

Notice of Funding Availability

Housing Preservation and Stabilization Trust Fund

October 20, 2014

On behalf of the Patrick Administration, the Department of Housing and Community Development (DHCD) is making up to \$6 million in funding available to experienced developers who intend to produce supportive housing units for low-income tenants. DHCD will accept applications for Housing Preservation and Stabilization Trust Fund (HPSTF) resources on November 21, 2014. Sponsors will be eligible to apply for these funds only if they previously have developed successful supportive housing units (SH units) for low-income tenants and are in good standing with the Department and its quasi-public affiliates. Sponsors who are not experienced in supportive housing may not apply to the November 21, 2014, funding competition. DHCD will only accept applications for projects that are highly ready to proceed, as described within this NOFA. DHCD's intent is to make HPSTF awards to projects that will proceed to construction during 2015. HPSTF awards are dependent on final passage and signing of the supplemental budget (H-4508).

Housing Preservation and Stabilization Trust Fund (HPSTF):

HPSTF was created as a section within the FY14 Commonwealth of Massachusetts budget, as passed by the Legislature and signed by Governor Deval Patrick in July 2013. The intent of the trust fund, as expressed in the budget language, is to establish a "flexible method for funding affordable housing for low-income families and individuals in the Commonwealth, particularly those most at-risk of becoming homeless". HPSTF is administered by the Undersecretary of DHCD. The HPSTF trustee is the Community Economic Development Assistance Corporation (CEDAC).

DHCD made \$7 million in HPSTF awards in January 2014. Through the 2014 supplemental budget, the Department expects to have \$6 million in additional HPSTF available to award during the November 2014 competition.

Based on years of experience, DHCD has determined that one of the best ways to prevent homelessness is through the creation of affordable rental housing with support services for low-income tenants. The Patrick Administration has established an Interagency Supportive Housing Steering Committee of DHCD and seventeen other state and quasi-public agencies with experience in supportive housing and has further established a significant goal for the Commonwealth: the creation of 1,000 units of supportive housing by the end of 2015. With resources such as HPSTF available, the Administration met the goal in less than two years but will use additional HPSTF, as well as other resources, to continue creating supportive rental housing. The units supported by

HPSTF must be occupied by individuals or households who may benefit from the availability of support services and who earn less than 50% of area median income. HPSTF will support development costs; project sponsors will be responsible for identifying appropriate funding sources to cover the cost of support services for qualified tenants.

General Criteria for HPSTF Projects:

HPSTF projects must be structured as sound real estate investments as well as effective opportunities for low-income tenants who need support services. The Department anticipates that most or all HPSTF projects will be structured to use HPSTF in conjunction with additional DHCD resources, if needed, including state bond funds. HPSTF sponsors must ensure that their applications meet all existing requirements of any other DHCD resources to be sought. Sponsors also should note that HPSTF applications typically must meet DHCD's standard limits on development and operating costs per unit for supportive housing. (Current limits are reflected in the Department's 2014 Qualified Allocation Plan for the Low-Income Housing Tax Credit as well as in documents related to other DHCD rental programs.)

DHCD anticipates that most HPSTF sponsors will be non-profit entities that receive support service funds from federal sources and/or from the Executive Office of Health and Human Services and its commissions or the Executive Office of Elder Affairs. For-profit sponsors are eligible to seek HPSTF, although it is likely that for-profit sponsors would partner with non-profit agencies with access to support service funds. If for-profit sponsors elect to follow the partnership model, they may identify some units within a larger project to receive HPSTF assistance. (Non-profit sponsors also may choose to identify certain units within a larger project as SH units eligible for funds under this NOFA.)

In some cases- particularly in projects intended to serve veterans- a for-profit sponsor may directly receive federally-funded VASH vouchers. If DHCD concludes that the support services funded through VASH are sufficient, the for-profit sponsor may be eligible to submit an application including HPSTF funds without a non-profit partner.

Eligible Tenant Populations:

Sponsors may seek HPST funds to serve many income-eligible constituencies, including but not limited to families, seniors and other individuals, persons with disabilities, military veterans, homeless families and individuals, and persons with other special needs. However, the populations to be served must require support services, and the source of service funding must be identified in the application to DHCD for SH funding. If a sponsor requests and receives state rental assistance for the project (see pages 3-4), the Department will make available up to \$2500 per unit per year for support services. The sponsor must identify funding sources to cover any additional cost of services.

Support Services for Eligible Populations:

Support services for individuals or families living in supportive housing units must be based on an individualized and detailed assessment of the individual or family's strengths and areas of needed support and improvement. In order for the assessments to be effective, the service provider must be experienced at individual or family outreach and engagement. As part of the application for SH funds under this NOFA, the sponsor is expected to describe the method to be used to prepare individual or family assessments.

Through this NOFA, DHCD will give preference to qualified applicants who intend to create SHI units for individuals or families who face multiple barriers to securing permanent housing. Multiple barriers may include poor credit, prior evictions, past criminal offenses, poor rental history, and multiple shelter placements.

Effective stabilization and case management should assist an individual or family in maintaining a successful tenancy and increasing self-sufficiency. After an initial assessment of each tenant household, the service provider will develop an individualized service plan with measurable goals and objectives. The service plan should address the following: 1) maintaining a successful tenancy; 2) securing quality childcare, education, healthcare and recreational activities for any children in the household, 3) securing or improving adult education attainment and employment; 4) improving and maintaining behavioral and physical health; 5) improving financial and asset management skills; and 6) improving community connections.

The entity providing stabilization services and case management must document the individual or family's initial assessment and work plan and also must track and document the individual or family's engagement and progress toward the goals and measures outlined in the work plan. The services to be provided as well as the reporting requirements are subject to further DHCD guidance.

If the service provider is a different entity from the owner of the property receiving HPST funds, the provider and the owner should have a successful record of previous collaboration and should provide DHCD with documentation (such as an MOU) on their previous work together.

Persons with disabilities will not be required to accept any medical or disability-related services, although exceptions may apply to treatment for substance abusers.

Funding Limits:

In general, the amount of HPSTF/DHCD funding available per unit and per project will be limited as follows:

- 1) No more than \$75,000 per HPSTF unit

- 2) No more than \$150,000 per unit in total DHCD subsidy
- 3) No more than \$1 million in total HPSTF subsidy per project

HPSTF funds will be made available as zero-interest soft loans originated by CEDAC, as the HPSTF trustee, and closed through the MassDocs process.

Availability of Other DHCD Resources:

As sponsors submit One-Stop applications for HPSTF on November 21, 2014, they also may apply for other DHCD subsidy resources and rental assistance. It is unlikely that federal HOME funds will be available to HPSTF applicants during the November 2014 competition. However, a limited amount of state bond funds- primarily through the Housing Stabilization Fund, Housing Innovations Fund, Affordable Housing Trust Fund, Facilities Consolidation Fund, and Community Based Housing Fund – will be available, as will a limited amount of Low Income Housing Tax Credits. Sponsors also may apply for project-based rental assistance through the Massachusetts Rental Voucher Program (MRVP) and should anticipate a payment standard of 100% of FMR through MRVP.

Readiness Standards:

As indicated, the Department intends to make HPSTF awards only to projects that are highly ready to proceed. At the time of pre-application, the project must have secured all necessary permits and public approvals, including zoning. The sponsor must have architectural design plans that are relatively advanced. The sponsor must have identified any environmental issues related to the project site, and have a plan to address any such issues. The sponsor is expected to have in place all funding commitments other than DHCD's resources. (The only exception to commitments in place would be an anticipated commitment from a source to be confirmed before the end of March 2015 or a later commitment of VASH assistance.) If relevant, the sponsor must have received Parts I and II historic approvals from the U.S. Department of the Interior. The sponsor must be able to represent to DHCD that there are no unusual circumstances that would delay a loan closing and 2015 construction start.

HPSTF Application Process:

Sponsors who intend to seek HPSTF and other DHCD subsidies on November 21, 2014, must follow a three-step process:

1. Schedule a conference call on the proposed project with DHCD's Division of Housing Development. The conference call must be scheduled to take place no later than October 31, 2014.
2. Prepare a pre-application for funds, if, following the conference call, DHCD issues the invitation to do so. All pre-applications must be filed with DHCD prior no later than November 3, 2014.

3. Prepare a Mass One-Stop+ funding application for submission to DHCD on November (DHCD must issue an invitation to the sponsor to submit a full application. DHCD will provide sponsors who are invited to submit with application instructions.)

The Department anticipates making funding recommendations on HPSTF applications by early December 2014.

Sponsors should refer to DHCD's NOFA for its August 2013 rental funding round to determine the application fee for any sources other than HPSTF. The application fee for HPSTF will be \$1000.

For further information, please contact Jo Ann McGuirk or Catherine Racer of DHCD's Division of Housing Development.