

MassHousing **Opportunity Fund**  
**Workforce Housing Initiative**

NH & RA

July 21, 2018



## MassHousing's Workforce Housing Initiative Goals



- Reinvest **\$100 million** in agency funds.
- Create **1,000 units** of workforce housing.
- Incentivize **production** of new housing units.
- Provide **long-term, low-cost** debt for developers.
- Address needs in **Greater Boston** and **Gateway Cities** and reaching a **variety of communities** across the Commonwealth.
- Support the Commonwealth's **housing policy priorities**.
- Engage with new borrowers and **drive first mortgage production**.

## Program Parameters

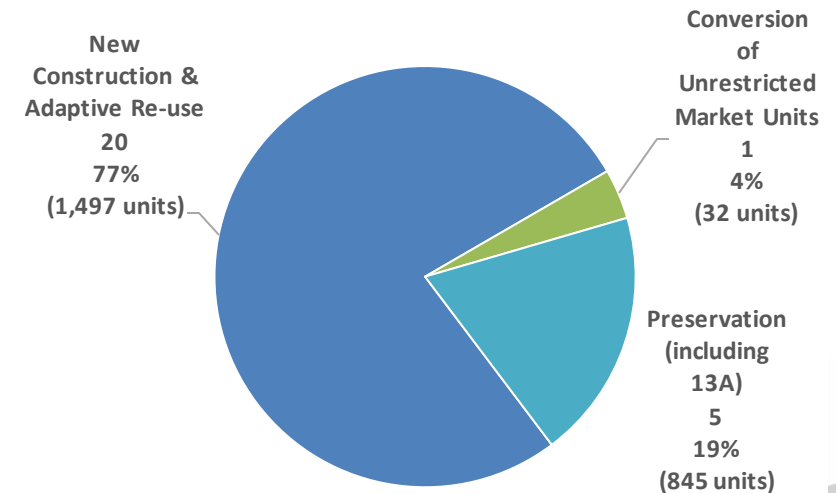
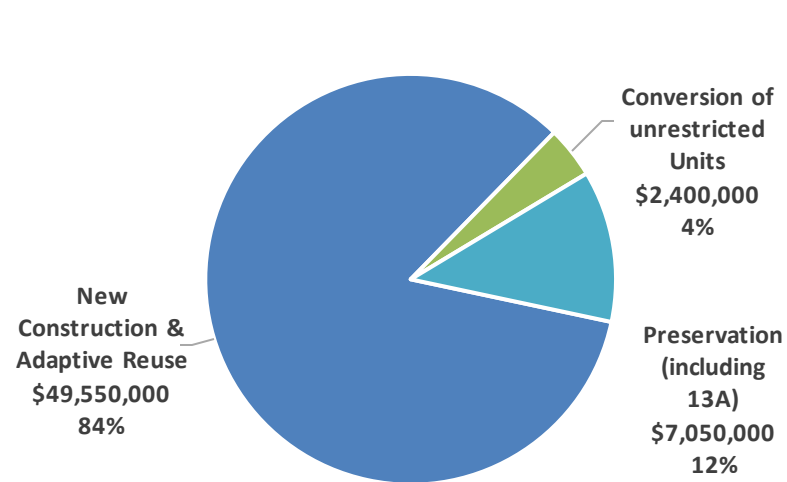
- Restricted to those earning more than **60% of AMI and up to 120% of AMI**, with **rents 10% below market and higher than LIHTC**
- **New Production**, consideration for **existing projects** at risk of conversion to market
- Soft debt in an amount up to **\$100,000 per workforce housing unit** with a **\$5 million project limit** and **0% interest rate** (or up to Applicable Federal Rate)
- Restrictions are in place for the longer of **30 years** or the **outstanding term of the loan**

## Progress to Date

Funded projects will create **631 new homes** affordable to middle-income families

We have closed or committed **\$59 million** of the \$100 million Workforce Housing Initiative fund

We have funded **26 projects** in 15 cities and towns



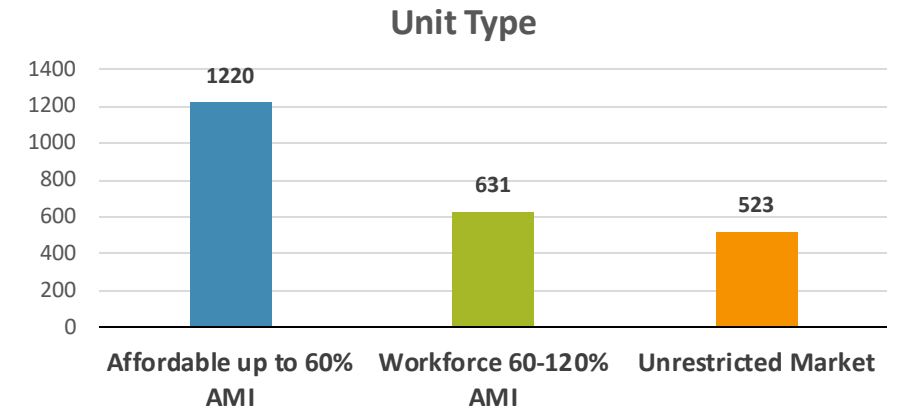
## Progress to Date

Current Workforce Housing Initiative projects will deliver a total of **2,374 mixed-income units**

Half the new units will be affordable (<60% AMI). **One-quarter are workforce units**, one-quarter are market rate

The Workforce Housing unit rents range **across the spectrum** from 70-120% AMI

**Flexible subsidy** meets differing needs in different community types

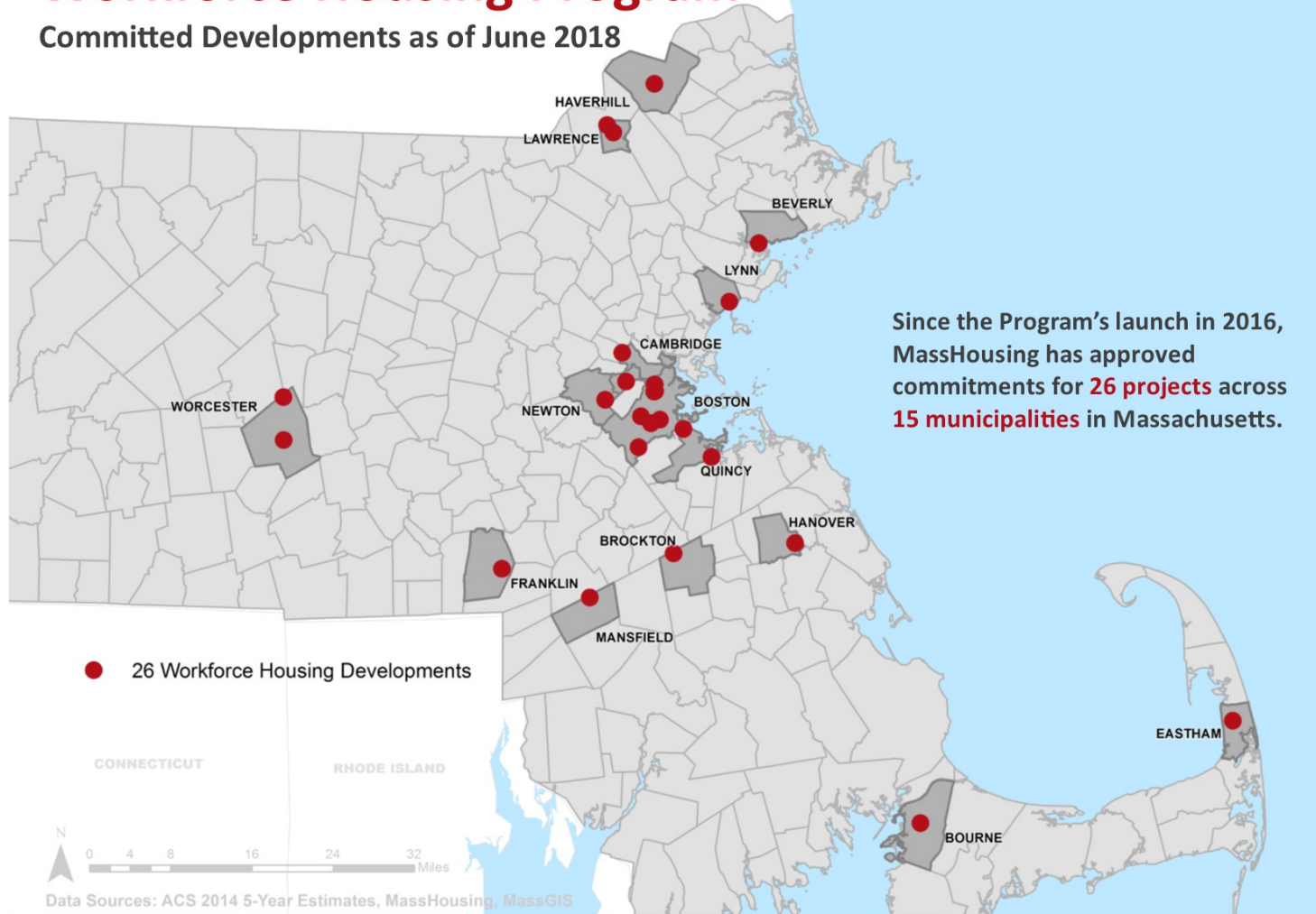


WHF Units By Affordability Restriction



# Workforce Housing Program

Committed Developments as of June 2018





# Gateway Residences

Location	Lynn
Development Type	New Construction
Units	71 (53 affordable, 10 workforce, 8 market)
Workforce Affordability	<100% AMI
WFH Funds	\$1,600,000
WFH per Unit	\$160,000
Developer	Hub Holdings/LHAND
Status	Lease-Up



This was the **first development approved** for the Workforce Housing Initiative. Located in Lynn's Central Square across from the North Shore Community College, the Gateway Residences is **transit-oriented**, a short walk away from the commuter rail station. Construction was completed in June **of 2018**.



## MassHousing WFH Initiative

### Gateway Residences Finance Summary

		MH WFH (<100% AMI)			Section 8 (<30% AMI)		LIHTC (<60% AMI)		Market	
Unit Type	Total Count	Count	Rent	Income Target	Count	Rent	Count	Rent	Count	Rent
1 BR	18	4	\$1,288	< \$80,875	2	\$1,387	10	\$989	2	\$1,475
2 BR	46	5	\$1,545	< \$97,050	5	\$1,723	31	\$1,181	5	\$1,775
3 BR	7	1	\$1,785	< \$112,125	1	\$2,139	4	\$1,354	1	\$2,125
<b>Total</b>	<b>71</b>	10			8		45		8	

Sources	\$31,054,847
MassHousing Construction and Permanent Loan	\$10,080,000
MassHousing Workforce Housing Funds	\$1,600,000
Tax Credit Equity (9%)	\$10,548,945
State LIHTC	\$2,235,540
MA DHCD Affordable Housing Trust Fund	\$1,000,000
MA DHCD Commercial Area Transit Node Housing Program	\$1,000,000
MA DHCD HOME and Housing Stabilization Fund	\$1,596,000
City of Lynn HOME	\$943,618
City of Lynn Seller Note	\$605,000
Deferred Developer Fee	\$1,445,744

Uses	\$31,054,847
Acquisition	\$2,150,300
Construction	\$21,710,614
General Development	\$3,964,283
Capitalized Reserves	\$629,650
Developer Overhead and Fee	\$2,600,000



# The Watson at East Howard

Location	Quincy
Development Type	New Construction
Units	140 (28 affordable, 26 market, 86 workforce)
Workforce Affordability	<110% AMI
WFH Funds	\$7,000,000
WFH per Unit	\$81,395
Developer	Winn Development
Status	Under construction



The Watson features the **largest number of workforce units** financed under the Initiative. This project received several layers of financial **support from the City** and delivers moderate income units in an important **Gateway City** that is seeing rising housing costs.



## MassHousing WFH Initiative

### The Watson Finance Summary

Unit Type	Total Count	WFH (<120% AMI)			LIHTC (<50% AMI)		Market	
		Count	Rent	Income Target	Count	Rent	Count	Rent
0 BR	8	6	\$1,785	< \$90,600	2	\$776	0	
1 BR	85	51	\$1,900	< \$97,100	17	\$818	17	\$2,015
2 BR	47	29	\$2,428	< \$116,550	9	\$964	9	\$2,565
<b>Total</b>	<b>140</b>	<b>86</b>			<b>28</b>		<b>26</b>	

Sources	\$44,407,223
MassHousing Permanent Loan	\$29,301,000
MassHousing Workforce Housing Funds	\$7,000,000
Tax Credit Equity (4%)	\$2,342,890
Housing Development Incentive Program (State)	\$1,880,000
MA DHCD Affordable Housing Trust Fund	\$900,000
Quincy Affordable Housing Funds	\$1,250,000
Quincy HOME	\$500,000
Quincy Community Preservation Act	\$250,000
Deferred Developer Fee	\$983,333

Uses	\$44,407,223
Acquisition	\$5,195,000
Construction	\$31,080,660
General Development	\$5,658,230
Capitalized Reserves	\$140,000
Developer Overhead and Fee	\$2,333,333

# 112 Rantoul Street



Location	Beverly
Development Type	New Construction
Units	67 (16 workforce, 51 market)
Workforce Affordability	14 @ <80%AMI 2 @ <110% AMI
Approved WFH Funds	\$1,600,000
Subsidy per Unit	\$100,000
Developer	Barnat Development LLC
Status	Under construction/lease-up

The **transit-oriented mixed-use** development project is located adjacent to the Beverly Depot commuter rail station. This transaction with a **new borrower** had equity from the **Healthy Neighborhood Fund** and was **built on Massachusetts Bay Transportation Authority land**.



## MassHousing WFH Initiative

### 112 Rantoul Street Finance Summary

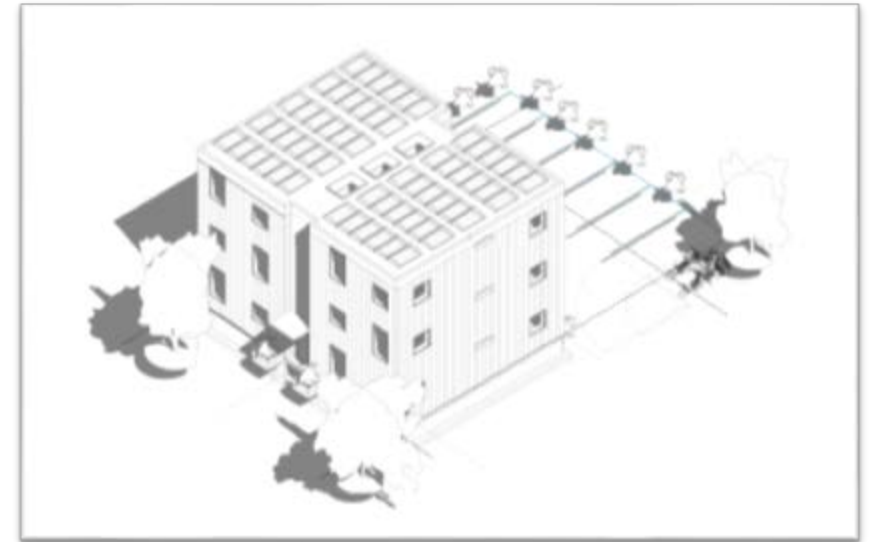
		WFH (<80% AMI)			WFH (<110% AMI)			Market	
Unit Type	Total Count	Count	Rent	Income Target	Count	Rent	Income Target	Count	Rent
0 BR	12	2	\$1,375	< \$60,400	0			10	\$1,800
1 BR	41	9	\$1,472	< \$64,725	1	\$2,024	< \$89,900	31	\$2,200
2 BR	14	3	\$1,766	< \$77,700	1	\$2,428	< \$106,860	10	\$2,600
<b>Total</b>	<b>67</b>	<b>14</b>			<b>2</b>			<b>51</b>	

Sources	\$21,486,261
Boston Private Bank Permanent Loan	\$14,750,000
MassHousing Workforce Housing Funds	\$1,600,000
MHIC Healthy Neighborhood Equity Fund	\$3,987,635
FHLLB Loan	\$600,000
Developer Equity	\$548,626

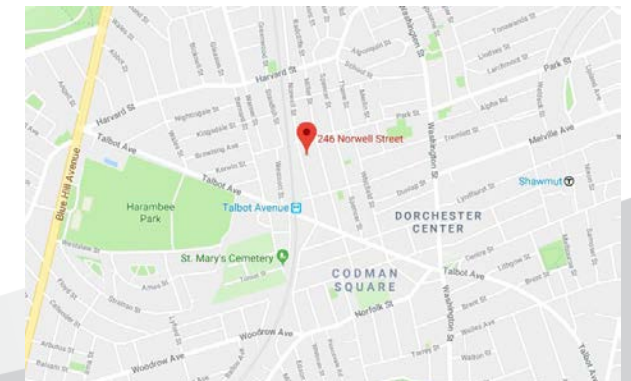
Uses	\$21,486,261
Acquisition	\$1,368,876
Construction	\$16,201,123
General Development	\$2,990,143
Capitalized Reserves	\$378,350
Developer Overhead	\$547,769

## 246 Norwell Street

Location	Boston – Dorchester
Development Type	New Construction
Units	6 (all workforce)
Workforce Affordability	<70% AMI
Approved WFH Funds	\$600,000
Subsidy per Unit	\$100,000
Developer	T Lee Development, LLC
Status	Under construction



A development from a **new borrower to MassHousing**, 246 Norwell is an **all-workforce development** located within 1 mile from the Shawmut T station on the red line. It will be built to the **Passive House building standard** for energy efficiency.



## MassHousing WFH Initiative

### 246 Norwell Finance Summary

		WFH (<70% AMI)		
Unit Type	Total Count	Count	Rent	Income Target
2 BR	6	6	\$1,600	<\$77,700
<b>Total</b>	<b>6</b>	<b>6</b>		

There are no market rate units at this property, however rents for comparable two-bedroom market rate units in the area are **\$1,700 - \$1,800**

Sources	\$1,849,991
MassHousing/Eastern Bank Permanent Loan	\$875,000
MassHousing Workforce Housing Funds	\$600,000
Developer Equity	\$374,991

Uses	\$1,849,991
Acquisition	\$125,000
Construction	\$1,164,581
General Development	\$362,445
Capitalized Reserves	\$98,024
Developer Overhead and Fee	\$99,941

## Lessons Learned

- There is **demand for this type of housing and this type of resource** – the program has been popular with developers, municipalities, and public officials.
- The program is **providing an opening to engage new developers and business partners**, including local banks.
- The **flexibility of program** has enabled us to **be creative and support projects** that meet our objectives.
- Challenges have included:
  - Meeting program guidelines in “softer” markets (some Gateway Cities, Western MA, etc.) where maximum tax credit rents are at or close to market rents
  - Meeting different objectives with one program
  - “One time” funding source

## Future Considerations

- **Recapitalization** of the program and keeping in going
- New tax credit provision: **Income Averaging**