

TO: All Interested Parties
FROM: Aaron Gornstein, Undersecretary; Department of Housing and Community Development
RE: Fall Rental Round: Priority Funding Categories and Pre-Application Process
DATE: June 19, 2012

In the past few years, the demand for DHCD rental resources has been unprecedented, and many sponsors of strong projects have had to apply multiple times before securing resources. In an ongoing effort to address this issue, while selecting the strongest projects, DHCD has taken the following actions:

- 1) We have established four priority categories for project applications to the fall 2012 funding round. Each project submitted to the round – which will begin on October 12 – is expected to fit within at least one category in order to be eligible for consideration. New applications must fit within a category; repeat applications are expected to fit within a category. The priority categories are described in the attachments.
- 2) We have developed a pre-application form which all sponsors of rental projects must submit by August 1, 2012. The form is included in the attachments. DHCD will amend the 2012 tax credit Qualified Allocation Plan and other program guidelines, as necessary, to incorporate the pre-application form and process. The pre-application form will help DHCD staff determine whether a project is eligible for consideration in the October 12 competition. In recent competitions, some sponsors have submitted applications for projects that are far from ready to proceed. As an example, some applications have represented projects with significant issues, such as multi-million dollar funding gaps, high costs, unresolved zoning, permitting, or historic issues, missing historic approvals. In the past, DHCD has reviewed applications despite such issues. However, through the pre-application process, DHCD will determine in advance whether a project is ready for evaluation in the October competition. Through this process, DHCD also will determine whether a project fits within one of the priority categories. We will notify developers in writing during August 2012 whether they may submit a full One-Stop to the October competition.

Many members of the affordable housing community have participated in discussions with DHCD and have offered suggestions on priority funding categories, the pre-application form, and the pre-application process. The comments have been welcome and helpful, and we have incorporated numerous suggestions into the priority categories and the pre-application form, as attached.

Please note that DHCD has scheduled a question-and-answer session on the priority categories and the pre-application process. If you would like to attend the session on July 9, at 1:30 p.m., 100 Cambridge St., 2nd floor, Boston, please notify Matt Seadale at matthew.seadale@massmail.state.ma.us. Because space is limited, we ask that each organization send no more than two representatives to the session.

If you have any questions on the categories, the pre-application form, or the pre-application process, please contact Kate Racer or Jo Ann McGuirk in the Division of Housing Development. Kate and Jo Ann will work directly with me as we determine which rental projects fit within a priority funding category and which projects are sufficiently ready for evaluation in the October competition.

Thank you for your ongoing efforts to develop affordable rental housing in the Commonwealth.

attachments

FALL 2012 RENTAL ROUND PRE-APPLICATION TO DHCD

Project Name: _____

Project Location: _____

Project Type (family, elderly 62+, special needs): _____

Project Sponsor: _____

Other Key Members of Team:

Architect: _____

Possible Contractors: _____
(no more than three)

Management Agent: _____

Consultant: _____

Entity preparing cost estimates: _____

Provide a short narrative describing your strategy for securing M/WBE participation and for ensuring equal opportunity for women and minorities to participate as labor in your project:

Conformance with DHCD Priority Categories (see attached):

Provide short narrative response:

Unit Mix

AMI	30% or below	50% or below	60% or below	80% or below	Market	Total Units
SRO						
Studio						

1 Bdrm						
2 Bdrm						
3 Bdrm						
Total AMI						

Total Development Cost (TDC): _____

TDC Per Unit: _____

Operating Costs Per Unit: _____

Debt Service Coverage

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15

Cash Flow per Unit

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15

Anticipated Funding Requests of DHCD:
 (Please note QAP limits on 9% and State funding requests)

4% Credit	9% Credit	9% Credit per Tax Credit Unit	State Credit*	State Credit per Unit	Total DHCD Subsidies	DHCD Subsidy per Unit

DHCD Subsidy Request – Check all that apply

AHTF CATNHP CIPF CBH FCF - DDS FCF - DMH HIF HOME HSF

Amount of matching funds to be provided by town/city: _____

Are the matching funds committed? _____
 (match typically is a mandatory requirement)

*During the Fall 2012 funding competition, a sponsor may submit only one application for state credits.

What form of site control exists and when does it expire? _____

Status of Zoning:

Chapter 40B Projects:

Provide exact status of Chapter 40B process, including site approval letter issuance, zoning board approval, status of any zoning appeals, etc.

City of Boston Projects:

Is the project subject to Article 80 large/small project review? Yes _____ No _____

If so, has the project been approved?

Yes _____ No _____

If not, provide exact description of status of Article 80 approval process: _____

If the project is not subject to Article 80 review, please describe the status of zoning approvals:

All other projects:

Is the project zoned? Yes _____ No _____

If not, provide exact description and status of all necessary approvals. _____

Status of environmental review:

Has an ASTM Phase 1 been completed? Yes _____ No _____

If yes, describe additional actions required, if any.

Historic Approvals:

Does the project have MHC sign-off? Yes _____ No _____

Does the project require historic tax credit equity? Yes _____ No _____

If yes:

State Historic Equity Amount in Budget	State Historic Credit Award Amount Planned	Federal Historic Equity Amount in Budget	Federal Historic Credit Award Amount Planned
\$	\$	\$	\$

State Historic:

Total award amount for which the project is eligible: _____

Total award amount for which the project has received awards: _____

(Please attach state historic credit approval letters.)

Federal Historic

Part 1 Approval Received? Yes _____ No _____

Part 2 Approval Received? Yes _____ No _____

(Please attach Part 1 and 2 approvals.)

If Part 1 and/or Part 2 have not been approved, please provide date(s) of submission to the U.S. Department of Interior _____

Preservation Projects Only:

Using the priority matrix for preservation projects and tier definitions included as Appendix J in the QAP, please indicate the risk factor category and tier that your project best fits, and attach supporting documentation:

Risk Factor	Tier 1	Tier 2	Tier 3
1: Risk of Loss to Market Conversion			
2: Risk of Loss Due to Physical Condition			
3: Risk of Loss due to Financial Viability			
4: Market Condition Opportunity			

Additional Comments: _____

Market Information:

Please describe the market conditions in the primary market area, including, but not limited to:

Rental Vacancy Rate: _____

Average 1-BR Rent: _____

Average 2-BR Rent: _____

Average 3-BR Rent: _____

Median 1-BR Rent: _____

Median 2-BR Rent: _____

Median 3-BR Rent: _____

Unemployment Rate: _____

Median Sales Price: _____

Please note: the sponsor does not need to provide a market study at this time, but needs to indicate the source of the information provided above: _____

Does the sponsor have a project with a prior DHCD award that has not yet closed? If so, identify project and date of DHCD award:

If the project is intended to serve the elderly (62 and older only), has the town or city supported an affordable family housing project within the past three years? If so, identify the project and the year it proceeded to construction:

Please note: Sponsors of projects seeking Community Based Housing (CBH) or Facilities Consolidation Fund (FCF) assistance must also complete the following sections (pages 6-10) of this document.

**Community Based Housing (CBH)
Preliminary Application Addendum**

(COMPLETE ONLY IF APPLYING FOR CBH FUNDING)

The CBH program presents an opportunity to expand the range of housing options in the community for people with disabilities. The program funds integrated housing units that meet the housing needs and preferences of people with disabilities who are institutionalized or at risk of institutionalization.

The Mass Rehab Commission (MRC) and Executive Office of Health and Human Services (EOHHS) require that CBH units be accessible for persons with mobility impairments. Priority will be given to projects that expand opportunities for integrated housing for people with disabilities by providing rental units in larger housing developments that are accessible and visitable. All CBH units must be affordable to a household with an income as low as 15% of AMI, with documented operating subsidy..

To ensure that projects meet design and program goals, all prospective CBH developers should review Achieving Access Parts One and Two as well as the CBH program guidelines available on the Community Economic Development Assistance Corporation (CEDAC) website, www.CEDAC.org. All prospective CBH projects must receive a certification from MRC in order to proceed to full application. By filing this pre-application with MRC and CEDAC, applicants begin the certification process.

Please complete the CBH pre-application addendum and deliver the full pre-application plus CBH addendum to DHCD, with a copy to Margaret Dionne at MA Rehabilitation Commission (MRC) as well as to (Margaret.Dionne@state.ma.us) and Sara Barcan at CEDAC (sbarcan@cedac.org).

Unit Size	Unit Type (townhouse, flat, duplex, single)	Total Number	Accessible for persons with mobility impairment	Other 'program' units or set asides (FCF for example)	Proposed number of CBH units
Studio					
One Bedroom					
Two Bedroom					
Three Bedroom					
Four Bedroom					
Total					

Project Features (*please describe*)

Visitability	Are all units in the development visitable by persons with disabilities? If no, how many are visitable?
Universal Design-refer to CBH checklist	Does the development incorporate Universal Design Features in all units and common spaces? How many units comply with UD principles?
Accessible Units	Do the accessible units meet all applicable state and federal standards? Check which ones apply—521 CMR; UFAS; FHA. Do the accessible units (or will the accessible units) meet the CBH criteria as listed in the Design Checklist?
Adaptable units	
Elevator Y/N; how many?	
Proximity to accessible transportation	
Proximity to shopping	
Other - <i>describe other amenities and features</i>	

1. Description of Site / Location (i.e., proximity to goods and services, including mass transit):

2. Experience of Sponsoring Organization with CBH projects:

3. Services Anticipated, if any (if service partner has been selected, please identify):

4. Source of Service Funding, if any:

Financing Plan

1. Please indicate estimated total amount of CBH request:

2. Please indicate proposed source of operating subsidy below:

- Project-based Section 8
- MRVP
- Other – please specify: _____

Comments on Financing Plan:

Developer Track Record

Please describe previous experience with the CBH program, if any.

**Facilities Consolidation Fund (FCF)
Preliminary Application Addendum***

(COMPLETE ONLY IF APPLYING FOR FCF FUNDING)

5. Agency: DMH / DDS (circle)

6. Number of FCF Units
Requested: _____

7. Unit Sizes (# of bedrooms per FCF unit):

8. Property Type (townhouse; apartment building; etc.):

9. Description of Site / Location (i.e., proximity to goods and services, including mass transit): _____

10. Experience of Sponsoring Organization with FCF projects:

11. Population to be Served:

12. Services Anticipated (if service partner has been selected, please identify): _____

13. Source of Service Funding:

* For projects seeking FCF in combination with other DHCD resources, complete and return full pre-application with addendum to DHCD as well as the DMH or DDS Area Housing Coordinator with a copy to Sara Barcan at CEDAC or sbarcan@cedac.org. All FCF applicant projects must be certified by DMH or DDS in order to proceed to full application. Submission of this pre-application to the appropriate agency begins the certification process. For DDS group homes and other projects seeking FCF without other state resources, please visit the CEDAC website www.CEDAC.org for the appropriate pre-application.

HOUSING DEVELOPMENT FUNDING PRIORITIES

PRIORITY CATEGORIES

Applications to DHCD in the October 2012 rental round will be required to fit within one or more of the following categories:

- 1) **Housing for extremely low-income (ELI) individuals, families, and seniors** earning less than 30 percent of area median income with a particular focus on those who are homeless or at risk of homelessness. Projects in this category must be supported by tenant services and include at least 20 percent ELI units. Projects can serve families or individuals, seniors, persons with disabilities, and persons with special needs.
- 2) **Investment in distressed and at-risk neighborhoods** where strategic housing investment has a strong likelihood of catalyzing private investment, improving housing quality, and promoting occupancy at a range of household incomes. Projects in this category include projects located in the Commonwealth's 24 Gateway Cities and/or Qualified Census Tracts (QCTs, as defined by Section 42 of the Internal Revenue Code). Projects serving families, seniors, persons with disabilities, or populations with special needs are eligible in this category.
- 3) **Preservation of existing affordable housing** that extends affordability in situations that are consistent with QAP policies and the preservation working group policies (matrix). To be eligible to apply for 9 percent tax credits, a sponsor must demonstrate that the project is infeasible with 4 percent credits and tax-exempt financing. Projects serving families, seniors, persons with disabilities, or populations with special needs are eligible in this category.
- 4) **Family housing production in neighborhoods and communities** that provide access to opportunities, including but not limited to, jobs, transportation, education, and public amenities. Access to opportunity locations will be defined by publicly-available data. At least 65 percent of the units in a project must be 2 BR or larger, and at least 10 percent must be 3 BR, unless that percentage of 2 BR or 3 BR units is infeasible or unsupported by public demand. Projects serving families, including families with a member with a disability or special needs, are eligible in this category.

ADDITIONAL CONSIDERATIONS

Projects that fall into one or more of these four funding categories and that also meet pre-screening criteria and QAP threshold criteria will be competitively scored. In order to achieve a balance between locations and housing types and to promote the most effective uses of limited public subsidy, the Department also will consider the following:

Geographic Balance

It is important to ensure that changes to the QAP do not disproportionately affect particular regions or types of communities. DHCD currently considers geographic distribution in making funding decisions and will continue to do so.

Location and Transportation

Housing affordability is now often defined by the combination of housing costs and transportation costs. The competitive scoring of state funding applications should take this into account through enhanced scoring for transit-oriented developments with the possibility of additional points for projects located in close proximity to public transportation (for example: within $\frac{1}{4}$ mile of a rapid transit or community rail station).

Subsidy Efficiency

Given the increasingly constrained subsidy resources, DHCD must evaluate the amount of state subsidy requested per affordable unit. This evaluation may include leveraging of local financial support, donated land, and other resources. However, DHCD recognizes that certain smaller, mission-driven projects (such as housing for formerly homeless households) tend to require more subsidies per affordable unit.

Community Development Impact

The Department seeks to support affordable housing projects that also advance broader community development goals while understanding that such strategies will vary from municipality to municipality. An ideal community development strategy would address multiple goals and may include: the role of residents, local businesses and other local stakeholders in the development process; whether the project is part of a series of connected or linked real estate projects that together are designed to revitalize the area; whether the project or development sponsor links residents to community services, such as education, workforce development, recreation, and other amenities; or whether the project is part of a neighborhood or community plan that was developed with community input and leadership, whether or not it is an official municipal plan.