

September 2022 Mini Competition
High Readiness 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 only increased the demand for more units to serve low and moderate income households. While the most serious aspects of the pandemic appear to be over, thousands of Massachusetts individuals and households continue to experience challenges in securing affordable rental housing. Considerable amounts of funding are being deployed to help renters, but too many low to moderate income individuals and households are struggling to pay rent as well as many other monthly bills. Adding more affordable rental units to the existing stock is a primary objective of the Department of Housing and Community Development (DHCD). Deploying rental funds made available through the American Rescue Plan Act (ARPA) also is a primary objective for DHCD.

To help increase the supply of affordable rental housing, 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 typically will result in new affordable rental units – 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. DHCD also may consider an exception for a highly-ready project, not previously reviewed, whose sponsor has closed on any and all prior DHCD housing awards.

While the resources are not available for a full funding competition, DHCD has identified certain amounts of federal and state LIHTC and subsidy resources, including ARPA resources, that can be made available competitively before the end of 2022. 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. 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 (2022-2023), as posted to DHCD's website.

II. Project Eligibility Threshold Criteria

At the conclusion of the winter 2022 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's mini competition. 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 2022 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 2022-2023 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 state resources is paramount, the projects must be supported by significant levels of non-state resources, including but not limited to municipal resources. All sponsors applying for mini-round funds are expected to include an ARPA-1 Rental request in their applications.

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 June 22, 2022, 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 16, 2022, and will accept modified OneStop+ funding applications on or before that date from developers whose projects meet the following criteria:

- The projects were approved in the pre-application process.
- The projects fall within the production set-aside in the 2022-2023 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 fully reviewed at least once during a previous DHCD rental funding competition or meet one of the two exception criteria noted on the previous page.
- The projects are highly ready to proceed, as demonstrated by the status of zoning, permitting, and architectural materials (drawings and scopes of work).
- The projects conform to the green, sustainable, and climate resilient standards included in the 2022-2023 QAP. Sponsors should carefully review the Enterprise Green Communities standards included in the 2022-2023 QAP.
- 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.
- The projects are structured to include a request for ARPA-1 Rental funds as part of the funding application.

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. Further, the syndicator/investor must meet the criteria included in the 2022-2023 QAP in the section on “financial feasibility”, where DHCD sets forth its strong opposition to aggregator/liquidator activity involving low-income housing tax credit projects.

In addition to the criteria already listed, projects must meet all thresholds described within the 2022-2023 QAP. All projects are fully subject to the 2022-2023 QAP.

IV. Mini Competition: Affordable Resources

The Department has identified a package of DHCD resources to be made available in the September 2022 mini-competition. DHCD intends to make the following resources available:

- 9% Low Income Housing Tax Credits: approximately \$10 million
- State Low Income Housing Tax Credits: approximately \$8 million
- DHCD Subsidy Funds: approximately \$30 million
- ARPA-1 Rental Funds: approximately \$30 to \$40 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 (Section 8 and MRVP) also will be available during the mini-competition.

V. American Rescue Plan Act (ARPA) Funds

On behalf of the Commonwealth, DHCD will allocate certain federal housing funds made available through the American Rescue Plan Act (ARPA) of 2021 and through additional action by the Massachusetts Legislature and Governor Baker in December 2021. During 2022 and 2023 competitions, DHCD will allocate up to \$115 million in ARPA-1 Rental funds to support the production or preservation of affordable rental housing. All ARPA-1 Rental funds must be obligated, by federal definition, no later than December 31, 2024. In addition, all ARPA-1 Rental funds must be expended, by federal definition, no later than December 31, 2026. Under this NOFA, DHCD will make available approximately \$30 to \$40 million in ARPA-1 Rental funds. Although there are structuring issues between ARPA funds and LIHTC, the Department and other LIHTC allocating agencies have identified several ways in which ARPA funds could be included in LIHTC projects. In addition, legislation before Congress as of March 2022 would resolve the original ARPA statutory issues that create obstacles for ARPA/LIHTC projects. Under this NOFA, DHCD expects all sponsors who seek DHCD subsidy funds to apply for ARPA-1 Rental as well as for other Department subsidy sources. At the close of the mini-round competition, DHCD anticipates making ARPA-1 Rental awards in the form of long-term soft loans, structured to be consistent with the ARPA guidance currently available from the U.S. Department of the Treasury. If, at the close of the competition, DHCD makes an ARPA-1 Rental award that cannot be used by the sponsor, the Department will work with the sponsor to find an alternative source. All sponsors should note, however, that the ultimate decision as to whether ARPA-1 Rental funds can be incorporated into the project will be DHCD's decision.

VI. Mini Competition: Additional Information

DHCD will accept pre-applications on June 22, 2022, from 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 16, 2022. The schedule for pre-application and application fees is set forth in the 2022-2023 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 16, 2022, submission to the Department.

The Department anticipates selecting ten to 15 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 2022 mini-competition will be able to submit OneStop+ applications during the full competition in winter 2023.

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 June 22, 2022, 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 June 22, 2022, 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 2022.
- Sponsors must formally commit to listing any project funded through this initiative on Housing Navigator. Sponsors also must be current with Housing Navigator listings on other projects in their portfolios.
- 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. At the time of full application, sponsor must complete the MWBE forms included in the 2022-2023 QAP. 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.

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.

#