

Massachusetts Affordable Housing Trust Fund Guidelines

(Effective January 1, 2006 and in Effect Until a Revised Set of Guidelines is Issued)
--Revised March, 2007--

**Issued By the Department of Housing and Community Development
Pursuant to Chapter 121D of the Massachusetts General Laws**

Prospective applicants for funding are urged to contact MassHousing at 617-854-1381 for information about the Affordable Housing Trust Fund's policies and procedures prior to making an application.

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The Massachusetts Affordable Housing Trust Fund (AHTF) was created with the enactment of Section 227 of Chapter 159 of the Acts of 2000, now known as Chapter 121D of the Massachusetts General Laws (the Statute). The AHTF is designed to provide resources to create or preserve affordable housing throughout the state for households whose incomes are not more than 110% of median income, as determined by the U.S. Department of Housing and Urban Development (HUD). The AHTF was funded at \$20,000,000 per year for three years (State Fiscal Years 2001 – 2003) from the state’s General Fund. Funding for FY 2003 was later reduced to \$12.5 million. In June of 2003, the Legislature adopted language in outside Section 631 A of Chapter 26 of the Acts of 2003 to provide for the capitalization of the AHTF via bond authorizations. The budget language authorized bond issues totaling \$70,000,000 to capitalize the fund over a five-year period (FY 2004 – FY 2008). In addition to the purposes set forth in MGL c. 121D, the bond authorization specified that up to 2% of the authorization may be used for DHCD administrative costs directly attributable to the administration of the AHTF. In June of 2004, the Legislature adopted language in outside Section 412 of Chapter 149 of the Acts of 2004 to provide an additional \$2,000,000 in general revenue funds for the AHTF. Those additional funds will be restricted to projects utilizing 9% Low Income Housing Tax Credits. In 2005, an additional \$100 million was re-authorized for the Affordable Housing Trust Fund.

In addition to the AHTF legislated funding, the Affordable Housing Trust Fund is the recipient of funding for and the administrator of the Department of Mental Health Danvers State Hospital Housing Fund to be used to assist in the development of housing for clients of DMH who reside in communities in the DMH North East Area, since patients of the former Danvers State Hospital were predominantly from these communities. For further information about this funding, please see Attachment A—Guidelines for the Use of the Department of Mental Health Danvers State Hospital Housing Fund.

Section 1- Administrative Structure

The Affordable Housing Trust Fund is sited within the state’s Department of Housing and Community Development (DHCD) and will be managed by the Massachusetts Housing Finance Agency (MassHousing) with guidance and assistance from a 15-member Advisory Committee comprised of local officials, housing advocates, lenders and developers.

- Department of Housing and Community Development
DHCD is the state’s primary policy maker for affordable housing strategies and the conduit for public resources. Under the AHTF, DHCD shall provide general oversight of the AHTF, monitor progress, develop policies and guidelines dealing with its operation, coordinate the involvement of the Advisory Committee, consult with MassHousing with respect to the underwriting process, participate with MassHousing on a Selection Committee to determine which projects to fund and secure final approval from the Director of DHCD for projects selected.
- Massachusetts Housing Finance Agency
MassHousing functions as the state’s affordable housing bank. Its role in relation to the AHTF is to provide day-to-day management of the AHTF, underwrite applications for

financing in accordance with the AHTF Guidelines in consultation with DHCD, participate with DHCD on a Selection Committee to determine which projects to fund, oversee the distribution and expenditure of funds for approved projects, invest and administer program funds, and provide regular reports to both DHCD and the Advisory Committee on the utilization of funds and the projects funded. MassHousing will carry out these duties under contract to DHCD.

- The Advisory Committee

The Advisory Committee is established by the Statute and directed to make policy recommendations to DHCD and MassHousing regarding the AHTF's program and funding activities. The committee will be convened by DHCD on a regular basis to discuss these issues and to provide advice and guidance regarding the fund and its operations.

Section 2– Eligible Applicants

The Affordable Housing Trust Fund has been structured to ensure that many different types of organizations are eligible to receive financing. Eligible applicants include governmental subdivisions, community development corporations, local housing authorities, community action agencies, community-based or neighborhood-based non-profit housing organizations, other non-profit organizations, for-profit entities, and private employers.

In order to be considered eligible for financing, applicants must be current on all existing mortgage obligations with the Commonwealth or any subdivision thereof. In addition, borrowers receiving Affordable Housing Trust Fund money must be single purpose entities except for projects sponsored by public housing authorities in which case the sponsoring authority may be the borrower.

Section 3 – Eligible Activities

The purpose of the Affordable Housing Trust Fund is to support the creation or preservation of housing that is affordable to people with incomes that do not exceed 110% of the area median income, as defined by HUD.

AHTF funds will be focused on those activities that create, preserve or acquire housing throughout the state for the benefit of those households. AHTF funds may also be used for permanent or transitional housing for homeless families and individuals, and for the modernization, rehabilitation and repair of public housing.

A housing development to be financed by the AHTF which receives subsidy, financing, tax credits or other assistance under a state or federal housing program, may contain market rate units insofar as permissible under those programs and/or to the extent that they are necessary to support the creation of and/or on-going sustainability for the affordable housing units in the development. However, AHTF funds may not be used to support market rate units.

Section 4 – Types of Assistance

Funds from the Affordable Housing Trust Fund may be used to support the acquisition, development or preservation of affordable housing units. These funds may be used flexibly to ensure the financial feasibility of the projects. A wide range of financial assistance is available from the AHTF. The following list is meant to be illustrative, but not exhaustive, of possible types of assistance provided through the AHTF.

- ❑ Deferred payment loans.
- ❑ Low or no interest amortizing loans.
- ❑ Down payment and closing cost assistance for first-time homebuyers.
- ❑ Credit enhancements and mortgage insurance guarantees.
- ❑ Matching funds for municipalities that sponsor affordable housing projects.
- ❑ Matching funds for employer-based housing.
- ❑ At this time, there is a limited amount of general revenue funding available to the AHTF. Applicants should assume that AHTF funds awarded will be bond funds. Therefore, the Trust Fund amount must be deducted from basis on tax credit deals. For further information regarding this requirement, please contact your attorney and/or financial consultant.
- ❑ Predevelopment funding from the Community Economic Development Assistance Corporation (CEDAC)—Pursuant to the AHTF statute, CEDAC administers assistance from the AHTF to be used to provide predevelopment financial assistance to non-profit organizations for projects that meet the thresholds/preferences outlined in these Guidelines. In accordance with the Statute, CEDAC will provide this assistance under the terms of a contract entered into with MassHousing. A total allocation of \$2.5 million is available for this purpose. Recipients of these funds from CEDAC need not be an AHTF borrower. In addition to the AHTF predevelopment funds, CEDAC provides a variety of planning and development assistance to support the activities of nonprofit organizations throughout the state that are related to the development, operation and preservation of affordable housing. Applicants should contact CEDAC directly for assistance. The CEDAC telephone number is 617-727-5944.
- ❑ Section 8 Project Based Vouchers—DHCD will make available up to 100 Section 8 project-based vouchers (PBV) from its own portfolio, subject to available funding from HUD, to be used in conjunction with projects that create new units for families funded by the Affordable Housing Trust.
- ❑ On October 13, 2005, HUD promulgated the final PBV rule at 24 CFR Part 983. The rule requires substantial modification to the program's policies and procedures. The Section 8 PBV Administrative Plan and the PHA Plan consistent with the HUD requirements are

posted on DHCD's website at www.Mass.Gov/DHCD/. Click on Divisions, Housing and Rental Assistance, and Bureau of Federal Rental Assistance. Interested sponsors should call Mary-Anne Morrison at DHCD at 617/573-1208 for further information.

Section 5 – Funding Thresholds/Preferences

The AHTF is an essential resource for addressing the need for affordable housing. In selecting projects for funding, preference will be given to those projects that will create new housing units and that do so in a manner consistent with the Commonwealth's Principles for Sustainable Development (see Attachment A). In order to ensure that these limited resources are utilized in the most effective manner possible consistent with these principles, funding thresholds and preferences have been established to guide the decision-making process.

THRESHOLDS

The following threshold criteria must be met by all projects to be considered for AHTF financing.

- Consistency with Sustainable Development Principles:
Developments for which applications are submitted to the AHTF after January 1, 2006 must be consistent with the Guidelines for Project Consistency with the Commonwealth's Sustainable Development Principles (see Attachment B)
- Term of Affordability:
The minimum term of affordability for projects receiving AHTF funding is 30 years.
- Targeted Affordability:
All AHTF units in the project must be affordable to households at or below 110% of Area Median Income.
- Financial Feasibility:
Each project submitted for consideration for funding by the AHTF shall be evaluated with respect to financial feasibility. Projects with a gap in the funding will not be selected for an award.
- Readiness to Proceed:
Each project submitted for consideration for funding by the AHTF shall be evaluated with respect to its "readiness to proceed" based on the status of site control, zoning, financing commitments, status of construction drawings, selection of the general contractor, permitting and other commonly used indicators. Funding preference shall be given to those projects that are most likely to be able to commence development in a timely manner upon approval of funding.

PREFERENCES

- Developments that produce “new” affordable housing units. For the purposes of these Guidelines, “new” affordable housing units shall include housing units constructed where none had existed previously, abandoned or fire-damaged residential units to be returned to residential use, and non-residential or non-residentially-zoned property converted to residential use.
- Developments that provide new affordability. For the purpose of these Guidelines, “new affordability” refers to existing housing where a new level of affordability is provided that does not currently exist. This could occur in rental or ownership housing where the number of affordable units is increased; where a portion of existing units will be made affordable to households at income levels substantially lower than the units currently served; or where the term of affordability on the units will be extended for a period beyond thirty (30) years.
- Developments that create units affordable to households with a range of incomes, with a special emphasis on units for households with incomes below 80% of the Area Median Income.
- Developments that include affordable units for families.
- Developments that include affordable units for the disabled and the homeless. There will be an annual funding reservation of up to \$3,000,000 which may be used to fund projects for the homeless or for individuals and families with incomes between 0% and 30% of Area Median Income as defined by HUD. These funds also may be used to support the creation of Single Person Occupancy residences. Several exceptions to the general funding guidelines may apply to these projects:
 1. In addition to the production of new units, these specifically allocated funds may be used for acquisition and rehabilitation of existing units.
 2. The \$50,000 per unit limit may be exceeded for these projects.
- Projects that propose the longest term of affordability.
- Projects that are sponsored by non-profit organizations.
- Projects that use private funding sources and non-state funding sources to leverage the least amount of AHTF funds.
- AHTF will make every effort to be responsive to the level of demand being generated by eligible applicants and to ensure a broad geographic spread of resources throughout the state.

Section 6– Allocation of Funds and Timetable

AHTF funds will be allocated in a manner consistent with the threshold and preference criteria above. In addition, up to \$3 million will be made available for discretionary funds. These funds may be allocated from the AHTF to finance worthwhile projects that do not fit the funding preferences noted in Section 5 of these Guidelines, or that reflect a particularly innovative approach to providing affordable housing.

Section 7 – Maximum Award Amount

Many worthwhile affordable housing projects have significant funding gaps. Because of the limitation on funds available to the Affordable Housing Trust Fund and a desire to fund as many projects throughout the state as possible, a limit of the lesser of \$1,000,000 per project or \$50,000 per assisted unit has been established for allocation of AHTF funding. A limit of \$2,000,000 of AHTF funding per project has been established for projects funded with discretionary funds. The level and type of assistance provided by the AHTF to a specific project must be the minimum amount necessary to achieve the desired degree of affordability.

Section 8 – Application Procedures

The Affordable Housing Trust will work with MassHousing, DHCD, MHP and CEDAC--the four major affordable housing agencies in the state (the “Affordable Housing Agencies”)--to provide an optimal allocation of public funds to worthy affordable housing projects.

Projects that are seeking only Affordable Housing Trust Fund funding may apply directly to the AHTF at the address below at any time. Projects that are seeking a combination of DHCD, MHP and/or MassHousing funding or financing should submit an application to the Affordable Housing Agency in accordance with the respective deadlines, as applicable. The Affordable Housing Agency will underwrite the project, confirm that the project is financially feasible, make a determination of whether the project is ready to proceed, confirm that the project has a financing gap that requires AHFT funding and then refer the application to the AHTF, c/o MassHousing.

AHTF funds may be substituted for funding by an Affordable Housing Agency funding at the discretion of the Affordable Housing Agency and the AHTF.

In order to streamline the application process, the following procedures shall be observed:

- 1. APPLICATIONS FOR TRUST FUNDING ONLY:**

Applicants who wish to be considered **solely** for funding by the AHTF may apply directly to the AHTF at the address below.

Completed One Stop Applications for proposals that are requesting consideration **only** by the Affordable Housing Trust Fund may be submitted at any time during the year to AHTF, c/o MassHousing for consideration by the AHTF based on the criteria

contained in these Guidelines. Completed applications should be submitted to the AHTF at:

The Affordable Housing Trust Fund
c/o MassHousing
One Beacon Street
Boston, MA 02108

2. APPLICATIONS FOR CONSIDERATION FOR AGENCY AND AHTF FUNDING:

Applicants who wish to be considered by **both** one of the Affordable Housing Agencies and the AHTF shall submit an application **only** to the appropriate Affordable Housing Agency. **These applicants may not submit an application to the AHTF.**

Completed One Stop Applications for proposals that are requesting consideration by **both** an Affordable Housing Agency and the AHTF should be submitted directly to the Affordable Housing Agency and will be accepted for consideration and underwritten based on the criteria contained in the policies and procedures of the Affordable Housing Agency. The application may then be referred to the AHTF for consideration as described in Section 9 of these Guidelines in which case the applicant shall submit a copy of the completed One Stop Application to the AHTF.

Projects for which applications have been submitted for funding consideration to any of the Affordable Housing Agencies and are currently under consideration may be referred by the Affordable Housing Agency to the AHTF for consideration.

After submission of an application for consideration, an Affordable Housing Agency may make one of the following determinations:

- The Affordable Housing Agency may **commit to fund** the project in whole or in part.
- The Affordable Housing Agency may **commit to fund** the project **in whole or in part and refer** the application to the AHTF for consideration of funding the balance or for a specifically requested amount.
- The Affordable Housing Agency may **refer** the application to the AHTF for consideration of funding the entire amount **or**
- The Affordable Housing Agency may **decline either to fund or to refer** the project. The Affordable Housing Agency will inform the applicant as to the basis for its decision. In this event the applicant may modify its application as appropriate and apply directly to the AHTF.

Applicants can obtain a “One-Stop” application by contacting the Massachusetts Housing Investment Corporation (MHIC) at 617-850-1000 or going to the following website: <http://www.onestopapp.com>.

Section 9--Review by MassHousing

MassHousing will review and/or underwrite applications which have been submitted either directly to the AHTF by the applicant or referred by an Affordable Housing Agency according to these Guidelines. Upon submission of an application for possible funding by the AHTF, MassHousing will typically complete its review and underwriting within 45 days. Upon referral of an application from an Affordable Housing Agency that includes a complete underwriting file, every effort will be made by MassHousing to complete its review within 20 days of receipt.

Principles of sound underwriting and risk management will be applied when underwriting all proposals. Underwriting of AHTF applications will entail the following:

- ❑ Analysis of the proposed development's consistency with AHTF Guidelines.
- ❑ Review of underlying assumptions with regard to construction costs, revenues, operating expenses, and financing.
- ❑ Proposals will be underwritten and awards of AHTF funds will be structured to ensure that these funds will be repaid to the AHTF, whenever possible.
- ❑ The level and type of assistance provided by the AHTF to a specific project must be the minimum amount necessary to achieve the desired degree of affordability.
- ❑ Income targeting presented in the application will be applied in underwriting.

Section 10—Approval Process

- ***Recommendation by Selection Committee:***
The results and recommendations of the underwriting and review of all applications by MassHousing shall be submitted to a Selection Committee comprised of representatives of MassHousing and DHCD. The Selection Committee shall consider MassHousing's recommendations and determine which projects the Selection Committee will recommend for funding approval. In making its determinations, the Selection Committee shall consider the geographic distribution of projects within the state.
- ***Recommendation by Commonwealth Capital Investment Committee:***
The recommendations of the Selection Committee will be forwarded to the Commonwealth Capital Investment Committee. The Commonwealth Capital Investment Committee will review the recommendations in the context of other pending requests for capital funding in the same community, the community development impacts of the recommended award, and the need to facilitate inter-program coordination.
- ***Recommendation by the Commonwealth Development Cabinet***
The recommendations of the Commonwealth Capital Investment Committee will be presented to the Commonwealth Development Cabinet for approval.

- ***Approval by Director of DHCD:***

The Director of DHCD issues the award letters for projects selected for funding by the AHTF. The award letter includes conditions that must be met by the borrower prior to closing on the AHT funding.

Section 11—Affordability Restrictions

Affordability restrictions will apply to all AHTF funded projects. The AHTF will require the longer of the 30-year term of affordability required by AHTF or the affordability period pledged in the application.

Section 12– Preservation of Federally Assisted Rental Housing

In accordance with the Statute, projects for the preservation of existing federally-assisted rental housing that have expiring affordable use restrictions are eligible to receive financing. Applications proposing the preservation of federally-assisted rental housing at risk of loss due to mortgage pre-payment or non-renewal of rental assistance contracts, as set forth in Section 3 of the Statute, shall be evaluated according to the following criteria:

1. Immediacy of the risk of loss of long-term affordability taking into account any and all use restrictions;
2. Presence of economic risk, as measured by indicators including but not limited to market demand, building condition, and level of equity;
3. Availability of other preservation funding resources; and
4. Impact on existing tenants.

Section 13 – Waivers

In connection with the approval of selections for funding by the AHTF, the Director of the Department of Housing and Community Development may waive any provision of these Guidelines not required by the Statute as follows:

- the project presents compelling or novel opportunities to alleviate the affordable housing crisis; and
- the grant of a waiver will produce a public benefit not otherwise available.

**Guidelines for the Use of the Department of Mental Health
Danvers State Hospital Housing Fund (DHF)**

1. Introduction and Program Summary: The Department of Mental Health Danvers State Hospital Housing Fund (DHF) was created from a portion of the proceeds the Commonwealth of Massachusetts received for the sale of the former Danvers State Hospital in December, 2005. Pursuant to Chapter 180 of the Acts of 1997 (Chapter 180), a Land Disposition Agreement dated April 7, 2003, between the AvalonBay Communities, Inc., the developer of Danvers State Hospital (the Developer), and the Division of Capital Asset Management and Maintenance and a Cooperation Agreement dated December 13, 2005 between the Department of Mental Health (DMH) and the Developer, the Developer upon delivery of the deed for the former Danvers State Hospital paid three million and one hundred fifty thousand dollars (\$3,150,000) to the Massachusetts Affordable Housing Trust Fund for the creation of housing for clients of DMH. The DHF is to be used to assist in the development of housing for clients of DMH who reside in communities in the DMH North East Area, since patients of the former Danvers State Hospital were predominantly from these communities. Unless otherwise stated below, all provisions of the Massachusetts Affordable Housing Trust Fund Guidelines shall apply to projects receiving Danvers State Hospital Housing Fund monies.

Housing for DMH clients has been made a requirement of the sales of former state mental health facilities, such as Danvers State Hospital, in recognition of the substantial need of DMH clients for housing and the need of the state to provide non-institutionalized settings. In addition, dedication of housing in the communities formerly served by these facilities acknowledges the great affinity that former patients and family members have for these communities.

The goal of the DHF is to develop *permanent* housing for DMH clients both independently of and in conjunction with existing public financing programs, e.g. McKinney Funds, the Affordable Housing Trust Fund, the Facilities Consolidation Fund, etc. Where appropriate, the DHF will be used to supplement the financing provided by these programs but it is not to replace such funds. Funds will be used to create housing that is affordable to DMH clients in a suitable location with access to transportation and services. Currently DMH favors the development of rental properties, but this is subject to change.

2. Area to be served: The DMH North East Area serves the following communities:

Amesbury	Groveland	Methuen	Saugus
Andover	Hamilton	Middleton	Stoneham
Beverly	Haverhill	Nahant	Swampscott
Billerica	Ipswich	North Andover	Tewksbury
Boxford	Lawrence	North Reading	Topsfield
Byfield	Lowell	Newbury	Tyngsborough
Chelmsford	Lynn	Newburyport	Wakefield
Danvers	Lynnfield	North Andover	Westford
Dracut	Malden	Peabody	West Newbury

Dunstable	Manchester	Reading	Wenham
Essex	Marblehead	Rockport	
Everett	Medford	Rowley	
Georgetown	Melrose	Salem	
Gloucester	Merrimac	Salisbury	

Currently the entire North East Area has a housing shortage and thus DMH would be amenable to developments anywhere in the North East Area. However, as most clients do not have cars, DMH would prefer to support developments in communities with good public transportation systems and/or that are near the following DMH service centers: Wakefield, Newburyport, Beverly, Salem, Danvers, Peabody, Malden, Medford, Haverhill, Lowell, Lawrence and Lynn. Note: Some DMH services are provided by vendors at clients' homes; other services require that clients travel to programs.

3. Types of Units/Proximity to Each Other: The DHF should be used to create a broad range of housing. However, as most DMH clients are single individuals, one and two- bedroom units are preferred. Studios and three-bedroom units will also be considered. There is a need for some housing units that are handicapped accessible, but this need varies with time. DMH is not seeking group homes. Additionally, since DMH seeks to integrate its clients into the community, it would prefer proposals that scatter DMH units throughout a development rather than cluster them together in one area. While not the norm, DMH would consider locating a few units together where it would be appropriate to better accommodate the provision of services to residents. Although some turnover in tenancy is to be expected, DMH's primary goal is to develop long term/permanent housing for its clients. This means that DMH clients are given the rights and responsibilities of tenancy, that they are treated the same as other tenants (same type of leases, occupancy agreements, etc.), and that their tenancy is not tied to their receipt of DMH services. DMH, however, will commit to providing the appropriate level of support needed by DMH clients to maintain their tenancy. Notwithstanding the foregoing, DMH reserves the right to require that leases be held by a DMH vendor.

4. Minimum/Maximum Number of DMH Units per Development: DMH is interested in integrated housing and creating "normalized" residential settings. Consistent with the Facilities Consolidation Fund and its goal to integrate clients into the community, the number of DMH units per development should be limited to not more than 33% of the total units. However, if waiving this limit would cause DMH to recognize more housing for DMH clients at a substantial savings, DMH would consider waiving the limit. Additionally, DMH would consider waiving this cap if in a particular situation it is determined that additional housing is clinically appropriate.

5. Maximum Number of DMH Dollars per Unit and/or Maximum Number of Dollars per Project: Unless otherwise approved by DMH, the amount of Danvers State Hospital Housing Fund will be limited to up to 50% of the total development costs. The level of assistance provided to a specific project must be the minimum amount necessary to achieve the desired number of DMH units.

- 6. Capital Subsidy/Rental Subsidy:** All the housing units developed by the DHF must be affordable to DMH clients. The DHF will provide a capital subsidy to the DMH units. DMH clients' income is very low, typically approximately 15% of the area median income (AMI) for the Greater Boston Area. In an effort to ensure affordability, DMH would prefer to fund units that have project based Section 8 rental subsidies but is willing to consider other financially structured developments that would make the DMH units available at affordable levels.
- 7. Eligible Applicants:** Eligible applicants include government subdivisions, community development corporations, local housing authorities, community action agencies, community-based or neighborhood-based non-profit housing organizations, other non-profit organizations, for-profit entities, and private employers. In order to be considered eligible for financing, applicants must be current on all existing mortgage obligations with the Commonwealth or any subdivision thereof. In addition, all borrowers receiving the DHF money must be single purpose entities.
- 8. Application Process:** Developers must submit a preliminary application to the DMH North East Area Director with a copy to the AHTF Manager. The preliminary application should contain basic information on the proposed project's location, type of development, and financing. The DMH Area Director and the Deputy Commissioner of Program Operations will assess the project in light of the North East Area's overall housing needs, available services, cost effectiveness of the project, the project's proximity to DMH services, the number of bedrooms in the proposed units, the proportion of DMH units in the overall project, and the specific needs of prospective DMH residents in the project to determine if the project is appropriate. If the project is accepted by DMH, DMH will issue a DMH Certification letter for the project that will then be submitted with the application that is forwarded to the AHTF program.

**Guidelines for Project Consistency with the
Commonwealth's Sustainable Development Principles
(Effective January 1, 2006)**

In creating the Office for Commonwealth Development, Governor Romney established a framework to insure a strong economic future for the state and a high quality of life for its residents by undertaking a comprehensive approach to housing and community investment in a way that respects landscape and natural resources. The administration believes that sustainable development can and should take place in all communities. To be successful, our investments must bring the housing market into equilibrium and enable the state to attract new businesses while making strategic land use choices. In order to achieve our housing and community development goals, we rely on our strategic partners to develop projects that enable us to optimize our limited natural and financial resources. The administration created 10 Principles of Sustainable Development as a way to articulate and describe this vision to our strategic partners and to guide our investment decisions.

Accordingly, projects proposed by sponsors seeking funding from DHCD's housing and community development programs¹, financing from MassHousing, MHP, MassDevelopment or CEDAC or seeking a c. 40B determination of project eligibility from a subsidizing agency must be consistent with the Principles of Sustainable Development in the manner described below. New development will ideally utilize existing infrastructure and be located near transit, in or around downtowns, village centers, areas of concentrated development or destinations of frequent use. If the project is not in one of these preferred locations, it must offer some other features, such as land protection, enhanced energy efficiency, context sensitive site design and/or be consistent with a regional strategy, that taken together, increases the sustainability of the development. Each proposal will be evaluated for competitiveness in the context of site design and appropriateness of location.

Funding agencies and the issuers of determinations of project eligibility will use the following methodology in order to determine whether a proposed project is consistent with the Principles². A housing or community development project must follow either Method 1 or Method 2:

Method 1:

Be consistent with **Redevelop First**. *Support the revitalization of town centers and neighborhoods. Encourage reuse and rehabilitation of existing infrastructure rather than the construction of new infrastructure in undeveloped areas. Give preference to redevelopment of brownfields, preservation and reuse of historic structures and rehabilitation of existing housing and schools.*

In order to demonstrate consistency with this principle, a project must:

Involve the rehabilitation or redevelopment of or improvements to vacant or occupied existing structures or infrastructure; or

If new construction, contribute to the revitalization of a town center or neighborhood and/or be walkable to transit; the downtown; a village center; a school; a library; a retail, services or employment center; or be located in a municipally-approved growth center.

Method 2:

Be consistent with at least five (5) of the following Sustainable Development Principles, of which one must be either **Concentrate Development** or **Restore and Enhance the Environment**.

For housing projects that are sited on municipally owned or municipally provided land, involve municipal funding, or are supported by the municipality as evidenced by a letter from the chief elected

¹ Affordable Housing Trust Fund, HOME, Housing Stabilization Fund, Federal and State Low Income Housing Tax Credits, Commercial Area Transit Node Program, CDBG and CDAG

² CDAG is using a modified version of the methodology, which is attached in Addendum A.

official at the point of Determination of Site Eligibility or application for funding, only four (4) of the Principles must be met, of which one must be **Concentrate Development** or **Restore and Enhance the Environment**.

Each Principle is listed below with examples of ways projects may demonstrate consistency. Projects need to satisfy only one of the examples, not all those listed; other ways to satisfy the Principles will also be considered.

Concentrate Development: *Support development that is compact, conserves land, integrates uses, and fosters a sense of place. Create walkable districts mixing commercial, civic, cultural, educational and recreational activities with open space and housing for diverse communities.*

Examples of ways to demonstrate consistency:

- The project is at a higher density than the surrounding area.
- The project mixes uses or adds new uses to an existing neighborhood.
- The project produces multi-family housing.
- The project utilizes existing water and/or sewer infrastructure.
- The project is compact and/or clustered so as to preserve undeveloped land.

Restore and Enhance the Environment: *Expand land and water conservation. Protect and restore environmentally sensitive lands, natural resources, wildlife habitats, and cultural and historic landscapes. Increase the quantity, quality and accessibility of open space. Preserve critical habitat and bio-diversity. Promote developments that respect and enhance the state's natural resources.*

Examples of ways to demonstrate consistency:

- The project involves the creation or preservation of open space or passive recreational facilities.
- The project protects sensitive land, including prime agricultural land, and/or resources from development.
- The project involves environmental remediation or clean up.
- The project is part of the response to a state or federal mandate (e.g., clean drinking water, drainage).
- The project eliminates/reduces neighborhood blight.
- The project addresses a public health and safety risk.
- The project significantly enhances an existing community or neighborhood by restoring an historic landscape.

Be Fair: *Promote equitable sharing of the benefits and burdens of development. Provide technical and strategic support for inclusive community planning to ensure social, economic, and environmental justice. Make regulatory and permitting processes for development clear, transparent, cost-effective, and oriented to encourage smart growth and regional equity.*

Examples of ways to demonstrate consistency:

- The project involves a concerted public participation effort (beyond the minimally required public hearing), including the involvement of community members, residents of the development and/or key stakeholders in the planning and design of the project.
- The project involves a streamlined permitting process, such as 40B or 40R
- The project conforms to Universal Design standards and/or incorporates features that allow for "visitability".
- The project creates affordable housing in a neighborhood or community whose residents are predominantly middle to upper income and/or meets a regional need.
- The project targets a high-poverty area and makes available affordable homeownership and rental opportunities.
- The project promotes diversity and social equity and improves the neighborhood.
- The project involves environmental clean up and/or neighborhood improvement in an Environmental Justice Community as defined by EOEA.

Conserve Resources: *Increase our supply of renewable energy and reduce waste of water, energy and materials. Lead by example and support conservation strategies, clean power and innovative industries. Construct and promote buildings and infrastructure that use land, energy, water and materials efficiently.*

Examples of ways to demonstrate consistency:

- The project complies with EPA's Energy Star guidelines or with a similar system.
- The project uses a renewable energy source, recycled and/or non-/low-toxic materials, exceeds the state energy code, is configured to optimize solar access, and/or otherwise results in waste reduction and conservation of resources.
- The project uses alternative technologies for water and/or wastewater treatment that result in land or water conservation.
- The project uses low impact development (LID) or other innovative techniques for stormwater management that result in land or water conservation.

Expand Housing Opportunities: *Support the construction and rehabilitation of housing to meet the needs of people of all abilities, income levels and household types. Coordinate the provision of housing with the location of jobs, transit and services. Foster the development of housing, particularly multifamily, that is compatible with a community's character and vision.*

Examples of ways to demonstrate consistency:

- The project increases the number of rental units available to residents of the Commonwealth, including low- or moderate-income households.
- The project increases the number of homeownership units available to residents of the Commonwealth, including low- or moderate-income households.
- The project increases the number of housing options for special needs and disabled populations.
- The project expands the term of affordability

Provide Transportation Choice: *Increase access to transportation options, in all communities, including land and water based public transit, bicycling, and walking. Invest strategically in transportation infrastructure to encourage smart growth. Locate new development where a variety of transportation modes can be made available.*

Examples of ways to demonstrate consistency:

- The project is walkable to public transportation.
- The project reduces dependence on private automobiles (e.g., provides previously unavailable shared transportation (such as Zip Car or shuttle buses).
- The project reduces dependence on automobiles by providing increased pedestrian and bicycle access.
- For rural areas, the project is located in close proximity (i.e., approximately 1 mile) to a transportation corridor that provides access to employment centers, retail/commercial centers, civic or cultural destinations.

Increase Job Opportunities: *Attract businesses to locations near housing, infrastructure, water, and transportation options. Expand access to educational and entrepreneurial opportunities. Support the growth of new and existing local businesses.*

Examples of ways to demonstrate consistency:

- The project creates or retains permanent jobs.
- The project creates or retains permanent jobs for low- or moderate-income persons.
- The project locates jobs near housing, service or transit.
- The project creates housing near an employment center

Foster Sustainable Businesses: *Strengthen sustainable natural resource-based businesses, including agriculture, forestry and fisheries. Strengthen sustainable businesses. Support economic development in industry clusters consistent with regional and local character. Maintain reliable and affordable energy sources and reduce dependence on imported fossil fuels.*

Examples of ways to demonstrate consistency:

- The project supports natural resource-based businesses, such as farming, forestry, or aquaculture.
- The project reuses or recycles materials from a local or regional industry's waste stream.
- The project involves the manufacture of resource-efficient materials, such as recycled or low-toxicity materials.
- The project supports businesses which utilize locally produced resources such as locally harvested wood or agricultural products.

Plan Regionally: *Support the development and implementation of local and regional 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 larger commonwealth.*

Examples of ways to demonstrate consistency:

- The project is consistent with a municipally supported regional plan that identifies sub region, area or location, and the number and type of housing units or jobs needed.
- The project addresses at least one of the barriers identified in a regional Analysis of Impediments to Fair Housing.
- The project has a *measurable* public benefit beyond the applicant community.

NOTES:

Projects that entirely serve to eliminate a public health or safety risk (e.g., demolition of a blighted structure) are exempt from the Sustainable Development threshold. In addition, CDBG-funded Public Social Service and non-development Microenterprise Assistance Projects are also exempt.

Projects seeking funding from the state's housing and community development programs remain subject to the specific programmatic requirements. Similarly, projects proposed under c. 40B are governed by MGL c. 40B Sections 20-23, and 760 CMR 30.00 and 31.00 as well as all Fair Housing Laws. Projects should also demonstrate consistency with the Commonwealth's Fair Housing Principles, attached at the end of this document.

Sustainable Development Features

Although not threshold criteria, the following are examples of sustainable development features that could serve to improve a project:

- Parking located where it does not visually dominate the development from the street and allows easy and safe pedestrian access to buildings.
- The project contributes to the public streetscape with pedestrian-friendly amenities such as benches, lighting, street trees, trash cans, and windows at street level.
- The project creates or enhances community spaces such as public plazas, squares, parks, etc.
- The project proponent strives to use mechanisms that will permanently protect open space.
- Overall building size kept to a minimum while still meeting occupants' needs. (e.g., 1600 SF plus 200 SF per bedroom)
- The project expands the local tax base.

Massachusetts Fair Housing Mission Statement and Principles

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 to 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 our objective to ensure that new and ongoing programs and policies affirmatively advance fair housing, promote equity, and maximize choice. In order to achieve our objective, we shall be guided by the following principles:

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.

Addendum A:
SMART GROWTH CRITERIA
For COMMUNITY DEVELOPMENT ACTION GRANT (CDAG)

All proposed projects, except for business/industrial park projects located outside of the downtown or town/city center, must conform to Section 2A below. If the proposed project is not a business/industrial park but is located outside of the downtown or town/city center, it must conform to Section 2A and 2B. If the proposed project is a business/industrial park located outside of the downtown or town/city center, it must conform to Section 2C.

2A. Guidelines for Project Consistency with Sustainable Development Principles

Same as on pages 1-3.

2B. Proposed Projects Located Outside of Downtown or Town/City Centers

If the proposed CDAG project is not consistent with the Sustainable Development Principle of Redevelop First AND is also located outside of the downtown or town/city center, the following additional information must be provided in the Application under Section 2:

- Discussion of why the proposed project cannot be implemented in the downtown or town/city center.
- Discussion of what the applicant community is doing to support or enhance its downtown or town/city center and/or how the project will support or enhance the downtown or town/city center –i.e., specific activities/strategies – both current and future – that the community is undertaking to promote private investment and revitalize its downtown or town/city center.

2C. Proposed Business/Industrial Park Projects Located Outside of Downtown or Town/City Centers

If the proposed CDAG project is a business/industrial park located outside of the downtown or town/city center and is not consistent with the Sustainable Development Principle of Redevelop First, DHCD will consider whether the project is consistent with Sustainable Development Principles based on the following information that must be provided in the Application under Section 2:

- Discussion of why the proposed project cannot be implemented in the downtown or town/city center.
- Discussion of what the applicant community is doing to support or enhance its downtown or town/city center and/or how the project will support or enhance the downtown or town/city center -- i.e., specific activities/strategies – both current and future – that the community is undertaking to promote private investment and revitalize its downtown or town/city center.
- Demonstration of project consistency with the following three (3) Sustainable Development Thresholds:
 - Conserve Resources
 - Plan Regionally
 - Increase Job Opportunities