

August/September 2021 Mini Competition
High Readiness Production Projects
Notice of Funding Availability

I. Summary

The need for more affordable rental housing in Massachusetts was significant prior to the beginning of the COVID-19 pandemic. The widespread impact of the pandemic has only increased the demand for more units to serve low and moderate income households. Thousands of Massachusetts households continue to adjust to the realities of life during the changing stages of the pandemic. While considerable amounts of funding are being deployed to help renters, too many low to moderate income households, often affected by pandemic job loss, are struggling to pay rent as well as many other monthly bills. Many households are searching for quality rental units that they can somehow afford. Adding more affordable rental units to the existing stock – particularly during this period of time – is a primary objective of the Department of Housing and Community Development (DHCD).

To that end, DHCD is issuing this Notice of Funding Availability for rental projects that already have been reviewed (although not funded) by the Department, are highly ready to proceed, and will result in new affordable rental housing in Massachusetts – especially for families. The Department reserves the right to make an exception to the criterion for prior review for any highly-ready project to be constructed on state-owned land.

While the resources are not available for a full funding competition, DHCD has identified certain amounts of federal and state LIHTC and subsidy resources that can be made available competitively before the end of 2021. Because the need is greatest for family housing, the Department will place priority on family projects. However, DHCD is prepared to accept several applications for highly-ready senior projects as well as for highly-ready family projects. The senior projects must be targeted to persons age 62 and over. Sponsors of these projects must conform to the supportive service requirements of the current Qualified Allocation Plan, or QAP (2020-2021).

II. Project Eligibility Threshold Criteria

At the conclusion of the winter 2021 funding competition, DHCD determined that several family or senior housing projects that did not receive funding were in many ways highly ready to proceed. These projects have demonstrated greater readiness to proceed than other projects that were denied, and their sponsors had secured significant commitments of local or private funds. The Department believes that the sponsors of these projects can rapidly address their remaining issues and present fundable OneStop+ applications to DHCD. In this time of great need, the Department would prefer not to have these projects wait a full year to potentially receive awards.

To be eligible for the 2021 mini-round, projects must represent affordable or affordable/mixed-income housing. Because the need is greatest for new units, the projects must meet the definition of production in the 2020-2021 QAP. (Please note: DHCD might consider an exception to the

production criterion only in the case of an occupied project, previously reviewed, with significant life-safety issues.) Because the need to spread the state resources is paramount, the projects must be supported by significant levels of non-state resources, including but not limited to municipal resources.

In view of the great demand for new affordable rental housing in Massachusetts, and in view of the relative strength of several projects that have been reviewed, but not funded, DHCD will accept pre-applications on August 5, 2021, for projects that meet the additional criteria listed in the next section of this NOFA.

III. Additional Project Eligibility Criteria

The Department will host a mini-competition on September 30, 2021, and will accept modified OneStop+ funding applications from developers whose projects meet the following criteria:

- The projects fall within the production set-aside in the 2020-2021 QAP (only exception noted in preceding section).
- The projects will result in affordable or affordable/mixed-income family or senior rental housing.
- The projects either were reviewed at least once during a previous DHCD rental funding competition or will be located on land/property that is state-owned.
- The projects are highly ready to proceed, as demonstrated by the status of zoning, permitting, and architectural materials (drawings and scopes of work).
- The municipality in which the project will be built is providing significant funds to support the project, if it has funds of its own, and/or the project is supported by significant levels of other non-state resources.

LIHTC sponsors must demonstrate through current letters of interest that syndicators/investors are willing to invest in the project, if credits are allocated by DHCD. The letters of interest must include projections as to the net raise that could be achieved by the syndication of interests in the owner entity based on the credits.

In addition to the criteria listed above, projects must meet all thresholds already described within the 2020-2021 QAP. With the exception of the new criteria described above, the projects are fully subject to the 2020-2021 QAP.

IV. Mini Competition: Affordable Resources

The Department has identified a package of DHCD resources to be made available in the September 2021 mini-competition. DHCD intends to make the following resources available:

- 9% Low Income Housing Tax Credits: approximately \$6 million
- State Low Income Housing Tax Credits: approximately \$6 million
- DHCD Subsidy Funds: approximately \$20 million

Please note that the National Housing Trust Fund (HTF) will be included in the multiple subsidy funds DHCD will offer during the mini-competition. A limited number of project-based vouchers also will be available during the mini-competition.

V. Mini Competition: Additional Information

DHCD will accept pre-applications on August 5, 2021, for sponsors who believe their projects meet the basic criteria identified in this NOFA. For projects approved at pre-application, DHCD will accept modified OneStop+ funding applications on or before September 30, 2021. The schedule for pre-application and application fees is set forth in the 2020-2021 QAP and applies to the mini-competition. DHCD will provide interested sponsors with the list of OneStop+ sections and exhibits that must be updated for a September 30, 2021 submission to the Department.

The Department anticipates selecting seven to ten projects in the September mini-competition. Sponsors whose projects do not meet the pre-application criteria or who are not selected at the conclusion of the September 2021 mini-competition will be able to submit OneStop+ applications during the full competition in winter 2022.

DHCD intends to achieve some degree of geographic distribution in its funding decisions for the high readiness mini-competition. The Department generally intends to approve one or two pre-applications per region. For purposes of this mini-competition, DHCD will treat the city of Boston as a standalone region.

Sponsors who believe that their projects are eligible for the mini-competition must carefully review the criteria contained within this NOFA and must contact DHCD's housing tax credit staff at least two weeks before submitting a pre-application.

Along with the pre-application due August 5, 2021, sponsors must submit a one-page narrative on the status of the project and several certifications described in the following section.

Sponsors who believe their projects may meet the eligibility criteria for the mini-competition as well as all applicable thresholds and scoring criteria within the QAP should note the following requirements:

- Sponsors must be able to demonstrate that the proposed project has received conditional or full funding commitments from all sources other than DHCD. The Department reserves the right to make an exception for mixed-use projects that are highly ready to proceed, but for an allocation of New Markets tax credits expected in timely fashion.
- Sponsors must be able to demonstrate that the proposed project is fully zoned. At the time of pre-application, the sponsor must provide a narrative to DHCD

indicating that the proposed project faces no potential delays related to zoning or permitting or any other material issues.

- Sponsors of proposed projects must provide DHCD with an architect’s certification that, as of August 5, 2021, the construction drawings, across all trades, have advanced to at least 70% completion and are coordinated across all trades. Further, the architects must indicate in writing that, in their professional opinion, full bid documents can be completed within two months of a DHCD award. The certifications from the sponsor’s architect must be included in the pre-application to DHCD.
- Sponsors’ architects also must certify to DHCD that the scope of work is highly-developed and well-coordinated with the construction drawings. This certification must be included in the pre-application to DHCD.
- Sponsors typically must have closed financing on any DHCD-assisted projects that received awards prior to 2021.
- Sponsors must formally commit to listing any project funded through this initiative on Housing Navigator.
- Sponsor and team must have a satisfactory history of diverse supplier contracting and a demonstrated commitment to full participation of minority and women-owned business enterprises (MBEs/WBEs), as well as other diverse businesses certified by the Massachusetts Supplier Diversity Office (SDO) in all areas of contracting, including contracts for construction, design, goods, and services. Sponsor must submit with the pre-application a current plan for outreach, recruitment, and utilization of MBEs/WBEs and other diverse business enterprises.
- Sponsor must commit to selecting a syndicator and/or investor acceptable to DHCD. The syndicator/investor cannot have been involved in any “aggregator” activity in Massachusetts or in other states seeking to undermine the exercise of a LIHTC right of first refusal/right of first option, including, without limitation:
 - ❖ Refusal to honor a LIHTC right of first refusal/right of first option in favor of a non-profit sponsor executed concurrent with the initial tax credit equity closing for a LIHTC project.
 - ❖ Lawsuit against general partner and/or non-profit sponsor challenging exercise of LIHTC right of first refusal/right of first option.
 - ❖ Lawsuit seeking to remove general partner/managing member of LIHTC limited partnership/LLC, absent clear evidence of fraud or serious mismanagement on the part of the general partner/managing member. For purposes of this provision, actions taken to preserve affordability of a LIHTC property and/or management in furtherance of the charitable mission of the non-profit sponsor shall not constitute “serious mismanagement”.

Other than the changes noted in this section, the 2020-2021 QAP remains in full effect.

Please feel free to contact Rebecca Frawley Wachtel or Catherine Racer of DHCD with any questions. Their email addresses, respectively, are rebecca.frawley@mass.gov and catherine.racer@mass.gov.

#