

September 2023 Mini Competition

I. Summary

The need for more affordable rental housing in Massachusetts was significant prior to the beginning of the COVID-19 pandemic. Due in part to zoning constraints, the state has experienced housing production challenges for years. The widespread impact of the pandemic only increased the need for more units to serve low- and moderate-income households. The pandemic also created significant disruptions to the economy in Massachusetts, as well as in most states in the country. Disruptions to the supply chain for housing development materials resulted in even greater production challenges. While the supply chain impact on housing development has lessened, it continues to impact housing projects. Thousands of lower income Massachusetts individuals and households continue to experience challenges in securing affordable rental housing. While considerable amounts of funding are being deployed to help renters, 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). At the conclusion of its winter 2023 funding competition, DHCD determined that several family or senior housing projects that did not receive funding were in many ways highly ready to proceed. The Department believes that the sponsors of these projects can rapidly address their remaining issues and present fundable OneStop+ applications to DHCD's 2023 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. While DHCD will give priority in the mini competition to projects that it previously has reviewed, the Department anticipates allowing a limited number of highly ready projects that have not been reviewed to be included in the September competition. However, as indicated, DHCD will give priority to projects that already have been reviewed.

To help increase the supply of affordable rental housing, DHCD is issuing this Notice of Funding Availability for rental projects not yet funded by the Department that are highly ready to proceed. These projects typically will result in new affordable rental units – especially for families. In addition, the Department fully expects that all projects submitted for consideration under this NOFA will incorporate many features of green, sustainable, and climate resilient design and will help advance to the Commonwealth's climate-related goals.

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 2023. 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 and must conform in every respect to the particular requirements for senior projects included in the current Qualified Allocation Plan, or QAP (2023-2024), as posted to DHCD's website.

II. ARPA Funds and HOME-ARP Funds

As of the date of this NOFA, DHCD has committed all rental housing funds made available through the American Rescue Plan Act (ARPA). Unless a project with an existing ARPA commitment encounters significant challenges and cannot proceed, or the Legislature appropriates additional ARPA funding for affordable housing, it is highly unlikely that DHCD will be able to include ARPA under this NOFA. Sponsors should structure their projects without ARPA funds, although sponsors may indicate to DHCD that they would seek ARPA funds if any become available.

However, DHCD will make federal HOME-ARP funds available under this NOFA. Applications for HOME-ARP must conform to the requirements set forth in DHCD's written HOME-ARP plan, as approved in April 2023 by the U.S. Department of Housing and Urban Development. The HOME-ARP plan is posted to DHCD's website at <https://www.mass.gov/doc/draft-home-arp-written-plan>.

HOME-ARP is a valuable new resource for developers who seek to provide units for certain low- and extremely low-income populations as identified by HUD. DHCD will hold several information sessions on HOME-ARP during May and June 2023. Interested sponsors must review the approved HOME-ARP plan before contacting DHCD staff and including HOME-ARP in their development pro formas.

III. Project Eligibility Threshold Criteria

To be eligible for the 2023 mini-round, projects must represent affordable or affordable/mixed-income housing. Because the need is greatest for new units, the projects typically must meet the definition of production in the 2023-2024 QAP. (Please note: DHCD may consider an exception to the production criterion only in the case of an occupied affordable project at risk of conversion to market rate housing.) Because the need to spread state resources is paramount, all projects submitted under this NOFA must be supported by significant levels of non-state resources, including but not limited to municipal resources and/or private contributions.

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 30, 2023, for projects that meet the additional criteria listed in the next section of this NOFA.

IV. Additional Project Eligibility Criteria

The Department will host a mini competition on September 28, 2023, and will accept modified OneStop+ funding applications on or before that date from developers whose projects meet the following criteria:

- The projects were approved during the pre-application process. (Pre-application deadline: June 30, 2023)

- The projects fall within the production set-aside in the 2023-2024 QAP (only exception noted in preceding section).
- The projects will result in affordable or affordable/mixed-income family or senior rental housing.
- The projects conform to the green, sustainable, and climate resilient standards included in the 2023-2024 QAP. Sponsors should carefully review the standards included in the QAP. Sponsors of new construction projects should assume that DHCD will not accept pre-applications or OneStops for projects that rely on oil or gas-fired heating systems.
- 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.
- The projects are structured to be financially feasible without state ARPA funds. As indicated, DHCD has fully committed all ARPA rental funds as of the date of this NOFA, and well in advance of the federal ARPA obligation deadline in 2024.

Under this NOFA, DHCD will give preference to projects that were fully reviewed at least once during a previous DHCD rental funding competition.

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 2023-2024 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 2023-2024 QAP. All projects are fully subject to the 2023-2024 QAP.

V. Mini Competition: Affordable Resources

The Department has identified a package of DHCD resources to be made available in the September 2023 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 \$15 million
- DHCD subsidy funds: approximately \$50 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. However, in order to determine whether the project can satisfy federal HTF requirements, sponsors intending to seek HTF must contact

DHCD's supportive housing staff in advance of submitting a pre-application for these funds. New construction projects are more likely to meet federal HTF requirements than adaptive re-use or rehabilitation projects.

The Accessibility Affordable Housing Grant (AAHG) program also will be available under this NOFA. AAHG offers recoverable grants to improve or create accessible and affordable rental housing for persons with disabilities. The units funded by AAHG will give a tenant selection priority to voucher recipients under the Alternative Housing Voucher Program (AHVP). AHVP voucher holders are persons under 60 years of age who have a disability.

AAHG units should be one-bedroom Group 2A units, as defined by 521 CMR 5.00, and affordable to households earning less than 80% of area median income.

Requests for AAHG funding may not exceed 50% of the total development cost of the eligible units in a larger multifamily project. Preference will be given for projects that can demonstrate overall building accessibility including visitability.

Please contact Sarah McKeever at CEDAC (smckeever@cedac.org) with any questions.

A limited number of project-based vouchers (Section 8 and MRVP) also will be available during the mini competition.

As noted above, DHCD does not currently anticipate having available ARPA funds to allocate under this NOFA. However, DHCD reserves the right to substitute ARPA for other funding sources in the event that additional ARPA funds become available.

VI. Mini Competition: Additional Information

DHCD will accept pre-applications on June 30, 2023, 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 30, 2023. The schedule for pre-application and application fees is set forth in the 2023-2024 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 28, 2023, 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 2023 mini competition will be able to submit OneStop+ applications during the full funding competition in February 2024.

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 30, 2023, 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 typically must be able to demonstrate that the proposed project has received conditional or full funding commitments from all sources other than DHCD.
- 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 30, 2023, 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 sponsors' architects 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 2023.
- 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 2023-2024 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.

General

DHCD reserves the right to use other available information regarding an applicant's history, experience and past performance as a DHCD grantee or borrower (as applicable) when evaluating applications, including whether the applicant has:

- Met prior work plan objectives in a timely and proper manner in accordance with an approved budget, and otherwise performed effectively;
- Complied with the terms and conditions of previous contracts;
- Conducted due diligence, closed loans and constructed program/projects in accordance with applicable requirements;
- Maintained compliance with applicable programmatic and legal requirements for any required period of affordability, and
- Has a significant balance of unutilized credits.