

## appendix B

# An affordable housing development primer

**We've established that there are several ways for communities to be involved in the creation and preservation of affordable housing:**

- If nothing else, a community can seek assistance
- It can assemble tools and resources to facilitate the process
- It can initiate development by issuing requests for proposals
- It can partner or collaborate in the development

**Whichever one you choose, there are a few things you need to know about affordable housing development. This section outlines the development process and describes some common funding tools.**

## PROCESS

**The development process always involves these five steps:**

- Forming the concept or the plan
- Establishing feasibility
- Striking the deal (figuring out how to make it happen)
- Construction, and
- Sale, or management

**The most important thing to know about financing affordable housing is that the total development costs cannot exceed the available funding from all sources.**

*The uses of funds are the same for most development:*

- **Site acquisition**
- **Construction or rehabilitation costs**, including a contingency allowance
- **Soft Costs**—includes appraisals, marketing, surveys, taxes, insurance, etc.
- **Development Fees**—includes architectural, engineering, legal, accounting, administration, overhead and profit... even nonprofits are entitled to this. It's how they stay in business for their next project.
- **Financing Fees**—includes construction period interest, loan fees, closing costs

*As are the sources. There are generally three categories of funds:*

- **Debt**—borrowed money that usually must be paid back with interest.
  - Most affordable housing development today involves debt from more than one source (lender).
  - Debt from some sources may have more flexible rates and terms than from other sources. Some is even deferred debt, meaning that it only gets paid back at the time of sale, or it may be forgiven entirely if the development continues to serve income-eligible people for an extended period of time.
- **Equity**—cash; financing that is not paid back with interest but is viewed as an investment with an expected, though not guaranteed, return.
  - Equity for affordable rental housing generally comes from the developer and syndication proceeds (cash paid in by investors in return for a stream of tax credits). For sales housing, equity comes from the developer. And, in both cases, ...
- **Grants**—gap financing, required because the cost of producing new units is generally more than the low and moderate income market can afford.
  - Usually from the government, grants may be structured as deferred debt. Nonprofits sometimes receive grants that they can use as their equity contribution. Grants are often cash, but may also be a contribution (land, or a building, for example).

**The remainder of Appendix B describes some of the most common funding tools and resources.**

## COMMON FUNDING SOURCES

### PREDEVELOPMENT ACTIVITIES

#### Financing Tools

##### **Massachusetts Housing Partnership Fund (MHP)**

**(617) 338-7868**

##### TECHNICAL ASSISTANCE FUND

Eligible applicants are local housing partnerships, municipalities, nonprofit developers, and for-profit developers/contractors. Assists affordable housing developers to quickly test project feasibility and answer predevelopment technical questions. The TA Fund will engage third party professionals, such as architects, engineers, and development consultants, on behalf of a community or developer. Repayment of the assistance is contingent on whether the project is developed. Application is simple, and response is prompt. Program provides up to \$3,000 of professional assistance.

##### 40B TECHNICAL ASSISTANCE FUND

Eligible applicants are cities and towns reviewing comprehensive permits pursuant to Chapter 40B. Combines assistance from MHP staff with up to \$10,000 in third-party technical assistance to help cities and towns review applications for comprehensive permits pursuant to MGL Chapter 40B. MHP acts as DHCD's agent in this capacity.

##### PRE-DEVELOPMENT FUND

Eligible applicants are local housing partnerships, municipalities, nonprofit developers or for-profit developers/contractors. Expedites the development of highly feasible low and moderate income housing projects by providing up to \$50,000 to bridge development costs prior to a construction loan closing. Eligible applicants include local housing partnerships, municipalities, nonprofit organizations, and for-profit entities. Projects must demonstrate a high degree of feasibility to be eligible for the Pre-Development Loan Fund.

##### **DHCD Division of Municipal Development**

**(617) 727-7001**

##### PEER TO PEER GRANT

Eligible applicants are municipalities or regional planning agencies. Small grants for short-term problem solving and technical assistance. Program works by matching a municipality with an official or employee from another community that has dealt with a similar challenge or issue. Typical grant is \$850 and covers 30 hours of technical assistance. Affordable housing issues are an eligible use of grant monies.

##### **MassDevelopment**

**(800) 445-8030**

##### PREDEVELOPMENT ASSISTANCE PROGRAM

Eligible applicants are municipalities and nonprofit and for-profit developers in targeted areas. Awards funds of up to \$25,000 to endeavors that generate economic benefits and/or job creation for a community or region.

##### BROWNFIELDS REDEVELOPMENT FUND

Site assessment awards of up to \$50,000 to eligible municipalities and for-profit and nonprofit developers for environmental analysis of potential redevelopment projects. Project must be located in an Economically Distressed Area (EDA). List of communities and map are available on MassDevelopment's website.

### **Community Economic Development Assistance Corporation**

**(617) 727-5944**

#### **PREDEVELOPMENT SEED FUNDING**

Eligible applicants are nonprofit entities. Assistance takes one of the following forms, depending on the use of funds, the capacity of the borrower, and the stage of the project:

- Initial Feasibility Assistance—for projects in the feasibility stage of development
- Front Money Loans—for site control and other mortgageable pre-development costs
- Technical Assistance Advances—for borrowers that cannot demonstrate the organizational management requirements for a front money loan.

### **Massachusetts Historical Commission**

**(617) 727-8470**

#### **MASSACHUSETTS PRESERVATION PROJECTS FUND**

Eligible applicants are nonprofits and municipalities for projects involving properties that are listed—or in certain cases, eligible for listing—on the State Register of Historic Places. Pre-development grants range from \$5,000-30,000 and are awarded on a 50/50 matching basis.

## **Grants and Other Resources**

### **Massachusetts Housing Partnership**

**(617) 338-7868**

#### **MHP INTENSIVE COMMUNITY SUPPORT TEAM (ICST) TECHNICAL ASSISTANCE**

Provides sustained, in-depth assistance to communities and their development partners. The program focuses on new production in suburban communities and provides communities with a dedicated resource to facilitate affordable housing development. The ICST helps local advocates conceptualize a project and get to a construction start. Through the multiple stages of the development process, the team helps to keep the project on track. The team can also advise developers on how to finance the affordable component of a project.

### **Community Economic Development Assistance Corporation**

**(617) 727-5944**

#### **CEDAC TECHNICAL ASSISTANCE**

CEDAC staff can help assess the feasibility of a project, develop strategies about alternative development programs for a site, and advise on applicable state and federal programs, if the sponsor is an eligible nonprofit entity.

## **AFFORDABLE HOMEOWNERSHIP**

### **Construction Financing Tools**

#### **Conventional lenders**

Most “sales” housing is financed by the private sector. Banks and other lenders often seek out opportunities to finance affordable housing development, in part because the grants and public subsidies that contribute to a project’s affordability also contribute to the safety and soundness of a loan. Some conventional lenders even have specialized community development and/or affordable housing units. Those that are members of the Federal Home Loan Bank of Boston, may use FHLBB programs to offer more competitive rates and terms to their homebuilding customers for projects that do not involve a comprehensive permit as well as those that do. The FHLBB programs that member banks most often access for affordable housing initiatives include:

#### **THE AFFORDABLE HOUSING PROGRAM (AHP)**

The Affordable Housing Program offers grants (up to \$313,000) and subsidized advances, or loans (up to \$627,000), in two competitive rounds each year, for affordable housing developments.

### THE COMMUNITY DEVELOPMENT ADVANCE

The reduced-rate Community Development advance can also be accessed by FHLB member institutions to help finance the purchase, construction, rehabilitation, or predevelopment financing to projects in income-eligible neighborhoods.

### THE NEW ENGLAND FUND (NEF)

The New England Fund also offers fixed-rate advances for affordable housing initiatives that do not use the comprehensive permit, and in such cases, it may serve households earning up to 140% of AMI.

### MassHousing (MHFA)

**(617) 854-1000**

MassHousing also provides construction financing for homeownership projects. The agency raises funds through the sale of tax-exempt bonds and note to investors and uses the proceeds to fund its loan programs. Developers of housing, both for sale and rental, borrow directly from the agency. (Individual homebuyers and homeowners access MassHousing funds through participating lenders.)

*End loans (mortgages) to homebuyers*

### Massachusetts Housing Investment Corporation (MHIC)

**(617) 850-1000**

MHIC provides construction financing to for-profit and nonprofit developers of affordable homeownership as well as rental housing. The source of its funding is a construction lending pool established by participating MHIC lenders.

***For a homeownership development to be eligible to apply for a comprehensive permit (under MGL40B), it must utilize one of the following sources of financing:***

### Financial Institutions Belonging to the Federal Home Loan Bank of Boston (FHLBB)

#### THE NEW ENGLAND FUND (NEF)

The New England Fund, which provides fixed-rate advances to FHLBB member institutions to fund affordable housing initiatives, is a qualified subsidizing agent for developments applying for a comprehensive permits under Chapter 40B. When a FHLBB member institution plans to finance a 40B project using the NEF, the member issues the site approval or project-eligibility letter, which is required by the local Zoning Board of Appeals at the time of application. NEF advances can be used for acquisition and construction loans to create homeownership units and also for first-time home-buyer programs. To be considered a 40B-eligible project, at least 25% of the units must be set aside for households earning less than 80% of AMI. The FHLBB is a wholesale lender only. It advances funds to its member institutions to lend on eligible projects but the FHLBB itself does not lend directly to developers.

### MassHousing

**(617) 854-1000**

#### HOUSING STARTS

Housing Starts is a MassHousing program similar to the Federal Home Loan Bank of Boston's New England Fund. Designated as an affordable housing program that meets the criteria for inclusion on the State's Subsidized Housing Inventory (at least 25% of the units must be set aside for households earning less than 80% of AMI), Housing Starts provides project eligibility and construction financing to home builders wishing to develop housing with a comprehensive permit. MassHousing issues the required site approval or project-eligibility letter, enabling the developer to apply to the local ZBA for the comprehensive permit. If granted, the developer may apply to MassHousing for construction financing and all approved developments may utilize MassHousing mortgage financing for eligible buyers.

*Even though the FHLBB does not lend directly to developers of affordable housing, communities should be aware of these resources, and encourage local member banks to support the community's initiative, by accessing these funds.*

**DHCD Division of Private Housing**

**(617) 727-7765**

**LOCAL INITIATIVE PROGRAM (LIP)**

LIP is not a financing program, but by providing technical assistance to communities and developers who are working together to create affordable homeownership, it qualifies their developments for the comprehensive permit process and inclusion on the SHI. To be eligible, at least 25% of the units must be set aside as affordable to households earning less than 80% of the area median. This DHCD technical assistance—which may include, but is not limited to, assistance in evaluating sites, selecting developers, reviewing proposals, determining projects feasibility, and monitoring compliance with use restrictions—has been deemed to be a subsidy under Chapter 40B. The purpose of such technical assistance, and its inclusion as a qualifying subsidy, is to support the development of low and moderate income units that do not require a direct state or federal subsidy but can achieve the requisite affordability through internal cross subsidization.

*As this publication was going to press, DHCD was holding hearings on several proposed changes to the Comprehensive Permit Statute, including changes related to the New England Fund and the Local Initiative Program. Be sure to check DHCD's website to make sure you have the most recent version of these regulations!*

**End loans (mortgages) for homeowners**

**Mass Housing Partnership (MHP)**

**(617) 338-7868**

*Applicants apply through participating lenders*

**SOFT SECOND MORTGAGE PROGRAM**

The Soft Second Loan Program is a public/private initiative that expands homeownership opportunities for low and moderate income first-time homebuyers by combining a conventional first mortgage with a subsidized second mortgage. Income guidelines are determined by funding source and vary by community, but in no case can a purchaser earn more than 80% of AMI. Borrowers must generally make a 5% downpayment, though some communities provide additional assistance with down payment and closing costs. The program is offered in over 200 communities statewide through more than 40 participating banks. Completion of a homebuyer education program is required.

**MassHousing**

**(617) 854-1000**

*Applicants apply through participating lenders*

**MASSADVANTAGE**

Through the Mass Advantage program, MassHousing makes available below-market rate mortgages to income eligible borrowers. Sometimes called its General Lending Program, eligibility is usually limited to households earning no more than 115% of AMI, although exceptions are made for homebuyers purchasing in certain economically distressed areas. As with all MassHousing homeowner programs, applicants apply through participating lenders. In May, MassHousing introduced MassAdvantage 100, a new, no-downpayment mortgage option for families who make enough to make the monthly payment but have not been able to save for a downpayment.

**PURCHASE AND REHABILITATION PROGRAM**

MassHousing's Purchase and Rehabilitation loan program covers the purchase price of the home plus necessary rehabilitation costs for first-time buyers applying through MassHousing approved rehabilitation lenders. Maximum loan amount cannot exceed 97% of the lesser of the sales price plus rehabilitation cost, or the estimated appraised value after rehabilitation. Minimum rehabilitation amount is \$7,500, and licensed contractors must complete all rehabilitation work.

**MUNICIPAL MORTGAGE PROGRAM**

The Municipal Mortgage Program was created to respond to the increasing inability of police, firefighters, school teachers and other municipal employees to purchase a home in the city or town where they work. The program makes mortgage financing available with no down payment required from the homebuyer. Banks provide low cost mortgage funds supported by financial guarantees provided by MassHousing's mortgage insurance fund.

### Conventional Lenders

Most homebuyers obtain mortgages from conventional lending sources—banks, thrifts (savings and loans, savings or cooperative banks), mortgage companies—and often these lenders offer special programs for low and moderate income, and first-time, homebuyers. Some of these programs are the lender’s own design. In other cases the lender may be offering a product that will be sold to one of the secondary mortgage market agencies like Fannie Mae or Freddie Mac, MassHousing, or using funding from the FHLBB to provide more affordable options. And in some cases, lenders may use public sources such as HOME funds to further reduce the cost of homeownership for income eligible borrowers. Like many of the government supported programs, affordable home mortgages from conventional lenders may include one or more of the following features: reduced down payment requirements, below-market rates, higher loan-to-value and debt-to-income ratios, flexible underwriting criteria, and concessions on closing costs and fees.

## Grants and Other Resources

### DHCD Division of Municipal Development

**(617) 727-7001**

#### COMMUNITY DEVELOPMENT FUND (CDF I & II)

*A component of the state’s Community Development Block Grant (CDBG) Program.*

Eligible applicants are municipalities with population under 50,000 who do not receive CDBG funds directly from HUD. State receives funds from HUD and awards them on a competitive basis for a wide variety of community and economic development activities, including affordable housing. CDF, the largest of the programs administered by the state to support housing and community economic development, can be used for a wide range of projects and activities, including affordable homeownership.

#### HOUSING DEVELOPMENT SUPPORT PROGRAM (HDSP, OR HEADS UP)

*A component of the state’s Community Development Block Grant (CDBG) Program. See description under Rental Housing, its primary use. Call DHCD to determine suitability for homeownership initiatives.*

#### OTHER CDBG PROGRAMS MAY BE APPROPRIATE.

Call DHCD to discuss your project.

### DHCD Division of Private Housing

**(617) 727-7765**

#### HOME PROGRAM

Eligible applicants are non-profit and for-profit developers, CHDO’s and municipalities. All applications require approval of chief elected official of community.

- Can be used to support acquisition and/or rehab or new construction of units for sale to income eligible first time homebuyers (maximum project size, 5 units)
- Can be used to provide interest subsidy, down payment and/or closing cost assistance for homebuyers earning less than 80% AMI

## HOUSING STABILIZATION FUND (HSF)

*There are three sub-programs within HSF:*

1. To provide interest subsidy, down payment and/or closing cost assistance for eligible first-time homebuyers.
  - Eligible applicants are municipalities alone or in partnership with lending institutions.
  - Maximum award is \$300,000 per community (Soft Second Loan), or
  
2. To support development of homeownership units.
  - Maximum funding per project is \$700,000 (\$30,000/unit). Municipality must have DHCD-approved neighborhood plan and CDBG or HOME Entitlement or HOME Consortium communities must commit local funds (Neighborhood Restoration Initiative).
  - Municipalities alone or in partnership with for profit and nonprofit developers.
  
3. To support the acquisition, rehabilitation and reuse of distressed, foreclosed or abandoned properties as affordable housing.
  - New construction allowed under certain circumstances.
  - Minimum project size 5 units.
  - Maximum funding per project is \$600,000 (\$40,000/unit in HOME Entitlement or HOME Consortium communities, \$45,000 elsewhere). (Rehabilitation Initiative)

## MassHousing

**(617) 854-1000**

### AFFORDABLE HOUSING TRUST FUND (AHTF)

Functions as a gap filler, the last funding piece necessary to make an affordable housing development financially feasible and sustainable for the long term. Funding is typically in the form of deferred payment loans.

## AFFORDABLE RENTAL HOUSING

### Financing Tools

#### MassHousing (MHFA)

**(617) 854-1000**

#### 80/20 PROGRAM

MassHousing's 80/20 Program offers tax-exempt and/or taxable financing for the acquisition, rehabilitation and/or new construction of multifamily rental apartments in developments that reserve at least 20% of units for occupancy by households earning less than 50% of the median area income. The remaining units may be rented at market rental rates. Both construction and permanent loans are available, with terms of up to 40 years.

#### EXPANDING RENTAL AFFORDABILITY (ERA) PROGRAM

The Expanding Rental Affordability (ERA) Program offers taxable financing for loan terms of up to 40 years. Like the 80/20 Program, ERA is intended to encourage the production of mixed-income housing in which at least 20% of the units are set-aside for low-income households. But because the program is designed to work without the use of additional subsidies, such as tax-exempt financing, tax credits or HOME subsidies, it allows the affordable units to be occupied by households earning up to 80% of median area income.

### **Massachusetts Housing Investment Corporation (MHIC)**

**(617) 850-1000**

MHIC offers a broad array of financing products—including acquisition, construction and permanent financing, lines of credit, and bridge loans—to nonprofit and for-profit developers for housing of all types. Its major business, though, is the financing of rental housing, through the provision of construction loans, the raising of equity through the sale of low income housing tax credits, and bridge financing (of the investor notes) for projects that have secured tax credits. It makes loans from \$250,000 to \$10,000,000.

#### **ONESOURCE**

MHIC and MHP offer a streamlined financing option called OneSource that provides construction financing (from MHIC) and permanent financing (from MHP) in a single package. By using the same attorneys, inspectors, appraisers, etc., and many of the same loan documents, closing costs can be greatly reduced. Other construction lenders may also use OneSource.

#### **ONESTOP**

Another tool developed collaboratively by the various state affordable housing lenders is the One Stop application. This detailed application is a useful tool for developers of complex tax credit projects that require multiple sources of public and private financing. It ensures that all the various funders are seeing the same set of numbers and the same complete financing picture (debt and equity).

### **Massachusetts Housing Partnership Fund (MHP)**

**(617) 338-7868**

The MHP Fund offers several different permanent loan products that can be used to take out construction loans on affordable rental projects involving moderate or substantial renovation.

#### **PERMANENT RENTAL FINANCING PROGRAM (PRFP)**

MHP's Permanent Rental financing Program is available to for-profit and nonprofit borrowers, and provides loan amounts between \$250,000 and \$9 million. It provides long-term fixed-rate loans for multifamily rental properties (5+ units, including single-room occupancies). Multiple buildings in close proximity may be financed with one loan. Minor renovations may be funded through a holdback of a portion of the loan at closing; on new construction or projects involving significant renovation, MHP "takes-out" the construction loan upon completion and lease-up.

#### **PERMANENT PLUS PROGRAM (PERM PLUS)**

Perm Plus combines PRFP loans of up to \$2 million with a 0%, deferred payment second mortgage of up to \$40,000 per unit in one financing package for affordable rental properties that require no more than moderate rehabilitation.

#### **SMALL SCALE RENTAL PRODUCTION (SSRP)**

SSRP has been developed to efficiently finance the new production of smaller affordable rental properties in Massachusetts. The program couples MHP's fixed-rate permanent financing with 0% deferred payment loans of up to \$90,000 per affordable unit for the new construction of affordable housing.

#### **MHP'S MASSACHUSETTS TAX-EXEMPT CREDIT FOR HOUSING (MATCH)**

Offered jointly with MassDevelopment, MATCH provides tax exempt bond financing to 501(c)(3) nonprofit owners for multifamily projects. Financing is available in amounts ranging from \$3-10,000,000 per project. Bond proceeds may be used for acquiring expiring use properties, refinancing existing properties, or take-out financing for newly constructed properties. MHP provides the credit enhancement.

### MassDevelopment

- See MATCH program under MHP
- MassDevelopment also provides permanent tax exempt bond financing with 4% tax credits in amounts of \$1,000,000—5,000,000.
- If a housing development requires remediation of contamination, MassDevelopment can provide financing for this purpose as well.

### Conventional Lenders

A number of conventional lenders also provide construction and permanent financing, bridge loans and lines of credit for affordable rental housing, some through specialized community development units. Conventional lenders that are members of the Federal Home Loan Bank of Boston, may use FHLBB programs to offer more competitive rates and terms.

### Other Lenders

#### THE LIFE INITIATIVE

A private community investment fund capitalized by a consortium of eleven Massachusetts life insurance companies in 1998. TLI invests in a range of community development activities including affordable housing, channeling most (2/3) of its loans and investments through community loan funds and intermediaries.

#### PROPERTY AND CASUALTY INITIATIVE

A private community development loan fund capitalized by a consortium of twenty-six Massachusetts property and casualty insurance companies in 1999. PCI lends to a range of community development projects including affordable housing. It makes most of its loans directly, but may also participate with other community lenders.

#### COMMUNITY LOAN FUNDS, ETC.

Community loan funds get their funding from individuals, religious organizations, financial institutions, foundations, and corporations who want to make socially responsible investments in the community. They make flexible loans and investments for community development projects that often are unbankable by conventional industry standards. Many loan funds provide technical assistance to their borrowers as well. Often they are community development financial institutions (CDFI)—private financial intermediaries with community development as its primary mission—certified by the U.S. Treasury. A list of Massachusetts CDFIs can be found at [www.cdfifund.gov](http://www.cdfifund.gov).

## Grants and Other Resources

### DHCD Division of Municipal Development

(617) 727-7001

#### COMMUNITY DEVELOPMENT FUND (CDF I & II)

*A component of the state's Community Development Block Grant (CDBG) Program.* Eligible applicants are municipalities with population under 50,000 who do not receive CDBG funds directly from HUD. State receives funds from HUD and awards them on a competitive basis for a wide variety of community and economic development activities, including affordable housing.

- CDF, the largest of the programs administered by the state to support housing and community economic development, can be used for a wide range of projects and activities, including rental production, rehab and other housing related uses.

#### HOUSING DEVELOPMENT SUPPORT PROGRAM (HDSP, OR HEADS UP)

*A component of the state's Community Development Block Grant (CDBG) Program.* Eligible applicants are municipalities with population under 50,000 who do not receive CDBG funds directly from HUD. Funds are available as grants to the municipality, which may structure them as deferred payment loans.

- Can be used for acquisition, rehabilitation, site work and infrastructure for the creation of affordable rental housing (through adaptive reuse, rehabilitation and limited new construction). At least half the units must be reserved for households earning no more than 80% of AMI. Generally maximum amount is \$400,000/project, 7 units maximum.

## OTHER CDBG PROGRAMS MAY BE APPROPRIATE.

Call DHCD to discuss your project.

### **DHCD Division of Private Housing**

**(617) 727-7765**

#### HOUSING INNOVATIONS FUND (HIF)

Eligible applicants are nonprofit developers. Funds are available as a deferred payment loan.

- Can be used for transitional or permanent rental housing for low income individuals with special needs, the homeless or those at risk of homelessness. At least half the units must be reserved for households earning no more than 50% of AMI

#### HOME PROGRAM

Eligible applicants are nonprofit and for-profit developers, CHDO's and municipalities. Funds are available as 30 year deferred payment loans. All applications require approval of chief elected official of community.

- Can be used for acquisition, rehab or new construction for multifamily rental housing. All units must be targeted to households earning no more than 60% of AMI; 20% must be affordable to households earning no more than 50%. Maximum per project is \$600,000 and \$40,000 per HOME assisted unit (\$45,000 in non-entitlement communities).
- Can also be used for tenant-based rental assistance with priority given to families earning no more than 50% of AMI living in shelters or transitional housing or individuals with immunological diseases

#### HOUSING STABILIZATION FUND (HSF)

Two of the three subprograms within HSF may be used for rental housing. Eligible applicants are municipalities alone or in partnership with non-profit and for-profit developers

- To support development of rental units. Maximum funding per project is \$700,000 (\$30,000/unit). Municipality must have DHCD-approved neighborhood plan and CDBG or HOME Entitlement or HOME Consortium communities must commit local funds (Neighborhood Restoration Initiative).
- To support the acquisition, rehabilitation and reuse of distressed, foreclosed or abandoned properties as affordable housing. New construction allowed under certain circumstances. Minimum project size 5 units. Maximum funding per project is \$600,000 (\$40,000/unit in HOME Entitlement or HOME Consortium communities, \$45,000 elsewhere). (Rehabilitation Initiative)

#### LOW INCOME HOUSING TAX CREDITS (LIHTC)

Eligible applicants are nonprofit and for-profit developers

- The LIHTC program enables developers of affordable rental housing to raise capital from investors in order to reduce the amount they need to borrow. Intermediaries, or syndicators, typically link investors with projects, often pooling investors' capital into equity funds that support a number of projects. In exchange for providing funding, investors are entitled to take either a 4% or 9% tax credit (depending on project financing), for ten years. At least 20% of the units must be reserved for households earning no more than 50% of AMI, or 40% must be affordable to those earning no more than 60% of AMI.

### **MassHousing**

**(617) 854-1000**

#### AFFORDABLE HOUSING TRUST FUND (AHTF)

- Functions as a gap filler, the last funding piece necessary to make an affordable housing development financially feasible and sustainable for the long term. Funding is typically in the form of deferred payment loans.

## AFFORDABLE HOUSING FOR SENIORS AND SPECIAL NEEDS

### Financing Tools\*

#### MassHousing (MHFA)

(617) 854-1000

#### ELDERCHOICE PROGRAM

Elder CHOICE provides financing for assisted living rental housing with supportive services for frail elders. Assisted living maximizes elders' ability to live independently in a residential setting by providing assistance with activities of daily living. Service programs typically include assistance with personal care needs; household maintenance, laundry service, medical monitoring, and transportation; 2-3 meals per day, 24-hour emergency response; and service coordination and case management.

#### ELDER 80/20

The Elder 80/20 Program is designed to serve elders who wish to live in independent rental apartments with on-site access to supportive services as needed, filling a niche between conventional elderly housing and the full-service personal care provided by the ElderCHOICE program. A minimum of 20% of the units in an Elder 80/20 development must be reserved for low-income occupancy.

#### OPTIONS FOR INDEPENDENCE PROGRAM

The Options for Independence Program is designed to provide financing for community-based residences for formerly institutionalized persons with mental illness or mental retardation, the homeless mentally ill, and other under served individuals. Eligible sponsors are qualified non-profit 501(c)3 entities who have developer designation from the state's Division of Capital Planning, a 20-30 year lease commitment to cover all debt service and property maintenance costs, and a commitment from the Department of Mental Health or the Department of Mental Retardation to provide appropriate services to residents during the term of the loan.

#### HUD

(617) 994-8200

#### SECTION 202—SUPPORTIVE HOUSING FOR THE ELDERLY

This competitive grant program provides capital advances for rental housing projects with supportive services that serve very low income elderly persons (62 years or older). The program provides interest-free advances to private, nonprofit organizations to construct or rehabilitate rental housing. The advance remains interest-free and does not need to be repaid as long as the housing remains available for very low income elderly people for at least 40 years. It also provides rental assistance to project residents.

#### SECTION 811—HOUSING FOR PERSONS WITH DISABILITIES

This competitive grant program provides capital advances to assist nonprofit corporations to finance the acquisition, construction or rehabilitation of group homes or housing and other expenses of supportive housing for low income persons with disabilities. The advance remains interest-free and does not need to be repaid as long as the housing remains available for low income persons with disabilities for at least 40 years. It also provides rental assistance to project residents.

#### DHCD Division of Private Housing

(617) 727-7765

#### FACILITIES CONSOLIDATION FUND

A Massachusetts bond-financed loan program created to finance the construction of community based housing for clients of the Departments of Mental Health and Mental Retardation. These are deferred, loans for up to 30% of the total development cost. Eligible applicants are CEDAC-qualifying nonprofits. In addition, many of the financing tools described elsewhere—whether from public, quasi-public or private sources—can be accessed for housing that targets special needs populations.

**\* In addition, many of the financing tools described elsewhere—whether from public, quasi-public or private sources—can be accessed for housing that targets special needs populations.**

## PRESERVATION OF EXISTING AFFORDABLE HOUSING

### Financing Tools

#### MassHousing

##### HOME IMPROVEMENT LOAN PROGRAM (HILP)

HILP provides financing for income-eligible homeowners to repair their one-to-four family, owner-occupied, properties (including condominiums). Loan amounts of \$5,000- \$25,000 are available, with terms of 5-15 years. Maximum loan-to-value is 100% of assessed or appraised value; borrower debt-to-income ratio cannot exceed 50% of stable monthly income. Application is made through one of MassHousing's housing rehabilitation agencies.

##### GET THE LEAD OUT

The Get The Lead Out Program provides low cost financing to owners of 1–4 family properties to remove lead paint and reduce the possibilities of lead poisoning among children. Income eligible owner-occupants are eligible for a 0% deferred payment loan not due until the sale or refinancing of the property; non-profit organizations are eligible for 0% fully amortizing loans on properties that are being rented to income eligible households; and investor owners are eligible for 3% fully amortizing loans on properties that are being rented to income eligible households. Maximum loan amounts are: \$20,000 for a single-family, \$25,000 for a 2-family, \$30,000 for a 3-family, and \$35,000 for a 4-family. Application is made through one of MassHousing's housing rehabilitation agencies.

##### SEPTIC REPAIR LOAN PROGRAM

Financial help is available for all income-eligible homeowners faced with a need to repair a failed septic system to meet the Commonwealth's Title V requirements. Through a combined effort of the Massachusetts Departments of Environmental Protection, Revenue, and MassHousing, below-market-rate loans are available. Eligible properties include 1-4 family homes, including condominiums. Loan amounts of between \$1,000 to \$25,000 are available for terms of 3-20 years. Interest rates are 0%, 3%, or 5% depending on household income. Maximum loan is based on credit, not property value.

##### CONVENTIONAL LENDERS

Many homeowners obtain financing for home improvements, including lead paint abatement and septic repairs or replacement from conventional lending sources—banks, thrifts (savings and loans, savings or cooperative banks), mortgage companies. This can be done by refinancing, but sometimes lenders offer special programs for low and moderate income homeowners. Some of these programs are the lender's own design. In other cases the lender may be offering a product that will be sold to one of the secondary mortgage market agencies like Fannie Mae or Freddie Mac, MassHousing, or using funding from the FHLBB to provide more affordable options. And in some cases, lenders may use public sources such as HOME to write down the cost.

## Grants and Other Resources

### DHCD Division of Private Housing

#### HOME PROGRAM

Eligible applicants are non-profit and for-profit developers, CHDO's and municipalities. All applications require approval of chief elected official of community.

- HOME funds can be used for rehabilitation of 1-4 family homes, owner occupied by an individual or family earning less than 80% of AMI.