximum basis times the number of tax credit units times 9%. The sponsor of a preservation project must multiply $175,000 in maximum basis times the number of tax credit units times 9%. **For example, a 30 unit 100% tax credit production project within the Boston metro area will be eligible for $675,000 ($250,000 * 30 * .09 = $675,000). A 30 unit 100% tax credit production project outside the Boston metro area will be eligible for $540,000 ($200,000 * 30 * .09 = $540,000). A 30 unit 100% credit preservation project will be eligible for $472,500 ($175,000 * 30 * .09 = $472,500). (While the examples above are based on a 9% credit calculation, sponsors should note that the federal legislation establishing a fixed 9% credit has not yet been enacted.)**

Finally, in order to ensure equitable distribution of limited tax credit resources, the Department has established per-project limits for credit allocations. The Department has established $500,000 as the maximum amount that can be awarded to an assisted living project. In 2018-2019, the Department has established $1 million as the maximum allocation amount that typically will be awarded to other projects under this QAP. Requests for allocations greater than $1 million will be considered on a case-by-case basis if the sponsor is able to demonstrate the potential impact of the project and if DHCD has sufficient credit to make a larger allocation.

Section XI. Threshold Criteria for 2018-2019 Tax Credit Applications

During any 2018-2019 competition, DHCD, through its pre-application process, will first establish that an application meets at least one of five priority categories for funding, as described in Section I of this document. DHCD then will evaluate each tax credit application in accordance with threshold criteria, followed by competitive scoring criteria totaling 182 points. Unless an application meets all the threshold criteria set forth in this section, the Department will not review the application in the competitive scoring categories**. In addition, each applicant must submit a narrative addressing the project's ability to satisfy the threshold requirements.**

The thirteen threshold criteria that all applications must meet are as follows:

Threshold #1: Conformance with Set-Aside Categories
Threshold #2: Quality of Site
Threshold #3: Evidence of Local Support or Local Processing
Threshold #4: Creditworthiness of Sponsor/Owner
Threshold #5: Evidence of Site Control

Threshold #6: Identification of All Financing Sources
Threshold#7: Status of Compliance Monitoring of Other Tax Credit Projects
Threshold #8: Good Standing with Respect to Other State Housing Programs
Threshold #9: Commitment to a Thirty-Year Term of Affordability
Threshold #10: Tenant Supportive Services
Threshold #11: Inclusion of Units for Extremely Low Income Persons or Families
Threshold #12: Consistency with the Commonwealth's Sustainable Development Principles
Threshold #13: Fair Housing Narrative

The requirements included in each threshold criterion are as follows:

Threshold #1: Conformance with Set-Aside Categories
Each project submitted to a 2018-2019 competition must meet at least one of five priority funding categories as well as the criteria for either the production or the preservation set-aside. The production set-aside, described in detail in an earlier section of this plan, includes a minimum project size of twelve units. At least 65% of the units in a proposed production project must have two or more bedrooms, and at least 10% of the units must have three bedrooms. DHCD will permit exceptions on the number of bedrooms only if efficiency or one-bedroom units are appropriate for the intended residents. (For example, assisted living projects primarily will include efficiency or one-bedroom units and will not be subject to the two-bedroom requirement. An exception to the bedrooms requirement also will be made for single room occupancy projects.)

The preservation set-aside also is described in detail in an earlier section of this plan. The minimum project size in this category is twelve units. There is no maximum project size in this category. The Department encourages the preservation of projects that include units suitable for families, but also encourages the preservation of projects consisting primarily of one-bedroom units for rental by older households. Other preservation projects are predominantly single room occupancy units for rental by individuals with special needs.

Threshold #2: Quality of Site
The quality of the site is one of the most fundamental aspects of any housing project. Like other lenders, both public and private, the Department ideally wishes to fund only those projects in outstanding locations, on problem-free sites. However, in reality, many tax credit applications represent existing, occupied residential properties located on sites that are acceptable, but not ideal. Additional applications represent abandoned or distressed properties that previously were occupied by tenants or homeowners. The sites of these properties also may be less than ideal.

The Department anticipates that some 2018-2019 applications will represent occupied or previously occupied HUD properties. If DHCD were making the decision on quality of site, it might not agree with the decision already made by the U.S. Dept. of HUD. Since a whole class of applications includes sites that have been accepted by the federal housing agency, DHCD has elected not to evaluate "site" as a competitive category in 2018-2019.

However, every 2018-2019 application submitted for consideration still must include a site acceptable, by Department standards, for the proposed housing use. Sponsors should review their sites in light of the Commonwealth's sustainable development principles outlined in Section II of this QAP. Although

site characteristics that are generally consistent with the sustainable development principles may be present more often in urban areas, the Department believes that there are opportunities for housing development in all communities. Infill sites near services and transportation, buildings for adaptive re-use, former commercial or industrial sites, and other "smart growth" opportunities exist in rural and suburban communities. The Department encourages the development of projects in such locations, especially since such projects tend to offer greater opportunity to underserved racial and ethnic groups.

Before preparing a OneStop+ Affordable Housing Application, each tax credit sponsor should contact DHCD's tax credit staff to schedule a site review. The Department will presume that a site is acceptable if it currently is the location of an occupied housing project, with no significant change proposed to the tenant group to be served. However, DHCD staff will still conduct an on-site assessment using, among other measures, the Commonwealth's sustainable development principles. To schedule a site review, the tax credit sponsor should contact the Department at least one month prior to the competition deadline for submitting applications. With less than one month's notice, the Department may not be able to conduct a site visit prior to the competition deadline.

Threshold #3: Evidence of Local Support or Local Processing

In an ideal world, every affordable housing project would have the support of two key constituencies: its neighbors and the elected leaders of the community. Unfortunately, many projects lack local support, whether from the owners of abutting properties, local elected officials, or both. In some cases, support is withheld for good reasons; in other cases, support is unreasonably withheld.

In general, DHCD encourages applications from tax credit projects that have full local support. In certain circumstances, sponsors may submit applications for DHCD's credit authority for projects that are not locally supported. If a sponsor/owner cannot demonstrate local support, he or she must instead demonstrate through a written narrative included in the OneStop+ application substantial efforts to respond to local concerns and obtain the chief elected official's support. If DHCD is not satisfied that the sponsor/owner has made every reasonable effort to obtain support, the Department will reject the tax credit application.

With respect to local contributions, numerous projects submitted for tax credit consideration are located in municipalities that have their own funds through federal sources (i.e. Community Development Block Grant monies, the HOME Program, etc.), or through other sources. For projects located within such municipalities, DHCD typically requires a local contribution of funds in order for the project to receive tax credit consideration.

Threshold #4: Creditworthiness of Sponsor/Owner

The Department will accept tax credit applications from sponsoring entities that are creditworthy by DHCD standards. The standards of creditworthiness include the following:

1) The debt obligations of a partner or other principal of the sponsor/developer entity and the proposed mortgagor/owner entity are paid current;

2) No liens exist against property owned by the partner or other principal;

3) The partner or other principal of the sponsor/developer entity and the proposed mortgagor/owner entity has not failed to respond to a public filing such as a lien or a judgment;

4) The sponsor/developer entity and the proposed mortgagor/owner entity (including any affiliates) have not experienced any event(s) of foreclosure over the past five years.

5) The sponsor/developer entity and the proposed mortgagor entity (including any affiliates) have not declared bankruptcy.

In general, a corporation will not be considered creditworthy if there are tax liens against the corporation, its affiliates, its subsidiaries, or its properties. In addition, if there is a bankruptcy lien against the corporation, it will not be considered creditworthy. DHCD also will determine whether a corporate sponsor is current in payments to its creditors and will require a certificate that all state tax payments are current. The Department will require that a sponsor certify that all of the standards of creditworthiness listed above have been satisfied as part of the OneStop+ application submission package.

DHCD will examine the financial strength of a project sponsor using financial statements submitted by the project sponsor. Financial statements must be no more than one year old. An audit will be required for corporations, but not individuals.

Criteria for financial review include the following: The current ratio (current assets divided by current liabilities) must be greater than one. The liabilities to net worth ratio must be less than four. Net worth must be positive, and there must be no "going concern" issue raised by the sponsor's auditors or reviewers. DHCD staff will ascertain whether the amount of unrestricted cash on hand appears sufficient to cover fixed operating expenses. Sponsors may submit explanations for variations from these criteria, and DHCD will consider these explanations in assessing the financial capacity of a project sponsor.

DHCD is considering entering into a Memorandum of Understanding (MOU) with the Internal Revenue Service in order to obtain tax information useful in determining an applicant's creditworthiness and good standing with the agency. If an MOU is executed during 2018-2019, DHCD reserves the right to require that all tax credit applicants complete Form 8821, Tax Information Authorization (Rev. 9-98), naming DHCD as the appointee to receive tax information.

Threshold #5: Evidence of Site Control

The project sponsor must be able to demonstrate full control of all land and buildings included in the project through a fully executed agreement such as an option agreement, a purchase or sale agreement, or another similar instrument. The instrument demonstrating site control must include a sales price and an expiration date. The expiration date of the instrument should extend at least six months beyond the tax credit application deadline. Ownership of a note and assignment of a mortgage when combined with other factors may constitute full site control in certain limited circumstances.

The "Competitive Scoring System" section of this plan discusses the IRS Code requirement for incurring costs which meet the so-called ten percent test. Property acquisition often serves as a

substantial portion of these costs. If a project sponsor receives a tax credit reservation and later cannot meet the ten percent test, DHCD risks losing the credits. In order to avoid this potential outcome, DHCD attempts to ascertain that sponsors have full site control of all properties included in their respective projects.

The Department will consider all relevant circumstances in determining whether the site control threshold has been satisfied.

Threshold #6: Identification of All Financing Sources

In the OneStop+ Affordable Housing application, the sponsor of each tax credit project must identify funding sources sufficient to cover all development and operating costs. The sponsor may not be able to submit firm financing commitments for all sources by the application submission deadline. However, at minimum, the sponsor must submit documentation demonstrating a strong interest from each financing source. All sponsors are expected to submit strong letters from lending sources and a tax credit syndicator or investor. During 2018, DHCD will place particular emphasis on the letters from syndicators and investors.

Threshold #7: Status of Compliance Monitoring of Other Tax Credit Projects

Many development team members submitting projects for 2018-2019 consideration previously have participated in the development of tax credit projects that now are occupied. These projects may already have been monitored to determine compliance with Section 42 of the Internal Revenue Code. DHCD will not accept 2018-2019 applications for tax credits if the proposed development team includes members who are affiliated with existing projects for which Forms 8823 ("Low income Housing Credit Agencies Report of Noncompliance") have been issued for material and/or continuing non-compliance. In addition, DHCD may decide not to accept applications from developers of tax credit projects financed in previous years with outstanding compliance monitoring fees due to the agency. These restrictions apply to all members of the development team. (Ownership and management of a project constitute an affiliation.) Before submitting a 2018-2019 application, a sponsor/owner must verify that all team members can meet this threshold requirement.

Threshold #8: Good Standing with Respect to Other State Housing Programs

Many development team members submitting 2018-2019 tax credit applications have participated in other DHCD-assisted projects. All key members of a development team seeking 2018-2019 tax credits must be in good standing with DHCD with respect to other DHCD-assisted projects. As one example, many tax credit developers have used state HOME assistance. If a developer – or other key team member – participated in a state-assisted HOME project that has been monitored and determined to be out of compliance, DHCD may decide not to accept a 2018-2019 tax credit application from a team that includes this team member.

As another example, if a key team member has not made satisfactory progress on an earlier DHCD-assisted project, the Department may decline to accept a 2018-2019 tax credit application that includes this team member. Developers of tax credit projects financed by DHCD in previous years will not be considered in good standing with the agency unless compliance monitoring and/or tax credit processing fees have been paid in full for all their existing projects. Before submitting a 2018-2019 tax credit application, the sponsor/owner must determine that the following members of the team are in good

standing with DHCD: consultant; architect; contractor; management agent; attorney. Obviously, the sponsor/owner also must be in good standing with DHCD.

Threshold #9: Commitment to a Thirty-Year Term of Affordability

The sponsor/owner of each 2018-2019 application must commit to at least a 30-year term of affordability (45 years if applying for Massachusetts State Low Income Housing Tax Credits). With respect to affordability, the sponsor/owner must commit:

- To maintain the tax credit project as low income rental housing for at least 30 years (45 years if applying for Massachusetts State Low Income Housing Tax Credits); and
- To offer to the state an opportunity to present a "qualified contract", as such term is defined in Section 42 of the Internal Revenue Code, for the purchase of the project after expiration of the term of the Agreement.

Each tax credit project owner will be required to sign a Tax Credit Regulatory Agreement and Declaration of Restrictive Covenants ("the Agreement") before receiving the IRS Form(s) 8609. In the Agreement, the owner will be required to submit to DHCD a written request one year before expiration of the term of the Agreement (i.e., applicable term of affordability) for DHCD to procure such a qualified contract.

Threshold #10: Tenant Supportive Services

Sponsors of some tax credit projects, including assisted living projects and HOPE VI projects, provide extensive supportive services for their tenants. The cost of services at assisted living properties and HOPE VI projects is part of the total development cost of the projects. Some sponsors also are able to secure service funding from private or federal sources. At other tax credit projects, developers – especially non-profit developers -- work with neighborhood groups, churches, local schools, and local employers to attempt to create opportunities for their tenants. The services ultimately available at these projects are not part of total development cost but may prove highly beneficial to both tenants and owners over time. In the 2018-2019 Qualified Allocation Plan, DHCD is requiring each applicant for credit to provide a narrative with the OneStop+ funding application describing services available in the community to the existing or future tenants of the project. Developers do not necessarily have to pay for the services, but must identify the services and indicate how they will notify tenants, on a regular basis, of opportunities for further education, employment training, and other important services.

In 2017, DHCD established the requirement that sponsors of senior projects provide services appropriate for the intended tenants. Any developer seeking funds for senior housing projects in 2018-2019 must provide a highly-developed service plan for the tenants who will live in the project. The Department wishes to ensure that this potentially vulnerable population - frail seniors – is provided with housing, but also with the services necessary to ensure their safety and enhance their quality of life.

Threshold #11: Inclusion of Units for Extremely Low Income Persons or Families
DHCD requires sponsors of 2018-2019 9% tax credit applications to reserve at least ten percent of the total number of units in their projects for persons or families earning no more than 30% of area median income. Sponsors seeking allocations of 4% credit for primarily affordable projects will be required to reserve at least ten percent of the total number of units in their projects for persons or families earning no more than 30% of area median income. If a sponsor is using tax exempt financing and 4% credits for a mixed income project with at least 50% of the units at market rates, the sponsor must reserve 15% of the total affordable units for persons or families earning no more than 30% of the area median income.

Threshold #12: Consistency with the Commonwealth's Sustainable Development Principles
The Commonwealth's sustainable development principles will be applied as a threshold for projects seeking state funding from DHCD and its partner entities. A listing of the principles can be found on pages 7 and 8 of this document.

Threshold # 13: Fair Housing Narrative
Each sponsor must provide a narrative describing how the project location and type, tenant selection plan, and other applicable policies and procedures will further the Department's Fair Housing Principles as provided in Appendix K. The narrative also should clearly describe the efforts that will be made to ensure affirmative fair marketing and outreach to those households and individuals least likely to apply for the affordable units within a project.

Each tax credit applicant must submit a narrative addressing the project's ability to satisfy all threshold requirements listed above and on the preceding pages.

Section XII. The Competitive Scoring System

During the 2018-2019 funding competitions, DHCD will evaluate all tax credit applications to confirm that they fit within at least one of five priority funding categories established for the pre-application process. DHCD will further evaluate all applications in accordance with threshold criteria described in the preceding section, then in accordance with competitive criteria, totaling 182 points. Applications for projects that meet all applicable threshold criteria will be scored in two competitive categories totaling 182 points. The two competitive categories are:

I) Fundamental Project Characteristics -- 100 points
II) Special Project Characteristics -- 82 points

As indicated, the five priority funding categories and the threshold criteria are set forth in preceding sections of this plan. The components of the two competitive categories are as follows:

Fundamental Project Characteristics
A total of 100 points is available in this category, which includes the five fundamental components of any affordable housing project, regardless of type. The five fundamental components, valued equally at 20 points each, are:

A. Financial Feasibility

B. Design
C. Development Team
D. Marketability
E. Readiness to Proceed

Each of the five components of "Fundamental Project Characteristics" is described in detail below and on the following pages. Every tax credit application must score at least 12 points in each of the five components of fundamental project characteristics. If an application scores fewer than 12 points in any of the five categories, it will not receive an allocation of tax credits during 2018-2019. Nor will the application be evaluated for "Special Project Characteristics". If an application scores at least 12 points in each of the five categories, totaling at least 60 points, it will be evaluated and scored in the second competitive category, "Special Project Characteristics".

If a project is evaluated favorably and receives an allocation of credit during 2018-2019, the sponsor should note that later modifications to the project may result in a re-evaluation by the Department. If a project is modified substantially, the allocation may be withdrawn.

A. Financial Feasibility -- 20 points total; 12 points required minimum

The information contained in the OneStop+ Affordable Housing Application must demonstrate to DHCD's satisfaction that the proposed project is financially feasible during construction and after completion. The sponsor/owner must include in the application solid evidence of financing commitments from construction and permanent lenders. The sponsor/owner must include a comprehensive letter of interest from a syndicator or investor. The quality of the letter is of utmost importance in 2018-2019. The sponsor/owner must identify sufficient financing sources for all project uses in the OneStop+ application. The operating pro formas included in the application must include trending assumptions and debt service coverage acceptable by current industry standards and explicitly acceptable to DHCD.

The amount of equity raised per tax credit dollar is determined by market forces and, therefore, is subject to change. For 2018-2019 underwriting purposes, DHCD will assume that each project sponsor will obtain $.95 per tax credit dollar available for development costs. In determining the financial feasibility of the proposal, if a developer is assuming an equity raise higher than $.95, DHCD will consider the adequacy of the developer's fee and overhead to cover any gap that would result if an equity raise of only $.95 per tax credit dollar is achieved.

Sponsors seeking credit in 2018-2019 are encouraged to refer to the Program Guidelines for the Low Income Housing Tax Credit Program dated January 2017 for further details regarding recommended financing. A sponsor/owner using assumptions that deviate from the DHCD-recommended assumptions must justify such deviations to DHCD's satisfaction.

As part of its financial feasibility review, DHCD will examine all costs for reasonableness, including but not limited to the following: acquisition; construction costs; general development costs; syndication costs; builder's profit, overhead, and general requirements; operating revenues, expenses and cash flow. Projects which demonstrate significantly lower total development costs and/or significantly reduced subsidy costs per unit will receive higher points in this category. In addition,

such projects may be eligible to receive points in the "Special Project Characteristics" category of this QAP.

B. Design -- 20 points total; 12 point minimum required score

The design elements and the proposed scope of work for each 2018-2019 tax credit project will be reviewed by architects and/or cost estimators under contract to DHCD. The architects and/or cost estimators will carefully evaluate the proposed scope of work and overall cost of the project to determine whether the scope and costs are appropriate. In addition, the architects and/or cost estimators will evaluate the architectural aspects of each project to determine:

- Whether the project conforms with all applicable laws, regulations, code requirements, including those specific to accessibility;
- Whether the project has incorporated certain aspects of "universal design" to increase the usefulness of the project to the widest range of residents possible (see attached checklist in Appendix I);
- Whether the architectural treatment is appropriate, given community standards and the surrounding neighborhood, as well as the project site;
- Whether proposed amenities are sufficient, appropriate for the target population, but not excessive;
- Whether the site layout and site design adequately address environmental issues; parking needs; rainwater management; appropriate open space requirements; outdoor improvements appropriate for the target population, visitability, etc.;
- Whether the owner/developer has incorporated energy conservation measures that exceed those required by the Building Code, and whether the project complies with energy efficient building envelope guidelines such as EPA's Energy Star standards, for appliance and light fixture selection as well as air sealing and insulation measures, which will result in both greater comfort and operating cost efficiencies;
- Whether the owner/developer has incorporated material selection consistent with promoting a healthful interior environmental quality;
- Whether the owner/developer has incorporated mechanical ventilation measures to control humidity and promote good indoor air quality;
- Whether the owner/developer has provided interior CO detectors as mandated by state regulations;
- Whether the project conforms to state and local code-mandated regulations for water conservation requirements (1.6 gallon toilets, low-flow devices, etc.) as well as storm water retention/recharge. The sponsor should identify and advance water conservation measures that go beyond state/local regulations;
- Whether the owner/developer has provided for sufficient construction oversight, building envelope testing, and building system commissioning to ensure that the design and efficiency measures are properly installed and adjusted.
- Whether the owner/developer has employed effective cost management techniques in the design process, including but not limited to Integrated Project Delivery methods, significant involvement by the contractor early in the design process, cost-effective building approaches (such as modular construction, innovative but proven building materials, etc.).

Project designs that incorporate site planning, exterior envelope, detailing, and mechanical system technologies to achieve energy efficiency are preferred. Demolition, renovation, and construction processes that result in waste reduction and conservation of resources are preferred. Building materials that are local in origin, are durable, incorporate recycled content, or avoid toxic materials, are preferred. Sponsors must submit the completed forms found in Appendix I to demonstrate the measures that were utilized to achieve high performance and efficiency.

Sponsors also must submit the accessibility checklist found in Appendix I in order to enable DHCD's reviewing architects to better evaluate the accessibility proposed for each project. The Department is urging all developers to pay increased attention to Universal Design and visitability. As reflected in the modifications to Appendix I, DHCD believes that Universal Design and visitability can be incorporated into numerous preservation projects without substantially increasing costs.

In order to be considered eligible for tax credit funding, all units should be built with three distinct networks:

- One network installed for phone using CAT5e or better wiring.
- A second network for data installed using CAT5e or better, networked from the unit back to a central location (or a similarly configured wireless data network).
- A third network for TV services using COAX cable.

Costs associated with installing the data network are eligible development cost expenses. Network installation will be a threshold requirement in the design scoring section. Sponsors of projects that do not include network installation in their plans and specifications may not be considered eligible for a tax credit award.

In general, DHCD will follow the HOME Rental Program Guidelines and Regulations with respect to the minimum unit and room sizes, minimum suggested counter space, etc., for tax credit projects. With respect to the rehabilitation of existing structures, these minimum standards are intended for guidance and should be met wherever possible. The Department recognizes that, in some cases, constraints such as existing partitions, walls, plumbing, or excessive construction costs will prevent compliance with these standards. If a sponsor determines that it is not feasible to comply with all the HOME standards, he or she should provide an explanation in the tax credit application.

During 2018-2019, DHCD will again require that each sponsor include in his or her application a construction cost pro forma prepared by a qualified contractor or architect or a qualified construction cost consultant. DHCD also will require that all sponsors of existing projects submit a letter from the primary lender supporting the construction cost preform and the proposed scope of work and confirming that such costs cannot be funded in part through a mortgage increase. In addition, in accordance with industry recommended practices, sponsors of projects applying for funding under the preservation set-aside must submit a capital needs assessment that adequately supports the scope of proposed improvements to the Department's satisfaction. A qualified, licensed architect or engineer must perform this study.

In cases where the developer and the general contractor are affiliated, a qualified but unrelated third party contractor, architect or qualified construction cost consultant must prepare the construction cost

preform. Related party contractors are subject to the maximum allowable builder's profit and overhead and general requirements indicated in the Program Guidelines as well.

All sponsors should note that, during 2015, DHCD participated in a design guidelines working group with numerous industry and public lender participants. The City of Boston's Department of Neighborhood Development (DND) convened the working group on behalf of the participating public lenders. Other public lender participants included MassHousing and the Massachusetts Housing Partnership. Several private-sector architects and contractors also participated in the working group. The primary objectives of the group were the following:

- To identify cost-saving measures for all kinds of projects, regardless of location and construction type; and
- To agree to and produce a streamlined and simplified set of design guidelines for use by the public lenders.

The streamlined and revised guidelines, incorporating approaches and saving costs, are posted on the websites of the participating agencies. Sponsors of tax credit projects should follow the revised design guidelines as they prepare applications to submit to DHCD in 2018-2019.

C. Development Team -- 20 points total; 12 point minimum required score

The key members of the development team are the owner/developer; the consultant; the architect; the contractor; the management agent; and the attorney. DHCD will review the background of the key team members to determine:

- Prior successful experience in developing tax credit projects
- Financial strength
- Physical and financial condition of other properties developed by the sponsor/owner
- Prior experience on other DHCD-assisted projects
- Inclusion of SOMWBA-certified Minority/Women's Business Enterprise members on the team as sponsor/owner; management agent; contractor.
- Inclusion of SOMWBA-certified Minority/Women's Business Enterprise members on the team as architect; attorneys; syndicators; accountants; consultants.

The intent of this scoring category is to identify those teams capable of financing and developing complicated tax credit projects and managing the projects successfully after completion and occupancy. The scoring in this category will reflect whether members of the team currently own or manage troubled properties. The scoring also will reflect whether members of the team recently have been involved with other DHCD-assisted projects that have not progressed to DHCD's satisfaction. In addition, the scoring will reflect whether the team includes members who are M/WBE certified in Massachusetts by the State Office of Minority and Women Business Assistance (SOMWBA).

To determine the application score in this category, the Department will evaluate the capacity of each key member of the team as identified in the OneStop+. Sponsors of tax credit projects should note that they have two options with respect to identifying a general contractor:

1) A sole contractor can be listed in the OneStop+, and the Department will evaluate the capacity of that contractor as part of the scoring process; or

2) The names of up to three possible general contractors can be listed in the OneStop+, and the Department will evaluate all three entities for scoring purposes. If the sponsor chooses this option, the score for the contractor will be the average of the scores for each of the three entities listed.

Whether the sponsor chooses to make the final selection of a contractor before or after submitting the tax credit application, certain subcontract bidding processes must be followed to the Department's satisfaction. If a general contractor is selected before the project is submitted, the sponsor will have to demonstrate at a later time that subcontractors were selected through a process demonstrating competitive pricing of construction. This requirement will be a condition in the tax credit reservation letter. If the sponsor elects to choose a contractor after receiving a tax credit reservation, he or she must select the lowest qualified bidder from a pool of at least three bidders and must document the selection process to the Department's satisfaction. Again, this requirement will be a condition in the tax credit reservation letter.

Regardless of which approach the sponsor selects, the Department will require a submission describing bidding procedures later in the tax credit process.

In order to ensure that management entities have adequate experience in managing tax credit properties, DHCD reserves the right to require tax credit compliance training as a condition of its funding award.

D. Marketability-- 20 points total; 12 points required minimum

Unless a market exists for the proposed project, the project will fail. **The sponsor/owner identified in each 2018-2019 tax credit application must include in the OneStop+ Affordable Housing Application a detailed market study prepared by a qualified professional acceptable to DHCD. This Internal Revenue Service requirement applies to all projects, whether production projects or occupied preservation projects.**

The National Council of Housing Market Analysts (NCHMA) has adopted Model Content Standards detailing its standards for definitions and content in a housing market study. These standards can be found on the web at:
http://services.housingonline.com/nhra_images/Final%20Model%20Content%20V%203.0.pdf

The Department will accept membership in the NCHMA organization as indication that the market analyst is a qualified professional acceptable to the Department. DHCD strongly encourages sponsors to direct their market analyst to produce a market study consistent with NCHMA Model Content Standards.

If, during the course of its review, DHCD determines that the market study submitted with the application is inadequate, DHCD will require the sponsor/owner to submit a new market study. An application that includes a market study that does not confirm the viability of the proposed project will in all likelihood not score the minimum points required in this category. The market study included in the application should address need and demand in the specific housing market, including typical sales

prices, rental rates for various types of projects, vacancy rates. The market study should include the sponsor/owner's analysis of why the proposed project will be competitive.

As part of the determination of marketability, DHCD will conduct an independent evaluation of housing need. This evaluation will investigate the project's marketability including whether the project is located:

a) In a community in which the public housing waiting list exceeds, by a ratio of three to one, the total number of existing federal and state public housing units available for the proposed population (not including units occupied by federal or state rental assistance certificate holders); or
b) In a community in which there is no public family housing; or
c) In a community where the rent burden is greater than 30%. Rent burden is defined as the median percentage of gross income spent on housing in the community in which the proposed project is located.

Sponsors of projects for populations with special needs and/or persons with disabilities should carefully address the anticipated demand for the proposed project and the reasons why the project will be attractive to the particular consumer group(s). This requirement applies also to projects intended to serve seniors. Sponsors of these projects must include a resident social services plan acceptable to DHCD. (DHCD recognizes that some tenants will bring services with them, and the Department will accept evidence of such services.) DHCD will place special emphasis on the market study for assisted living applications. Given the marketing issues that some assisted living projects have encountered, DHCD may require significant additional documentation from sponsors of such projects. It has become clear to the Department that assisted living projects are particularly challenging to market and operate successfully over time. Sponsors of new assisted living projects will have to make an exceptional case to the Department as to why their projects should be considered for tax credits and other DHCD resources.

DHCD also will review every proposed project's rent structure. In general, the proposed rents will be compared to rents for comparable, unassisted units in the subject market. DHCD also may consider such market factors as home sales, rentals, and average vacancy levels. Additional factors to be evaluated include, but are not limited to, the sponsor's comparables submitted with the OneStop+ application and/or market study information, newspaper ads, etc. In determining the feasibility of the projected rents, DHCD will use Section 8 contract rents only if satisfactory evidence of a housing assistance payments contract is included with the OneStop+ application. If an executed payments contract is not included, DHCD will compare the proposed rents to the lower of the current HUD FMR for the area or to comparable market rents for the area.

DHCD also will evaluate the sponsor/owner's marketing and outreach plan. All sponsor/owners should include a detailed plan with their respective applications. The plan must indicate in detail how the sponsor intends to market to and attract underserved populations to the project, indicating persons with disabilities and minority households.

E. Readiness to Proceed -- 20 points total; 12 points required minimum

The sponsor/owner of each tax credit application must demonstrate to DHCD's satisfaction the ability to meet the Internal Revenue Service Code ten percent test and to receive a carryover allocation in timely fashion. The ability of the sponsor to attract an investor obviously is critical to readiness. For projects receiving a reservation of tax credits in 2018-2019, the sponsor/owner must incur costs, no later than the close of the respective calendar year, which are more than ten percent of the project's reasonably expected basis. In keeping with recent amendments to the IRS Code, a sponsor/owner receiving a reservation of tax credits in the second half of the calendar year 2018-2019 will have an additional six months from the date of the 2018-2019 carryover allocation or binding forward commitment (or until June 30, 2018-2019) to meet the ten percent test. The Department recognizes that ten percent test deadlines could be further extended but, at this time, has decided to extend the ten percent test deadline by six months, rather than longer. Sponsor/owners must include with the OneStop+ a narrative that addresses the proposed costs to be incurred in meeting the ten percent test as well as an anticipated timeframe for meeting the test.

The OneStop+ application should include evidence of substantial progress in areas including but not limited to land use and zoning approvals, environmental and historic reviews, ability to close on sources of financing, and so on. All applications for projects seeking tax credits should include an ASTM Phase One environmental site assessment for all properties in the project and any other applicable environmental reviews including but not limited to lead, asbestos, and radon testing. For properties located in historic districts or designated as buildings having historical significance, the sponsor/owner must include in a narrative the status of required historical approvals and evidence that the Massachusetts Historical Commission review process is underway or completed. The Department expects sponsors of historic projects to have received federal Part I approval in order to be competitive in the "readiness" evaluation. DHCD also expects sponsors requiring state historic credits to have received a high percentage of the total requested allocation in order to be competitive in scoring categories. A sponsor seeking tax credits for a project that requires a comprehensive permit under Chapter 40B should note that the Department will not issue a reservation of tax credits until the sponsor has been granted the comprehensive permit from the local zoning board of appeals and until the requisite appeals period has ended.

During 2018-2019, DHCD will give special consideration in this scoring category to projects that were submitted during a previous competition or competitions but not selected for funding, if DHCD determines that the project sponsors have addressed all issues that prevented them from receiving an earlier allocation.

Special Project Characteristics

The Department has designed this scoring category to encourage and reward projects that include some of the characteristics DHCD would most like to support in affordable housing projects. The points in this scoring category are available to projects that include the following special characteristics:

- Part of a comprehensive neighborhood planning effort
- Enhanced accessibility
- Proximity to transit

- Inclusion of MBE/WBE members on the development team
- Non-profit sponsorship
- Persons with disabilities as intended consumers
- Special needs groups as intended consumers
- Inclusion of market rate units in the project
- Location in a community with less than 10% subsidized stock
- Conformance with Section 42 Code preferences
- Emphasis on environmentally friendly design
- Location in area of opportunity for families (jobs, services, good schools, etc.)
- Official local support

The Department values all of these project characteristics. The maximum points available per category are described on the following pages:

A. Official Local Support -- 2 Points Maximum:

DHCD will award up to two points to any application with a letter of support from the chief elected official of the community to benefit from the tax credit project. The support letter must specifically endorse the proposed project. The number of points awarded in this category will depend, in part, on whether the chief elected official commits local resources to the project and the extent to which the chief elected official offers support and resources in furtherance of the Department's Fair Housing Principles provided in Appendix K.

B. Inclusion in a Comprehensive Neighborhood Revitalization Effort – 6 points maximum

Many proposals for tax credit projects are part of neighborhood plans approved by municipal officials, housing production plans approved by DHCD, and/or comprehensive local plans designed to enhance local residents' access to jobs, education, and/or health care. The Department encourages the submission of projects in areas addressed by municipal or state-approved plans or comprehensive local planning. DHCD will award points in this category as follows:

- 2 points for projects to be developed in locations included in formal neighborhood plans, with revitalization components enhancing access to jobs, education, and/or health care that either have been approved by the chief elected official of the host municipality or have been developed with significant, demonstrated community input, with identified resources for revitalization. The formal written plan must delineate the neighborhood; should identify properties to be demolished or rehabilitated and sites to be redeveloped; and must provide information on current and proposed access to mass transit, retail and commercial opportunities, and necessary services; and must describe in detail the non-housing revitalization components, including a timeline and plan for completion.
- 2 additional points if the project described above is sponsored by a community-based non-profit entity certified by DHCD as a Community Development Corporation under the provisions of Chapter 40H.
- 2 points for a project to be developed in a location included in a housing production plan approved by DHCD's Division of Community Services; or two points for projects to be developed in approved "Priority Development Areas" as determined by state

agencies including MassDOT and the Executive Office of Housing & Economic Development.

Please note that projects will not be eligible for points for the "inclusion in a comprehensive revitalization effort" section unless the sponsor consents to enter into a written agreement with DHCD to evaluate on a regular basis the effects of the development on the surrounding neighborhood. These reports will include tenant income demographics as well as reports on other community revitalization investments in the limited geographic area, concentrating on the investments potentially generated in part or in whole by the presence of the tax credit project.

C. MBE/WBE Membership on the Development Team -- 6 Points Maximum:

If the project sponsor, general contractor, or management agent is certified by the State Office of Minority and Women Business Assistance (SOMWBA) as a Minority Business Enterprise (MBE) organization or a Women's Business Enterprise (WBE), DHCD will award six points in this category. If another key member of the development team -- the architect; the developer's consultant; the attorney; the accountant, the syndicator -- is SOMWBA-certified as MBE or WBE, DHCD will award a maximum of three points in this category. (It is important to note that six points will be awarded only if the sponsor, contractor, or management agent is MBE or WBE certified by SOMWBA.) No points will be awarded for development team members who are certified in trades not to be used at the proposed project nor will points be given for any subcontractors who are not under contract with the owner. All SOMWBA certifications must be current in order for the application to receive points.

D. Non-Profit Sponsorship -- 5 Points Maximum:

Section 42 of the Internal Revenue Code requires that each allocating agency award at least 10% of the annual credit available to projects sponsored by non-profit organizations. In addition to meeting the Section 42 requirements, DHCD wants to encourage non-profit sponsorship of tax credit applications. These applications often represent community-based projects that have strong local support and are critical to the redevelopment of troubled neighborhoods.

In an ongoing effort to encourage qualified non-profits to develop affordable rental housing, DHCD will award points within this category as follows:

5 points for a non-profit sponsor that has been certified by DHCD as a Community Development Corporation under the provisions of Chapter 40H. The sponsor must have the ability to develop a complex affordable rental housing project, either through in-house staff or through consultants expected to serve the project through completion into occupancy.

3 points: If a project is sponsored by a non-profit organization that previously has sponsored and successfully completed at least two LIHTC projects in Massachusetts, DHCD will award three points in this category.

E. Persons with Disabilities or Special Populations as Intended Consumers – 8 Points

DHCD will award points in this category to projects that offer units for persons with disabilities integrated into larger projects. DHCD will award up to eight points to projects that offer no more than 15% of the total number of units for persons with disabilities, either individuals or families with a household member with disability. The points will be awarded only if the project design, amenity package, and services are appropriate for the population to be served. Sponsors should note that approval from the Executive Office of Health and Human Services will be required before DHCD can provide certain subsidy funds to support tax credit projects with units for persons with disabilities.

DHCD also will award points in this category to projects that serve other populations in need of support services. DHCD is a member of the Governor's Interagency Steering Committee on Supportive Housing (SH) and was instrumental in helping achieve the Committee's three-year goal of creating 1,000 SH units in less than two years. In 2018-2019, the Department will continue its financial assistance to supportive housing projects. Under this QAP, DHCD will provide up to eight points in this category for projects that provide units with services that are appropriate for special populations, including but not limited to homeless veterans, other homeless individuals or households with identified special needs, including frail elderly to be served in assisted living facilities. The points will be awarded only if at least 20% of the units in the project are reserved for a special population and if the project design, amenity package, and services are appropriate for the population to be served.

F. Inclusion of Market Rate Units in the Project -- 6 Points Maximum:

The Department will award six points to a tax credit application that includes at least 50% market rental units. Three points will be awarded to a project with at least 25% market rental units. DHCD will award points in this category only if the marketing information presented by the sponsor and confirmed by the Department supports the proposed mix of market and affordable units.

G. Location in an Area of Opportunity-- 14 Points Maximum:

For purposes of allocating the credit in 2018-2019, DHCD will use five priority funding categories, including location of a family project in an "area of opportunity". The Department defines an area of opportunity in part as a neighborhood or community with a relatively low concentration of poverty based on U.S. Department of HUD data. In addition, DHCD identifies an area of opportunity as a neighborhood or community that offers access to opportunities such as jobs, health care, high-performing school systems, higher education, retail and commercial enterprise, and public amenities. To determine whether a location is an area of opportunity, sponsors should use publicly available data such as employment statistics; location near mass transit, green space, and other public amenities; educational testing data; and so on. Sponsors also should confirm with DHCD that their evaluation of an area of opportunity is consistent with the Department's evaluation, since the Department will make the ultimate decision.

To be eligible to receive points within this category, a family housing project typically must be located in a census tract with a poverty rate below 15%. Projects located in municipalities with overall poverty rates below 15% may also qualify for points within this scoring category. On a case by case basis, at its sole discretion, the Department will permit certain projects to receive points in this category if the poverty rate in the census tract and/or the municipality is 15% or higher, as long as the project is located in an area with compelling attributes that make the location desirable to renters.

To be eligible to receive points within this category, a family housing project also must include certain design characteristics: the project must be configured to contain at least 65% two-bedroom or larger units and at least 10% three-bedroom units, unless either percentage is demonstrated to be infeasible or unsupported by public demand.

If the thresholds described above have been met, DHCD will award points within this category as follows:

Up to 8 points for strength of public school system:

Points will be awarded to family housing projects as follows based on the percentage of 10th grade students that score in the Advanced or Proficient categories using an average of the 3 MCAS tests (English Language Arts, Mathematics, and Science and Technology Engineering) as available at http://profiles.doe.mass.edu/state_report/mcas.aspx:

90% or above: 8 points
85% or above: 6 points
80% or above: 4 points
75% or above: 2 points

Up to 6 points for access to employment:

Points will be awarded as follows based on the proximity to jobs of the municipality in which the family housing project is located as defined by average vehicle miles travelled by commuter as available at http://www.mass.gov/hed/housing/affordable-rent/low-income-housing-tax-credit-lihtc.html:

5 miles or less: 6 points
7 miles or less: 4 points
9 miles or less: 2 points

Up to 2 points for access to higher education:

Two points will be awarded within this category to family housing projects located within two miles of community colleges and/or state colleges/universities within the University of Massachusetts system.

Up to 2 points for access to health care:

Two points will be awarded within this category to family housing projects located within one mile of a major health care facility, such as a hospital, an urgent care center, or a neighborhood health clinic.

The maximum number of points awarded in this category will be 14 points.

H. Conformance with Section 42 Code Preferences -- 3 Points Maximum:
In this category, the **total** number of points available to any project is three.

Extended Term of Affordability -- 3 Points Maximum
DHCD will award three points in this category to applications whose sponsors commit to a term of affordability of 50 or more years. The extended term of affordability will be included in the project's regulatory agreement. If a project receives points in this category, DHCD will not permit the term of affordability to be reduced at a later date.

Lowest Income Population to be Served -- 3 Points Maximum
DHCD will award three points in this category to projects whose sponsors commit to renting at least 15% of the tax credit eligible units to individuals or families with incomes at or below 30% of area median income. If a project receives points in this category, DHCD will require the sponsor's commitment to be included in the project's regulatory agreement. Units intended to count towards this set-aside must be clearly identified in the application in order for the project to earn points in this category.

Projects Located in Qualified Census Tracts -- 3 Points Maximum
DHCD will award three points in this category to a project located in a qualified census tract, the development of which contributes to a concerted community revitalization plan, including investment in jobs, education, and/or health care. Internal Revenue Code 42 (d)(5)(C)(ii) defines "Qualified Census Tract" as any census tract designated by the Secretary of HUD in which 50 percent or more of the households have an income less than 60 percent of area median gross income or, in certain instances, there is a poverty rate of at least 25 percent. A concerted community revitalization plan may be formally adopted by a municipality or may be an action plan developed by the project sponsor in contact with one or more organizations within the community, provided that it addresses proposed investments in the community to improve residents' access to jobs, education, and/or health care.

I. Emphasis on Environmentally Friendly Design and Enhanced Accessibility—26 Points Maximum
DHCD will award up to 26 points in this category for projects that meet the following design criteria.

Energy Efficient Envelope Design—5 Points Maximum
DHCD will award up to five points to projects where the exterior envelope has been insulated beyond requirements of the base Building Code or the stretch code in communities where adopted, achieving values acceptable to the Department:

General-

- Provide continuous air infiltration barrier around the insulated perimeter, with all joints sealed, including terminations at roof, windows and doors.
- Install spray foam (minimally expanding) to seal and insulate around all doors and windows, and at framing joints.
- Confirm effective air-sealing measures by commissioning an independent blower door test. Results should show air leakage of less than 8 ACH50. Submit test results at the time of cost certification.
- Confirm that adequate fresh air and exhaust is provided throughout in order to maintain healthy air quality.

Efficient Building Systems—5 Points Maximum
DHCD will award up to five points to projects that include the following in their plans and specifications.

- Installation of boilers with an efficiency of 95% or more, or furnaces with an efficiency of 90% or more. Install controls and heat distribution systems that allow operation of the boiler or furnace at peak efficiency.
- Installation of thermostats with an upper limit of 75 degrees Fahrenheit.
- Installation of high efficiency domestic hot water system.
- No central air-conditioning systems unless very high efficiency. If local AC units are installed, electricity must be individually metered.
- Where applicable, provision of automatic lighting controls controlled by occupancy and/or lighting conditions.
- Installation of water conservation measures beyond those required by building code including both domestic water system components (low/no water-use appliances and fixtures) as well as water recapturing systems (rainwater for irrigations, gray water recycling systems, etc.).

Healthy Indoor Air Quality—4 Points Maximum
DHCD will award up to four points to projects that include the following in the plans and specifications.

- Ducted provision of fresh air to apartments.
- Installation of kitchen exhaust fans ducted to the outside.
- Provision of continuous or intermittent mechanical ventilation of interior living spaces using bathroom exhaust fans.
- Use of only low-VOC or no-VOC paints, coatings, and adhesives. Ventilate the building during initial curing period.
- No installation of carpet, or use of carpets specifically designed to eliminate off-gassing. Use of only low-VOC carpet adhesives, or installation with tackless strips. No installation of carpets in areas of the building exposed to heavy pollutant load.
- Avoidance of interior products made with formaldehyde or urea-formaldehyde binders.
- Provision of separate air exhaust systems for any building areas where janitorial or maintenance chemicals are to be stored.

Site Design—4 Points Maximum
DHCD will award up to four points to projects that include the following in the plans and specifications.

- Where possible, orientation of buildings and structures to maximize energy-efficiency and thermal performance. Consideration of building proportions as well as solar, wind, vegetation and other factors.

- Installation of systems for the control of roof/site rainwater via groundwater recharge and/or controlled release into municipal storm sewer systems.
- Use of native landscape plants that are drought tolerant. Avoidance of plants that are on the Massachusetts Invasive Species list. Use of native ground-cover plants in lieu of grass where appropriate. Preservation of existing trees where possible.
- Minimization of light pollution of the night sky by avoiding over-lighting outdoor spaces and by directing lighting toward the ground plane.
- Planting of fast-growing deciduous trees along the south side of the buildings and paved surfaces to provide summer shade.
- Installation of covered bike racks.

Renewable Energy—2 Points Maximum
DHCD will award up to two points to project that include any of the following in the plans and specifications.

- Wind energy
- Stationary fuel cells
- Hydro-electric power
- Solar Photovoltaics
- Solar thermal collectors (hot water)
- Landfill gas
- Bio diesel

Enhanced Accessibility—6 Points Maximum
DHCD will award up to six points to projects that incorporate any of the following into their plans and specifications.

- 5% or more Group 2 units (minimum 1 unit) in developments otherwise exempt from this requirement.
- Group 1 units in adaptive reuse projects in existing buildings where Group 1 units are not otherwise required.
- In projects that consist of 1 or 2 family dwellings, a minimum of 5% Group 2 units.
- 5% of units outfitted with devices for vision or hearing impaired residents.
- In Group 2 units, two accessible means of egress that are not an exit stairway with areas of refuge.
- Provision of features of Universal Design (see Appendix I, Part B)
- Provision of features of Visitability (see Appendix I, Part C).

J. Proximity to Transit—6 Points Maximum
DHCD encourages developers and municipalities to work together to locate projects near major public transit opportunities, such as subway stations, commuter rail stations, ferry terminals and key bus routes. The benefits of locating housing – market rate and affordable – near such opportunities -- are receiving increased attention and recognition: lower transportation costs for residents; reduced dependency on cars; reduced vehicle miles traveled; health benefits to residents who walk more; and

so on. To encourage locations near major public transit, DHCD will award points within this category as follows:

6 points for projects located within one-half miles of major public transit with nearby services such as retail or commercial opportunities, grocery or convenience stores, restaurants and municipal offices. Major public transit is defined as MBTA subway stops, MBTA commuter rail stops; MBTA or Regional Transit Authority (RTA) key bus route stops; and RTA intermodal transfer stations.

3 points for projects located within three-quarter mile of major public transit with nearby services as defined in the preceding paragraph.

Section XIII. The Application Process for Credit in 2018-2019

The Department of Housing and Community Development typically awards the 9% credit through regularly scheduled competitive funding rounds. In winter 2018, DHCD will hold a competitive funding round for the 9% credit and other rental resources. The Department also anticipates holding a competitive funding round for credits and other sources in winter 2019.

2018 Funding Round:
The deadline for submitting applications for the winter 2018 rental funding round will be February 15, 2018. Sponsors may submit applications for the winter round only if they have received approval from DHCD in the pre-application process. (The deadline for submitting pre-applications was November 30, 2017. Information on the pre-application process is included elsewhere in this document.) All funding applications must be submitted by the close of business on February 15, 2018, using the on-line OneStop+ Affordable Housing Application. In addition, sponsors are required to submit one copy of architectural materials, one application hard copy with original signatures, and the application fee no later than the close of business on February 16, 2018, to :

Massachusetts Department of Housing & Community Development
Division of Housing Development
100 Cambridge Street, Suite 300
Boston, MA 02114

Online applications received after the close of business on the submission deadline -- February 15, 2018 -- will not be reviewed. Prospective applicants are strongly encouraged to meet with DHCD tax credit staff to discuss their particular projects prior to the funding round deadline.

In addition to the submissions to DHCD, each tax credit sponsor must provide a full copy of the OneStop+ application to the chief elected official of the municipality in which the project is located. Within 30 days of the submission deadline, the sponsor must submit to DHCD a certification that an application identical to the submission to DHCD has been delivered to the chief elected official. If at any time during the competition DHCD determines that the sponsor failed to fully comply with this requirement, the Department reserves the right to disqualify the sponsor's application.

The Department anticipates announcing the results of the winter 2018 funding competition during June 2018.

Rolling Application Process for Massachusetts Projects
The application process in Massachusetts for the 9% credit is a competitive process. DHCD typically accepts applications for the 9% credit as well as the Department's rental subsidy resources during regularly scheduled funding competitions. From time to time during past years, DHCD has accepted certain applications with very specific characteristics on a rolling basis. However, given the resource environment as 2018 begins, DHCD will not accept rolling applications under this QAP.

Application Completeness:
Although most development projects change over time, and some projects change substantially, the Department must evaluate all project applications in a fair and equitable way. The OneStop+ application essentially is a "snapshot" of a project on the day of submission. For purposes of threshold review and competitive evaluation, the Department will not accept the submission of additional documentation after the application deadline. Each project will be reviewed based on the materials contained in the OneStop+ on the deadline for all submissions.

During 2018, DHCD will make an exception to this policy for projects that receive favorable financing commitments during funding competitions conducted by other public-purpose lenders. DHCD will consider the new commitments in its review process during the 2015 tax credit competition. In addition, at its sole discretion, the Department may contact tax credit applicants after the application deadline to seek clarification on certain materials contained in the OneStop+ application.

Section XIV. Processing Fees; Late Fees; Compliance Monitoring Fees

A. Processing Fees:
Sponsors seeking 4% or 9% tax credits during 2018-2019 will be required to pay processing fees as follows. Assuming that the sponsor/owner meets Department deadlines for submitting carryover documentation, the total processing fee will be either 8.5% or 4.5% of the annual credit amount. For tax credit projects sponsored by for-profit developers, the total processing fee is equal to 8.5% of the annual credit amount. For projects sponsored by non-profit developers, the total processing fee is equal to 4.5% of the annual credit amount. The credit amount will be the amount identified on the carryover allocation. If the project does not need a carryover allocation, the credit amount will be the amount identified on IRS Form 8609.

Sponsors seeking state tax credits during 2018-2019 will be required to pay processing fees as follows. Assuming that the sponsor/owner meets Department deadlines for submitting carryover documentation, the total processing fee will be either 3% or 1.5% of the annual credit amount. For state tax credit projects sponsored by for-profit developers, the total processing fee is equal to 3% of the annual state credit amount. For projects sponsored by non-profit developers, the total processing fee is equal to 1.5% of the annual state credit amount. The state credit amount will be the amount identified on the carryover allocation. If the project does not need a carryover allocation, the state credit amount will be the amount identified on state credit eligibility statement.

The processing fee(s) for each project submitted during 2018-2019 will be due in three installments:

- at the time of application;

- at the time the project receives a carryover allocation or binding forward commitment;
- at the time of final commitment of the credit.

It is important to note that the Department will charge a late fee to all sponsors of projects who fail to submit the required documentation and processing fee installments by their deadlines as described below.

First Installment at Application:
All tax credits sponsors must pay either $1,050 or $5,250 at the time of application (for 4% credit projects, this fee will be due at the time of the request for Official Action Status from MassHousing or MassDevelopment). Checks must be made payable to the Department of Housing and Community Development. The application fee is non-refundable. The application fee for non-profit sponsors and for sponsors of projects with 20 or fewer units is $1,050. All other sponsors must pay $5,250.

Second Installment at Carryover or Binding Forward Commitment:
Sponsors must pay the second installment of the processing fee(s) before receiving a carryover allocation or binding forward commitment from DHCD. The amount due in this installment will be one-third of the total processing fee, less the amount of the first installment paid at the time of application. This second payment also is non-refundable. Since 4% credit project sponsors do not need to submit carryover documentation unless they are also state credit projects, this second installment only applies to 4% credit projects if they are state credit projects.

Third Installment at Allocation:
Each sponsor must pay the remainder of the total amount of the processing fee(s) before receiving a final allocation of credit and IRS form 8609 and/or state credit eligibility statement from DHCD. The third installment also is non-refundable. For 4% credit projects, the remainder of the total processing fee is due prior to issuance of a 42(m) tax credit eligibility determination letter by DHCD.

B. Late Fees:
Given the time-sensitive and critical nature of various Internal Revenue Code requirements, DHCD reserves the right to charge late fees to any and all sponsors failing to meet the deadlines for submitting required documentation and processing fee payments. The Department will assess a $3,000 penalty to any non-profit sponsor and a $5,000 penalty to any for-profit sponsor who fails to remit the required documentation and the second or third installments of the processing fee within the time specified by DHCD. Materials that are more than 60 days past due will trigger an additional penalty fee in the amount of $3,000 to a non-profit sponsor and $5,000 to a for-profit sponsor. The carryover allocation and/or IRS Form 8609(s) will not be released to the sponsor until any outstanding processing fees and late fees have been paid.

Late submission of a signed regulatory agreement to the Department is also subject to a late fee. A finalized regulatory agreement, suitable for execution by the Department, must be submitted by the due date indicated in the regulatory agreement notification package forwarded to the sponsor by tax credit program staff. A fee assessed for late submission of a regulatory agreement - $3,000 to a non-profit sponsor, $5,000 to a for-profit sponsor - will be in addition to any late fee detailed above.

In addition, any sponsor who fails to meet his or her carryover allocation deadline -- thus endangering a portion of the Commonwealth's valuable tax credit resource – should note that the Department has

the right to withdraw the tax credit commitment to the particular project. Furthermore, the Department reserves the right to reject future applications for tax credits from those parties who have failed to meet the Department's deadlines for year-end submissions. The Department is prepared to exercise these rights if necessary.

C. Compliance Monitoring Fees:

An annual monitoring fee will be due and payable by all projects (allocation years 1987-2019) to DHCD or its authorized delegate during the term of the compliance period (as defined in Internal Revenue Code Section 42) or required to be placed in an escrow by the owner. The fee will be based on a charge of $30 per low income unit per year, as adjusted periodically by DHCD by the Consumer Price Index (CPI). If the actual compliance period for a project will begin in a year later than 2018, the monitoring fee will be required beginning in that same year. Projects which received an allocation of tax credits in years prior to 2018 will be required to pay only a tax credit monitoring fee as set forth below, notwithstanding any provision to the contrary in any prior year's Qualified Allocation Plan and/or Program Guidelines, including without limitation provisions for an annual administrative or monitoring fee. DHCD will utilize 1997, the first year that it collected compliance monitoring fees, as its base year in determining all subsequent fee adjustments.

The actual annual fee will be calculated and collected according to one of the two following methods, the selection of which will be at DHCD's sole discretion:

- The annual monitoring fee will be due and payable on a date designated annually by DHCD throughout the term (or remaining term) of the compliance period. Under this method, the fee will be calculated at $30 per low income unit in 2018-2019, which amount may be adjusted by DHCD periodically by the Consumer Price Index (CPI) for subsequent years. The total annual fee will not exceed the amount of $4,000 per project in 2018-2019, which amount may be adjusted by DHCD periodically by the Consumer Price Index (CPI) for subsequent years;
- The total amount of monitoring fees for the 15-year compliance period (or remaining years of the compliance period beginning with 2018) will be due and payable in one payment at a date designated by DHCD. DHCD may require projects that have not previously received IRS Form 8609 to make payment prior to the release of Form 8609. Under this method, the fee will be calculated at $30 per low income unit multiplied by 15 or the number of remaining years in the compliance period, whichever number is less.
- The total fee will not exceed the amount of $4,000 per project multiplied by 15 or the number of remaining years in the compliance period, whichever number is less. At DHCD's discretion, this total amount will be placed in escrow by DHCD or the Owner and will be used for the purpose of monitoring during the compliance period. If DHCD does not institute this method of collection in 2018, DHCD may adjust the $30 per low income unit and $4,000 per project amounts by the Consumer Price Index (CPI) in any subsequent year.

DHCD reserves the right to charge a reasonable monitoring fee to perform compliance monitoring functions after the completion of the tax credit compliance period (as defined in Internal Revenue Code

Section 42) for the remainder of the term of the Tax Credit Regulatory Agreement and Declaration of Restrictive Covenant.

Projects that receive funding through the Tax Credit Assistance Program or the Tax Credit Exchange Program must pay an asset management fee in addition to a compliance monitoring fee.

Section XV. Modification of the Allocation Plan

DHCD will administer the allocation of tax credits in such a manner as it deems appropriate in accordance with federal law and procedure. It will make determinations, publish rules and guidelines, and require use of particular forms as necessary.

The Governor delegates to DHCD the power to amend this plan in response to changes in federal law or regulations. In addition, the Governor recognizes that circumstances not foreseen in the Plan may arise, and therefore delegates to DHCD the authority to resolve conflicts, inconsistencies, and ambiguities in the plan and operation of the program; to respond to any abuse of the allocation system; and, if necessary, to amend the plan after a public hearing. (Please refer also to Appendix E.)

Section XVI. Program Policies

Sponsors of 2018-2019 tax credit projects should take into consideration the program policies described in this section. Additional program policies are described in the Low Income Housing Tax Credit Guidelines available from DHCD. All applicants should read the guidelines in effect at the time of application**.**

A. Assumptions Regarding Value of the Credit and Least Amount Necessary for Feasibility

Federal legislation requires that the administering agency allocate only the amount of credit necessary to make a project feasible. To determine the least amount of credit necessary for feasibility, DHCD must be aware of the full extent of financial resources available to a project and the project costs. In particular, federal law requires developers to certify to state credit agencies the extent of all federal, state, and local resources that apply or might apply to a project, as well as project costs at three different points in time:

1) At the time of application,
2) At the time an allocation is made (carryover allocation or binding forward commitment), and
3) When the project is placed in service.

To determine the least amount of credit necessary for feasibility at the time of application and at the time of allocation, DHCD will assume that a project is to be syndicated and will determine a credit amount based on a set of assumptions regarding projected net equity to be raised. Developed by DHCD, these assumptions will be applied to all tax credit projects unless the developer provides definitive information, acceptable to DHCD, indicating that different assumptions should be used.

When a project places in service, DHCD requires an audited cost certification in its established format. The IRS Form 8609(s) will not be released to the project owner until the final analysis is completed by DHCD. DHCD may reduce the final allocation as it appears on the 8609(s) for the project if:

- The project does not have enough basis to support the original allocation; or
- The project costs are not acceptable to DHCD.

DHCD will examine all costs for reasonableness, including but not limited to the following: acquisition; construction costs; general development costs; syndication costs; builder's profit, overhead, and general requirements; operating revenues, expenses and cash flow. Only reserves required by a lender and/or DHCD will be allowed. If a developer has proceeded with or completed construction of a project without DHCD's knowledge, DHCD may deem tax credits unnecessary for the feasibility of that project. In these circumstances, the project will not be eligible for an award of tax credits. DHCD will not allow a development budget line item carried both as a source and a use, if it has no reasonable basis for being paid but is included for the purpose of calculating the eligible basis in an effort to increase the annual tax credit calculation.

B. Developer's Fee/Overhead

DHCD will determine the calculation of each tax credit allocation based on eligible costs that include a developer's fee and overhead that conform to DHCD's maximum allowable developer's fee and overhead limits as calculated below. Please note that the calculation of fees was changed in the 2018 QAP and these changes are described below and on the following page. In addition, the developer's fee and overhead limits are now being tied to the "Total Residential Development Cost Limits" in Section IX of this QAP. Sponsors of identity-of-interest projects may not seek a paid fee for their transactions and should refer to Section IX of this document for additional information.

DHCD will determine the developer's fee and overhead at three points in time: at the time of application, at the time of carryover allocation, and when the project sponsor applies for IRS form 8609. If the developer's fee and overhead exceed the allowable limits at any of the three points in time, the tax credits allocation will be reduced accordingly. Although DHCD recognizes the evolving nature of projects, in order to promote readiness and to encourage the best possible cost estimates, DHCD reserves the right to disallow increases in total developer's fee and overhead that result primarily from increases in replacement costs after the time of application. For purposes of calculating the developer's fee and overhead, total replacement costs are defined as all total development costs net of project reserves and syndication costs approved by DHCD. In addition, sponsors should note that DHCD does not permit a calculation of "fee on fee".

In calculating the allowable developer's fee and overhead, sponsors should consider any development or operating reserves or escrows funded by cash at closing or through syndication as part of the developer's fee and overhead, as follows:

- Reserves or escrows that are intended to remain in the project for more than five years will not be included in the developer's fee and overhead. The five year holding period is assumed to begin on the first day that the development has achieved full occupancy, and end five years following such date;

- 80% of reserves or escrows that are intended to remain in the project for less than five years are included in the developer's fee and overhead;

All consultant costs, including but not limited to development consultant, syndication consultant, and historic consultant fees, are included in the maximum developer's fee and overhead allowed.

As of the 2015 QAP, and also in this document, the maximum allowable developer's fee and overhead shall be calculated according to the following schedule (see the exceptions below):

- Developer's fee and overhead may equal up to 5% of acquisition costs, and, in addition;
- Developer's fee and overhead may equal up to 15% of the first $3 million in total replacement costs less acquisition, and, in addition;
- Developer's fee and overhead may equal up to 12.5% of the total replacement costs less acquisition that are from $3 million to $5 million, and, in addition;
- Developer's fee and overhead may equal up to 10% of the total replacement costs less acquisition that exceeds $5 million, subject to the limitations on paid fee described below.

For large projects, the amount of the developer's fee and overhead that is payable in cash out of the development budget shall be further limited as follows:

- For projects with total replacement costs less acquisition between $15 million and $25 million, the *paid* fee shall be equal to the fee as calculated above plus 7.5% of the amount over $15 million; and, in addition;
- For projects with total replacement costs less acquisition that exceed $25 million, the *paid* fee shall be equal to the fee as calculated above plus 5% of the amount over $25 million.

Furthermore, for projects involving acquisition by a related party, the maximum *paid* fee shall be equal to 2.5% of the acquisition cost.

Any fees not payable in cash out of the development budget in keeping with the provisions above may be deferred and payable from operating cash flow over time. Payment of deferred developer fees out of operating cash flow will have payment priority over DHCD cash flow repayment requirements provided that the terms of the deferred developer fee note are acceptable to DHCD.

If the developer's fee and/or overhead for a project is determined to be unreasonable, DHCD reserves the right to reduce the permissible fee, even though that fee may otherwise meet program guidelines based on the project's size. Projects with total development costs that exceed DHCD's cost limits may have the maximum allowable fee reduced by 10% of the amount that the project exceeds the cost limits.

C. Compliance Monitoring

Beginning with 1990 allocations, the federal legislation requires that an extended low income use agreement be in effect for a minimum of 30 years for every project receiving tax credits. To enforce these and other program use restrictions, DHCD will require that each project owner enter into a Tax Credit Regulatory Agreement and Declaration of Restrictive Covenants (the "Agreement"). In the case

of buildings which are financed with the proceeds of tax-exempt bonds and receive an allocation of 4% tax credits, DHCD will require that the owner enter into an Extended Low Income Housing Agreement and Declaration of Restrictive Covenants (the "Agreement") with the DHCD. These Agreements limit the use of all of the low income units to rental housing, with income and rental restrictions, for a minimum period of thirty years.

In addition, DHCD has an obligation, as of January 1, 1992, to monitor the compliance of all tax credit projects with tax credit requirements as set forth in Section 42 of the Internal Revenue Code and applicable regulations. DHCD will monitor tax credit projects for compliance with the requirements of the Agreement. DHCD also will perform physical inspections taking into consideration local health, safety and building codes. Owners may be charged an annual fee to cover the administrative costs of such monitoring.

DHCD's procedure for monitoring compliance with Low Income Housing Tax Credits requirements is outlined in Appendix C to this plan. DHCD's procedure is adopted pursuant to Section 42(m) (1) (B) of the Internal Revenue Code and Treasury Regulation Section 1.42-5. DHCD reserves the right to amend this procedure as may be necessary or appropriate to conform to applicable changes in the Internal Revenue Code or regulations promulgated thereunder. Notwithstanding anything to the contrary in this Allocation Plan, DHCD may adopt such amendments without a public hearing process, but shall give reasonable notice before implementation of any such amendment to all tax credit applicants and owners. In addition, DHCD may adopt further monitoring forms and procedures as part of its Low Income Housing Tax Credit Guidelines or as otherwise deemed appropriate.

Pursuant to Section 42(m) (1) (B) and Treasury Regulation Section 1.42-5(f), DHCD may retain an agent or other private contractor ("Authorized Delegate") to perform compliance monitoring functions. Any reference to DHCD in this monitoring procedure shall also include, where appropriate, an Authorized Delegate of DHCD.

Pursuant to Section 42 (m)(1)(B)(iii), this monitoring procedure applies to all owners of buildings or projects for which the low income housing credit is or has been claimed at any time. If DHCD becomes aware of noncompliance that occurred prior to January 1, 1992, DHCD is required to notify the Internal Revenue Service of such noncompliance. The monitoring procedure includes provisions for record keeping and record retention, annual certification and review, on-site records review, building inspection, and notification to owners and the Internal Revenue Service of noncompliance.

D. 130% Rule

Projects located in qualified census tracts or difficult-to-develop areas as identified by the U.S. Department of Housing and Urban Development and/or by the Department of Housing and Community Development may seek up to 130% of the rehabilitation credit basis amount for which they are eligible. Current information on the designation of difficult development areas by DHCD is included in Section IV of this QAP. The 130% factor may not be applied to the acquisition basis. DHCD will award up to 130% of the rehabilitation credit at its discretion and only if necessary for project feasibility. Current information about the designation of qualified census tracts and difficult development areas was issued by HUD on April 20, 2012 and September 28, 2012, respectively.

Tax-exempt projects are eligible for up to 130% of credit, subject to the determination of least amount of credit necessary for feasibility, only if the project is located in a qualified census tract or difficult-to-develop area as identified by the U.S. Department of Housing and Urban Development.

E. Lead Paint

All units in all tax credit buildings must be de-leaded prior to the issuance of a final allocation (IRS Form(s) 8609) for the project. All de-leading work must be performed in accordance with the provisions of M.G.L. c.111, 190-199B, 105 CMR 460.000, as well as all EPA requirements.

F. Physical Accessibility

In order to enable DHCD to evaluate the accessibility provisions of each project, sponsors must provide summary information regarding accessibility using the checklist found in the Appendix I. In addition to the requirements of the Massachusetts Architectural Access Board (MAAB), projects may also be subject to other applicable federal, state, and local statutes and regulations such as the Fair Housing Act (FHA), Section 504 of the Rehabilitation Act of 1973, the Architectural Barriers Act of 1968 (ABA), and the Americans with Disabilities Act (ADA). Sponsors should note that Appendix I is regularly modified.

G. Affirmative Action

DHCD requires developers to establish affirmative action goals for the percent of minority participation in each project. Developers and management agents must establish effective marketing plans to reach the identified minority groups that are least likely to apply for the housing being provided. Prior to initial occupancy of any unit in the project, the owner shall adopt and implement 1) an affirmative fair marketing plan for all units and 2) a tenant selection plan for the low income units, in both cases consistent with any standards and guidelines adopted by DHCD as then in effect and consistent with all applicable laws. Both the affirmative fair marketing and tenant selection plans shall be subject to review by DHCD, at DHCD's request.

If a tax credit project is located in a predominantly white neighborhood in the City of Boston, according to a list maintained at DHCD, the affirmative fair marketing plan shall have the percentage goals for occupancy of the low income units which reflect the racial and ethnic composition of the City of Boston as determined in the most recent U.S. Census. As per the most recent U.S. Census, the percentage goals for the City of Boston are as follows:

Race:	
Total Population:	100.00%
White alone	53.9%
Black or African American alone	24.4%
American Indian and Alaska Native alone	0.4%
Asian alone	8.9%
Native Hawaiian and Other Pacific Islander alone	0.04%
Other total (some other race and two or more races)	12.3%

Ethnicity:

Total Population:	100%
Hispanic or Latino	17.5%
Not Hispanic or Latino	82.5%

H. Local Preference

DHCD will allow up to 70% local preference in tax credit projects if the sponsor is able to demonstrate to DHCD's satisfaction that a need for such preference exists. The documentation of local housing need must be fully substantiated in the project's market study or through other supporting documentation such as the Municipality's Consolidated Plan or a local affordable housing plan. . To ensure that the local preferences established for the project do not violate applicable fair housing laws and, therefore, do not have a discriminatory effect on protected classes, the sponsor must:

- develop an affirmative fair marketing plan targeting those least likely to apply in accordance with the DHCD's Affirmative Fair Marketing Plan guidelines provided in Appendix K;
- list vacant units upon availability with Citizen's Housing and Planning Association's (CHAPA's) Massachusetts Accessible Housing Registry at http://www.chapa.org;
- list vacant units located in the Boston-Cambridge-Quincy MSA, upon availability, with the City of Boston's Metrolist (Metropolitan Housing Opportunity Clearing Center), at Boston City Hall, P.O. Box 5996, Boston, MA 02114-5996 (617-635-3321);
- develop a tenant selection lottery system consistent with that described in the "Guidelines for Housing Programs in Which Funding is Provided Through a Non-Governmental Entity" (NEF Guidelines) as published by the Department as well as the additional provisions provided in Appendix K.

Both the affirmative fair marketing plan and the tenant selection lottery system will be reviewed by DHCD program staff at the time of carryover allocation. Please see Appendix K for additional information on developing the lottery.

I. HUD Subsidy Layering Guidelines

Pursuant to Section 911 of the Housing and Community Development Act of 1992, HUD is required to determine that projects receiving or expecting to receive both federal, state or local assistance and tax credits do not obtain subsidies in excess of that which is necessary to produce affordable housing. On December 15, 1994, the U.S. Dept. of HUD issued administrative guidelines referred to as subsidy layering guidelines, regarding limitations on combining Low Income Housing Tax Credits with HUD and other government assistance in the Federal Register. The guidelines make a provision for housing credit agencies to implement the subsidy layering reviews for projects that are at least receiving HUD housing assistance and are receiving or allocated Low Income Housing Tax Credits. Housing credit agencies may perform the subsidy layering review function provided that the housing credit agency certifies to HUD that it will properly apply the guidelines that HUD establishes. DHCD is the housing credit agency in Massachusetts and, as of September 2017, has made the required certification to HUD that it will properly apply the HUD subsidy layering guidelines. Sponsors of LIHTC projects should contact the Low Income Housing Tax Credit staff for further information.

J. Project Size

In order to avoid undue concentration of resources in any one area, DHCD will consider tax credit projects of 100 units or more on a case-by-case basis. DHCD will require a detailed market study and will closely examine the probable absorption rate for these projects.

K. Single Room Occupancy

Federal law requires that a Low Income Housing Tax Credit unit may not be used on a transient basis. Tax regulations require a minimum lease term of six months. However, single room occupancy units rented on a month-to-month basis may qualify for the credit if they are funded under the Stewart B. McKinney Act.

L. Housing for the Homeless

The tax credit has become a substantial resource for transitional housing for the homeless. The portion of a building used to provide supportive services may be included in the qualified basis. Transitional housing for the homeless must contain sleeping accommodations and kitchen and bathroom facilities and be located in a building used exclusively to facilitate the transition of homeless individuals to independent living within 24 months.

M. Luxury Items in Tax Credit Projects

In accordance with federal tax law, the eligible basis of a building must be reduced by the amount of the adjusted basis attributable to those market units in the building that are above average quality standard of the low income units. However, the developer may elect to exclude from the eligible basis the excess cost of the market units, provided that such excess cost does not exceed 15% of the cost of a low income unit.

N. Fair Housing and Occupancy Data Collection

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 for all residents of the Commonwealth, regardless of income, race, religious creed, color, national origin, sex, sexual orientation, age, ancestry, familial status, veteran status, or physical or mental impairment. It shall be DHCD's objective to ensure that new and ongoing programs and policies affirmatively advance fair housing, promote equity, and maximize choice. In order to achieve this objective, DHCD shall be guided by the principles found in Appendix K of this document.

In order to help the Department assess the impacts of local preference on affirmative marketing goals and compliance with applicable civil rights laws, all project owners will be required to report household characteristic data for all tax credit units at the time of final rent-up and on an annual basis from that point forward. The report will include but may not be limited to the following data points: capital subsidies restricting the unit, size of the tenant household, income level of the tenant household, race and ethnicity of the head of household (to the extent available), number of children under the age of six, number of children under the age of 18, and type of rental assistance if any. Project owners or their specified designees will be required to report using the web-based data collection system developed by the Department.

APPENDICES

Appendix A: - 2018-2019 Rental Round Pre-Application to DHCD

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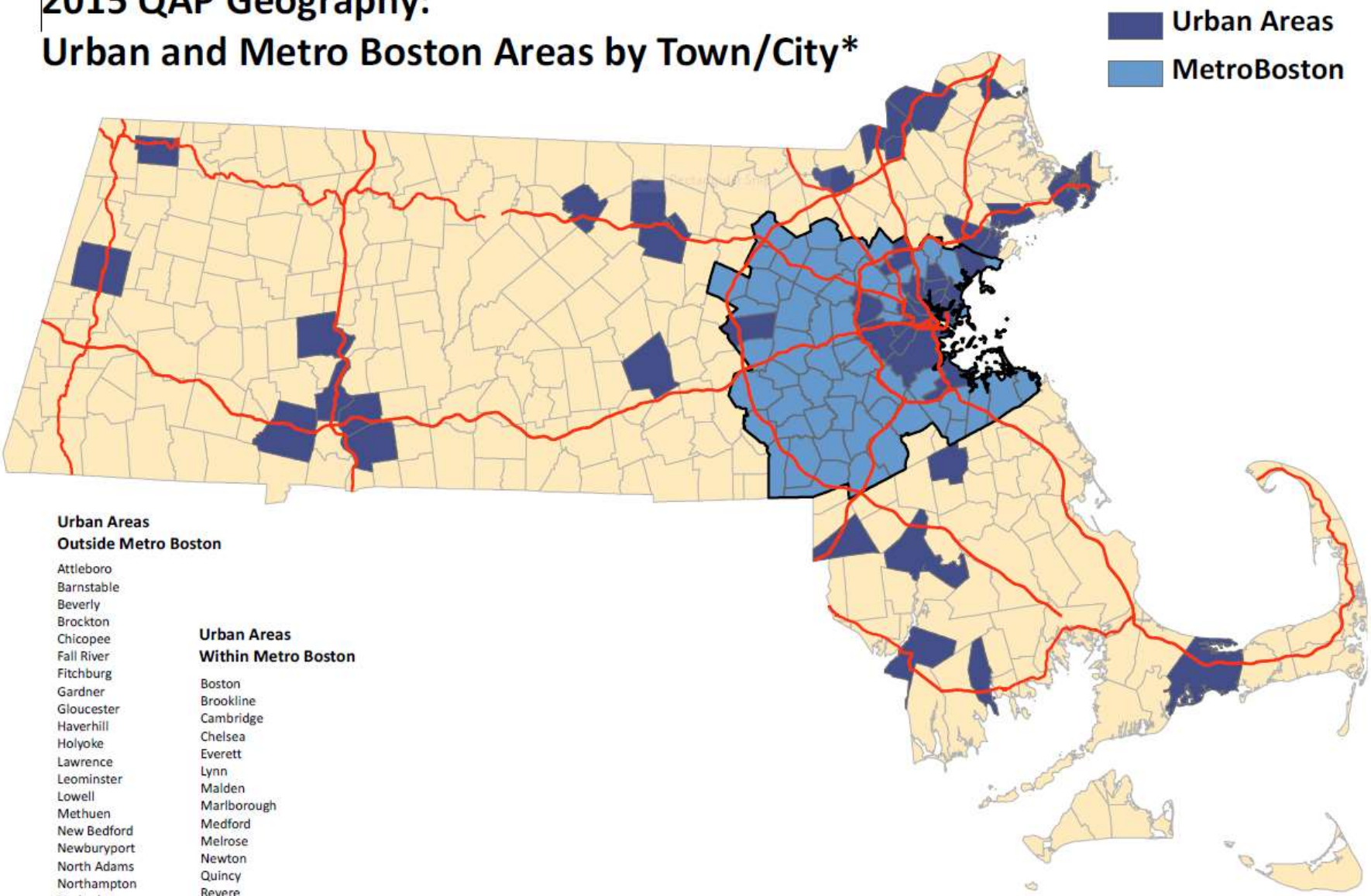
Pre-applications must be submitted online to DHCD. Information on the pre-application process is included elsewhere in this document. All applications must be submitted using the on-line OneStop+ Affordable Housing Application.

Appendix B: Map of Recommended Cost Limit Areas

2015 QAP Geography:
Urban and Metro Boston Areas by Town/City*



Urban Areas
Outside Metro Boston

Attleboro
Barnstable
Beverly
Brockton
Chicopee
Fall River
Fitchburg
Gardner
Gloucester
Haverhill
Holyoke
Lawrence
Leominster
Lowell
Methuen
New Bedford
Newburyport
North Adams
Northampton
Peabody
Pittsfield
Salem
Springfield
Taunton
Westfield
Worcester

Urban Areas
Within Metro Boston

Boston
Brookline
Cambridge
Chelsea
Everett
Lynn
Malden
Marlborough
Medford
Melrose
Newton
Quincy
Revere
Somerville
Waltham
Woburn

* Metro Boston is the MassBenchmarks Region as defined by the Donahue Institute (UMass Boston).

Appendix C: Affordable Rental Housing in Massachusetts: Managing Development Costs

Appendix C: Affordable Rental Housing in Massachusetts: Managing Development Costs Department of Housing and Community Development May 2015

Managing the Cost of Affordable Rental Housing: Current Challenges

The importance of managing cost in the development of affordable housing cannot be overstated. Whether rental or homeownership, affordable housing typically is supported in part – sometimes in large part – by public subsidies overseen and distributed by public lenders. The lenders' goal is to make the best investments possible – investments that will support the production or preservation of decent, safe, affordable housing that will serve thousands of tenants or homeowners for many years. As public lenders evaluate affordable housing proposals to determine whether an investment should be made, they must weigh many factors and carefully analyze each proposed project. Every public dollar counts, and every public dollar for housing must be invested wisely. The cost of a proposed project is a critically important evaluation factor.

The cost of producing or preserving affordable rental housing varies widely in different regions of the country. Cost is not perceived as a problem in certain municipalities and states. However, in many other jurisdictions, the cost of developing affordable housing has increased dramatically over the past decade. The cities most affected tend to be large desirable coastal cities with economies that have recovered well from the recent recession years. The states that are most affected tend to be coastal states with highly desirable metropolitan areas.

Cost, Public Resources, and Need

While it is disappointing to many, the reality is that we live in a time of constrained public resources, and that certainly is true in the world of affordable housing. The federal resources available to support the production of new affordable housing have decreased dramatically during the past few years. The cuts to important federal programs such as the HOME program and the Community Development Block Grant program have caused repercussions throughout the affordable housing delivery system. States and municipalities have far fewer federal dollars to invest in affordable housing projects than they did a decade ago. While some states have increased their resources to help offset the decline in federal resources, not all states are able to do so. The hard reality is that more federal monies for affordable housing are needed. They cannot be fully replaced by other sources. 2

To complicate the challenge, the federal reductions have occurred at a time of great need for affordable housing – and particularly for affordable multifamily rental housing. Market rate rent levels in desirable communities are at the highest levels seen in years. These rents are far beyond the economic reach of millions of households. The effects of the long recession years continue to be felt, as hundreds of thousands of individuals and families across the country live on the margin and in poverty, and thousands of others have slipped into homelessness. Wait lists for affordable public housing units in certain jurisdictions are massive. Wait lists for sound, well-run affordable rental housing projects in desirable Massachusetts cities such as Boston can exceed 1000 families, who may have to wait as long as a decade for a unit.

Efforts to Identify Cost Issues in Massachusetts and Elsewhere
Many states and cities affected by high cost development have recently undertaken efforts to identify, control, and reduce the cost of affordable rental housing and the amount of subsidy needed to produce such housing. Several states have undertaken formal rental housing cost studies; some states have incorporated firm cost restraints in their policy documents, such as their tax credit Qualified Allocation Plans (QAPs). National housing and development groups also have undertaken rental cost studies. Enterprise and the Urban Land Institute in particular should be recognized for their recent cost research and work with cities and states, summarized in their January 2015 publication, "Bending the Cost Curve". Other national groups also are researching cost and cost-management issues and working on strategies for cost management and reduction.

In Massachusetts during the past few years, the state-level public lenders – specifically, the Department of Housing and Community Development and its quasi-public affiliates – have taken numerous steps to evaluate development costs and to identify areas where cost reductions can be achieved. The Department and the quasi-public agencies have engaged in a series of very useful and informative discussions with members of the Massachusetts development community. The discussions and the efforts will continue in years to come. All state-level housing agencies are participants in this initiative:

- Department of Housing and Community Development (DHCD)
- Community Economic and Development Assistance Corporation (CEDAC)
- MassDevelopment
- MassHousing
- Massachusetts Housing Partnership (MHP)

The quasi-public agencies have been working with their governing boards and their staff to heighten everyone's awareness of the importance of cost management. DHCD and all the quasi-public affiliates have been working extensively with individual developers as they structure their projects, emphasizing that cost control is essential to the development process. 3

The City of Boston also has been an active and important participant in cost management discussions, and other Massachusetts municipalities have contributed time and effort as well. The discussions are ongoing, and the efforts to manage the cost of affordable housing in a state with many thriving mini-markets will continue. The need for more affordable rental housing in Massachusetts is enormous, and it is expected to increase, not decrease, in the immediate future.

Cost Drivers in Massachusetts and Elsewhere: Recent Discussions
Inevitably, some of the cost drivers in affordable rental housing exist because public lenders in Massachusetts and elsewhere are asked to support so many goals. Projects ideally should be located near mass transit and services, yet available sites in these locations can be very expensive to acquire. A developer may find a buildable site near transit and services, but the cost of acquisition may add thousands of dollars to the per-unit cost of the project.

The development process itself can generate significant costs, because it involves so many participants: developers, architects, engineers, contractors, subcontractors, accountants, attorneys, local officials, community organizations, advocates, private lenders, investors, public lenders. The

process can be particularly complicated in certain jurisdictions: for example, in cities or towns with extensive zoning and permitting requirements, in dense urban neighborhoods, in localities where developable land is scarce, in cities or towns with high labor costs.

Costs also vary depending on the type of project: new construction, historic rehabilitation, adaptive re-use, or preservation projects. A 20-story, steel-framed tower with underground parking to be constructed on a tight urban site is an immensely complicated undertaking, and a very costly undertaking. And yet this type of construction may be the only viable construction type in a dense neighborhood near excellent mass transit and with significant services and amenities available to residents.

As indicated, the costs tend to be highest in states with large, desirable metropolitan areas – areas with a shortage of developable land available for multifamily rental development. That is true in Massachusetts, where the highest cost rental projects tend to be located in the eastern part of the state, and, in particular, in metropolitan Boston.

Cost Drivers in Massachusetts

Based on research, analysis, and many discussions, there is relative consensus that all the following factors contribute to the cost of affordable rental housing in Massachusetts:

- High land acquisition costs
- Significant Infrastructure costs
- Proposed amenities and scope
- Lack of understanding of green design
- Lengthy and complicated design review process by multiple lenders
- Lack of coordination on design review by multiple lenders
- Volatile construction cost environment
- High cost of labor
- Lack of early coordination among developer, architect, and contractor
- Certain high soft costs
- Development fee formulas that do not incent lower costs
- Lengthy and costly zoning and permitting process
- High cost of compliance with certain public regulations and requirements for affordable housing
- Relative lack of experience on part of developer or other members of team

While the list of cost drivers is extensive and potentially daunting, the Massachusetts state-level public lenders and their many development community partners have identified key cost drivers for immediate focus, as follows:

- Proposed construction type
- Proposed amenities and scope
- Conflicting design review standards
- Lack of coordination on design review by multiple lenders
- Lack of early coordination among developer, architect, contractor

- Developer capacity issues

Immediate Action Steps in Massachusetts
The ongoing challenge for DHCD and its quasi-public affiliates is to identify the best strategies for reducing cost. Certain cost management steps will be implemented immediately, and they are described below.

Construction Type, Design Review, Amenities and Scope, Coordination
Many of the other key drivers of cost are directly or indirectly related to design and scope. The City of Boston has been an active participant in the ongoing state-level discussions of cost management in Massachusetts. The City has taken the lead in establishing a working group to examine issues related to design and scope, including project types, amenities, and materials, as well as conflicting design guidelines and lack of coordination in design review by public lenders. The working group met throughout early 2015, but will continue its work during the coming months. The working group also is evaluating approaches to construction in which a contractor is involved at a very early stage with a developer and architect. DHCD, MHP, and MassHousing are representing the state-level agencies on the design and scope working group, which expects to issue full recommendations later in 2015. One of the first products of the working group is a draft streamlined set of design guidelines for Massachusetts public lenders to distribute to their development clients. The draft guidelines will be refined further during the coming months.

Also in the coming months, DHCD and its quasi-public will consider additional elements of cost management, such as assessment tools for the effectiveness of green design and incentive fees for sponsors of lower cost projects.

Implementation of New Recommended Cost Limits
New cost limits will be incorporated into DHCD's 2017 tax credit Qualified Allocation Plan. The limits reflect project type and location and are based on MHP's extensive research on behalf of DHCD and all the quasi-public affiliates. Using DHCD's extensive data-base as well as its own, MHP researched the costs of hundreds of rental projects in the public lenders' shared portfolio, funded between 2009 through 2013. MHP's research and analysis included many variables: the cost of production versus preservation; family housing versus senior housing or special needs housing; regional variations in cost; variations based on construction type; and so on. The new recommended cost limits, attached to this memorandum as Appendix I, will be implemented immediately and will apply to all rental housing funded by the Massachusetts public lenders. What will the new limits mean for future projects? The sponsor of a project with costs outside the new limits will have to make an extraordinary case to DHCD and the quasi-public affiliates in order to secure tax credits and/or scarce subsidies. The sponsor may not be able to make that case. The new cost limits will be reviewed annually and will be part of the Massachusetts public lenders' ongoing efforts to manage costs.

Modification of Developer Fee/Overhead Calculation
The calculation of developers' fee and overhead will be tied firmly to the new cost limits in the 2017 QAP. Developers of production projects, as defined in the QAP, may seek the maximum fee and overhead permitted by the existing formula as long as a project fits within the new recommended cost limits. However, the public lenders will cap the calculation of fee and overhead at the recommended limit for the type of project and location. In addition, developers of production projects may be

required to defer a percentage of fee and realize it over time through efficient property management and resulting cash flow. Developers of preservation projects based on arms-length transactions may seek the maximum fee and overhead with the same limitations that apply to production projects. Certain additional fee limitations will apply to preservation transactions between affiliated sellers and buyers.

Continuing Implementation of the Pre-Application Process with Further Emphasis on Cost

As has been the practice for over a year, DHCD will hold a pre-application round prior to its next rental funding competition. At pre-application, DHCD may elect to review only those projects that meet the new recommended cost limits. If invited into the next full funding round, anticipated for February 2018, the sponsors of accepted projects will be expected to meet the new cost limits during the round.

Increasing Developer Capacity

MHP already has done considerable work to address the issue of developer capacity, particularly among smaller developers. That work will continue. In 2012, MHP offered a well-received workshop entitled "How to Drive A Closing". During 2013, MHP worked with the Wentworth Institute of Technology and the Mel King Institute to design a capacity-building course called "Introduction to Project Management – the Design and Construction Process". With scholarships available to some non-profits, the course concentrated on helping project managers understand basic building systems, construction plans and specifications, project scheduling, sustainable building practices, project team management. MHP intends to hold more workshops on "How to Drive A Closing". These offerings are particularly important for non-profit developers who lack the financial strength to carry and retain experienced full-time development staff. (Non-profit developers also will realize a benefit from the newly implemented Massachusetts Community Investment Tax Credit – a credit created through legislation to provide certain non-profits with capacity-building funds.)

Conclusion

DHCD and the Massachusetts quasi-public housing affiliates are engaged at many levels in discussions of cost management. The discussions began several years ago and will continue in the foreseeable future. The issues are complex, but strategies for cost management are being implemented, and they are achieving results. In coming months, the Department and the quasi-public agencies intend to add new strategies, including a focus on innovation and on additional research on best practices elsewhere in the country. The end result of all our work will be even stronger public investment in affordable rental housing in the Commonwealth.

APPENDIX 1

Recommended Cost Limits as amended

Based on extensive research and data analysis, primarily undertaken by the Massachusetts Housing Partnership and described in earlier sections of this memorandum, DHCD will incorporate the following recommended cost limits into its 2017 tax credit Qualified Allocation Plan (QAP). The limits will apply to all rental projects funded by DHCD with any of its rental resources.

Production Project (TDC/Unit) *Outside Metro Boston**

Single Room Occupancy/Group Homes/Assisted
Living/Small Unit** Supportive Housing
Suburban/Rural Area with Small Units
Suburban/Rural Area* with Large** Units
Urban* Area with Small Units
Urban Area with Large Units

Within Metro Boston*

Single Room Occupancy/Group Homes/Assisted
Living/Small Unit Supportive Housing
Suburban Area with Small Units
Suburban Area with Large Units
Urban Area with Small Units
Urban Area with Large Units

Preservation Project (Residential TDC/Unit)

Outside Metro Boston*

Single Room Occupancy/Group Homes/Assisted
Living/Small Unit Supportive Housing
Suburban/Rural Area, All Unit Sizes
Urban Area with Small Units
Urban Area with Large Units

Within Metro Boston*

Single Room Occupancy/Group Homes/Assisted
Living/Small Unit Supportive Housing
Suburban/Rural Area, All Unit Sizes
Urban Area with Small Units
Urban Area with Large Units

***** See the attached map to determine the proper geographic category for each project based on its location.**

****** Large Unit projects must have an average of at least two bedrooms per unit or consist of at least 65% two or more bedroom units and 10% three or more bedroom units. All other projects are considered Small Unit projects.**

Appendix D: Compliance Monitoring Procedure

Appendix D: Compliance Monitoring Procedure

The compliance monitoring procedure includes five components:

I. Record keeping and Records Retention
II. Annual Certification and Review
III. Records Review
IV. Building Inspection
V. Notification of Noncompliance

These components are based on and incorporate the requirements of Internal Revenue Code Section 42 and Treasury Regulation Section 1.42-5. "Low income units" refers to tax credit eligible units as defined by Section 42(g).

I. Record keeping And Record Retention

Record keeping: For each year in the compliance period, which is equal to 15 taxable years beginning the first year the tax credit is taken, the Owner shall maintain records for each building in the project showing the:

a. Total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);
b. Percentage of residential rental units in the building that are low income units as defined by Section 42(g), and the size in square feet of each low income unit.
c. Rent charged on each residential rental unit in the building (including any utility allowance);
d. Number of occupants in each low income unit if the rent is determined by the number of occupants per unit under Section 42(g)(2) (as in effect prior to 1989 amendments);
e. Annual income certification for each low income tenant per unit unless specifically waived by the Internal Revenue Service under Revenue Procedure 2004-38.
f. Documentation to support each low income tenant's income certification (for example, a copy of the tenant's federal income tax returns, W-2 Form, verification from a third party such as an employer or a state agency paying unemployment compensation, and/or a statement from the local housing authority declaring that the tenant did not exceed the income limit under Section 42(g) if a tenant is receiving Section 8 housing assistance payments,);
g. Each low income vacancy in the building and information that shows when, and to whom, the next available units were rented;
h. Eligible basis and qualified basis of the building at the end of the first year of the credit period; and
i. Character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d).

Specific Requirements: In accordance with Treasury Regulation Section 1.42-5 and Revenue Procedures 94-64 and 94-65, DHCD adopts the following specific requirements: (i) As provided in Section 5.01(3) of Revenue Procedure 94-64, the requirement for annual income re-certification will

apply to all owners, including all owners of 100% low income buildings unless specifically waived by the Internal Revenue Service under Revenue Procedure 2004-38. (ii) As provided in Section 4.04 of Revenue Procedure 94-65, DHCD will require owners to obtain documentation, other than the statement described in Section 4.02 of the Revenue Procedure, to support a low income tenant's annual certification of income from assets.

Records Retention: The Owner shall retain records for the first year of the credit period for at least six years beyond the due date (with extensions) for filing the tax return for the last year of the compliance period of the building. The Owner shall retain the records described above for all subsequent years in the compliance period for at least six years after the due date (with extensions) for filing the federal income tax return for that year.

Additionally, for each year that the Agreement remains in effect after the compliance period, the Owner shall retain records adequate to demonstrate compliance with the terms and conditions of the Agreement, including, but not necessarily limited to, income and rent records pertaining to tenants. The Owner shall retain the records pertaining to a particular year for at least 6 years following the close of that year.

Inspection Records Retention: The Owner shall also retain and provide, for DHCD's inspection, any original report or notice issued by a state or local authority of a health, safety, or building code violation concerning the Project. Retention of the original violation report or notice is not required beyond the time when DHCD reviews the report or notice and completes its inspection pursuant to Section III below, except where the violation remains uncorrected.

II. Annual Certification and Review

Submission of Certification: The Owner of every project that has received tax credits must submit to DHCD at least annually for each year in the compliance period an Owner's Certification of Continuing Tax Credit Compliance, which will be provided by DHCD. In this document, the Owner shall certify to DHCD, under the penalty of perjury, that for the preceding 12-month period:

a. The project was continually in compliance with the terms and conditions of its Agreement with DHCD, MHFA or MDFA;
b. The project met either the 20-50 test under Section 42(g) (1) (A) or the 40-60 test under Section 42(g) (1) (B), whichever minimum set-aside test was applicable to the project (The 20-50 test means that a minimum of 20% of the project's units were set aside for tenants at 50% of the area median income at tax credit restricted rent levels. The 40-60 test means that a minimum of 40% of the project's units were set aside for tenants at 60% of the area median income at tax credit restricted rent levels);
c. There was no change in the applicable fraction as defined by Section 42(c)(1)(B) of any building in the project, or that there was a change, and a description of that change is provided;
d. The Owner has received an annual income certification from each low income tenant, and documentation to support that certification; or in the case of a tenant receiving Section 8 housing assistance payments, that the Owner has received a statement from a public housing authority that the tenant's income does not exceed the applicable

income limit under Section 42(g). In accordance with Treasury Regulation Section 1.42-5 and Revenue Procedures 94-64, 94-65 and 2004-38, DHCD adopts the following specific requirements: (i) As provided in Section 5.01(3) of Revenue Procedure 94-64, the requirement for annual income re-certification will apply to all owners, including all owners of 100% low income buildings, unless specifically waived by the Internal Revenue Service under Revenue Procedure 2004-38. (ii) As provided in Section 4.04 of Revenue Procedure 94-65, DHCD will require owners to obtain documentation, other than the statement described in Section 4.02 of the Revenue Procedure, to support a low income tenant's annual certification of income from assets;

e. Each low income unit in the project was rent-restricted under Section 42(g)(2);

f. All units in the project were for use by the general public (as defined in Treas. Reg. 1.42-9), including the requirement that no finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, occurred for the project. (A finding of discrimination includes an adverse final decision by the Secretary of the Department of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court.);

g. The buildings and low income units in the project were suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government office responsible for making local health, safety, or building code inspections did not issue a violation report or notice for any building or Low Income unit in the project. Alternatively, if a violation report or notice was issued by a state or local government office, the owner must state whether the violation has been corrected and must also attach to the Owner's Certification either a statement summarizing the violation report or notice or a copy of the violation report or notice;

h. There was no change in the eligible basis (as defined in Section 42(d)) of any building in the project, or there was a change, and information regarding the nature of that change is provided;

i. All tenant facilities included in the eligible basis under Section 42(d) of any building in the project were provided on a comparable basis without charge to all tenants in the building;

j. If a low income unit in the project became vacant during the year, reasonable attempts were made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income;

k. If the income of tenants of a low income unit in the building increased above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the building was or will be rented to tenants having a qualifying income;

l. An extended low income housing commitment as described in Section 42(h)(6) was in effect (for buildings subject to Section 7108(c)(1) of the Omnibus Budget Reconciliation Act of 1989), including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United State Housing Act of 1937;

m. All low income units in the project were used on a nontransient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(iii) or single

room occupancy units rented on a month-by-month basis under Section 42(i)(3)(B)iv); and

n. Any additional information that DHCD deems pertinent.

In addition, the Owner must submit completed IRS Forms 8609 [with parts I and II (the top and bottom sections) completed] to DHCD for every building in the project for the first year of the compliance period. For every year of the compliance period thereafter, the Owner must submit Schedule A of Form 8609 for every building in the project. The Owners of all low income housing projects will also be required to submit to DHCD at least once each year information on tenant income and rent for each low income unit, and documentation regarding the occupancy characteristics for all units, including DHCD project completion reports and other data collection requests in the form and manner designated by DHCD, in order to illustrate compliance with fair housing requirements.

Review of Certification: DHCD will review the above-described certifications submitted by Owners for compliance with the requirements of Section 42 for all tax credit projects, including those buildings financed by the Rural Housing Services (RHS), formerly the Farmers Home Administration (FMHA), under its Section 515 Program, and buildings of which at least 50% of the aggregate basis (including land and the building) is financed with the proceeds of tax-exempt bonds and administered by MHFA or MDFA.

The submission and review of certifications described above shall be made at least annually covering each year of the compliance period which is equal to 15 taxable years beginning with the first year the tax credit is taken. DHCD reserves the right to continue monitoring for any additional term that the Agreement remains in effect.

III. Records Review

DHCD will conduct a records review of a project's low income units which have been selected for on-site inspection pursuant to Section IV below.

The records review will include an examination of the annual low income certifications, the documentation the Owner has received supporting the certifications, and the rent records for the tenants in those units. The Owner must have definitive documentation to support the income certification. For example, in the case of a tenant receiving Section 8 housing assistance payments, a letter from the local housing authority will only be accepted if that statement notes the tax credit income limit for the tenant's family size in the municipality, states that the tenant's income does not exceed such tax credit income limit, and states the effective date of the certification.

In conjunction with the selection of units to be inspected under Section IV below, DHCD will select the records to be reviewed randomly and in a manner that will not give an owner advance notice that tenant records for a particular year will or will not be reviewed. However, DHCD may give an owner reasonable notice that tenant record review will occur so that the owner may assemble the tenant records. The review of tenant records may be undertaken wherever the owner maintains or stores the records (either on-site or off-site).

In addition to the above procedures, DHCD will review the records from the first year of the compliance period for every project in order to establish initial eligibility for the Low Income Housing Tax Credit.

Buildings financed by the RHS under its Section 515 Program and buildings of which at least 50% of the aggregate basis (taking into account the building and land) is financed with the proceeds of tax-exempt bonds will be excepted from this records review provision if DHCD enters into an agreement with the RHS and/or MHFA or MDFA, providing among other terms and conditions that RHS and/or MHFA or MDFA must provide information concerning the income and rent of the tenants in the building to DHCD. DHCD may assume the accuracy of any such information provided by RHS, MHFA, or MDFA. DHCD shall review such information and determine that the income limitation and rent restriction of Section 42(g) (1) and (2) are met. However, if the information so provided is not sufficient for DHCD to make this determination, DHCD must request the necessary additional information directly from the Owner of the buildings.

The certifications and review under Sections I and II must be made at least annually covering each year of the 15-year compliance period. DHCD retains the right to require such certifications and review for any additional term that a Low Income Housing Tax Credit Regulatory Agreement between the owner and DHCD (or its successors) remains in effect.

IV. Building Inspection

DHCD will conduct an on-site inspection of all buildings in a project by the end of the second calendar year following the year the last building in the project is placed in service. The minimum number of units to be inspected will be the greater of twenty percent of the project's low income units or three low income units.

Following the initial inspection, DHCD will conduct an on-site inspection of all buildings in a project at least once every three years. The minimum number of units to be inspected will be the greater of twenty percent or the project’s low income units or three low income units.

DHCD will select the low income units to be inspected randomly and in a manner that will not give an owner advance notice that a unit will or will not be inspected. However, DHCD may give an owner reasonable notice that an inspection of the building and low income units will occur so that the owner may notify tenants of the inspection.

DHCD will review any health, safety, or building code violations reports or notices retained by the owner as required in Section I above and will determine:

a. Whether the buildings and units are suitable for occupancy, taking into account state and local health, safety and building codes (or other habitability standards); or
b. Whether the buildings and units satisfy, as determined by DHCD, the uniform physical condition standards for public housing established by HUD (24 CFR 5.703).

Regardless of whether DHCD makes its determination under a. or b. above, the project must continue to satisfy applicable state and local health, safety, and building codes. If DHCD becomes aware of any violation of these codes, it must report the violation under Section V below.

A building financed by RHS under its Section 515 program will be excepted from this inspection provision if RHS inspects the building (under 7 CFR part 1930) and the RHS and DHCD enter into a memorandum of understanding, or other similar arrangement, under which RHS agrees to notify DHCD of the inspection results.

DHCD retains the right to perform on-site inspections of the buildings of any project at least through the end of the compliance period and for any additional term that a Low Income Housing Tax Credit Regulatory Agreement and Declaration of Restrictive Covenants between the owner and DHCD remains in effect.

V. Notification of Non-Compliance

DHCD will provide prompt written notice to the Owner if DHCD does not receive the certifications described above, does not receive or is not permitted to review the tenant income certifications, supporting documentation, and rent record described above, or discovers by inspection, review, or in some other manner, that the project is not in compliance with Section 42. DHCD will file Form 8823, "Low Income Housing Credit Agencies Report of Noncompliance of Building Disposition", with the IRS no later than 45 days after the end of the correction period and no earlier than the end of the correction period, whether or not the noncompliance or failure to certify is corrected. The correction period, as specified in the noncompliance notice to the Owner, shall not exceed 90 days from the date of the notice to the Owner, unless extended by DHCD for up to six months where DHCD determines that there is good cause for granting an extension. DHCD will retain records of noncompliance or failure to certify in accordance with applicable Treasury regulations. If noncompliance or failure to certify is corrected within three years after the end of the correction period, DHCD will file Form 8823 reporting the correction.

DHCD will report its compliance monitoring activities annually on Form 8610, "Annual Low Income Housing Credit Agencies Report".

Appendix E: Future Changes to the 2018-2019 Allocation Plan

Appendix E: Future Changes to the 2018-2019 Allocation Plan

Without limiting the generality of DHCD's power and authority to administer, operate, and manage the allocation of Low Income Housing Tax Credits according to federal law, federal procedures and this Plan, DHCD shall make such determinations and decisions, publish administrative guidelines and rules, require the use of such forms, establish such procedures and otherwise administer, operate, and manage allocations of tax credits in such manner as may be, in DHCD's determination, necessary, desirable, or incident to its responsibilities as the administrator, operator, and manager of the Low Income Housing Tax Credit Program.

The Governor recognizes and acknowledges that DHCD may encounter situations which have not been foreseen or provided for in the Plan and expressly delegates to DHCD the authority to amend the Plan, after the public has had the opportunity to comment through the public hearing process, and to administer, operate, and manage allocations of tax credits in all situations and circumstances, including, without limiting the generality of the foregoing, the power and authority to control and establish procedures for controlling any misuse or abuses of the tax credit allocation system and the power and authority to resolve conflicts, inconsistencies or ambiguities, if any, in this Plan or which may arise in administering, operating, or managing the Low Income Housing Tax Credit Program.

The Governor further expressly delegates to DHCD the ability to amend this Plan to ensure compliance with federal law and regulations as such federal law may be amended and as federal regulations are promulgated governing tax credits.

Appendix F: Summary of Comments and Suggestions from the Public Process

Appendix F: Summary of Comments and Suggestions from the Public Process

As required by Section 42 of the Internal Revenue Service code, the Department of Housing and Community Development held a public hearing on the draft 2018-2019 QAP on December 22, 2018. The hearing was held in the Department's offices at 100 Cambridge Street, Boston, MA 02114. Eight people offered comments during the hearing; the Department received additional written comments on the draft QAP.

Brief summaries of the oral and written comments are included below and on the following page. Interested parties may obtain full copies of written comments from DHCD's Division of Housing Development (617-573-1308).

Michelle Apigian
ICON Architects

Ms. Apigian offered written testimony in support of the "passive house" approach to design in affordable housing projects.

Kathy Brown
Coalition of Occupied Homes in Foreclosure

Ms. Brown offered written testimony in support of the donation tax credit as a component of the state LIHTC. Ms. Brown requested that the Department provide donation tax credits even to projects not eligible for federal tax credits.

Robert Gehret
City of Boston, Department of Neighborhood Development (DND)

On behalf of DND, Mr. Gehret offered comments commending the changes to the preservation matrix, particularly because of the Chapter 13A projects. He also noted that Boston preservation projects can be costly and urged the Department to take various factors into consideration while evaluating the Boston projects.

Hank Keating

An architect, Mr. Keating provided written testimony in support of "passive houses" as an important approach to sustainable, energy-efficient, affordable multi-family housing. Mr. Keating asked the Department to modify the QAP scoring system to strongly encourage "passive house" design.

Judith Liben
Massachusetts Law Reform Institute (MLRI)

On behalf of MLRI, Ms. Liben offered numerous written comments on DHCD's draft 2018-19 QAP. Among her comments were the following:

- Fair housing advocates want DHCD to provide extensive information, including the location of LIHTC projects, so that they may assess whether DHCD is fulfilling its fair housing obligations.

- MLRI wants DHCD to provide information useful to the general public, including lists and maps of LIHTC projects. MLRI notes that some states use an interactive search system called Emphysis.
- MLRI wants DHCD to publish an annual LIHTC report, providing extensive data on award outcomes as well as extensive information on the census tracts in which family LIHTC projects are or will be located.

John Seward
Massachusetts Association of Housing Cooperatives

Mr. Seward commented that the Department does not indicate how it will encourage tenant cooperative ownership of LIHTC projects.

Matt Thal
(On behalf of various Massachusetts community development corporations)

Mr. Thal urged the Department in oral and written testimony to provide guidance on the potential use of the state Low Income Housing Tax Credit to support donation tax credit projects.

Robert Van Meter, Local Institute Support Group (LISC)
Emily Jones, Local Initiative Support Group (LISC)

Ms. Jones and Mr. Van Meter offered oral and written comments on behalf of the Local Initiative Support Group (LISC). In their comments, they urged the Department to promote three energy-related strategies:

- requiring developer applications to certain energy programs
- requiring benchmarking in WegoWise for projects in need of rehabilitation or refinancing
- requiring comprehensive energy audits

They also urged the Department to:

- consider strategies for “pest-proofing” projects
- require smoke-free policies in new construction projects
- award points for “passive house” projects

Zoe Weintrobe
Jewish Community Housing for the Elderly (JCHE)

Ms. Weinrobe commended the Baker-Polito Administration for emphasizing the importance of supportive services in senior housing. On behalf of JCHE, she also noted the importance of a new threshold category intended to encourage production projects in communities with less than 12% affordable housing stock. She suggested raising the limit on 9% LIHTC awards to encourage senior production projects of 100 or more units. Ms. Weinrobe asked DHCD to re-evaluate the two-year QAP and to consider a one-year QAP.

Appendix G: The Massachusetts Low Income Housing Tax Credit Program

Appendix G: The Massachusetts Low Income Housing Tax Credit Program

760 CMR 54.00: MASSACHUSETTS LOW-INCOME HOUSING TAX CREDIT PROGRAM

54.01: Scope, Purpose and Applicability
54.02: Definitions
54.03: Amount of Credit Authorized
54.04: Eligible Projects
54.05: Eligible Recipients
54.06: Allotment of Credit Among Partners, etc.
54.07: Transferability of Credit
54.08: Prerequisites to Claiming Credit
54.09: Placed in Service Requirement; Time for Claiming Credit
54.10: Carryforward of Credit
54.11: Limitations on Credit; Ordering of Credit
54.12: Recapture
54.13: Reporting and Recordkeeping Requirements
54.14: Application Process and Administrative Fees
54.15: Reference to Federal Credit Rules
54.16: Authorization of Department to Take Further Actions

54.01: Scope, Purpose and Applicability

(1) General. 760 CMR 54.00 explains the calculation of the low-income housing tax credit established by M.G.L. c. 23B, §3, M.G.L. c .62, § 6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, §§ 34, 82, 90). The Department of Housing and Community Development may allocate Massachusetts low-income housing tax credit in the amount set forth in M.G.L. c. 23B, §3, M.G.L. c .62, § 6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, §§ 34, 82, 90) for projects that qualify for the federal low-income housing tax credit under Section 42 of the Internal Revenue Code of 1986, as amended.
(2) Effective Date. 760 CMR 54.00 takes effect upon promulgation and applies to tax years beginning on or after January 1, 2001.

54.02: Definitions

For purposes of 760 CMR 54.00 et seq., the following terms have the following meanings, unless the context requires otherwise:

Act, M.G.L. c. 23B, § 3, M.G.L. c. 62, § 6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, § § 34, 82, 90).

Allocation of Massachusetts Credit, the award by the Department of the authorized Massachusetts low-income housing tax credit among qualified Massachusetts projects.

Allotment, in the case of a qualified Massachusetts project owned by an unincorporated flow through entity, such as a partnership, limited liability company or joint venture, the share or portion of credit allocated to the qualified Massachusetts project that, consistent within and subject to 760 CMR 54.06, may be claimed by a taxpayer who is designated a member or partner of such entity or by a transferee of such member or partner.

Building Identification Number, the identification number assigned to each building in a qualified Massachusetts project by the Department.

Code, the Internal Revenue Code of 1986, as amended and in effect for the taxable year.

Commissioner, the Commissioner of Revenue.

Compliance Period, the period of 15 taxable years beginning with the first taxable year during which a qualified Massachusetts project first meets all of the requirements of 760 CMR 54.08.

Credit Period, the five-year period during which a qualified Massachusetts project is eligible for the Massachusetts low-income housing tax credit. The credit period begins with the taxable year in which a project meets all of the requirements of 760 CMR 54.08 and ends five years later.

Department, the Department of Housing and Community Development.

Eligibility Statement, a statement authorized and issued by the Department certifying that a given project is a qualified Massachusetts project and setting forth the annual amount of the Massachusetts low-income housing tax credit allocated to the project. The Department shall only allocate tax credit to qualified Massachusetts projects consisting of one or more buildings that are all placed in service on or after January 1, 2001.

Federal Carryover Allocation federal carryover allocation of a tax credit where a federal low-income housing tax credit is allocated under Section 42 (h)(1)(E) or (F) of the Code prior to the calendar year in which the buildings comprising the project are placed in service.

Federal Low-income Housing Tax Credit the federal tax credit as provided in Section 42 of the Code.

Low Income Project, a qualified low-income housing project, as defined in Section 42 (g)(1) of the Code, which has restricted rents that do not exceed 30% of the applicable imputed income limitation under said Section 42 of the Code, for at least 40% of its units occupied by persons or families having incomes of 60% or less of the median income or for at least 20% of its units occupied by persons or families having incomes of 50% or less of the median income.

Median Income, the area median gross income as such term is used in Section 42 of the Code, and which is determined under United States Department of Housing and Urban Development guidelines and adjusted for family size.

Placed in Service, this term shall have the same meaning as the term is given under Section 42 of the Code and the federal regulations thereunder.

Qualified Massachusetts Project, a low-income project located in the Commonwealth which meets the requirements of M.G.L. c. 23B, §3 M.G.L. c.62 §6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, §§ 34, 82, 90) and whose owner enters into a regulatory agreement.

Regulatory Agreement an agreement between the owner of a qualified Massachusetts project and the Department recorded as an affordable housing restriction under M.G.L c. 184 with the registry of deeds or the registry district of the land court in the county where the project is located that requires the project to be operated in accordance with the requirements of 760 CMR 54.00, and M.G.L. c. 23B, §3, M.G.L. c .62, § 6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, § § 34, 82, 90) for not less than 30 years from the expiration date of the compliance period.

Taxpayer any person, firm, or other entity subject to the personal income tax under the provisions of M.G.L. c. 62, or any corporation subject to an excise under the provisions of M.G.L. c. 63.

54.03: Amount of Credit Authorized

(1) Authorized Amount. The amount of Massachusetts low-income housing tax credit authorized to be allocated annually equals the sum of:

(a) $10,000,000;
(b) unused Massachusetts low-income housing tax credits, if any, for the preceding calendar years; and
(c) Massachusetts low-income housing tax credits returned to the department by a Qualified Massachusetts Project.

54.04: Eligible Projects

(1) Project Eligibility. Qualified Massachusetts Projects for which the Department has issued an eligibility statement are eligible for an allocation of Massachusetts low-income housing tax credit.

(2) Prioritization by the Department. The Department shall amend or supplement its existing qualified allocation plan or its program guidelines, or both, to provide taxpayers guidance on how Massachusetts low-income housing tax credit will be allocated among competing projects. Such guidance shall adhere to the statutory requirements of providing the least amount of Massachusetts low-income housing tax credit necessary to ensure financial feasibility of selected projects while allocating the total available Massachusetts low-income housing tax credit among as many Qualified Massachusetts Projects as fiscally feasible. Subject to these statutory constraints, the Department may, in its discretion, provide guidance that

(a) requires owners of projects with more than a designated dollar amount of federal credit to fund a portion of project equity from funds attributable to the Massachusetts low-income housing tax credit,
(b) encourages owners of certain projects to raise equity primarily using the Massachusetts low-income housing tax credit while using a minimal amount of the so-called 9% federal low-income housing tax credit,
(c) encourages the creation of projects funded through a combination of Massachusetts low-income housing tax credit and the so-called 4% federal low-income housing tax credit allowable to buildings financed with tax-exempt bonds, and
(d) encourages the creation of any other projects that the Department deems to be consistent with the statutory goal of increasing the overall number of low-income housing units.

54.05: Eligible Recipients
Any person or entity (of whatever type) with an ownership interest in a Qualified Massachusetts Project is eligible to receive an allocation of Massachusetts low-income housing tax credit with respect to such project.

54.06: Allotment of Credit Among Partners, etc.
Whenever an owner of a Qualified Massachusetts Project with respect to which Massachusetts low-income housing tax credit has been allocated is an unincorporated flow-through entity, such as a partnership, limited liability company or joint venture, the entity may allot the Massachusetts tax credit available to the entity among persons designated by it as partners or members in such amounts or proportions as they may agree in the organizational documents governing such entity, provided that the owner certifies to the Commissioner the amount of Massachusetts low-income housing tax credit allotted to each member or partner on a form designated by the Commissioner. The allotment of Massachusetts low-income housing tax credit need not follow or be consistent with the allocation, as the word is used in Section 704(b) of the Code, of other partnership items (e.g., income, loss, deduction or credit, including the federal low-income housing tax credit). Similarly, whenever Massachusetts low-income housing tax credit is allocated with respect to a Qualified Massachusetts Project that is owned through a joint tenancy or similar ownership arrangement, the owners of such project may allot the right to claim the Massachusetts low-income housing tax credit allocated with respect to such project among themselves in such amounts as they agree, without regard to their actual ownership interest in the project, provided that the owners certify to the Commissioner the amount of Massachusetts low-income housing tax credit allotted to each owner on a form designated by the Commissioner.

54.07: Transferability of Credit
(1) Transferors, Transferees. Any taxpayer with an ownership interest in a Qualified Massachusetts Project with respect to which there has been allocated Massachusetts low-income housing tax credit and any taxpayer to whom the right to claim Massachusetts low-income housing tax credit has been allotted or transferred may transfer the right to claim unclaimed Massachusetts low-income housing tax credit to any other Massachusetts taxpayer without the necessity of transferring any ownership interest in the original project or any interest in the entity which owns the original project. The transferor must transfer all credit attributable to periods after the transfer date agreed upon by the parties. For treatment of carry forward credit, see 760 CMR 54.10.

(2) Transfer Contract Requirements. A taxpayer, owning an interest in a Qualified Massachusetts Project or to whom the right to claim Massachusetts low-income housing tax credit has been allotted or transferred, who transfers his, her or its credit such that credit may be claimed by a taxpayer without ownership in the project and without an interest in the entity that owns the project must enter into a transfer contract with the transferee. The transfer contract must specify the following:

(a) Building Identification Numbers for all buildings in the project;
(b) the date each building in the project was placed in service;
(c) the 15-year compliance period for the project;
(d) the schedule of years during which the credit may be claimed and the amount of credit previously claimed; and

(e) the taxpayer or taxpayers that are responsible for paying recapture if recapture should occur.

The transferring party shall attach a copy of this contract to the transfer statement required under 760 CMR 54.13(4).

(3) Transferred Eligibility to Claim Credit. Any taxpayer who is a transferee of the right to claim a Massachusetts low-income housing tax credit with respect to a Qualified Massachusetts Project may, provided all transfer requirements and all other requirements for claiming such credit are met, claim such credit notwithstanding the fact that the credit may initially have been allocated to a taxpayer paying a different income tax (i.e., personal or corporate)

(4) Sale of Credit is Sale of Capital Asset. The sale of Massachusetts low-income housing tax credit will be treated as the sale of a capital asset under the Massachusetts personal income tax or the net income measure of the corporate excise.

(5) Examples. The following examples illustrate the application of 760 CMR 54.07:

(a) Example 1. If taxpayer X receives an allotment of Massachusetts low-income housing tax credit as a partner in a partnership that owns a Qualified Massachusetts Project, taxpayer X may transfer the Massachusetts low-income housing tax credit allotted to it to taxpayer Y, whether or not taxpayer Y is a partner in the partnership.

(b) Example 2. Credit is allocated with respect to a project owned by a limited liability company and allotted to individuals who are members in the company. One of the members may sell his or her credit to a corporation, whether or not such corporation is a member in the company.

54.08: Prerequisites to Claiming Credit

When Massachusetts low-income housing tax credit is allocated with respect to a Qualified Massachusetts Project, such credit may not be claimed by any taxpayer with respect to any building in such project unless and until

(1) all buildings in such project have been placed in service, and

(2) the project has met the minimum set-aside and occupancy requirements of Section 42(g) of the Code. Before the end of the first taxable year in which credit is claimed, the taxpayer must record a Regulatory Agreement in a form acceptable to the Department with respect to such project.

54.09: Placed in Service Requirement; Time for Claiming Credit

(1) Placed in Service Requirement. All buildings in a project must generally be placed in service in the year in which the allocation of Massachusetts low-income housing tax credit is made. Notwithstanding the foregoing sentence:

(a) with respect to a project that has an allocation of federal low-income housing tax credit, whenever such project qualifies for a federal carryover allocation under Section 42(h)(1)(E) or (F) of the Code and the federal regulations thereunder, such project may continue to be a Qualified Massachusetts Project if the owner of the project

enters into a satisfactory carryover allocation agreement with the Department prior to the end of the year in which the allocation of credit is made;

(b) with respect to a project for which the federal low-income housing tax credit is allowable by reason of Section 42(h)(4) of the Code applicable to buildings financed with tax exempt bonds, such project may continue to be a Qualified Massachusetts Project if, in the judgment of the Department, the project would otherwise meet all of the requirements for a federal carryover allocation under Section 42(h)(1)(E) or (F) of the Code and the federal regulations thereunder and the owner of the project enters into a satisfactory carryover allocation agreement with the Department prior to the end of the year in which the allocation of credit is made; and

(c) with respect to all projects that do not have an allocation of federal low-income tax credit and for which such credit is not allowable by reason of Section 42(h)(4) of the Code, such project may continue to be a Qualified Massachusetts Project if, in the judgment of the Department, the project would meet the standards and requirements for a federal carryover allocation under Section 42(h)(1)(E) or (F) of the Code and the regulations thereunder, if, at the time of the allocation of the Massachusetts low-income tax credit, the project had, instead, been allocated a federal low-income tax credit, and the owner of the project enters into a satisfactory carryover allocation agreement with the Department prior to the end of the year in which the allocation of the Massachusetts low-income housing tax credit is made.

The Department shall provide a form of Massachusetts carryover allocation agreement for the Massachusetts low-incoming housing tax credit.

(2) Timing of Claiming Credit. Any taxpayer holding the right to claim Massachusetts low-income housing tax credit with respect to a Qualified Massachusetts Project may claim a pro rata portion of the annual amount of Massachusetts low-income housing tax credit allocated with respect to such project for the calendar year in which such project first meets the conditions described in 760 CMR 54.08, with proration based on the portion of such calendar year during which the project meets those conditions. Any amount of annual credit deferred on account of proration may be claimed in the sixth tax year, assuming the project remains qualified.

(3) Early Credit Election. Notwithstanding the generally applicable timing for claiming Massachusetts low-income housing tax credit described in 760 CMR 54.09(2), an owner of a Qualified Massachusetts Project may elect to accelerate the time for claiming the credit. Provided that the project first meets the conditions described in 760 CMR 54.08, an owner of such Qualified Massachusetts Project may file a notice with the Commissioner in a form to be determined by the Commissioner that the owner has elected to accelerate the credit.

(4) Effect of Early Credit Election. When an owner of a Qualified Massachusetts Project makes an early credit election in the first year of the credit period and such project meets the requirements for making such an election, then notwithstanding 760 CMR 54.09(2), any taxpayer holding the right to claim Massachusetts low-income housing tax credit with respect to such project shall claim the taxpayer's share of the project's entire annual allocation of Massachusetts low-income housing tax credit for the taxable year in which such election is validly made, without proration or adjustment on

account of the date during such year on which the project is placed in service or on which such election is made, subject to any other applicable limitations.

(5) Examples. The following examples illustrate the application of 760 CMR 54.09.

(a) Example 1. Assume $100,000 of Massachusetts low income housing tax credit is allocated with respect to a project in 2001. The project is owned by one individual who retains the right to claim such credit. No Massachusetts carryover allocation agreement under 760 CMR.54.09 (1) has been entered into. The individual's tax year coincides with the calendar year. If the project meets the conditions described in 760 CMR 54.08 and is placed in service on October 1, 2001, then the individual holding the right to claim such credit may claim $25,000 in Massachusetts low-income housing tax credit on his or her Massachusetts tax return for the year 2001 subject to any other applicable limitations. The individual would be expected to claim $100,000 on his or her Massachusetts tax returns for each of the years 2002, 2003, 2004, and 2005, and to claim $75,000 on his or her Massachusetts tax return for the year 2006, assuming the project remains qualified and the individual retains the right to claim all of the credit.

(b) Example 2. The same individual elects to take the early credit option instead of the pro rata approach. The individual may claim $100,000 in Massachusetts low income housing tax credit on his or her tax return for 2001, and $100,000 per year for each of the subsequent four years.

(c) Example 3. The same individual has a tax year that runs from July I to June 30. The individual elects to take the early credit option. The individual takes the $100,000 credit available on October 1, 2001 in his tax year that ends on June 30, 2002 and $ 100,000 per year for each of the taxpayer's subsequent four tax years.

54.10: Carryforward of Credit

(1) Carryforward Period. Any amount of the credit that exceeds the claimant's tax due may be carried forward to any of the five subsequent taxable years.

(2) Transfer of Carryforward. A taxpayer who transfers an unclaimed portion of the credit pursuant to 760 CMR 54.07(1) may choose whether or not to include carryforward credit from prior years in the transfer.

(3) Transferee Treated Like Original Owner. For the purpose of determining the carryforward period, the transferee shall be bound by the same schedule for claiming a credit as the taxpayer originally entitled to the credit as an owner of a qualified Massachusetts project, regardless of how often the credit has been transferred.

54.11: Limitations on Credit; Ordering of Credit

(1) Limitations on Credit. The credit may not be applied to increase the maximum amount of credit allowed under M.G.L. c. 63, or to reduce the minimum corporate excise imposed under M.G.L. c. 63.

(2) Ordering of Credit. The credit may be applied in combination with other credits allowed under M.G.L. c. 63 in any order. Similarly, the credit may be applied in combination with other credits allowed under M.G.L. c. 62 in any order.

(3) Credit Nonrefundable. The credit is not refundable to the taxpayer. The following text is effective 11/24/2000.

54.12: Recapture

(1) Recapture; Disallowance. Whenever an event or circumstance occurs with respect to a Qualified Massachusetts Project that results in any recapture of federal low-income housing tax credit or if, in the judgment of the Department, the project would meet the condition for recapture of federal low-income housing tax credit under Section 42(j) of the Code and the regulations thereunder, if, at the time of the allocation of the Massachusetts low-income tax credit, the project had, instead, been allocated a federal low-income tax credit, then any Massachusetts low-income housing tax credit claimed with respect to the project shall be subject to recapture in the amount described below, subject to the standards and requirements of Section 42(j) of the Code and the regulations thereunder, and any Massachusetts low-income housing tax credit allocated to such project and not yet claimed as of the date of the recapture event shall be disallowed. Notwithstanding any agreement between transferor and transferee, each taxpayer who has claimed any portion of the Massachusetts low-income housing tax credit allocated to the project in question shall be liable for payment of his, her or its respective recapture amount as specified in 760 CMR 54.12(3).

(2) Recapture Period. Massachusetts low-income housing tax credit allocated with respect to a project is subject to recapture (and disallowance to the extent not yet claimed) at any time during the 15-year compliance period.

(3) Recapture Fraction.

(a) With respect to projects that have an allocation of federal low-income housing tax credits, a fraction in which the numerator is the amount of all federal low-income housing tax credit recaptured with respect to the project and the denominator is the amount of all federal low-income housing tax credit previously claimed with respect to the project.

(b) With respect to projects that do not have an allocation of federal low-income housing tax credit, a fraction calculated according to the standards and requirements of Section 42(j) of the Code, as if a federal low-income housing tax credit had been allocated to the project instead of a Massachusetts low-income housing tax credit.

(4) Amount of Recapture. The amount of Massachusetts low-income housing tax credit to be recaptured from any taxpayer upon the occurrence of a recapture event equals the product of

(a) the Massachusetts low-income housing tax credit claimed by such taxpayer prior to the recapture event times

(b) the recapture fraction.

(5) Timing of Recapture. The amount of recapture of the Massachusetts low-income housing tax credit shall be reported and shall be subject to tax in the taxable year during which the recapture event takes place.

(6) Example. The following example illustrates the application of 760 CMR 54.12. Assume, the owner of a Qualified Massachusetts Project is a calendar year taxpayer. The annual credit amount allocated to the project is $20,000. The project meets the requirements of 760 CMR 54.08 on October 1, 2001. Taxpayer makes an early credit election and takes a $20,000 credit for tax year 2001. Taxpayer takes a second $20,000 credit for tax year 2002. On April 1, 2003, the project goes out of compliance and becomes subject to federal recapture, or would become subject to federal recapture if federal credits had been awarded instead of state credits. No credit is available to taxpayer for tax years 2003, 2004 and 2005. The $40,000 credit previously taken by the taxpayer is subject to recapture according to the formula in 760 CMR 54.12(4).

54.13: Reporting and Recordkeeping Requirements

(1) Taxpayer Requirements. In order to claim the credit, a taxpayer must provide to the Commissioner the following:

(a) eligibility statement as provided in 760 CMR 54.13(2);
(b) allotment certification, if applicable, as provided in 760 CMR 54.13(3);
(c) transfer statement, if applicable, as provided in 760 CMR 54.13(4) (with a copy of transfer contract, if applicable, as provided in 760 CMR 54.07(2)); and
(d) Massachusetts carryover allocation agreement, if applicable, as provided in 760 CMR 54.09(1).

(2) Eligibility Statement. The Department shall adopt a form of eligibility statement to be issued by the Department evidencing a Qualified Massachusetts Project's eligibility for Massachusetts low-income housing tax credit. Each taxpayer claiming any Massachusetts low-income housing tax credit with respect to a project shall file a copy of the eligibility statement with each Massachusetts tax return on which any Massachusetts low-income housing tax credit is claimed.

(3) Allotment Certification. The Commissioner, in consultation with the Department, shall provide a form of allotment certification to be filed by any unincorporated flow-through entity

(a) that is the owner of a project with respect to which Massachusetts low-income housing tax credit has been allocated or the following text is effective 11/24/2000
(b) to which the right to claim a Massachusetts low-income housing tax credit has been allotted or transferred. The entity shall file such certification with the Commissioner following the close of the first taxable year in the credit period or the first taxable year the entity holds the right to claim credit, whichever is later. Such certification shall provide the name and federal taxpayer identification number of each taxpayer with an interest in the entity on the date the project met all of the requirements of 760 CMR 54.08, and shall also indicate the amount of Massachusetts low-income housing tax credit allotted to each such taxpayer. The certification shall also contain such other information as the Commissioner may from time to time require. Each taxpayer claiming any Massachusetts low-income housing tax credit by way of a flow-

through entity shall file a copy of such certification with each Massachusetts tax return on which any Massachusetts low-income housing tax credit is claimed.

(4) Transfer Statement. The Commissioner, in consultation with the Department, shall promulgate a form of transfer statement to be filed by any person who transfers the right to claim Massachusetts low-income housing tax credit with respect to a Qualified Massachusetts Project. The transfer statement shall be required in addition to the transfer contract required in 760 CMR 54.07(2).

The transferor shall file a transfer statement with the Commissioner within 30 days after transfer. The transferor shall also provide a copy of such statement to the owner of the project with respect to which the transferred credit was allocated within 30 days after transfer. The transfer statement shall provide the name and federal taxpayer identification number of each taxpayer to whom the filing transferor transferred the right to claim any Massachusetts low-income housing tax credit with respect to the project and shall also indicate the amount of Massachusetts low-income housing tax credit, including any carry forward credit, transferred to each such person or entity. The statement shall also contain such other information as the Commissioner may from time to time require. A copy of the transfer contract, if required under 760 CMR 54.07(2), shall be attached to the transfer statement. Each taxpayer claiming any Massachusetts low-income housing tax credit shall file with each Massachusetts tax return on which any Massachusetts low-income housing tax credit is claimed copies of all transfer statements and transfer contracts necessary to enable the Commissioner to trace the claimed credit to the credit that was initially allocated with respect to the project. Each project owner shall file copies of all transfer statements and transfer contracts received regarding a project with such owner's annual Massachusetts tax or informational return.

(5) Record keeping Requirements. Owners of qualified Massachusetts projects and taxpayers that transfer or claim credit with respect to such projects shall be required to keep all records pertaining to credit until the expiration of the regulatory agreement; if a Massachusetts carryover allocation agreement is entered into with the Department under 760 CMR 54.09(1), the records must include a copy of the Massachusetts carryover allocation agreement and documents relevant thereto.

54.14: Application Process and Administrative Fees

(1) Application. Project applicants seeking an allocation of Massachusetts low-income housing tax credit shall include a request for such credit allocation in the same application to be filed with the Department through which such proponent requests an allocation of federal low-income housing tax credit. With respect to projects described in 760 CMR 54.09(1) (b), the request for Massachusetts low-income housing tax credit shall be made in the form of a letter to the Department accompanied by:

(a) a copy of the applicant's submission to the agency providing the tax-exempt bond financing for the project; and

(b) such additional information as would be included in an application to the Department for a federal low-income housing tax credit allocation. The Department shall issue guidance describing any additional information to be included with credit requests. The Department may require that the applicant provide analyses of alternative funding scenarios that allow the Department to evaluate the comparative efficiency of

allocating varying levels of federal and Massachusetts low-income housing tax credit to such proposed project.

(2) Filing Fee. Each application seeking an allocation of Massachusetts low-income housing tax credit shall be accompanied by a filing fee set by the Department which shall be payable to the Commonwealth of Massachusetts.

54.15: Reference to Federal Credit Rules
Unless otherwise provided in M.G.L. c. 23B, §3, M.G.L. c .62, § 6I and M.G.L. c. 63, § 31H (St. 1999, c 127, §§ 34, 82, 90) or 760 CMR 54.00 or unless the context clearly requires otherwise, the Massachusetts low-income housing tax credit shall be administered and allocated in accordance with the standards and requirements applicable to the federal low-income housing tax credit as set forth in Section 42 of the Code and the federal regulations adopted there under, and with respect to the administration of the Massachusetts low-income housing tax credit, whenever the word "Secretary" appears in the Code and associated regulations, it shall be taken to mean Director of the Department.

54.16: Authorization of Department to Take Further Actions
Nothing in 760 CMR 54.00 shall be deemed to limit the authority of the Department to take all actions deemed by the Department in its discretion to be consistent with the authority granted the Department under M.G.L. c. 23B, §3, M.G.L. c.62, § 6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, §§ 34, 82, 90).

REGULATORY AUTHORITY
760 CMR 54.00: M.G.L. c. 23B, §§ 3, 6; M.G.L. c. 62, §§ 6I (a), (c) (7), (e), (f) (4), (g); M.G.L. c. 63, § § 31H (a), (c) (7), (e), (f) (4), (g).

Appendix H: Glossary of Terms

Appendix H: Glossary of Terms

Tax credit applicants should note that the federal rules governing Low Income Housing Tax Credits are complex. All developers should consult a qualified tax attorney or accountant to determine eligibility for the credit. The terms defined below are not meant to substitute for a reading of Section 42 but are only meant to provide prospective applicants with a general understanding of commonly used terms.

4% Credit

The term "4% credit" refers to the 30% tax credit, which has a present value equal to 30% of the project's qualified development costs, or approximately 4% per year over a 10-year period. The "4% credit" is available in two situations: 1) Development costs of new building or substantial rehabilitation developed with a federal subsidy, including tax-exempt financing; and 2) Acquisition cost of an existing building, which must also be substantially rehabilitated (the greater of $6,000 per low income unit or 20 % of the depreciable basis of the building) in order to qualify for the credit for the acquisition cost.

9% Credit

The term "9% credit" refers to the 70% tax credit, which has a present value equal to 70% of the project's qualified development costs, or approximately 9% per year over a 10-year period. The "9% credit" is available for the development costs of a new building or substantial rehabilitation of an existing building without a federal subsidy.

Applicable Fraction

The smaller of the "unit fraction" or the "floor space fraction" (see Section 42(c) (1) of the Internal Revenue Code. The "unit fraction" is the fraction of qualified low income units in the building. The "floor space fraction" is the fraction of total floor space contained in the qualified low income units in the building.

Carryover Allocation

An exception to the general rule that a credit allocation is valid only if the allocation occurs within the calendar year in which the building is placed in service. Under this type of allocation, 1) more than 10 percent of the project's reasonably anticipated basis (costs) must be incurred by the end of the calendar year in which the allocation is made; and 2) the building(s) in the project must be placed in service by the end of the second calendar year following the year of the allocation. "However, projects which receive reservations in the second half of any calendar year will have six months from the date of allocation (or until the following June 30, if later) to incur more than

10 percent of the project's reasonably anticipated basis as of the end of the second calendar year following allocation".

Compliance Monitoring

DHCD must actively monitor all tax credit projects to determine if they are complying with the various requirements of the tax credit program, which include, but are not limited to, determining whether the rents charged on tax credit units exceed maximum allowable rents and whether the incomes of tenant households at initial occupancy and during subsequent reviews exceed maximum allowable income limits.

Department of Housing and Community Development

The Department of Housing and Community Development (DHCD) is the designated tax credit allocating agency for the Commonwealth of Massachusetts. DHCD administers federal community development programs, administers the state's public housing programs, coordinates its anti-poverty efforts, and provides a variety of services to local government officials. The focus of DHCD is to make state and federal funds and technical assistance available to strengthen communities and help them plan new developments, encourage economic development, revitalize older areas, improve local government management, build and manage public housing, stimulate affordable housing through the private sector and respond to the needs of low- income people.

Eligible Basis

The sum of the eligible cost elements that are subject to depreciation, such as expenditures for new construction, rehabilitation, building acquisition, and other costs used to determine the cost basis of the building(s) (see IRC Section 42 for a more detailed definition). The eligible basis is increased by 30 percent if the building(s) in the project are located in a difficult development area or qualified census tract.

EUR

Title VI subtitle A of the Cranston-Gonzalez National Affordable Housing Act contains the Low Income Housing Preservation and Resident Homeownership Act of 1990 ("LIHPRHA" or Expiring-Use Restriction ("EUR") program). Contracts under low-interest loan programs of the 1960's & 1970's permitted certain owners to prepay federally assisted mortgages after the twentieth year of the forty year mortgage term. The statute's basic objectives are to assure that most of the "prepayment" inventory of HUD-assisted housing remains affordable to low income households and to provide opportunities for tenants to become homeowners

HOPE VI	In 1992, Congress created the Urban Revitalization Demonstration Program (otherwise known as HOPE VI) for the purpose of revitalizing severely distressed public housing developments. HOPE VI is funded by the U.S. Department of Housing and Urban Development to provide localities with funds and flexibility to reshape existing public housing neighborhoods. It can supply up to $50 million to transform an entire public housing development.
Internal Revenue Code	The Low Income Housing Tax Credit Program (LIHTC) is a housing program contained within Section 42 of the Internal Revenue Code of 1986, as amended, governs tax credits for owners or investors in low income housing projects.
Massachusetts Development Finance Agency	The Massachusetts Development Finance Agency (MDFA) was created by the Massachusetts legislature to expand economic development opportunities. MDFA funds its programs through the sale of taxable and tax-exempt bonds to private investors.
Massachusetts Housing Finance Agency	The Massachusetts Housing Finance Agency (MHFA) was created by the Massachusetts legislature to expand rental and homeownership opportunities for low and moderate income households. MHFA funds its programs through the sale of taxable and tax-exempt bonds to private investors.
Qualified Basis	The portion or percentage of the eligible basis that qualifies for the tax credit. A building's qualified basis equals its eligible basis multiplied by its applicable fraction.
Section 42	Section 42 of the Internal Revenue Code of 1986, as amended, governs tax credits for owners or investors in low income housing projects, which has received an allocation under the terms of this plan.
TDC	Total Development Costs. Costs incurred for the purchase and/or rehabilitation of existing buildings or new construction. Development costs may include planning, oversight, relocation, demolition, construction or rehabilitation, reserves and all other costs necessary to develop the affordable housing project.

Ten Percent (10%) Test

In order to qualify for a carryover allocation, the developer's basis in the property at the end of the year in which the allocation is received must be more than ten percent of the amount that the project's basis is reasonably expected to be at the end of the second year following the allocation year. Basis consists of the project's depreciable costs and land that is reasonably expected to be part of the project. However, projects which receive reservations in the second half of the calendar year will have six months from the date of allocation to meet the ten percent test.

Appendix I. Design Self Evaluations (Accessibility)

Appendix I. Design Self Evaluations (Accessibility)

Part A: Access Code Summary
Code Applicability

Sponsors are required to answer the following questions regarding applicability of state, federal, and local accessibility regulations.

1. **Are Section 504, Title II of the ADA, or the ABA applicable to the project based on the applicable statutes or sources of funding? Explain.**

2. **If the project is existing, show calculations indicating the cost of the work relative to the value of the building or replacement cost (per MAAB's CMR 521 3.3, or Section 504 8.23(a) if applicable).**

3. **Describe any variances from MAAB's requirements that are anticipated, and the status of the variance process.**

Regulatory Requirements:

Provide summary information regarding accessibility in the table below. Include the most stringent applicable requirements of MAAB, the FHA, Section 504, the ADA, and any other local requirements

1. Site Access - Accessible Route

Requirement for Facility:	**Proposed:**
Routes to and from public spaces and parking are required to be accessible.	

2. Accessible Parking

Requirement for Facility:	**Proposed: (Indicate total number of spaces provided)**

3. Building Entrances and Accessible Routes Within Buildings

Requirement for Facility:	**Proposed:**

4. Common Areas & Facilities (Offices, laundry rooms, community rooms, etc.)

Requirement for Facility:	**Proposed:**

5. Group 1 Units (MAAB)

Requirement for Facility: (include units covered by the FHA)	**Proposed:**

6. Group 2 Units (MAAB)

Requirement for Facility:	**Proposed:**

Part B: Universal Design Checklist
DHCD Requirements for all developments

In addition to the requirements of MAB, FHA, ADA & 504.
***Requirements with an asterisk may be waived for moderate rehab projects.**
**** Requirements with two asterisks shall be required only at "Gut" rehab projects.**

Feature	DHCD Required		Check if Included	Comment (Explain all items that are not included)
	Rehab	New		

Exterior

Provide wayfinding signage at large or challenging sites	Y	Y		
Provide effective exterior lighting at walkways, accessible routes, and exterior spaces, esp. hazards	Y	Y		
Provide handrails at all exterior steps and stairs subject to snow or ice accumulation in order to reduce slipping hazard	Y	Y		

Common Areas

Laundry rooms - provide a table for folding accessible to persons with physical disabilities	Y	Y		
Laundry Room Door to have 1/2 height vision panel	Y	Y		
Color contrast between tread & risers on stairs and between floors & walls in corridors, more lighting to facilitate recognition of steps by vision-impaired persons	Y	Y		
Corridors in common areas of Elderly or Assisted Living Projects to have a	Y	Y		

continuous handrail mounted on one side, 34" AFF				
All washers & dryers to be front loading with front controls, mounted on platforms to reduce bending	Y	Y		
Motion detector light switches at laundry rooms, other common areas	Y	Y		
Use materials and colors such that residents & visitors can easily recognize changes in floor level, use, etc. to assist with wayfinding.	Y	Y		

Entrances

Provide exterior lighting at each entry door, switched by photocell/motion detector.	Y	Y		
Overhead weather protection at entrances	N	Y		
Rough in wiring for power operated doors	Y*	Y		
Max threshold height at exterior doors to be adaptable & able to comply with the requirement for accessible route	Y*	Y		
Provide power operated doors at exterior entries of Elderly or Assisted Living Projects	Y*	Y		
No steps at entrances	N	Y		
Site grading provides accessible route up to first floor level (1:20 slope maximum)	N	N		

Unit Interiors

Rocker-type electrical switches	Y	Y		

Switches no higher than 48" AFF, Thermostats at 54"	Y*	Y		
Lever hardware on all doors	Y	Y		
Receptacles, phone & cable jacks 18" AFF minimum	Y*	Y		
Max threshold or floor transition height at interior doors to be 1/2"	Y	Y		
Recommend contrasting colors between floor surfaces and trim and between walls and doors to facilitate recognition of steps by vision-impaired persons	Y	Y		
Overhead light fixtures to be able to accommodate a 2700 lumen lamp minimum, where provided.	Y	Y		
Receptacles next to phone jacks for TTY devices	Y*	Y		
If provided, Bi-fold, by-pass, and Pocket doors to have premium hardware, easy-grip handle, and 32" clear when closed	Y*	Y		
All doors leading to habitable rooms to have min. 32" clearance	N	N		
Elec panel within standard reach range & with clear floor space	Y*	Y		
Rough wire all units to allow strobe lights to be installed in every bedroom and living area	Y*	Y		
Additional electrical outlets at bed locations & desks: fourplex outlet for computers, electronic equipment, personal use equipment such as oxygen	N	Y*		
Adjustable height closet rods and shelves	Y	Y		

At double hung windows, use block & tackle balances	Y	Y		
Acoustics: STC 50 at walls / IIC 50 at floors between units and between units and common areas.	Y**	Y		
Acoustics: Locate bedrooms so that they are not adjacent to common corridors, trash chutes, or other noise sources.	Y**	Y		
Odor Control: Provide for compartmentalization of each residential units per Energy Star standards. (At new and adaptive re-use projects.)	N	Y		
Ventilation: Where conditioned fresh air supply is provided to unit interiors, allow resident control of air flow. (At new and adaptive re-use projects.)	N	Y		
Furnishing: Bedrooms and Living Rooms should have more than one usable furniture configuration. (At new and adaptive re-use projects.)	N	Y		
Furnishing: At multi-level (townhouse) units with no bedroom on the entry floors, provide space to allow a temporary bed or sofa-bed in the living room. (At new and adaptive re-use projects.)	N	Y		

Baths

All tub/shower control knobs to be single lever handled	Y	Y		
Lever faucet controls at lavatory sinks, not paddle handles	Y	Y		

Provide min. 12" grab bar in all tub/shower units at wall opposite controls, 48" AFF	Y	Y		
Tubs and showers must have slip resistant floors (conform to ASTM F-462)	N	Y		
Mirrors in baths low enough to reach counter backsplashes	Y	Y		
Provide solid blocking at all water closets and tub/showers for grab bars installation	Y	Y		
Handheld showers at short wall of all baths, adjustable height mounting.	N	N		
Lighting: Provide non-glare dimmable task lighting at vanities.	Y	Y		

Kitchens

Min. clear floor space between cabinets & appliances 48"	N	Y		
Loop handles on cabinet doors & drawers	Y	Y		
Lever faucet controls at kitchen sinks	Y	Y		
Contrast colors at border treatment of countertop vs cabinets to facilitate recognition of edge of counter by vision impaired persons	Y	Y		
Adjustable height shelves in wall cabinets	Y	Y		
Controls on appliances mounted to avoid reaching over burners of Elderly or Assisted Living Projects	Y	Y		
Range hoods wired to remote switch near the range in an accessible	Y	Y		

location of Elderly or Assisted Living Projects				
Pull-out shelves in base cabinets and pantry of Elderly or Assisted Living Projects	Y	Y		
Lighting: Provide non-glare dimmable task lighting at countertops.	Y	Y		

Part C: Visitability

Visitability of residential units will be considered in project evaluation and scoring. The information below must be provided by the development team in order to determine the degree of visitability.

1. Definition: Visitable Units shall have, at minimum, all of the following features:

    1. Units shall be on a route without steps from a public way. *(Please note that this is not the same as an "accessible route" as defined in 521 CMR or the ADA.)*
    2. All doors on the above route, including the unit entry door, shall be 36" wide (32" minimum clear width).
    3. All unit interior doors (except closet doors) on the entry level shall be 36" wide (32" minimum clear width).
    4. On the unit entry level, there shall be *a clear path* to (a) a full or half bathroom; and (b) the living room and dining area of the unit. Such a full or half bathroom shall provide maneuverability clearances including access to fixtures in accordance with either (a) the Fair Housing Act Design Manual or (b) Group 1 bathrooms as defined by 521 CMR.

2. New Construction Projects and Adaptive Reuse Renovation Projects.

DHCD has established a requirement that in new construction and adaptive re-use projects, all units in elevatored buildings and all ground floor units shall fulfill the requirements of the above definition of a Visitable Unit. This requirement includes units with more than one story ("townhouse units").

3. Renovation of Existing Residential Projects.

DHCD has established the goal of providing Visitable Units in existing renovation projects wherever feasible. Sponsors are encouraged to make as many units as possible meet the definition above of a Visitable Unit.

At present, how many units in the project are visitable? _____

Upon completion of the renovations, how many units in the project will be visitable? _____

For units that will not be visitable, please describe the problems preventing visitability, as well as an estimate of what the cost impact would be of resolving the problem in order for the units to be made visitable. In cases of technological or space infeasibility, please explain.

Requirement	Description of	Cost
1. Units shall be on a route without steps from a public way.		
2. Doors on route shall be 36” wide with a zero step entrance.		
3. All unit interior doors on the entry level shall be 36” wide.		
4. Clear paths to an entry level bathroom and the living/dining room; bathrooms. Bathroom to meet Fair housing or Group 1 requirements.		

DHCD Requirements for CBH Units

For CBH units the following <u>additional</u> requirements apply.
***Requirements with an asterisk may be waived for moderate rehab projects.**

Feature	DHCD Req'd		Check if Included	Comment (Explain all items that are not included)
	Rehab	New		
Exterior				
Dedicated accessible parking space for each CBH unit (if parking is provided)	Y	Y		
If covered parking is available, provide direct covered access from parking to CBH units	Y	Y		
Entrances				
All building entrances on accessible routes	N	Y		
Automatic door openers at building entrances on accessible routes	Y	Y		
All doorbells and intercoms must be accessible	Y	Y		
CBH Unit Interiors				
Electrical power for automatic door openers at unit entries	Y	Y		
Shelf for packages at inside and outside of all unit entrances	N	Y		
42" clear width in hallways	Y*	Y		
Space to allow wheelchair approaches at both sides of bed	Y*	Y		
Wide, shallow closets (depth 24" max) with bifold doors)	Y	Y		
Flush transition to exterior patios or decks	Y	Y		
Intercom systems usable by vision or hearing impaired persons	Y	Y		
Baths				
66" turning diameter in bathrooms	Y*	Y		
Curbless shower or tub with 48" wide parallel clear area	Y*	Y		
Grab bars at all showers and tubs	Y	Y		
Kitchens				
66" turning diameter in kitchen	Y*	Y		
Side by side refrigerator/freezer	Y	Y		
Cabinets with sliding shelves and 'lazy susan' corner cabinets	Y	Y		

Appendix J. Design Self Evaluation (Green Building)

Appendix J. Design Self Evaluation (Green Building)

In order to enable DHCD to evaluate the sustainable design provisions of each project, sponsors are to provide summary information regarding green building techniques and sustainable design using the following checklist.

Feature	**Verification Requirement**	**Check if included**	**Comment** (explain all items that are not included)
Site Design:			
1. Minimize light pollution of the night sky by avoiding over-lighting outdoor spaces and by directing lighting toward the ground plane.	Include in outline specification . Submit site lighting plan and fixture information with commitment documents.		
2. Use native landscape plants that are drought tolerant. Avoid plants that are on the Massachusetts Invasive species list. Use ground-cover plants where grass is not appropriate. Preserve existing trees where possible.	Include in outline specification. Submit landscape plan with commitment documents.		
3. Install systems for the recharge of roof rainwater runoff into the groundwater. This may include downspouts to previous landscape surfaces ample for percolation.	Include in outline specification. Submit plans with commitment documents.		
4. Plant deciduous trees along the south side of building and paved surfaces to provide summer shade.	Indicate on site plan.		
5. Install covered bike racks.	Indicate on site plan.		
Building Design:			
6. Manage water at the building envelope to exclude water. Install flashing at horizontal exterior joints.	Submit flashing details with commitment documents.		
7. Seal the building envelope against air infiltration. Use spray foam around windows and doors, and sealant beneath plates. ` Provide complete air infiltration barrier including lapped and taped joints.	Submit results from blower door test at randomly selected units at completion of construction. (10% of total units minimum).		
8. At slab-on-grade construction for conditioned spaces, provide a thermal break and insulation at slab edge and underside.	Indicate on wall section.		
9. Insulate the building to a standard 15% better than code requirements.	Include in outline specification a list of insulation values, including walls, foundation, band joists, windows, and roof.		

10. Install boilers or furnaces that exceed 90% efficiency. Size heating systems to take into account air sealing and insulation. Do not oversize equipment.	Include in outline specification.		
11. Install Energy Star labeled appliances.	Include in outline specification.		
12. Install only fluorescent or LED light fixtures within units. Install all LED emergency exit signs.	Include in outline specification.		
13. Install multi-speed bathroom fans at each bathroom with energy efficient motor rated for continuous duty with a minimum rating of 50 cfm. Control fan with occupancy sensor and timer.	Include in outline specification.		
14. Use no-VOC interior paints. Use low VOC carpets, flooring, and adhesives.	Include in outline specification.		
15. Provide mandatory CO detector system	Include in outline specification.		
16. Install non-paper-faced mold-resistant wallboard or cement board at areas susceptible to moisture, including kitchens, bathrooms, and laundry rooms.	Include in outline specification.		
17. Install ceramic tile or water-impervious sheet flooring with all edges sealed to the baseboard, tub, and threshold to form a water-tight floor in bathrooms.	Include in outline specification.		
18. Install FSC Certified wood for at least 60% of total wood used.	Include in outline specification.		
19. Install passive and active systems to harness renewable energy.	Submit outline specification as well as statement of expected energy saved and funding strategy.		
20. Specify that demolition procedures recycle at least 25% of all removed materials by volume, including site materials, appliances, structure, and finishes.	Include in outline specification.		
21. Specify that construction procedures use materials efficiently, and that at least 75% of construction waste be recycled. Recycle all cardboard and foam packaging materials.	Include in outline specification.		

22. Ventilate new or renovated wood construction fully after exposure to water so that wood dries completely (10 days). Also ventilate the interior spaces after substantial completion and before occupancy to dry construction and remove any accumulated VOCs.	Include in outline specification.		
Building Management and Operations:			
23. Provide designated spaces for recycling containers for use by residents. Include recycling instructions to resident households. Provide management-monitored recycling program and weekly collections.	Indicate space on floor plan(s). Include in management plan.		
24. Provide tenants with educational materials about recycling procedures, and efficient building systems operations and maintenance.	Include in management plan.		
25. Have all building systems inspected by a qualified independent commissioning agent immediately after construction, including verification that the systems achieve the efficiencies specified.	Include in outline specification.		

Appendix K. Fair Housing Principles and Affirmative Fair Marketing Plan Guidelines

Appendix K. Fair Housing Principles and Affirmative Fair Marketing Plan Guidelines

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, or 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, educational, 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.