

TERMS and CONDITIONS
Commonwealth of Massachusetts
Housing Stabilization Fund (HSF) Rental Program

For more information please call the HSF staff at (617) 573-1300.

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| Eligible Borrowers: | For profit developers; non-profit developers; housing authorities; municipalities in cooperation with any of the above. |
| Eligible Activities: | Acquisition, new construction and/or rehabilitation of existing structures for multi-family rental use, including distressed or failed properties. Minimum project size of 5 HSF-assisted units. |
| Maximum Loan Amount: | DHCD will award up to \$1,000,000 per project. In HOME entitlement or HOME consortium communities, the maximum loan is up to \$50,000 per HSF-assisted unit. In non-entitlement or non-consortium communities, the maximum loan is up to \$65,000 per HSF-assisted unit. A list of entitlement and consortium communities is located at the bottom of the next page. |
| Match Requirement: | Projects located in HOME entitlement or HOME consortium communities must include a commitment of local funds. If an application is submitted without a match, it will not be scored. In general, preference will be given to applications with full match commitments. |
| Cost/Fee Limits: | The combined cost of the developer fee, developer overhead and development consultant may not exceed 12.5% of a project's Total Development Cost. Development consultant costs included in developer fee limits consist of all consultants performing developer services, e.g. green consultants, historic consultants, tax credit consultants, relocation consultants, etc. For projects seeking Low-Income Housing Tax Credits (LIHTC) with Housing Stabilization funds, the developer fee, overhead and development consultant costs must be within the allowable LIHTC limits. Please note: applicants who receive HSF funding will be required to provide a full cost certification completed by a Certified Public Accountant at project completion. DHCD will accept a cost compilation prepared by a CPA for projects with fewer than 20 units sponsored by a non-profit. Upon completion of the development, any cost savings from the original budget for the development, including 100% of the unused soft cost contingency, shall be paid pro rata to the MassDocs participating lenders as a prepayment of their respective loan and/or grant. At the option of DHCD, the savings may be held as a capital reserve for the development. |
| Security: | All HSF loans will be secured by a mortgage on the property. HSF funds are often subordinate to other loans; the subordinate position will depend upon the financial structure of the deal. |
| Affordability: | All units receiving HSF assistance must be occupied by households earning no more than 80% of the area median income during the first 40 years. During years 41-50, HSF units may be occupied by households |

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| | <p>earning no more than 100% of the area median income. In addition, HSF has a program wide goal that at least twenty-five (25) percent of households occupying HSF assisted units have incomes at or below 30% of median income. Developers are permitted to charge up to LIHTC rents for HSF units only upon initial rent-up and upon turnover (not upon lease renewal). Please note that units funded with HOME and HSF must comply with HOME rent rules. Please note: If the units receive federal or state project-based or mobile rental subsidies then the maximum rent (i.e. tenant contribution plus the project-based subsidy) is the rent allowable under the project-based or mobile subsidy program.</p> |
| Holdback Feature: | DHCD provides HSF funds through a requisition process and holds back 10% of the HSF award until the project is substantially complete. |
| Term of Loan: | Loans will be for 50 years. During the final year of a loan, the owner may request an extension of up to 50 years in order to maintain the affordability of the housing. Typically, there will be one payment due at maturity, in an amount (subject to adjustment for costs, penalties, and other charges under the terms of the loan documents) representing the entire balance of the loan. However, DHCD reserves the right to require repayment of the HSF loan out of cash flow if DHCD deems there is or may be at some point in the future adequate cash flow to do so. |
| Recourse: | The loans will be non-recourse. |
| Interest Rate: | Generally, DHCD HSF loans are deferred payment loans with zero percent interest rates. DHCD reserves the right to assign a higher rate of interest to any HSF loan. |
| Debt Coverage Ratio: | DHCD expects HSF projects to have minimum debt coverage ratios of approximately 1.15 in year one. |
| Sustainable Development Principles: | Applicants should submit applications for projects that are guided by DHCD's principles to encourage sustainable development. |
| Environmental: | An ASTM Phase One environmental assessment must be completed and submitted for each property within the project, either with the application or as part of the loan closing documentation. Properties also may be subject to additional review. |
| Marketability: | Applicants for HSF funds must include a detailed market study prepared by a qualified professional or other entity acceptable to DHCD, demonstrating marketability for the affordable and market rate units (including comps, demographic data, and property management information). |
| Resident Selection & Affirmative Fair Marketing: | Applications for HSF funds must include a detailed description of the process that will be used to select tenants and also must include a detailed description of affirmative fair housing marketing efforts. Applicants must incorporate DHCD's most current Fair Housing Mission Statement and Principles including changes enacted by HR 3221, into project marketing. |
| Annual Data Collection: | Applicants who receive HSF funding will be required to report household characteristic data for all HSF-assisted units at the time of |

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| | final rent-up and on an annual basis from that point forward. Project owners or their specified designees will be required to report using the web-based data collection system developed by DHCD. |
| Good Standing at DHCD: | Applicants for HSF funds, including all members of their development teams, must be in good standing with DHCD with respect to other DHCD-assisted projects. |
| Application Fees: | The application fee for non-profit developers is \$450 per project; the fee for for-profit developers is \$1,250 per project. |