

# ***BEST PRACTICES IN PERMANENT SUPPORTIVE HOUSING***

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# Introduction

## Background and Description of the Project

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The Minnesota Housing Finance Agency (Minnesota Housing) retained the Technical Assistance Collaborative (TAC) and the Human Services Research Institute (HSRI) to develop both an evaluation of its permanent supportive housing (PSH) portfolio and a Best Practices Report to provide leaders and policymakers with a robust understanding of the current state of Minnesota Housing's PSH portfolio for long-term homeless populations. The Best Practices Report offers both an assessment of how Minnesota's PSH portfolio and practices compare with those of other states and with industry PSH best practices, and specific recommendations to improve and enhance Minnesota Housing's permanent supportive housing program. Together, the PSH Evaluation and this Best Practices Report can help guide the agency's internal work over the next five years, while also helping to advance the field of PSH development, oversight, and assessment. It is important to note that this work is focused specifically on PSH for long-term homeless households, and does not consider units for other PSH populations such as people with disabilities.

As a companion to the PSH Evaluation authored by HSRI, the Best Practices Report authored by TAC provides an overview of the PSH portfolio and landscape in Minnesota, including strengths, challenges, and opportunities. It describes best practices drawn from eight different states, and presents recommendations focused on four different areas of Minnesota Housing's process for funding and monitoring PSH developments:

- Incentives for PSH Development
- Assessment of PSH Proposals for Funding and Decision Making Processes
- Proposal Requirements and Qualifications
- Due Diligence and Closing Requirements

TAC would like to acknowledge the Minnesota Housing PSH leadership team, including Vicki Farden, Sara Gomoll, John Patterson, and Joel Salzer for their guidance, leadership, and willingness to offer their expertise throughout the project. We also gratefully acknowledge the contributions of our partners at HSRI, specifically David Hughes, Terry Camacho-Gonsalves, and Rachel Gerber. Finally, we thank all the individual stakeholders, both within Minnesota and external to the state, who were kind enough to offer their time and expertise in order to inform this work.

## Executive Summary

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The Minnesota Housing Finance Agency (Minnesota Housing) retained the Technical Assistance Collaborative (TAC) and the Human Services Research Institute (HSRI) to produce an evaluation of its permanent supportive housing (PSH) for long-term homeless populations. As a companion document to the PSH Evaluation authored by HSRI, TAC produced *Best Practices in Permanent Supportive Housing*, which provides an overview of the PSH portfolio and landscape in Minnesota, including strengths, challenges, and opportunities. It also describes best practices in developing and managing PSH drawn from eight different states, and provides recommendations focused on four priority areas of Minnesota Housing’s process for funding and monitoring PSH developments:

- Incentives for PSH Development
- Assessment of PSH Proposals for Funding and Decision Making Processes
- Proposal Requirements and Qualifications
- Due Diligence and Closing Requirements

TAC found that Minnesota Housing’s PSH program is highly effective and has produced a stable portfolio of PSH units for homeless households across the state. Minnesota benefits from high-level political and systems support for PSH development for long-term homeless households, evidenced by public commitments from Governor Tim Walz and Commissioner of Housing Jennifer Leimaile Ho. This support provides a solid foundation for continued PSH development and growth in the state. Minnesota also benefits from highly effective PSH development incentives within its Low-Income Housing Tax Credit (LIHTC) program, state-funded limited obligation tax-exempt bonds, and collaborative partnerships with Continuums of Care (CoCs) across the state — and from increasing integration with the CoCs’ Coordinated Entry System of prioritization for referral. An additional strength is Minnesota Housing’s extensive collaboration with the Minnesota Department of Human Services and its county human services offices. These features work together to create a system that has proved successful in producing a predictable pipeline of high-quality PSH units across the state, providing stable households for some of Minnesota’s most vulnerable homeless residents.

Minnesota has created a strong and successful PSH housing delivery system; however, the state has faced challenges in its ability to consistently access adequate service funding to support PSH properties across the state. Partly due to a misalignment in service and capital funding timelines, comprehensive service budgets and service contract documentation have been difficult to secure at the time of PSH project application, making it difficult to assess the efficacy of a potential project’s supportive service plan.

Additionally, implementation of Minnesota Housing’s change in PSH target population from long-term homeless (LTH) to high-priority homeless (HPH) has posed challenges for PSH property owners, management companies, and service providers. Although time and

improvement in CoC practices have helped, many PSH property owners still struggle with effective implementation of coordinated entry as the primary referral mechanism for their PSH units. Also, some management companies have reported considerably higher service needs in tenants referred to their PSH units since the change in priority population. Service providers reported that the funding streams available are not always sufficient to support high-quality case management, and many spoke about struggling to provide the level of services necessary to meet the needs of higher-vulnerability HPH tenants.

The final challenge identified is implementing PSH monitoring and evaluation procedures that evaluate tenants' quality of life, the effectiveness of supportive services, and fidelity to PSH industry best practices. Minnesota Housing leadership highlighted this as a challenge and an area of improvement in the state. All the states we spoke with shared in this challenge to some extent. Monitoring and evaluation of PSH is important to the long-term stability and performance of the states' PSH portfolios.

The greatest opportunity for strengthening the PSH system of care for homeless families and individuals is the 2019 approval by the Centers for Medicare and Medicaid Services (CMS) of Minnesota's proposal to add housing stabilization services to the state's Medicaid Plan. These services will include community supports that help people plan for, find, and move to homes of their own in the community, as well as services that help them remain successfully housed.

## **Key State Innovations Identified in the Best Practices Review**

### **Incentive for PSH Development**

State housing finance agencies across the country have developed innovative systems to incentivize PSH development for both majority PSH properties and mixed properties. Like Minnesota, some states utilize Qualified Allocation Plan (QAP) points to incentivize development in creative, high-impact ways. For example, Michigan's QAP awards points on a sliding scale that increases in proportion to the hours of on-site services that will be provided at the PSH project, so sites with more intensive services are prioritized for funding.<sup>1</sup> Connecticut's QAP points increase with the percentage of total units committed to PSH (maxing out at 20 percent).<sup>2</sup>

### **Assessment of PSH Proposals for Funding and Decision Making Processes**

Connecticut, Massachusetts and Michigan all involve a state Department of Human Services equivalent, or other supportive service subject matter experts, in their development project review teams. Connecticut and Massachusetts have established stand-alone entities to serve as

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<sup>1</sup> [Michigan State Housing Development Authority Qualified Allocation Plan \(https://www.michigan.gov/mshda/0,4641,7-141-7559\\_9643-31750--,00.html\)](https://www.michigan.gov/mshda/0,4641,7-141-7559_9643-31750--,00.html)

<sup>2</sup> Connecticut Housing and Finance Agency Qualified Allocation Plan [https://www.chfa.org/assets/1/6/2019\\_-\\_LIHTC\\_Qualified\\_Allocation\\_Plan\\_\(QAP\)\\_Final.pdf?8702](https://www.chfa.org/assets/1/6/2019_-_LIHTC_Qualified_Allocation_Plan_(QAP)_Final.pdf?8702)

PSH project reviewers and subject matter experts. These entities provide opportunities for mainstream developers sponsoring mixed PSH development proposals to access technical assistance and support to strengthen the service plan portion of their applications.

Additionally, all the states we interviewed required the submission of supportive service plans, supportive service budgets, and tenant selection plans at project application. There was significant variation in the level of detail and specificity required by the different state programs; however, states with more structured service funding/service plan requirements reported a higher level of confidence in, and satisfaction with, the services offered in their PSH programs.

### Proposal Requirements/Qualifications

Some states expect a lot more detailed information about their PSH projects, at application, than do others. As stated above, states with more requirements had a higher level of satisfaction with the PSH project outcomes after occupancy. At application, Connecticut requires a signed memorandum of understanding with a service provider, a supportive service plan, a fully funded supportive service budget, and a commitment of project-based vouchers or rents set at 15 percent of area median income. Massachusetts requires a signed contract with a service provider or a “certification letter” from a health and human services (HHS) partner agency (e.g., in Massachusetts, the state Department of Mental Health) committing service funds for the project, a supportive service plan, and a fully funded service budget. Michigan requires a service provider agreement, a supportive service plan, a fully funded supportive service budget, and firm commitments from service funding agencies.

### Waitlist and Referral Processes

Like Minnesota, Connecticut and Michigan encourage PSH projects to utilize local coordinated entry systems (CES) as the referral mechanisms for their PSH units serving homeless populations. Additionally, Connecticut, Massachusetts and Michigan all incentivize developers to adopt the inclusive and low-barrier tenant selection practices for PSH units. Massachusetts prioritizes projects that demonstrate a commitment to the principles of Housing First in their tenant selection plans. Michigan awards QAP points to projects that adopt screening criteria no more restrictive than the state housing development authority’s Housing Choice Voucher criteria, that disregard lesser or distant criminal histories, and that include an appeal process and eviction diversion plan for all PSH tenants.

### PSH Monitoring, Assessment, and Ongoing Support

Every state we spoke with expressed interest in improving its PSH monitoring, assessment, and ongoing support activities. Based on our assessment, few states are currently evaluating the efficacy of service delivery at their PSH properties in a comprehensive way. While best practices in this area are still emerging, TAC did identify some promising practices and trends.



Connecticut and Michigan both require service monitoring and continuous quality improvement plans in their funded projects' supportive service plans. Even when these states' housing finance agencies (HFAs) aren't directly monitoring services, a commitment is required from the developer and service partner that some other entity will be responsible for monitoring services. In Connecticut, nearly all PSH developments are supported by service contracts from the CT Department of Mental Health and Addiction Services, which monitors supportive service fidelity through its contract monitoring functions. In Michigan, services are funded and provided by a number of different agencies, but service plan requirements stipulate that each project's service coordination activities must include a mechanism for monitoring the support services, with the mechanism described in each project-level and tenant-level service plan. Massachusetts and Connecticut have developed PSH monitoring tools which they implement every three years through onsite monitoring. North Carolina, Indiana, and Maryland monitor PSH projects annually. In addition to their internal HFA monitoring efforts, many states partner with their HHS agencies to monitor the fidelity compliance of supportive services.

### Establishing and Utilizing Permanent Supportive Housing Performance Measures

Many of the states TAC spoke with have done a significant amount of work to identify and isolate specific performance measures that they are tracking, or would like to track, in PSH units and properties. While specific tools and priorities varied, a common set of performance indicators emerged:

- Housing stability
- Employment and income
- Access to community health and social services
- Utilization of coordinated entry for referrals
- Utilization of Homeless Management Information System (HMIS) systems
- Service staffing levels and hours
- Vacancy rate in PSH units
- Number of PSH tenants engaged in voluntary services
- Number of evictions or early exits from PSH units
- Changes in target population
- Changes in resident access to support services
- Effectiveness of referral and screening practices
- Number of PSH denied/screened out

## Recommendations

TAC has developed the following recommendations to improve and enhance Minnesota Housing's PSH Program, assist in guiding the agency's internal work over the next five years, and support future enhancements in the development, oversight, and assessment of PSH across Minnesota.

1. Sustain the existing PSH incentive structure to continue to encourage a range of PSH options, including both mixed PSH and majority PSH models.
2. Sustain and work to increase the availability of Housing Infrastructure Bond resources and leverage/maximize federal funding opportunities in order to sustain the scale and breadth of future PSH development.
3. Consider an incentive within the state's Qualified Allocation Plan to encourage LIHTC applicants to adopt tenant selection policies that demonstrably reduce screening barriers for PSH applicants in regards to criminal background and rental history/background.
4. Update Minnesota Housing's PSH proposal assessment process by incorporating a mechanism to review/assess Service Plans that propose Medicaid-financed housing stabilization services.
5. Develop PSH service fidelity standards in collaboration with key PSH and supportive services stakeholders.
6. Promote connections with housing navigation services within the CoC's coordinated entry system (CES) to ensure that people referred to PSH are quickly engaged and connected to housing and supportive services.
7. Coordinate with CoCs to track and assess the timeliness of referrals to PSH vacancies in an effort to improve the responsiveness of the CE system.
8. Collaborate with CoCs and local public housing agencies to establish a Moving On<sup>3</sup> preference in local Section 8 Housing Choice Voucher programs to allow PSH tenants to transition to a tenant-based rent subsidy.
9. Establish a risk-based monitoring process for all properties that incorporate PSH.

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<sup>3</sup> See description of Moving On Preference Strategy at: <https://www.hudexchange.info/programs/coc/moving-on/>

10. Develop a companion PSH monitoring protocol, associated PSH assessment tools, and a formal feedback loop for property managers and service providers to receive the PSH monitoring results.
11. Conduct a biennial formal staffing review of the Housing Stability Team to ensure that its capacity and expertise keep pace with the expected growth of Minnesota's PSH portfolio.
12. Establish and collect standardized HMIS data requirements regarding properties and services provided across the PSH portfolio.
13. Develop a standard set of PSH performance measures and corresponding benchmarks for both mixed PSH and majority PSH projects to assess PSH property performance and PSH tenant outcomes within the Minnesota Housing PSH monitoring process.
14. Incorporate a periodic review of these performance results to identify system-level trends within the PSH portfolio in order to inform enhancement to state PSH policy and alert Minnesota Housing/MN DHS about specific topics areas for staff training and capacity building.
15. Support the implementation with Minnesota DHS of the Medicaid-financed benefit of Housing Stabilization Services to fully integrate these services as part of the tenancy supports offered to PSH tenants.
16. Create a pool of dedicated resources for supportive services targeted to households that are not eligible for either the Medicaid-financed benefit of Housing Stabilization Services or the Housing Support Program.

## Methodology

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In February 2019, TAC and HSRI consultants met on-site with Minnesota Housing leadership as well as key staff from the Minnesota Housing development, housing stability, and asset management teams. In consultation with Minnesota Housing, TAC and HSRI developed an Outreach List and Interview Guide (see [Appendix C](#)) to direct our efforts in Minnesota and in the states selected for the best practice study. Stakeholders were solicited for participation with a written request from Commissioner Ho, and interviews were conducted by telephone, with the exception of those in Massachusetts.

## State of Minnesota Assessment

In addition to the Minnesota Housing staff interviews conducted during the kickoff, TAC worked collaboratively with Minnesota Housing to identify stakeholders representing the breadth of information and experience required to inform this assessment, making sure to include appropriate geographic coverage as well as a mix of policy, practitioner, and advocate representation.

TAC scheduled and conducted 22 telephone interviews with Minnesota stakeholders in June and July of 2019. The Minnesota stakeholder contact list (see [Appendix C](#)) included:

- Owners/managers of majority PSH properties
- Owners/managers of mixed PSH properties
- Developers of mixed PSH properties
- Service providers in majority PSH properties
- Service providers in mixed PSH properties
- PSH funders/lenders
- Representatives of local Continuums of Care
- Other key housing advocates

Additionally, TAC reviewed a range of documents related to Minnesota Housing's LIHTC program and other housing development resources, PSH policies and procedures, assessment management and monitoring processes, multifamily loan documents, and land use restrictive agreements (LURAs).

## State Best Practices Assessment

With continued guidance from Minnesota Housing, TAC identified three states — Connecticut, Massachusetts, and Michigan — to study for the Best Practices Report. These states were known to TAC as having innovative PSH models serving populations similar to those served by Minnesota's PSH program. In each state, TAC interviewed key personnel within the HFAs responsible for administering government assistance for the development and operation of permanent supportive housing. From September to December of 2019, TAC conducted telephone and in-person interviews in the selected states covering a broad range of topics, including an overview of each state's PSH funding priorities and portfolio, development incentives and application requirements, project selection processes, tenant referral mechanisms, monitoring protocols, and key performance measures. To further inform the report, TAC used its knowledge of the selected states' efforts in developing PSH and reviewed program documents describing current policies and programs.

In July 2019, Minnesota Housing and TAC incorporated additional states into the list, to be interviewed specifically about asset management practices. Out of eight states identified by

Minnesota Housing's asset management team as leaders in PSH asset management, five agreed to be interviewed:

- Colorado
- Indiana
- Kentucky
- Maryland
- North Carolina

Our telephone interviews with monitoring and asset management staff in these states were more circumscribed than those with other stakeholders, focusing closely on each state's key performance outcomes for PSH; its asset management staffing; and its monitoring schedules and assessment tools.

While there are commonalities among these states, there are also significant differences in the ways they incentivize PSH development; structure their funding application and review processes; prioritize tenant selection and referral; coordinate with their state Medicaid and human services departments; monitor properties; and measure PSH performance outcomes.

# The State of Minnesota Permanent Supportive Housing

## Key Findings from the Minnesota Permanent Supportive Housing Evaluation

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In partnership with TAC, HSRI carried out an evaluation of Minnesota Housing's PSH portfolio. HSRI's evaluation utilized primary and secondary sources including quantitative data from existing reports identified by Minnesota Housing; quantitative property-level and award data from Minnesota Housing; surveys regarding PSH practices developed and distributed to Minnesota Housing-funded PSH property staff, supportive services providers, and tenants; and focus groups with tenants.

Through this PSH evaluation, HSRI found that most PSH tenants were stably housed for a year or more. In mixed properties, according to Minnesota Housing, approximately 90 percent of PSH tenants remained in their housing for two years or more. Although all PSH is permanent housing, tenants in majority PSH properties may be more likely to "move on" to other community-based affordable housing as their lives and health become more stable. Therefore, the shorter average lengths of stay in majority PSH properties may be an indication that residents in those settings are able to stabilize and transition to more independent housing settings fairly consistently.

Of the people who established PSH tenancy in 2015 or later and exited before one year, HSRI found that 47 percent exited to permanent housing, 40 percent exited to temporary housing, and 13 percent were incarcerated or exited to a place not meant for habitation.

Based on a review of key demographics of the PSH tenants, HSRI found that the demographic characteristics of PSH tenants closely mirror the overall characteristics of people experiencing homelessness statewide and of the target populations for PSH. Additionally, housing stability outcomes are similar across racial and ethnic groups. This suggests that Minnesota's homeless system is providing equitable access to state-financed PSH resources. HSRI also found that racial and ethnic groups are fairly represented in the two property types, with the exception of people who are American Indian or Alaska Native (AI/AN, who are overrepresented in majority PSH properties both in respect to their overall percentage of the homeless population and when compared to other racial and ethnic groups). This may be due to the fact that some majority PSH properties were built on tribal lands and some were designed to serve Native Americans through the services provided. Although access to housing appears to be fairly equitable across most racial and ethnic groups, access to service provision may be less so. The tenant surveys administered in this evaluation consistently found that the percentage of tenants of color who reported needing and not receiving services was higher than among white

tenants. It should be noted that the sample size of tenants responding to the survey was relatively small (n=78)

Supportive services including engagement, case management, tenancy supports, and service coordination, are provided to PSH tenants by service providers and by referral to other organizations. HSRI found significant differences between what service providers perceive to be tenant needs and what the tenants themselves feel that they need. Many service providers noted a lack of sufficient resources to provide the level of services their tenant populations may need.

HSRI identified challenges faced by property managers in receiving timely referrals from several CoCs' coordinated entry systems. Property staff did not report high denial rates for their PSH units, but many described eligibility and screening criteria that may not be consistent with the principles of Housing First. HSRI found that tenants are not always provided a choice when it comes to housing and services, which also is not consistent with the principles of Housing First and PSH.

HSRI also found that the mixed properties showed higher housing retention outcomes for both one- and two-year periods than the majority PSH properties. Most of these results hold regardless of region and property size and after controlling for household structure and tenant characteristics. However, the evaluation was not able to account for potential differences in screening practices between mixed and majority PSH properties. Additionally, HSRI found evidence in the research literature suggesting that mixed properties' advantages may primarily be due to community factors leading this research to conclude that (a) there are some advantages and disadvantages to both mixed and majority PSH properties; (b) community integration is a desirable outcome that may be achieved through a variety of strategies depending on the specific context; and (c) the overall effectiveness of single vs. scattered housing strategies depends on the location, community characteristics, and characteristics of the specific population being served. Additional future analysis in this area could help MN Housing determine whether or not neighborhood and community factors contribute to the variation in retention outcomes across the portfolio.

Overall, the evaluation found that 73 percent of tenants surveyed reported their quality of life was much better since being housed in PSH financed by Minnesota Housing. Minnesota's long-term homeless population has fairly equitable access to state-financed PSH, tenants tend to be stably housed once they access PSH, and most report feeling happier and healthier as a result.

A full discussion of the methodology, findings, analysis, and recommendations from the Minnesota PSH Evaluation can be found in the *Minnesota Housing Finance Agency: Evaluation of Permanent Supportive Housing* report.

## Strengths, Challenges, and Opportunities in Minnesota's Permanent Supportive Housing Program

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As mentioned above, TAC worked with Minnesota Housing leadership to select three states with robust state-funded PSH programs/portfolios for comparison with the PSH program in Minnesota. Those states were Connecticut, Massachusetts, and Michigan. TAC conducted an environmental scan and literature review of Minnesota as well as researching each state's local processes for selecting and funding supportive housing, including QAPs and procurement/incentive processes. We conducted interviews with key policymakers from Minnesota Housing as well as from the three identified states, including Housing Finance Agency or State Community Development Office administrators, supportive housing directors, contract monitors, and compliance staff. TAC designed interview questions to uncover best practices and lessons learned in areas such as: procurement and project selection; financing models; tenant selection; management; evaluation; and monitoring. We also requested and reviewed examples of RFPs, pro-formas, contracts, and monitoring tools from states that were willing to share them.

Overall, TAC found that Minnesota Housing's PSH program is highly effective and has produced a stable portfolio of PSH units for homeless households across the state. In order to maximize this investment, and support future enhancements to the production, oversight, and assessment of PSH, we have analyzed strengths, challenges, and opportunities within the Minnesota Housing PSH system. The findings and analysis below have informed our recommendations for Minnesota Housing to guide its internal program development over the next five years, supporting continued growth, stability, and longevity within the PSH program.

### Strengths

Since 2005, Minnesota has fostered an enduring commitment to ending long-term homelessness, and in service to this commitment, the state recognizes the important role of developing, supporting, and evaluating PSH for homeless families and individuals across the state. High-level political and systems support for PSH development is guided by a specific goal of ending homelessness, evidenced by public commitments from Governor Walz and Commissioner Ho, and codified in documents like the Minnesota Interagency Council on Homelessness Action Plan and the Minnesota Housing Strategic Plan. Such support provides a solid foundation for continued development, and a platform from which to begin evaluation of the portfolio and continuous quality improvement. The state's commitment to developing and sustaining PSH models has been maintained continuously for 15 years, through the administrations of several governors, the evolution of the state legislature, various combinations of political party control, and leadership changes within Minnesota Housing as well.

Another strength in Minnesota is the state's highly effective system of incentivizing PSH development through the state's LIHTC policy, which offers incentive points within its QAP and



RFPs for all capital funding sources, resulting in broad participation and buy-in among affordable housing developers statewide. Minnesota Housing awards points on a sliding scale, based on the percentage of PSH units committed by the developer, with a required minimum of five percent, or four units. This strategy has proved to be very successful in producing a predictable pipeline of high-quality PSH units across the state, including both mixed properties with PSH set-asides in multifamily affordable rental housing, and specialized majority PSH properties linked to supportive services. Minnesota Housing's menu of PSH incentives has resulted in PSH units in approximately 90 percent of funded projects in the state.

Minnesota Housing also issues Housing Infrastructure Bonds (HIBs), limited obligation tax-exempt bonds used to provide capital funds for the acquisition, rehabilitation, and construction of low- and moderate-income housing. HIB is an important tool for developers of majority PSH projects in Minnesota. To be eligible for consideration for funding, PSH projects supported by HIB must serve individuals who are homeless, and starting with 2018 funds, units serving individuals with behavioral health needs, including mental illness and substance use disorders, are eligible. In order to be eligible for HIB financing, 100 percent of the units in the project must be an eligible use of HIB resources. Since 2012, when the state legislature authorized the program, Minnesota Housing has effectively utilized HIB capital resources often in conjunction with 4% LIHTC financing to spur the development of majority PSH across the state. HIB resources have played a critical role in Minnesota Housing's successful efforts both to create new majority PSH projects statewide and to leverage the 4% LIHTC resources available to Minnesota. Many state HFAs nationally have struggled to fully utilize their 4% LIHTC resources due in large part to a lack of state-funded capital financing sources needed to ensure project feasibility.

Minnesota Housing has successfully established meaningful and collaborative partnership with CoCs throughout Minnesota, particularly in the areas of project prioritization, project selection, tenant selection, and data collection. Minnesota makes effective use of CoC point-in-time count data, CES data, and CoC Needs Assessment data to determine QAP scoring priorities for PSH projects, ensuring that the PSH projects selected will be responsive to the needs of homeless people in their communities.

Minnesota also requires property managers to utilize the CoC's CES as the referral mechanism for all state-funded PSH units, and to report on all PSH participants in the CoC's Homeless Management Information System. CES referrals help to ensure that all people experiencing homelessness have fair access to the housing resources available, and that tenants served in the PSH units are prioritized by the local homeless networks as the most vulnerable and in greatest need of a PSH opportunity. HMIS participation ensures that a standard set of data is tracked by all properties, and provides an important tool for monitoring and evaluation.

Through the efforts of the Minnesota Department of Human Services in partnership with county human services offices, the state has developed and sustained an innovative use of its State SSI Supplement resource. In the Housing Support Program (formerly the Group

Residential Housing Program), county human services offices provide operating assistance and supportive service funding for PSH. By contrast, most other states with this resource have used it to support and sustain operations and services at approved residential facilities or group home programs (commonly referred to as Adult Care Homes or Group Residential Housing) for SSI recipients at risk of institutionalization. Additionally, Housing Support Community Living Infrastructure grants provide funding for housing navigators, who are vital in moving applicants quickly from homelessness to housing.

## Challenges

Despite Minnesota's strong PSH housing delivery system and innovative use of resources to provide services to PSH tenants, Minnesota struggles with some limited-capacity service providers, and with a lack of adequate service funding in some programs across the state. This is a challenge faced by many states that target PSH specifically to homeless populations.

Minnesota Housing staff report that partly due to a misalignment in service and capital funding timelines, comprehensive service budgets and service contract documentation are often difficult to secure at the time of PSH project application, and that what is submitted may be incomplete, or otherwise difficult to use effectively in assessing the efficacy of the overall service program.

Additionally, in 2018 Minnesota modified its PSH target population from long-term homeless (LTH) to high-priority homeless (HPH), defined as households prioritized for PSH through the coordinated entry system, in order to facilitate a programmatic change requiring properties to take PSH referrals from coordinated entry. Since this change, property owners and managers report that tenants with considerably higher service needs have been referred to their PSH units, creating challenges onsite. Service providers struggle to provide the level and quality of services necessary to meet the needs of higher-vulnerability HPH tenants and to enable them to remain successfully housed. Shifting to coordinated entry as a primary referral mechanism may pose particular challenges in rural communities across the state, where people experiencing homelessness may be less likely to engage with the CES system, or may be couch surfing, doubled up, or living in other situations that make them ineligible for many mainstream homeless services.

Similarly, Minnesota's PSH property owners, both in majority PSH and mixed PSH projects, often struggle with effective implementation of CES as the primary referral mechanism for their PSH units. Some housing providers, especially those with mixed properties, and CoC stakeholders across the state, report difficulties with locating, engaging, and collecting documents from CES referrals. This may be due, in part, to a lack of resources for the CES to support navigation services to assist applicants secure housing documentation in a timely manner. Such challenges create extended property vacancies and cost property owners money.

In response, some owners and managers report reluctance to use CES as a referral mechanism, preferring to utilize established systems of direct-provider referral. Minnesota's 2019 Supportive Housing Annual Survey indicated an increase in respondents' positive views of CE from 2018 to 2019, suggesting that more time and familiarity with the system may alleviate these challenges, and ease of implementation may continue to increase.

Some service providers report that the funding streams available to them are not sufficient to offer the consistent, high-quality case management that is required to ensure that tenants remain healthy and stably housed. This finding was echoed in the tenant survey, which found that 12 percent of tenants surveyed reported not knowing whether there was a case manager, service coordinator, or advocate associated with their housing at all. Often in PSH programs, low staff wages, limited training opportunities to develop and build skills, and high turnover among support service staff contribute to inconsistency in the quality and quantity of services provided. This challenge may be more acute in rural communities, where there are fewer service providers and limited service funding resources.

A final challenge identified in the current Minnesota Housing PSH landscape, and highlighted as an area of growth by Minnesota Housing leadership, is that although current PSH monitoring and evaluation procedures measure tenant stability and the financial and physical health of the real estate investment, they do not evaluate a more comprehensive and standardized set of tenant outcomes. Current practices do not solicit direct tenant responses or measure how a tenant perceives their quality of life. The quality, quantity, and effectiveness of supportive services provided are not assessed, fidelity to industry best practices is not measured either. This challenge, faced by all the states we researched that have steady growth in their PSH portfolios, is important to address, as it has an important impact on the stability and fidelity of the states' PSH portfolios.

## Opportunities

In August 2019, Minnesota received federal approval from CMS to add housing stabilization services to Minnesota's Medicaid Plan. Expected to go into effect in July 2020, these services will include community supports that help people plan for, find, and move to homes of their own in the community, as well as services that help people maintain their own housing in the community. The benefit will be targeted to Medicaid-eligible seniors and non-elderly people with disabilities who are homeless, living in institutions, or at risk of homelessness or institutionalization. The new Medicaid benefit will include an assessment and transition services that will help build capacity to assist people to move more quickly through CES and get connected to housing. Medicaid-funded Housing Stabilization Services offer an important opportunity to Minnesota, but also present a significant challenge, as Minnesota Housing will need to closely partner with the Department of Human Services (DHS) to align the new services

with existing resources (i.e. services funding through housing supports), and with plans for programmatic and service monitoring and evaluation.

The Minnesota Stewardship Council has historically convened a range of key PSH system stakeholders<sup>4</sup> in order to provide technical assistance and sometimes financial resources to PSH projects funded by Minnesota Housing. There has been recent work to reestablish the Stewardship Council to provide leadership and a statewide supportive housing policy body. Specifically, there is interest and an opportunity for such a planning body to develop and oversee a set of statewide PSH design and supportive service policy standards, which housing developers would follow in order to propose a PSH application for consideration by Minnesota Housing for housing development funding. The timing may be opportune for such an informal PSH policy body to offer value, as implementation of DHS’s housing stabilization services within the State Medicaid Program requires minimum expectations for developers who intend to leverage and utilize these newly available supportive services — which are person-centered and based on Medicaid eligibility rather than a contract-based supportive services resource.

## Overview of the State Permanent Supportive Housing Profiles

This report provides case studies of the PSH delivery systems in Connecticut, Massachusetts, and Michigan, and an evaluation of the PSH compliance and monitoring structures in those three states as well as in Colorado, Indiana, North Carolina, Maryland, and Kentucky.

Telephone interviews with key informants, as well as service- and housing-related document reviews, reveal variation among the selected states in several areas, including targeted populations, incentivizing development, application requirements, and managing portfolios. An overview of findings in each state is provided here. For the full state profiles, see [Appendix A](#).

### Connecticut

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Connecticut was an early adopter of HFA-funded permanent supportive housing for persons experiencing homelessness, and many of the state’s earliest projects are now more than 20 years old. In the early 90s, the Connecticut Housing Finance Agency (CHFA) implemented a demonstration project that combined state bond resources set aside specifically for PSH, supportive service dollars from the Connecticut Department of Mental Health and Addiction Services (DMHAS), and rental assistance from the CoC program. Over time, the capital funding sources have shifted to LIHTC and the rental assistance sources have shifted to non-CoC federal

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<sup>4</sup> Council stakeholders historically have included: HUD, MN Housing, MN DHS, Counties, Cities, Philanthropy leaders, Corporation for Supportive Housing staff and LISC staff.

and state sources, although the service funding sources have largely remained consistent. Currently, Connecticut utilizes the LIHTC program as the primary driver of PSH development in the state. Between 2011 and 2017, Connecticut developed 2,433 LIHTC units, 495 of which (20 percent) were PSH units. Rental affordability is typically achieved with rental subsidies from a local housing authority, internal subsidies from cash flow on units that yield higher income, capitalized operating reserves, and federal and state rental assistance.

Connecticut utilizes points in its LIHTC QAP to incentivize PSH development. PSH projects in the state are evaluated for consistency with the Connecticut Plan to End Homelessness and selected based on the scoring criteria in the QAP. CHFA's LIHTC review team scores the housing portion of PSH applications for funding, and the service plans and service budgets are reviewed by the Connecticut Interagency Council on Supportive Housing and Homelessness. All developers proposing to include PSH units for homeless people in their developments are required to accept tenants exclusively through their local CES. PSH units in Connecticut are targeted to individuals or heads of household who have a severe and prolonged mental illness and/or chronic chemical dependency and who are homeless at the time of application, or who have been determined eligible by the Connecticut Department of Developmental Services. Nearly all PSH developments are supported by service contracts through the DMHAS.

CHFA evaluates all supportive housing projects and supportive housing units in affordable developments funded by CHFA or the state using a tool called the Supportive Housing Quality Initiative (SHQI) program.

The SHQI measures compliance in six broad areas:

- Facilitated Access to Housing and Services
- Tenant Rights, Inputs, and Leadership
- Housing Quality and Safety
- Support Service Design and Delivery
- Person-Focused/Person-Centered Services and Tenant Engagement
- Services that Promote Recovery, Wellness, and Community Integration
- Focus on Housing Stability
- Building Internal Quality Assurance Practices, Key Staffing and Coordination

Additionally, CHFA contracts with a third party monitoring agency to perform more traditional affordable housing compliance monitoring, and this process also reviews each project's compliance with the PSH commitments made at closing, including number of units, affordability, and population served.

## Massachusetts

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In 2013, the Massachusetts state legislature passed a measure establishing the Housing Preservation and Stabilization Trust Fund (HPSTF) to serve as a "flexible method for funding affordable housing for low-income families and individuals in the Commonwealth, particularly those most at-risk of becoming homeless."<sup>5</sup> The Massachusetts Department of Housing and Community Development (DHCD) held its first HPSTF permanent supportive housing rental competition in 2014 and made \$21 million in awards to sixteen mostly majority PSH projects (for a total of 346 units) across the state. Since then, DHCD has held stand-alone PSH rental competitions, separate from its LIHTC competitions, each year, and has funded a total of 57 projects (948 PSH units) for people experiencing homelessness and other populations with special needs, including people with disabilities, Veterans, and frail elders. The capital funding has shifted from primarily state funds to the National Housing Trust Fund, but the intent of the initiative has remained the same. In addition to the annual supportive housing competitions, Massachusetts uses state bond funds as a capital source to support mixed PSH units, typically targeted to households with disabilities, within its multifamily LIHTC housing competitions.

The Massachusetts supportive housing competitions offer capital funding, rental assistance, and service dollars in the same competition, through one application process. The capital resources offered in the competition are typically a mix of federal sources (National Housing Trust Fund) and state bond resources dedicated to homeless and other special needs populations. Units are also allocated state rental assistance, and each voucher is "enhanced" with \$1,500 per unit per year in service funding, paid for out of the Massachusetts state rental assistance budget, to be utilized by the project for supportive service coordination.

Massachusetts does not use points in its LIHTC QAP to incentivize PSH development, and LIHTC funds are not offered in the state's supportive housing competition. Instead, Massachusetts offers state bond funds, typically targeted to households with disabilities, to support mixed PSH units in LIHTC developments. Because the Massachusetts PSH competition does not offer tax credits, projects in the PSH competition are selected based on the scoring criteria used for non-tax-credit-funded projects. DHCD affordable housing project managers review service plans and service budgets in collaboration with the Massachusetts' Community Economic Development Assistance Corporation, an agency that serves as DHCD's underwriting agent for supportive housing.

Massachusetts recently implemented a supportive housing data collection tool designed to measure the impact of PSH units developed in MA DHCD's supportive housing competitions. This monitoring tool tracks a number of key tenant outcomes measures, including:

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<sup>5</sup> Massachusetts House 1 FY 14 Budget [https://budget.digital.mass.gov/bb/h1/fy14h1/os\\_14/h14.htm](https://budget.digital.mass.gov/bb/h1/fy14h1/os_14/h14.htm)

- Housing Stability
- Employment and Income
- Access to Community Health and Social Services

Additionally, DHCD staff use this tool to evaluate the ways in which these measures vary across projects based on service hours and staffing ratios, housing stabilization strategies, and service partnership models (e.g. service provider as owner, or service provider as contracted partner).

## Michigan

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In 2006, Michigan initiated a statewide plan to end homelessness that included specific goals and targets for the delivery of housing and services. In 2015, Michigan convened an Interagency Council on Homelessness to coordinate and expedite the implementation of the statewide plan. As part of the plan, Michigan has worked to expand the supply of affordable rental housing for homeless and other high-need populations through a PSH set-aside within the LIHTC program. Michigan has developed more than 2,500 PSH units for people who either meet the HUD definition of homelessness or who have a physical disability or a mental or emotional disability of long-term duration. Additionally, the Michigan State Housing Development Authority's (MSHDA) Section 8 Project Based Voucher program has established three target populations: Homeless, Chronically Homeless, and Persons with Disabilities within its waitlist and preference criteria.

Michigan sets aside 25 percent of its 9% LIHTC allocation annually (approximately \$6,500,000) for PSH projects. The state typically funds four to five PSH projects per LIHTC competition, and hosts two competitions annually. Like Connecticut, Michigan utilizes points in its LIHTC QAP to incentivize PSH development. To be eligible for the points, projects must dedicate the greater of 15 units or 35% of the units in the project to PSH-eligible tenants. Projects are selected by a review committee including MSHDA LIHTC staff, MSHDA Homeless Assistance staff, and staff from the Michigan Department of Health and Human Services.

Michigan does not have a PSH monitoring tool, however, service monitoring is a required feature of PSH service plans in Michigan. All service coordination activities must include a mechanism for monitoring the support services detailed in each tenant's plan.

## Other States

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We also looked at PSH asset management in Colorado, Indiana, North Carolina, Maryland, and Kentucky. Very few states are monitoring the fidelity of supportive services in state HFA-financed PSH units. However, many of the states we spoke to ensure annual compliance with PSH commitments made at closing, including number of units, affordability, population served, and availability of supportive services. We also identified a number of other promising initiatives.

Colorado hosts a two-day PSH Toolkit Institute annually to train developers and management companies to assess local need, partner with community-based stakeholders, and apply for housing development funds. This group creates a peer cohort of PSH developers who can support one another, and others, as their projects move into the compliance phase.

Indiana convenes a Supportive Housing Performance Committee composed of Indiana Housing and Community Development Authority (IHCD) Development staff, IHCD Rental Assistance staff, Federal Home Loan Bank staff, and representatives from CSH. The team meets monthly to discuss PSH projects in all stages of the process, from predevelopment to compliance monitoring, often catching compliance issues before they become official findings, and directing owners and managers toward resources and support.

North Carolina employs a full-time, PSH-dedicated compliance monitor who serves as a single point of contact for all in-service PSH projects, and is responsible for monitoring all PSH properties, ensuring follow-up when performance issues arise.

In addition to physical and management reviews, Maryland properties with PSH units also receive a Resident Services review which ensures adherence to the resident services plan committed to at award. Among other things, this review asks for a copy of the property's resident services newsletter, a calendar of resident service activities, and attendance or log-in sheets for tenant activities.

## Analysis of the Permanent Supportive Housing Best Practices Review

### Strategies for the Development of Permanent Supportive Housing

In this section, we analyze the key findings from our review of state best practices in developing and sustaining a PSH portfolio. The analysis is presented in two sections:

#### **Strategies for the Development of PSH**

- Incentives for PSH Development
- Assessment of PSH Proposals for Funding Assessment and Decision Making Processes
- Proposal Requirements and Qualifications

#### **Strategies for the Sustainability of the PSH Portfolio**

- Waitlist and Referral Processes
- PSH Monitoring, Assessment, and Ongoing Support
- Establishing and Utilizing PSH Performance Measures
- Supportive Services Sustainability/DHS Coordination



## Incentives for PSH Development

Some of the most promising PSH development strategies across the country include practices for offering incentives that encourage mainstream developers to create PSH units, and to prioritize PSH tenant populations consistent with agency goals.

State Housing Finance Agencies across the country have developed innovative systems to incentivize PSH development for both majority PSH properties and mixed properties. Like Minnesota, some utilize QAP points to incentivize development. Michigan's QAP awards points on a sliding scale of that increases in proportion to the hours of on-site services that will be provided at the project.<sup>6</sup> Connecticut's points increase with the percentage of total units committed to PSH (maxing out at 20 percent).<sup>7</sup>

Other states incentivize PSH development with a percentage of their funding allocations, or by prioritizing certain funding sources specifically for the development of PSH. These set-asides lessen or eliminate the competition for PSH funds, encouraging developers to apply and ensuring that PSH developers — who may have less capacity than traditional affordable housing developers — have access to adequate financing. Michigan sets aside 25 percent of its 9% LIHTC allocation annually (approximately \$6,500,000) for PSH projects, and typically funds eight to ten projects annually. Similarly, Kentucky sets aside 10 percent (or \$1,000,000) of its annual 9% LIHTC allocation for PSH. Massachusetts dedicates its entire National Housing Trust Fund allocation (\$5.2 million in 2019) to PSH.

In recognition of the often more limited financial capacity of nonprofit PSH developers who frequently specialize in PSH development, the Colorado Housing and Finance Authority offers a five-percent increase in allowable developer fees to majority PSH deals, and more limited increases for mixed PSH developments.<sup>8</sup>

Massachusetts hosts a stand-alone rental competition specifically for PSH projects. The capital resources offered in the competition are typically a mix of federal sources (National Housing Trust Fund) and state bond resources dedicated to homeless and other special needs populations. Tax credits are not made available in the PSH competition, so projects funded this way are typically smaller in scale. These majority PSH proposals are proposed by less experienced/ less sophisticated developers who benefit from this specialized round with less competition for resources.

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<sup>6</sup> Michigan State Housing Development Authority Qualified Allocation Plan  
[https://www.michigan.gov/mshda/0,4641,7-141-7559\\_9643-31750--,00.html](https://www.michigan.gov/mshda/0,4641,7-141-7559_9643-31750--,00.html)

<sup>7</sup> Connecticut Housing and Finance Agency Qualified Allocation Plan  
[https://www.chfa.org/assets/1/6/2019\\_-\\_LIHTC\\_Qualified\\_Allocation\\_Plan\\_\(QAP\)\\_Final.pdf?8702](https://www.chfa.org/assets/1/6/2019_-_LIHTC_Qualified_Allocation_Plan_(QAP)_Final.pdf?8702)

<sup>8</sup> Colorado Housing and Finance Authority Qualified Allocation Plan.  
[https://www.chfainfo.com/arh/lihtc/LIHC\\_Documents/2020\\_QAP.pdf](https://www.chfainfo.com/arh/lihtc/LIHC_Documents/2020_QAP.pdf)

## Assessment of PSH Proposals for Funding and Decision Making Processes

All three states that TAC researched involve a state Department of Human Services equivalent, or other supportive service subject matter experts, in their development project review teams. As in Minnesota, supportive housing projects in Michigan are reviewed by state housing agency LIHTC staff, state-level homeless assistance staff, and Michigan Department of Health and Human Services staff. Michigan's project selection process is also informed by the proven capacity of a developer's service partner to provide and bill for Medicaid-funded services. Connecticut and Massachusetts have established stand-alone entities to serve as PSH project reviewers and subject matter experts. These entities provide opportunities for mainstream developers sponsoring mixed PSH deals to access technical assistance and support to strengthen the service plan portion of their applications, and, in the case of Massachusetts, for service provider agencies supporting majority PSH projects to access technical assistance to strengthen their overall development project concepts and applications.

In Connecticut, CHFA's LIHTC review team rates the housing portion of PSH applications for funding, and the service plans and service budgets are reviewed by the Connecticut Interagency Council on Supportive Housing and Homelessness. The Council includes representatives from the state's departments of Social Services, Economic and Community Development, Mental Health and Addiction Services, Public Health, Correction, and Children and Families, and its mission is to develop and implement strategies and solutions to address homelessness in Connecticut. This group reviews and evaluates project applications' service plans and budgets, and also provides technical assistance to supportive housing development teams, working with developers to help them restructure and strengthen their plans when necessary.

In Massachusetts, service plans and service budgets are reviewed by DHCD affordable housing project managers, and by Massachusetts' Community Economic Development Assistance Corporation (CEDAC), a quasi-governmental agency that serves as DHCD's underwriting agent for a number of state bond-funded loan programs that provide permanent financing specifically for supportive housing. CEDAC staff provide extensive technical assistance to supportive housing development teams from predevelopment through occupancy, and have a particular expertise in underwriting affordable housing projects with supportive service components. CEDAC staff remain involved with the PSH project throughout the compliance period to help projects when monitoring findings arise.

All three of these states have competition schedules that allow their review teams three to four months to review applications, solicit feedback from partners and supportive service subject matter experts, score projects, and announce awardees.

## Proposal Requirements/Qualifications

Like Minnesota, all the states we interviewed required the submission of supportive service plans, supportive service budgets, and tenant selection plans at project application. There was significant variation in the level of detail and specificity required by the different state programs. States with more structured service funding/service plan requirements reported a higher level of confidence in and satisfaction with the services offered in their PSH programs.

At application, Connecticut requires a signed memorandum of understanding with a service provider, a supportive service plan, a fully funded supportive service budget, and a commitment of project-based vouchers or rents set at 15 percent of area median income. CHFA publishes a supportive housing guidelines document, which includes a detailed outline specifying the features that every applicant's supportive service plan must include, such as a project summary, a description of the population to be served, a housing plan, and a description of supportive services, including an anticipated budget for the services to be provided and the source of funding.

Massachusetts requires a signed contract with a service provider or a "certification letter" from an HHS partner agency (e.g. MA Department of Mental Health) committing service funds for the project, a supportive service plan, and a fully funded service budget. Massachusetts also provides guidelines to developers and service providers who are writing service plans. The guidelines emphasize the importance of tenancy support services, and services intended to increase self-sufficiency. Additionally, they stipulate that all service plans include a commitment to an initial household assessment, and that the plans address adult education and employment, behavioral and physical health, financial management, and increasing community connections. Service plans are also required to include a commitment from the service provider that case managers will track and document a household's engagement and progress towards service goals.

Similarly, at application, Michigan requires a service provider agreement, a supportive service plan, and a comprehensive supportive service budget and firm commitments from service funding agencies. Additionally, MSHDA requires certification that the developer met with the local CoC to discuss local needs, service partnerships, and referral mechanisms. Michigan also provides a Permanent Supportive Housing Category addendum to its QAP, detailing what developers should include in a supportive services plan. A required feature of all service plans is the specific number of hours of on-site services that will be provided, with a minimum of 10 hours per week for projects with fewer than 25 PSH units, and 40 hours for projects with 75 PSH units.

# Strategies for the Sustainability of the Permanent Supportive Housing Portfolio

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## Waitlist and Referral Processes

Much like Minnesota, Connecticut and Michigan encourage PSH projects to utilize local CES as the referral mechanisms for their PSH units serving homeless populations. Connecticut employs a system of eight regional coordinated entry networks that prioritize housing for the most vulnerable families and individuals experiencing homelessness. All developers proposing to include PSH units for homeless people in their developments are required to accept tenants exclusively through their local CES. State-level housing staff report that it is difficult to ensure compliance with CES referral in mixed PSH properties, and that they have better success with majority PSH properties.

PSH applications in Michigan are required to use assessment tools that identify and prioritize referrals that serve the most vulnerable. Projects may present their own tools or strategies for prioritizing referrals by vulnerability. However, Michigan awards five QAP points to projects that commit to using coordinated entry as the mechanism by which they achieve this, and most projects do utilize CES.

The three states evaluated also utilize incentives to encourage developers to adopt inclusive and low-barrier tenant selection practices for PSH units. All three states require the submission of tenant selection plans at project application, and then review them again prior to loan closing. At project application, Massachusetts prioritizes projects that demonstrate a commitment to the principles of Housing First, and the Massachusetts review process gives preference to projects that commit units to “individuals or families who face multiple barriers to securing and/or maintaining permanent housing. Barriers may include, but are not limited to, poor credit, prior evictions, poor rental history, multiple emergency shelter placements, and/or disability.”<sup>9</sup> Similarly, Michigan awards five QAP points to projects that commit to employ “inclusive tenant selection” practices, by adopting screening criteria no more restrictive than the MSHDA Housing Choice Voucher criteria, disregarding lesser or distant criminal histories, and including an appeal process and eviction diversion plans for all PSH tenants.<sup>10</sup>

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<sup>9</sup> Massachusetts 2019 HTF NOFA

<https://www.chapa.org/sites/default/files/HTF%20NOFA%202019%20Final%20Version%208%2C21%2C19.pdf>

<sup>10</sup> MSHDA QAP Addendum III – Permanent Supportive Housing Category

[https://www.michigan.gov/documents/mshda/mshda\\_li\\_ca\\_05\\_addendum\\_iii\\_183854\\_7.pdf](https://www.michigan.gov/documents/mshda/mshda_li_ca_05_addendum_iii_183854_7.pdf)

## PSH Monitoring, Assessment, and Ongoing Support

Every state we spoke with expressed interest in making future improvements to PSH monitoring, assessment, and ongoing support activities. All the states are adept at monitoring their affordable housing portfolios for funding and regulatory compliance, and perform assessments of their PSH for:

- Operation and maintenance of the property
- Utilization of program units
- Tenant incomes and other PSH eligibility criteria
- Rent affordability as reflected in the deed restriction

However, fewer states were consistently evaluating the efficacy of service delivery at the properties. While best practices in this area are still emerging, TAC did identify some promising practices and trends.

Connecticut and Michigan both require service monitoring and continuous quality improvement plans in their funded projects' supportive service plans. In these states, even when the HFA isn't directly monitoring services, a commitment is required from the developer and service partner that some agency is responsible for monitoring services. In Connecticut, nearly all PSH developments are supported by service contracts from the Department of Mental Health and Addiction Services (DMHAS), and DMHAS monitors supportive service fidelity through its contract monitoring functions. In Michigan, a number of different agencies fund and offer services, but MSHDA's service plan requirements stipulate that each project's service coordination activities include a mechanism for monitoring the support services detailed in each tenant's plan.

Monitoring schedules varied among states, typically with a range of one to three years between visits. Massachusetts and Connecticut have developed PSH monitoring tools which they utilize every three years. Connecticut's review involves a site visit during which a monitor reviews charts, interviews staff, and meets with tenants to assess compliance. In Massachusetts, the Community Economic Development Assistance Corporation (CEDAC) emails a web-based PSH monitoring assessment tool to each project owner or management company.

In Indiana, all state-funded projects are required to submit annual reporting on financial indicators through an online portal designed to assess the financial health and stability of the project, and PSH projects are asked to respond to an additional set of PSH-specific questions. Like Indiana, North Carolina reviews PSH projects annually. The North Carolina monitoring involves an individual tenant file review and a Uniform Physical Conditions Standards (UPCS) inspection. In Maryland, the state's Department of Housing and Community Development monitors PSH projects annually, with a financial management review and a photograph of the building envelope. Mixed properties in Maryland are monitored annually as well, and receive a UPCS physical inspection and a

management review. All states also utilize these compliance reviews to ensure continued commitment to the service population identified in the project application, and that the project continues to serve the number of PSH tenants committed to at closing.

In addition to HFA monitoring, many states partner with their HHS agencies to monitor the fidelity compliance of supportive services. In Connecticut, PSH tenants who receive services from the Department of Developmental Services (DDS) receive a Quality Service Review (QSR), administered by DDS staff. The QSR evaluates the quality of services delivered and assesses the tenants' level of satisfaction with housing and services, covering seven focus areas:

- Planning and Personal Achievement
- Relationships and Community Inclusion
- Choice and Control
- Rights, Respect, and Dignity
- Safety
- Health and Wellness
- Satisfaction

In Maryland, the state Office of Health Services, Developmental Disabilities Administration, and Behavioral Health Administration fund majority PSH programs, and each program supports a specific population and offers its own specific set of services. The funding agencies oversee the provision of services and monitor service administration through agency contract monitoring activities.

## **Establishing and Utilizing Permanent Supportive Housing Performance Measures**

Many of the states TAC spoke with have done a significant amount work to identify and establish specific performance measures that they are tracking, or would like to track, in PSH units and properties. Connecticut and Massachusetts have each developed and implemented a set of performance indicators for PSH service plan implementation, tenant quality of life and outcomes, and real estate health.

CHFA operates the Connecticut Supportive Housing Quality Initiative (SHQI) program for all supportive housing projects and supportive housing units in affordable developments funded by CHFA or other state agencies.

The program measures compliance in the following six areas:

- Facilitated Access to Housing and Services
- Tenant Rights, Inputs, and Leadership
- Housing Quality and Safety

- Support Service Design and Delivery
  - Person-Focused/Person-Centered Services and Tenant Engagement
  - Services that Promote Recovery, Wellness, and Community Integration
- Focus on Housing Stability
- Building Internal Quality Assurance Practices, Key Staffing and Coordination

Compliance with the SHQI standards is monitored through a contract with CSH, which provides periodic site visits, typically every three years for projects performing well, during which a monitor reviews charts, interviews staff, and meets with tenants to assess compliance.

In Massachusetts, CEDAC, the Department of Housing and Community Development's (DHCD) underwriting agent for supportive housing, has developed a Supportive Housing Data Collection Tool designed to measure the impact of PSH projects developed in MA DHCD's Supportive Housing competitions.

The tool, so far only administered once in 2018, tracks a number of key tenant outcomes, including:

- Housing Stability
- Employment and Income
- Access to Community Health and Social Services

Additionally, the tool evaluates the ways in which these measures vary across projects based on service hours and staffing ratios, housing stabilization strategies, and service partnership models (e.g. service provider as owner, or service provider as contracted partner).

The survey tool consists of 35 questions, and will be administered electronically to project sponsors/owners at regular intervals (likely every three years). Respondents are encouraged to work in collaboration with their property management agents and service provider agencies to complete the survey.

As stated above, Indiana administers a supplemental survey to all of its PSH projects during its annual financial management audit. During this process, PSH projects are required to respond to questions covering the following domains:

- Utilization of coordinated entry for referrals
- Utilization of HMIS systems
- Service staffing and hours
- Vacancy rate in PSH units
- Number of PSH tenants engaged in voluntary services
- Number of evictions or early exits from PSH units

The Indiana Housing and Community Development Authority housing development staff are currently considering an expansion of the PSH questionnaire to include questions about operating costs per unit on PSH units, maintenance costs per unit on PSH units, and annual service expenses.

North Carolina also administers an annual Supportive Service Plan Review, which asks about the following key indicators:

- Changes in target population
- Changes in resident access to support services
- Effectiveness of referral and screening practices
- Access to service coordination
- Emergency/Security plan

In Maryland, in addition to the physical and management reviews, mixed properties with PSH units receive an annual Resident Services review which ensures adherence to the property resident services plan committed to at award. This review asks for:

- Copy of resident services newsletter
- Calendar of resident service activities
- Attendance or log-in sheets for tenant activities

## **Supportive Services Sustainability/DHS Coordination**

One way that state HFAs strive to ensure the efficacy and sustainability of supportive service provision in PSH is to provide tools or training for PSH developers, owners, and property managers on PSH standards of practice. Indiana hosts an annual PSH institute where developers spend 11 full days over 4 months learning how to structure competitive PSH applications that will yield successful and sustainable PSH projects. The institute covers important PSH standards of practice such as building strong service partnerships, Housing First, and trauma-informed care. After a PSH project is placed in service, Indiana staff monitor the project annually, and projects identified as poor performers during these assessments are required to complete mandatory training on issues that may include low-barrier tenant selection, reasonable accommodation, or eviction mitigation.

In North Carolina, the supportive housing compliance monitor offers training to owners and managers on PSH standards of practice, and also trains majority PSH owners, which are often nonprofit agencies or service providers, in traditional property management functions like how to perform tenant income and asset verification, how to maintain compliant tenant files, and how to meet standard affordable housing reporting requirements. As in Indiana, these training sessions are frequently initiated after an agency monitoring finding.



Other state HFAs have collaborated with their HHS agencies to develop and provide a system of performance improvement technical assistance for properties identified through monitoring as poor performers. In Massachusetts, housing coordinators working for the Department of Mental Health frequently attend property manager training sessions hosted by the state HFA to lead a workshop called “Demystifying DMH.” These workshops help property managers better understand the experience with mental illness that their PSH tenants may have, and also teach them about the services tenants receive, additional resources at their disposal, and whom to contact when problems arise.

## Recommendations for the Minnesota Permanent Supportive Housing Program

Minnesota Housing’s PSH program is widely considered a national leader in the provision of permanent supportive housing through its LIHTC-financed affordable rental housing competitions. After evaluating the findings from both TAC’s and HSRI’s reviews of Minnesota Housing’s PSH program, and completing the PSH Best Practices Assessment, including interviews with key stakeholders across in eight comparable states, TAC has developed the following recommendations to improve and enhance Minnesota Housing’s PSH Program, assist in guiding the agency’s internal work over the next five years, and support future enhancements in the development, oversight, and assessment of PSH across Minnesota. TAC encourages Minnesota Housing to consider these strategies in order further improve and build on the established, successful design and requirements of its PSH program.

TAC has organized these recommendations for Minnesota Housing using the following two areas of focus which correspond to Minnesota Housing’s priorities of focus:

1. Strategies for the Development of PSH
  - Incentives for PSH Development
  - Proposal Assessment and Decision Making Processes
  - Proposal Requirements and Qualifications
2. Strategies for the Sustainability of the PSH Portfolio
  - Waitlist and Referral Processes
  - PSH Monitoring, Assessment and Ongoing Support
  - Establishing and Utilizing PSH Performance Measures
  - Supportive Services Sustainability/DHS Coordination

## Strategies for the Development of PSH

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### Incentives for PSH Development

**Recommendation 1:** Sustain the existing PSH incentive structure to continue to encourage a range of PSH options including both mixed PSH and majority PSH models.

TAC recommends that Minnesota Housing maintain its existing PSH incentive structure to encourage future PSH development through the state LIHTC program's strategic priority for supportive housing units for both the high-priority homeless (HPH) population and people with disabilities. Minnesota Housing's incentive-based sliding scale of QAP points, based on the percentage of PSH units committed by the developer, continues to be highly effective. Our review of three years of Minnesota Housing PSH project awards indicates this strategy has proved to be highly successful in producing a predictable pipeline of high-quality PSH units across the state, including both mixed properties with PSH set-asides in multi-family affordable rental housing, and specialized majority PSH properties linked to supportive services.

**Recommendation 2:** Sustain and work to increase the availability of Housing Infrastructure Bond resources and leverage/maximize federal funding opportunities in order to sustain the scale and breadth of future PSH development.

Housing Infrastructure Bond (HIB) resources have played a critical role in Minnesota Housing's successful efforts both to create new majority PSH projects statewide and to leverage the 4% LIHTC resources available to Minnesota. In this Best Practice Report as well as in our observation nationally, TAC has found that states that commit dedicated state-funded development resources for future PSH development are better positioned to create and sustain a PSH pipeline over the long term. States that possess state-funded housing development resources for PSH are also able to use these resources to prioritize innovative PSH projects, and have the ability to absorb a reduction in federal housing development funding. TAC recommends that Minnesota Housing work closely with its external stakeholders to sustain and increase the funding level of HIB resources. This resource is a critical financing tool for PSH development across the state.

In addition, Minnesota Housing is a recognized national leader in the implementation of its HUD Section 811 Project-based Rental Assistance (PRA) awards. TAC recommends that Minnesota Housing continue to leverage and maximize federal resources like the 811 PRA program to support the expansion and diversification of its PSH portfolio. Such opportunities also include the HOME program and the National Housing Trust Fund program. Minnesota Housing continues to demonstrate a very successful track record accessing and utilizing federal resources for affordable housing, and for supportive housing in particular. TAC recommends a continued commitment to compete for and access all

federal housing resource opportunities to further expand PSH opportunities across Minnesota.

## Proposal Assessment and Decision-Making Process

**Recommendation 3:** Consider an incentive within the state’s Qualified Allocation Plan to encourage LIHTC applicants to adopt tenant selection policies that demonstrably reduce screening barriers for PSH applicants in regards to criminal background and rental history/background.

TAC recommends that Minnesota Housing adopt an incentive within its QAP to further encourage LIHTC applicants to adopt tenant selection policies (TSPs) that reduce screening barriers for PSH applicants. TAC does recognize the progress that Minnesota Housing staff have made in their current TSP policy review process, which has resulted in many PSH properties adopting policies that “screen in” rather than “screen out” PSH applicants. Specifically, in the *Property Management Survey* of the PSH Evaluation Report, 80 percent of mixed PSH properties reported having established less restrictive screening criteria for the PSH units than for other units in the property. TAC further recommends that Minnesota Housing draw from Michigan’s QAP incentive which requires LIHTC applicants to adopt minimum TSP screening criteria that mirror the state housing development authority’s Section 8 HCV policies. The agency reported that most LIHTC applicants chose to adopt these less restrictive TSP policies.

**Recommendation 4:** Update Minnesota Housing’s PSH proposal assessment process by incorporating a mechanism to review/assess Service Plans that propose the Medicaid-financed Housing Stabilization Services.

As MN Department of Human Services implements the Medicaid-financed Housing Stabilization Services statewide in July of 2020, future LIHTC applicants will be able to take advantage of the Housing Stabilization Services to support PSH tenants in housing. TAC recommends that Minnesota Housing adapt and update the Service Plan format and relevant PSH due diligence documentation to allow an LIHTC applicant in the FY 2021 LIHTC funding round to propose supportive services funded by Medicaid. As part of this effort, Minnesota Housing should coordinate closely with MN DHS Medicaid staff to incorporate and align Housing Stabilization Services policies and provider qualifications into the Minnesota Housing PSH policies and PSH due diligence requirements.

TAC further recommends that Minnesota Housing draw from the experiences of Michigan which has incorporated Medicaid-funded supportive services within its Service Plan format. In addition, TAC also recommends that Minnesota Housing and MN DHS review and consider the best practices outlined in the TAC’s analysis of *Best Practices in Implementing Medicaid Financed Tenancy Support Services* ([Appendix B](#)) to assist in guiding DHS’s

implementation efforts of the Housing Stabilization Services.

## Proposal Requirements/Qualifications

**Recommendation 5: Develop PSH service fidelity standards in collaboration with key PSH and supportive services stakeholders.**

With the implementation of Medicaid-funded Housing Stabilization Services, TAC recognizes that there is an opportunity for key statewide stakeholders including Minnesota Housing and MN DHS to partner on the development of PSH services fidelity standards and expectations. TAC also acknowledges the opportunity for the MN Stewardship Council, composed of a broad range of leaders and stakeholders with an interest in fostering the success of PSH in Minnesota, to take on the responsibility of developing PSH Services fidelity standards that all PSH sponsors and service providers will be expected to follow. Based on our PSH best practices review, TAC recommends that PSH services fidelity standards should include the following domains:

- Description of case management services
- Outline of expected case management ratios and frequency of in-person visits
- Person-centered service planning to foster individual choice and empowerment
- Consistency with Housing First principles
- Referral standards to community-based services
- Minimum staff and agency qualification to offer PSH services

In addition, TAC suggests that Minnesota Housing review the experiences of Connecticut and its efforts to develop PSH supportive services standards of practice, and to incorporate these standards into its Quality Service Review tool used to monitor their PSH projects. Connecticut has also established a minimum standard of service provider staff and agency experience required to offer PSH services. Connecticut's state services agencies which contract for PSH-related services update a list of qualified PSH providers annually and provide it to the state's HFA to incorporate into LIHTC funding round and review of PSH service plans.

## Strategies for Sustainability of PSH Portfolio

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### Waitlist and Referral Processes

**Recommendation 6:** Promote connections with housing navigation services within the CoC’s coordinated entry system to ensure that people referred to PSH are quickly engaged and connected to housing and supportive services.

Like Minnesota, many leading PSH states including Connecticut, Michigan, and Indiana require or incentivize CES as the referral mechanism for PSH. However, in all of these states, it is often difficult for property managers, especially those in mixed PSH, to quickly locate, engage, and lease from CES referrals. Access to housing navigators who are experienced in engaging homeless applicants referred by CES, collecting documentation, writing reasonable accommodations, and quickly navigating the housing application process are a proven, promising practice to improve overall waitlist and referral efficiency. Housing navigators also have helped reduce the number of referrals required by the CES to fill each vacancy and decrease the amount of time that units remain vacant upon turnover.

**Recommendation 7:** Coordinate with CoCs to track and assess the timeliness of referrals to PSH vacancies in an effort to improve the responsiveness of the CE system.

Anecdotally in stakeholder interviews across Minnesota, property managers and CoC staff communicated frustration with the number of CE referrals and the amount of time it typically takes to fill a PSH unit with an HPH tenant referred from CES. In order to better track and subsequently assess this process, TAC recommends that Minnesota Housing encourage CoCs to use coordinated entry and HMIS data to track the number of CE referrals made per PSH vacancy, and the number of elapsed days from first referral to unit lease up. This data can be used to identify high-performing properties and CoCs so that effective strategies and best practices can be shared among others in the PSH portfolio.

**Recommendation 8:** Collaborate with CoCs and local PHAs to establish a Moving On<sup>11</sup> preference in local Section 8 Housing Choice Voucher programs to allow PSH tenants to transition to a tenant-based rent subsidy.

HUD encourages communities to explore “Moving On” strategies for PSH tenants who may no longer need or want the services associated with their housing, but who still require rental assistance. “Moving On” strategies help ensure that people with histories of homelessness have continued choice about where they live, and that over time, limited PSH units continue to be made available to households that need them most. TAC recommends

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<sup>11</sup> See description of Moving On Preference Strategy at:  
<https://www.hudexchange.info/programs/coc/moving-on/>

that Minnesota Housing work collaboratively with CoCs and PHAs to build on the success of the *Step Down* pilot and establish a Section 8 preference for applicants “moving on” from CoC- and state-funded PSH units in order to provide PSH tenants an opportunity to receive a tenant-based Section 8 Housing Choice Voucher to access another community-based permanent housing option in other areas of Minnesota.

## **PSH Monitoring, Assessment, and Ongoing Support**

**Recommendation 9: Establish a risk-based monitoring process for all properties that incorporate PSH.**

TAC recommends that Minnesota Housing establish a risk-based monitoring process for all properties that incorporate PSH. TAC further recommends that this monitoring process be co-managed by the Housing Stability Team and the Minnesota Housing Asset Management department. TAC encourages Minnesota Housing to design a process that leverages asset management review and LIHTC monitoring visits, especially for the mixed PSH properties. If risk factors are identified during the review of the PSH units, the LIHTC property should be flagged and referred to the Housing Stability Team for follow up.

For the majority PSH projects, given the significant amount of Minnesota Housing resources invested, TAC recommends a more intensive approach to monitoring. Specifically, TAC recommends Minnesota Housing’s Housing Stability Team staff (given their expertise and special skills) conduct an annual off-site review of a completed PSH self-assessment to assess quality domains including PSH property indicators, PSH tenant outcomes, PSH supportive services fidelity, and service provider/staff qualification reviews. The annual PSH self-assessment model has been used by Massachusetts, Indiana, and Connecticut with some success. If risk factors are identified and flagged as part of this desk review, Minnesota Housing may elect to follow up with technical assistance and/or a site visit. In addition, TAC recommends more intensive on-site monitoring visits for all majority PSH properties at least every three years by the Housing Stability Team in coordination with asset management staff. This frequency of on-site visits is the emerging standard of practice based upon TAC experiences nationally and the states reviewed as part of the PSH Best Practices Report.

Within our review, TAC recognized a trend with several states deciding to dedicate specialized staff with demonstrable background and experiences in managing and operating PSH to conduct the monitoring and assessment of PSH projects. Connecticut contracts with the CSH, which partners with CT Department of Mental Health staff to conduct monitoring reviews of the PSH projects. Both Indiana and North Carolina have developed PSH specialist positions to support the monitoring/assessment of the PSH portfolio.

**Recommendation 10:** Develop a companion PSH monitoring protocol, associated PSH assessment tools, and a formal feedback loop for property managers and service providers to receive PSH monitoring results.

As part of developing and implementing its PSH monitoring process, TAC recommends the PSH monitoring protocol and standardized PSH assessment tool be developed and utilized with both off-site and on-site PSH monitoring reviews.

Based upon our PSH best practices review and our experiences with PSH monitoring practices nationally, TAC recommends that the following domains be covered within the PSH assessment protocol/tool:

- PSH Tenant Outcomes including both (1) housing stability/length of stay and (2) sustaining or increasing household income
- PSH Property Performance Indicators including debt service coverage ratio (or net operating income for majority PSH properties without amortizing debt); PSH vacancy or turnover; CES referral process/responsiveness; number of PSH denials; percentage of PSH tenants accepting services; and number of evictions from PSH units
- Service Plan/PSH Services Fidelity Review including person-centered services plans, case management staffing ratio/hours, and percentage of PSH tenants accepting supportive services that promote community integration and empowerment

TAC also encourages Minnesota Housing to take into consideration the experience and example of Connecticut and the comprehensive nature of its PSH monitoring protocol and what is assessed. Connecticut was also the only state we reviewed that conducts the PSH assessment collaboratively with both HFA representation (through its contract with CSH) and a state services agency partner, the CT Department of Mental Health. In the other states reviewed, the current practice is for the state HFA to trust that partner state services agencies are conducting proper services reviews as part of their regular contract management.

Finally, TAC recommends that Minnesota Housing in developing its monitoring protocol incorporate a formal feedback loop to both property managers and services providers regarding the results of the PSH monitoring review and specific recommendations to improve/sustain PSH practices. Both Connecticut and Indiana in particular have fostered a culture of support and continuous quality improvement by incorporating a formalized feedback loop into their processes with the CSH/CT DMH monitoring process and the Indiana PSH Performance Committee.

**Recommendation 11:** Conduct a biennial formal staffing review of the Housing Stability Team to ensure that its capacity and expertise keep pace with the expected growth of Minnesota’s PSH portfolio.

As part of the initial implementation of the PSH monitoring process, TAC recommends a staffing review of Housing Stability Team to assess the duties and responsibilities of the current staff and the additional work load proposed for the Team in order to determine whether new staff positions are warranted. In addition, TAC recommends a formal review at least every two years to assess the Team’s capacity and experience to keep pace with its expanded duties as well as with the continued growth of the PSH portfolio. Several states expressed concern about their PSH portfolio growth and the capacity of current staff to keep pace. We expect these states’ HFAs to eventually adopt a periodic review of staffing levels associated with supporting/sustaining their PSH portfolio.

## **Establishing and Utilizing PSH Performance Measures**

**Recommendation 12:** Establish and collect standardized HMIS data requirements regarding properties and services provided across the PSH portfolio.

TAC recommends that Minnesota Housing work with the statewide HMIS administrator Institute for Community Alliances (ICA) to further develop a standardized set of PSH performance measures. Taking advantage of the existing requirement of all PSH properties to enter data into HMIS and the recent experience of collecting HMIS PSH property data on tenant demographics and outcomes for HSRI’s PSH Evaluation, Minnesota Housing and ICA should work to collect demographic data on PSH tenants and PSH tenant outcomes at least annually, in order to monitor and assess performance trends across the PSH portfolio.

**Recommendation 13:** Develop a standard set of PSH performance measures and corresponding benchmarks for both mixed PSH and majority PSH projects to assess PSH property performance and PSH tenant outcomes within the Minnesota Housing PSH monitoring process.

TAC recommends that Minnesota Housing in collaboration with its key PSH stakeholders establish a standard set of PSH performance measures or outcomes and corresponding benchmarks for PSH projects as a measure of overall success. Further, TAC recommends establishing at a minimum the following two performance measures of (1) housing stability/retention for one year or greater and (2) maintenance or increase of household income to align with HUD performance standards for PSH. In addition, Minnesota Housing may also want to adopt PSH performance outcomes used by other states, such as PSH vacancy rate (CT) and percentage of PSH tenants receiving in-person service engagement within the past three months (MA). TAC recommends establishing corresponding benchmarks for each of the performance outcomes. Within the PSH best practices review,



TAC found a range of benchmarks for housing stability/retention, with Massachusetts setting an 80-percent housing stability benchmark, Connecticut setting a 95-percent benchmark of PSH tenants remaining in housing or transitioning successfully to other permanent housing, and Michigan establishing an 85-percent benchmark of retaining housing for one year or more.

**Recommendation 14:** Incorporate a periodic review of these PSH performance results to identify system-level trends within the PSH portfolio to help inform enhancement to State PSH Policy and alert Minnesota Housing/MN DHS about specific topics areas for staff training/capacity-building.

As part of efforts to use data to assist state PSH policymakers in assessing the overall performance of the PSH system, TAC recommends Minnesota Housing conduct a review, at least annually, of PSH performance measures and progress in achieving the benchmarks set. This statewide PSH performance review would assist Minnesota Housing and other key stakeholders to identify areas where PSH policy development and further standardization are needed and to assist in informing specific topic areas for staff training and capacity-building. This may also be a role for the MN Stewardship Council to lead and coordinate an annual PSH performance review. Several of the states assessed in our review have established a statewide PSH policy committee or working group to guide PSH policy development and standardization, including Connecticut which uses its Interagency Council on Homelessness and Indiana which uses its PSH Performance Committee.

## **Supportive Services Sustainability/DHS and Interagency Coordination**

**Recommendation 15:** Support the implementation with Minnesota DHS of the Medicaid-financed benefit of Housing Stabilization Services to fully integrate these services as part of the tenancy supports offered to PSH tenants.

Per the request of Minnesota Housing, TAC's Human Services Practice staff conducted a PSH best practices review identifying promising efforts by states implementing Medicaid-financed tenancy support services (See [Appendix B](#)). TAC's review focused on how states are managing implementation efforts in the domains of training, workforce development, and capacity-building to improve service providers' organizational capacity to become certified Medicaid providers and develop the expertise to effectively bill for services. TAC recommends that Minnesota Housing and MN DHS draw from the experiences and implementation efforts of these states including Louisiana, Washington, North Carolina, Massachusetts, and Maryland.

**Recommendation 16: Create a pool of dedicated resources for supportive services targeted to households that are not eligible for either the Medicaid-financed benefit of Housing Stabilization Services or the Housing Support Program.**

TAC lauds the efforts of Minnesota in its innovation with the Housing Supports Program (HSP) and its efforts to implement Medicaid-financed Housing Stabilization Services. However, there will likely be households prioritized by the local CoC for PSH that do not qualify for either HSP or Housing Stabilization Services. TAC recommends developing a dedicated pool of federal and state resources for supportive services targeting these households. TAC identified a number of states, including Massachusetts and Connecticut, that utilized state and federal resources outside of Medicaid funding to support services for PSH tenants. In addition, TAC also recommends that Minnesota learn from the experiences of Louisiana in braiding a range of supportive service funding streams including Community Development Block Grants and Ryan White and SAMSHA funding to support PSH households that are not eligible for Medicaid-financed supportive services.<sup>12</sup>

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<sup>12</sup> Please refer to the link for an in-depth analysis of Louisiana’s Permanent Supportive Housing Program and its efforts to braid supportive services funding streams: <https://nashp.org/wp-content/uploads/2017/05/Braiding-Funds-Louisiana.pdf>

## Appendix A: State Permanent Supportive Housing Profiles

### Connecticut

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#### History and Description of PSH Efforts in Connecticut

Connecticut was an early adopter of HFA-funded permanent supportive housing for persons experiencing homelessness, and many of the state's earliest projects are now more than 20 years old. In the early 90s, the Connecticut Housing Finance Agency (CHFA) implemented a demonstration project that combined state bond resources set aside specifically for PSH, supportive service resources from the Connecticut Department of Mental Health and Addiction Services (DMHAS), and rental assistance from the CoC program. Over time, the capital funding sources have shifted to LIHTC and the rental assistance sources have shifted to non-CoC federal and state sources, although the service funding sources have largely remained consistent. Currently, Connecticut utilizes the LIHTC program as the primary driver of PSH development in the state. Between 2011 and 2017, CT developed 2,433 LIHTC units, of which 495, or 20 percent, were PSH units. Rental affordability is typically achieved with rental subsidies from a local housing authority, internal subsidies from cash flow on units that yield higher income, capitalized operating reserves, or federal/state rental assistance.

#### Permanent Supportive Housing Funding Structure and Development Incentives in Connecticut

Connecticut PSH development is currently funded by CHFA and the State of Connecticut Department of Housing, (DOH) utilizing traditional multifamily affordable housing funding resources, including the Low Income Housing Tax Credit. Connecticut has a portfolio of project-based units financed in its tax credit competitions, and a 1,300-unit, tenant-based, scattered-site program supported with state-funded rental assistance.

Connecticut utilizes points in its LIHTC Qualified Allocation Plan (QAP) to incentivize PSH development. Six QAP points are awarded to projects that commit 20 percent or more of their units to PSH for homeless families or individuals. Two points are awarded to projects committing between 10 and 20 percent of their units to PSH, and no points are awarded to projects committing fewer than 10 percent of their units. Additional points are awarded to projects committing units to households at or below 25 percent of AMI. The NOFA for the scattered-site PSH program is informed by HMIS data for the state, and awards are prioritized based on regional housing priorities and unit configurations identified through HMIS.

## Application Requirements and Review Team in Connecticut

In addition to traditional multifamily housing application requirements ensuring that the project is a sound real estate investment and compliant with all the features of requested funding programs, applicants seeking funding from CHFA or DOH for supportive housing units must also submit:

- **Service Provider Agreement:** A memorandum of understanding (MOU) between the owner and a qualified service provider. Providers are qualified by CHFA through a process ensuring that they are in good standing with DMHAS, and experienced in the provision of supportive housing and homeless services.
- **Service plan:** Connecticut provides a detailed outline format to which PSH service plans must adhere (see [Appendix D](#)), ensuring that all plans submitted include important baseline components including project summary, target population, housing plan, and service implementation.
- **Evidence of funding sources:** Such evidence should include a demonstrated plan to obtain self-sourced or third party funding, such as a federal or state agency funding commitment, other resources guaranteed by a service provider, operating funds generated through the project, a capitalized service reserve, documented commitment by the development owner or developer, or any combination of these. The sources should be reflected in the operating budget, service reserves, or by a firm commitment letter. Service funding through development operations or capitalized reserves must be guaranteed by the developer for the entire compliance period, or a minimum of 15 years.<sup>13</sup>
- **A detailed supportive services budget:** Service budget shall include the amount of funding expected per PSH occupant. For tenants in the DMHAS target population, the review team typically expects to see a service budget set at a minimum of \$7,500 per person per year.
- **Specification of the special needs population to be served:** Population description should identify the characteristics of the proposed tenants, describe where they currently live and why they will meet homeless eligibility criteria, and outline their housing and service needs.

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<sup>13</sup> CT Supportive Housing Guideline, 2019 [https://www.chfa.org/assets/1/6/2019 - Supportive Housing Guideline.pdf](https://www.chfa.org/assets/1/6/2019_-_Supportive_Housing_Guideline.pdf)

- **Affordability:** A commitment of project-based vouchers for all proposed PSH units, or rents written down to 15 percent of AMI within the project's rent schedule and operating budget.

Developers are also required to address the issues of tenant selection and adherence to the principles of Housing First in their service plans.

PSH projects in Connecticut are evaluated for consistency with the Connecticut Plan to End Homelessness and selected based on the scoring criteria in the state's QAP. CHFA's LIHTC review team scores the housing portion of PSH applications for funding, and the service plans and service budgets are reviewed by the Connecticut Interagency Council on Supportive Housing and Homelessness. The Interagency Council is composed of the commissioners of the Connecticut departments of Social Services, Economic and Community Development, Mental Health and Addiction Services, Public Health, Correction, Children and Families, and Veterans Affairs; the Secretary of the Office of Policy and Management; the Director of the Office for Workforce Competitiveness; and the Executive Director of CHFA. The Council's mission is to develop and implement strategies and solutions to address homelessness in Connecticut. Established in 2004 and modeled after the United States Interagency Council on Homelessness, the Connecticut Interagency Council also provides limited technical assistance to supportive housing development teams, and works with developers to help them rework or strengthen their plans when necessary.

CHFA typically accepts applications in November and makes award announcements in March. Service plans and service budgets are sent to the Interagency Council for review within the first month of that review period, and Council members are provided four weeks to review.

## **Tenant Selection and Referral Strategies in Connecticut**

Connecticut employs a system of eight regional coordinated entry networks that prioritize housing regionally for the most vulnerable families and individuals experiencing homelessness. All developers proposing to include PSH units for homeless people in their developments are required to accept tenants exclusively through their local CES. Full compliance with coordinated entry referral has been difficult to achieve within some pockets of the state, but as property managers become more familiar with the system, compliance has improved.

## **DHS-Medicaid Integration in Connecticut**

PSH units in Connecticut are targeted to individuals or heads of household who have a severe and prolonged mental illness and/or chronic chemical dependency and who are homeless at the time of application, or who have been determined eligible by the Connecticut Department of Developmental Services (DDS). Nearly all PSH developments are supported by service

contracts from DMHAS, and in order to be eligible for capital funding, projects must partner with provider organizations that receive funds from DMHAS, the Department of Children and Families, or DDS for supportive services and that are in “good standing” with these agencies.<sup>14</sup>

## Key Performance Measures and Monitoring Protocols in Connecticut

CHFA operates the Supportive Housing Quality Initiative (SHQI) program for all supportive housing projects and supportive housing units in affordable developments funded by CHFA and/or the state.

The program measures compliance in six broad areas:

- Facilitated Access to Housing and Services
- Tenant Rights, Inputs, and Leadership
- Housing Quality and Safety
- Support Service Design and Delivery
  - Person-Focused/Person-Centered Services and Tenant Engagement
  - Services that Promote Recovery, Wellness, and Community Integration
- Focus on Housing Stability
- Building Internal Quality Assurance Practices, Key Staffing and Coordination

Compliance with the SHQI standards is monitored through a contract with CSH, which provides periodic site visits, typically every three years for projects performing well, during which a monitor reviews charts, interviews staff, and meets with tenants to assess compliance. Projects with poor performance are typically put on an annual monitoring schedule.

Additionally, PSH tenants who receive services from DDS receive a Quality Service Review (QSR), which evaluates the quality of services delivered and assesses the tenant’s level of satisfaction with housing and services. Caseworkers complete a quality service review once a year with each of their clients.

The QSR is administered by DDS staff and covers seven focus areas:

- Planning and Personal Achievement
- Relationships and Community Inclusion
- Choice and Control
- Rights, Respect, and Dignity
- Safety

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<sup>14</sup> CT Supportive Housing Guideline 2019 [https://www.chfa.org/assets/1/6/2019 - Supportive Housing Guideline.pdf](https://www.chfa.org/assets/1/6/2019_-_Supportive_Housing_Guideline.pdf)

- Health and Wellness
- Satisfaction

All projects funded by CHFA and/or DOH are also subject to monitoring requirements stipulated by their funding sources, including LIHTC and HOME. Connecticut contracts with a third party monitoring agency to perform this compliance monitoring, and this process also reviews each project's compliance with the PSH commitments made at closing, including number of units, affordability, and population served.

## Massachusetts

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### History and Description of PSH Efforts in Massachusetts

In 2013, the Massachusetts state legislature passed a measure establishing the Housing Preservation and Stabilization Trust Fund (HPSTF) to serve as a "flexible method for funding affordable housing for low-income families and individuals in the Commonwealth, particularly those most at-risk of becoming homeless."<sup>15</sup> The Massachusetts Department of Housing and Community Development (DHCD) held its first HPSTF permanent supportive housing rental competition in 2014 and made \$9 million in awards to sixteen projects across the state, of which were 100% PSH. Since then, DHCD has held stand-alone PSH rental competitions, separate from its LIHTC competitions each year, funding a total of 57 projects and 948 PSH units for people experiencing homelessness and other populations with special needs, including people with disabilities, Veterans, and frail elders. The capital funding has shifted from primarily state funds to the National Housing Trust Fund, but the intent of the initiative has remained the same. In addition to the annual supportive housing competitions, Massachusetts funds integrated PSH units, typically for persons with disabilities, through its multifamily LIHTC housing competitions. Massachusetts had not adopted any specific incentives in its QAP for PSH.

### Permanent Supportive Housing Funding Structure and Development Incentives in Massachusetts

The Massachusetts supportive housing competitions offer capital funding, rental assistance, and service dollars in the same competition, through one application process. The capital resources offered in the competition are typically a mix of federal sources (National Housing Trust Fund) and state bond resources dedicated to homeless and other special needs populations. Additionally, DHCD sets aside an allocation of state project-based rental assistance vouchers dedicated through 15-year renewable contracts for projects funded through each competition. Using the state rental assistance budget, each voucher is "enhanced" with \$1,500

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<sup>15</sup> Massachusetts House 1 FY 14 Budget [https://budget.digital.mass.gov/bb/h1/fy14h1/os\\_14/h14.htm](https://budget.digital.mass.gov/bb/h1/fy14h1/os_14/h14.htm)

per unit per year in service funding, to be utilized by the project for supportive service coordination. Projects funded in the supportive housing competition tend to be smaller, 100% PSH projects that benefit from the smaller competitive round with less competition for resources.

## Application Requirements and Review Team in Massachusetts

Developers interested in the supportive housing competition must submit a pre-application demonstrating developer capacity, site control, local support, and readiness to proceed evidenced by zoning and permitting approvals, the stage of architectural documents, and the status of other funding commitments. Pre-applications are reviewed by DHCD's underwriting staff. Projects that receive pre-application approval are invited to submit full funding applications. At full application, in addition to a standard affordable housing application package, developers are required to submit:

- Service provider agreement: An MOU between the owner and a qualified service provider.
- Service plan: Massachusetts provides guidelines to developers and service providers writing service plans. The guidelines emphasize the importance of tenancy support services and services intended to increase self-sufficiency. Additionally, they stipulate that all service plans include a commitment to an initial household assessment, and that the plans address adult education and employment, behavioral and physical health, financial management, and increasing community connections. Service plans are also required to include a commitment from the entity providing services that case management will track and document a household's engagement and progress towards service goals.
- Evidence of funding sources: Massachusetts requires a contract between the developer and a service provider, or a certification letter from an applicable state health and human service agency committing service funds to the project.
- Detailed service budget: Massachusetts PSH reviewers look for a service budget that can support staffing consistent with the service model and target population proposed, and which includes multiple, multi-year funding streams committed through existing state or federal contracts for services.
- Specification of the special needs population to be served: Applicants must describe the population to be served in PSH units and explain how they will benefit from the proposed housing and support services.



- **Affordability:** A plan to ensure that tenant rents in PSH units will not exceed 30 percent of area median income. This plan may include a request for project-based state rental assistance vouchers.

Service plans must also assert that no occupant of a PSH housing unit will be required to accept supportive services as a condition of tenancy.

PSH projects in Massachusetts are selected based on the scoring criteria used for bond-funded affordable housing projects in the state. Projects must be structured as sound real estate investments and designed as appropriate housing settings for low-income tenants who need support services. Service plans and service budgets are reviewed by DHCD affordable housing project managers, and by Massachusetts' Community Economic Development Assistance Corporation (CEDAC), a quasi-governmental agency that serves as DHCD's underwriting agent for a number of state-bond-funded loan programs that provide permanent financing specifically for supportive housing. The organization's mission is to promote the development of a network of community-based, nonprofit development organizations in Massachusetts, and to provide those nonprofit partners with the technical expertise and financial backing they need to carry out significant real estate projects to benefit low- and moderate-income households. CEDAC staff provide extensive technical assistance to supportive housing development teams from predevelopment through occupancy, and are available during the compliance period to help projects when monitoring findings arise.

MA DHCD has a standard 90-day review period for both its supportive housing and LIHTC rental competitions. CEDAC does a concurrent review, which takes approximately 60 days, after which the two agencies' review teams meet and discuss each project application and their respective scoring feedback.

## **Tenant Selection and Referral Strategies in Massachusetts**

PSH units that received services from the Massachusetts Department of Developmental Disabilities and those that receive services from the Massachusetts Department of Mental Health have closed referral systems, and tenants are referred to property management directly from those state agencies. DHCD does not require the use of coordinated entry or any particular referral mechanism for homeless units or units targeted to other PSH populations. Owners often partner with local service providers or systems of care to make referrals to their projects, consistent with their tenant selection plans.

Massachusetts prioritizes projects that demonstrate a commitment to the principles of Housing First, and gives preference to projects that commit units to "individuals or families who face multiple barriers to securing and/or maintaining permanent housing. Barriers may include, but

are not limited to, poor credit, prior evictions, poor rental history, multiple emergency shelter placements, and/or disability.”<sup>16</sup>

## DHS-Medicaid Integration in Massachusetts

In 2006, Massachusetts developed the Community Support Program for People Experiencing Chronic Homelessness (CSPECH), a Medicaid-funded program providing community-based housing support services to people who are chronically homeless. CSPECH funds case managers who support the transition efforts of clients to affordable housing, and who coordinate access to needed health care and other services. Because transitioning to housing is an important part of the service package, CSPECH services are reimbursable for up to 90 days prior to a participant’s being housed. Once participants move into housing, services can include obtaining benefits, assistance with daily living skills, and other activities to help households sustain tenancy and meet their health needs. CSPECH services remain reimbursable as long as the tenant remains housed. Some state-funded homeless PSH units receive referrals and service funding from the CSPECH program, but the integration is not yet widespread, in large part because without navigators, property managers have difficulty engaging referrals.<sup>17</sup>

More typically, Massachusetts PSH units receive referrals and service funding from state health and human services agencies like the Department of Mental Health, the Department of Developmental Services, and the Massachusetts Rehabilitation Commission. All of the state-funded PSH for persons with mental illness and developmental disabilities is referred directly from those agencies. PSH for persons with physical disabilities is restricted to applicants who are certified eligible by the Massachusetts Rehabilitation Commission.

## Key Performance Measures and Monitoring Protocols in Massachusetts

In 2017, CEDAC, the agency that serves as MA DHCD’s underwriting agent for supportive housing funding sources, worked with a consultant to develop a supportive housing data collection tool, designed to measure the impact of PSH units developed in DHCD’s supportive housing competitions. The tool, which has been administered once with PSH projects so far, tracks a number of key tenant outcomes measures, including:

- Housing Stability
- Employment and Income

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<sup>16</sup> Massachusetts 2019 HTF NOFA

<https://www.chapa.org/sites/default/files/HTF%20NOFA%202019%20Final%20Version%208%2C21%2C19.pdf>

<sup>17</sup> Blue Cross Foundation

[https://www.bluecrossmafoundation.org/sites/default/files/download/publication/CSPECH\\_2pager\\_Mar17\\_FINAL\\_0.pdf](https://www.bluecrossmafoundation.org/sites/default/files/download/publication/CSPECH_2pager_Mar17_FINAL_0.pdf)

- Access to Community Health and Social Services

Additionally, it evaluates the ways in which these measures vary across projects based on service hours and staffing ratios, housing stabilization strategies, and service partnership models (e.g. service provider as owner, or service provider as contracted partner).

The survey tool consists of 35 questions, and is administered electronically to project sponsors/owners at regular intervals (likely every three years). Respondents are encouraged to work in collaboration with their property management agents and service provider agencies to complete the survey.

Additionally, all DHCD-funded affordable housing is subject to monitoring requirements stipulated by its funding sources, including LIHTC, HOME, and HTF. Massachusetts contracts with third party monitoring agencies to perform this compliance monitoring, and to review each project's compliance with the PSH commitments made at closing, including number of units, affordability, and population served. The CEDAC original underwriter for each project stays assigned to the project throughout compliance phase, and provides technical assistance when issues or problems arise.

## Michigan

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### History and Description of PSH Efforts in Michigan

In 2006, Michigan initiated a statewide plan to end homelessness that included specific goals and targets for the delivery of housing and services to meet the needs of people who were homeless. In 2015, Michigan convened an Interagency Council on Homelessness to help coordinate and expedite the implementation of the statewide plan. As part of the plan, Michigan has worked to expand the supply of affordable rental housing for homeless and other high need populations through a PSH set-aside within the Low Income Housing Tax Credit program. Michigan has developed more than 2,500 PSH units for people who either meet the HUD definition of homelessness or who have a physical disability or a mental or emotional disability of long-term duration. Additionally, the Michigan State Housing Development Authority's Section 8 Project Based Voucher Program (Section 8 PBV) has three target populations: Homeless, Chronically Homeless, and Persons with Disabilities.

### Permanent Supportive Housing Funding Structure and Development Incentives in Michigan

Michigan PSH development is currently funded by the Michigan State Housing Development Authority (MSHDA) traditional multifamily affordable housing funding resources, including LIHTC and the National Housing Trust Fund supported by the state's Section 8 PBV program.

Michigan sets aside 25 percent of its 9% LIHTC allocation annually (approximately \$6,500,000) for mixed PSH and 100% PSH projects. The state typically funds four to five PSH projects per LIHTC competition, and hosts two competitions annually.

Permanent Supportive Housing is one of eight possible threshold categories in the Michigan QAP. Additionally, Michigan utilizes points in its LIHTC QAP to incentivize PSH development. Six QAP points are awarded to projects that commit to the provision of on-site services, scaled by the percentage of units at the site targeted to PSH (for example, a project where 25 percent of units or fewer are PSH would need to have 20 hours per week of services to receive the six points, but a project with 51 to 75 percent PSH units would need 60 hours per week of services to receive the six points). An additional two points are available for projects that target the local CoC's priority household type. And Michigan offers a 20-percent basis boost for PSH projects financed with 4% credits.

### **Application Requirements and Review Team in Michigan**

In order to be eligible PSH projects in Michigan, applicants must dedicate 35 percent of the units in the project (increased from a 25-percent requirement prior to the 2019-2020 QAP) to PSH-eligible tenants. Prior to the percentage increase, projects that applied typically set aside only the 25 percent, and did not do majority PSH projects. Development teams must meet with their local CoC prior to the funding round deadline to discuss tenant stability, social support networks, and community integration. Projects serving the most vulnerable, projects in neighborhoods with high rates of homelessness, and those with service partners that bill Medicaid are all prioritized through QAP scoring.

At application, in addition to a standard affordable housing application package, developers are required to submit:

- Service provider agreement: Written documentation between the developer, property management company, and service provider(s) that outlines mutual roles and responsibilities in the development.
- Service plan: A service coordination document describing how the project will meet the supportive service needs of the targeted tenants, including the number of hours of on-site services that will be provided, with a minimum of 10 hours per week for projects with fewer than 25 percent PSH units.
- Evidence of funding sources for supportive services: Firm funding commitment from the agency or agencies that will provide staff for any referenced services. Commitments must be in the form of a letter signed by the executive director of the agency providing the services, and/or funding, dated within six months of the funding round deadline.

- Detailed service budget: Michigan PSH reviewers look for a service budget that illustrates all supportive service funding and projected service expenses for the 15-year project compliance period.
- Targeting and specification of the special needs population to be served: PSH projects must target the greater of 15 units or 35 percent of the total units in the development to HUD Category 1 (literally homeless) households.
- CoC support: A letter of support from the local CoC is required with all PSH applications. The letter should include the total number of units, the number of PSH units, the targeted population, a description of the housing units, bedroom mix of the PSH units, location of the development, proposed services and amenities, and identification of the development team.
- Affordability: Tenant incomes must be at or below 30 percent of AMI to be eligible for targeted supportive housing units, and units must be affordable to applicants at that income level. Utilities must be included in the rent for PSH tenants. The MSHDA QAP commits to make PBVs available on a case-by-case basis to projects that agree to set aside at least five units for PSH.

Projects are selected by a review committee including MSHDA LIHTC staff, MSHDA homeless assistance staff, and Michigan Department of Health and Human Services staff. MSHDA utilizes a three-month review period, with applications due in April and October, and award announcements made in July and January, respectively.<sup>18</sup>

## Tenant Selection and Referral Strategies in Michigan

PSH applications in Michigan are required to include a tenant selection plan describing how permanent supportive housing tenants will be referred, screened, and selected. They are also required, at application, to demonstrate the use of assessment tools that identify and prioritize the referrals to serve the most vulnerable. MSHDA awards five QAP points to projects that commit to using coordinated entry as the mechanism by which they achieve this.

MSHDA also requires a commitment to the principles of Housing First for projects seeking PSH funding. An additional five points are awarded for projects that commit to employ “inclusive tenant selection” practices, by adopting screening criteria no more restrictive than the MSHDA Housing Choice Voucher criteria, disregarding lesser or distant criminal histories, and including an appeal process and eviction diversion plans for PSH tenants. Projects may not require acceptance of or compliance with treatment, medication, or sobriety.<sup>19</sup>

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<sup>18</sup> MSHDA Funding Round Information [https://www.michigan.gov/mshda/0,4641,7-141-5587\\_5601-487423--,00.html](https://www.michigan.gov/mshda/0,4641,7-141-5587_5601-487423--,00.html)

<sup>19</sup> MSHDA QAP Addendum III – Permanent Supportive Housing Category [https://www.michigan.gov/documents/mshda/mshda\\_li\\_ca\\_05\\_addendum\\_iii\\_183854\\_7.pdf](https://www.michigan.gov/documents/mshda/mshda_li_ca_05_addendum_iii_183854_7.pdf)

## DHS-Medicaid Integration in Michigan

QAP project scoring awards five points to projects partnering with a service entity that bills Medicaid or contracts with an agency that bills Medicaid to provide services in a PSH setting.

## Key Performance Measures and Monitoring Protocols in Michigan

MSHDA-funded affordable housing is subject to monitoring requirements stipulated by its funding sources, including Section 8, LIHTC, and HOME. MSHDA has an internal compliance monitoring division that monitors projects at regular intervals, and ensures compliance with PSH commitments made at closing, including number of units, affordability, and population served. PSH projects are considered to be successful if 85 percent or more of PSH tenants remain housed for a year or more.

Michigan does not have a PSH monitoring tool, however, service monitoring is a required feature of PSH service plans in Michigan. All service coordination activities must include a mechanism for monitoring the support services detailed in each tenant's plan.

## Innovations in Performance Measures and Monitoring

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### Colorado

Colorado has a portfolio of more than 8,000 PSH units in primarily 100% PSH properties, developed and owned by nonprofits or local housing authorities. PSH development is incentivized through QAP priorities and a five-percent increase in allowable developer fee collected on projects that dedicate 100 percent of their units to PSH. The state hosts a two-day PSH Toolkit Institute to train developers and management companies to assess local need, partner with community-based stakeholders, and apply for housing development funds.

Colorado Housing Finance Agency (CHFA)-funded affordable housing is subject to monitoring requirements stipulated by its funding sources, including Section 8, LIHTC, and HOME. CHFA has an internal compliance monitoring division that monitors projects at every three years, and ensures compliance with PSH commitments made at closing, including number of units, affordability, and population served. When performance issues are identified, projects are issued a finding letter encouraging them to correct the issue. Property owners with unresolved findings are ineligible to apply for additional funds. CHFA does not currently evaluate the fidelity of services provided in its PSH properties. The Colorado Division of Housing's Homeless Programs Manager is in the process of developing a process and tool to evaluate supportive services in PSH projects in operation.

## Indiana

The Indiana Housing and Community Development Authority (IHCDA) has a portfolio of approximately 2,000 PSH units, both 100% and mixed, and it employs a full time Supportive Housing Manager responsible for overseeing the planning, development, and compliance of the state's PSH portfolio. In addition to the regular three-year cycle for affordable housing compliance monitoring, all state-funded projects are required to submit annual reporting on financial indicators through an online portal designed to assess the financial health and stability of the project. Mixed and 100% PSH projects are required to respond to an additional set of questions as well.

Questions on the PSH project supplement cover:

- Utilization of coordinated entry for referrals
- Utilization of HMIS systems
- Service staffing and hours
- Vacancy rate in PSH units
- Number of PSH tenants engaged in voluntary services
- Number of evictions or early exits from PSH units

IHCDA housing development staff are considering an expansion of the PSH supplement to include questions about operating costs per unit on PSH units, maintenance costs per unit on PSH units, and annual service expenses. While Indiana is adept at monitoring key housing indicators within its PSH portfolio, housing development staff acknowledge that they are not measuring the level and quality of services offered in PSH as well as they would like.

Additionally, Indiana convenes a Supportive Housing Performance Committee composed of IHCDA development staff, IHCDA rental assistance staff, Federal Home Loan Bank staff, and representatives from CSH. The team meets monthly to discuss PSH projects that they're working with in all stages of the process, from predevelopment to compliance monitoring. This meeting is used to catch PSH performance issues before they show up on an annual health and stability assessment, and provides an opportunity to "case conference" problem properties.

When performance issues are identified, the Supportive Housing Manager is responsible for coordinating all efforts to resolve them. These efforts may include the provision of remote or on-site technical assistance, mandated training, or referral to outside resources like CSH. The Supportive Housing Manager spends 15 to 20 hours per month, or 10 percent of their time, on the provision of technical assistance and follow-up from compliance monitoring concerns.

## North Carolina

Since 2002, the North Carolina Housing Finance Agency (NCHFA) and the state's Department of Health and Human Services (DHHS) have partnered to create quality, affordable apartments for persons with disabilities linked with community-based services through the state's Targeting Plan Program. Nearly 3,000 PSH units — including accessible units — have been created and made available across the state to the DHHS targeted populations, which include extremely low-income households with disabilities, frail elders, and persons who have been homeless. Historically, PSH projects were primarily structured as 100% projects serving single populations, however, since a U.S. Department of Justice *Olmstead* settlement in 2011, North Carolina has redirected state policy towards a model supporting more mixed PSH models. In addition, all LIHTC projects in North Carolina are required to target 10 percent of their units to persons with disabilities, and projects receive additional scoring points if they propose a higher number of one-bedroom units, as a percentage of total units.

NCHFA conducts LIHTC compliance monitoring in-house, and employs a Manager of Rental Assets who oversees a staff of 14 monitors, one of whom is a full-time, PSH-dedicated compliance monitor. Including support staff, NCHFA employs 1.75 FTEs dedicated to PSH compliance monitoring.

All PSH projects, including mixed and 100% PSH, are monitored annually, with a file review and a physical UPCS inspection. Monitoring areas include:

- Operation and maintenance of the property
- Utilization of program units
- Tenant incomes and eligibility criteria
- Rent affordability as reflected in the deed restriction

NCHFA also administers an annual Supportive Service Plan Review (see [Appendix D](#)), which reviews the following key indicators:

- Changes in target population
- Changes in resident access to support services
- Effectiveness of referral and screening practices
- Access to service coordination
- Emergency/Security plan

The PSH compliance monitor is responsible for monitoring all PSH properties, and for ensuring follow-up when performance issues arise. At LIHTC underwriting staff at NCHFA keep projects in their individual portfolios for the duration of the compliance period, so the compliance monitor works with the underwriter and the property owner and management company to ensure that any monitoring findings are addressed and corrected. Additionally, the PSH monitor provides



trainings for property managers several times a year on frequently asked questions, travels for one-on-one meetings with managers, and provides direct technical assistance to projects that are struggling.

## Maryland

Maryland has separate and distinct funding, management, and monitoring practices for 100% PSH and mixed PSH housing.

Maryland's Office of Health Services (OHS), Developmental Disabilities Administration (DDA), and Behavioral Health Administration (BHA) fund supportive services for 100% PSH projects. Each state services agency and its PSH program support a specific population, offering a specific set of services. The Maryland Department of Housing and Community Development (DHCD) monitors each 100% PSH project annually, with a financial management review and a photograph of the building envelope. The agency that funds the services performs an annual licensing site visit as well.

Mixed PSH properties in Maryland serve a number of populations, including homeless populations, as well as people with physical and behavioral health disabilities. Projects serving homeless populations in their PSH units typically receive supportive services from private nonprofit partner agencies. Projects serving persons with disabilities receive services from providers who contract with state agencies. Mixed PSH projects are financed with LIHTC and other capital resources, and supported by Section 811 Project-based Rental Assistance (Section 811 PRA), or other local public and private operating resources. DHCD sponsors a review annually of these mixed PSH properties using the UPCS physical inspection and a management review format. Historically, this review was performed by a third-party contracted agency, but in 2019 the function was taken over by DHCD, and is now managed by internal monitoring staff in an effort to better align monitoring visits from multiple funding sources. In addition to the physical and management reviews, properties with PSH units receive a Resident Services review which ensures adherence to the property resident services plan committed to at award. This review covers the following areas of focus:

- Copy of resident services newsletter
- Calendar of resident service activities
- Attendance or log-in sheets for tenant activities

In the 811 PRA units, and others serving people with disabilities, the specific state agency funding services also conducts an annual, client-level review of service compliance as part of its contract monitoring practices. DHCD currently has no standardized service compliance review process for homeless PSH units, in large part because no single agency funds the services or provides performance measures.

## Kentucky

Kentucky sets aside approximately 10 percent of its annual 9% LIHTC allocation, or approximately \$1,000,000 annually for nonprofit-sponsored supportive housing. The PSH project applications competing for this pool of financing are not scored competitively with other projects, and are evaluated for threshold requirements and prioritized for funding based on the following criteria<sup>20</sup>:

- Local Continuum of Care Priority
- Developer Capacity
- Geographic Distribution
- Percentage of Project-Based Rental Assistance
- Deeper Income Targeting
- Project with the least aggregate ownership/development team involvement across all applications in the funding round

Kentucky does not have a set of PSH performance measures, nor does it utilize a separate monitoring tool for PSH properties. However, the Kentucky Housing Corporation (KHC) was recently honored by NCSHA for Program Excellence in Asset Management.

KHC's monitoring review process considers a range of traditional compliance measures, including physical inspection, regulatory compliance, operating health, and loan status. Additionally, KHC instituted a scoring process that is compiled based on a property's programmatic issues, physical health and safety issues, project changes, vacancy, impact score, and loan status. The scoring system consists of 100 possible points, and based on the property rating and the funding type, KHC determines when the next property review will be conducted:<sup>21</sup>

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<sup>20</sup> Kentucky 2019 Qualified Allocation Plan <http://www.kyhousing.org/Development/Multifamily/Documents/2019-2020%20Qualified%20Allocation%20Plan.pdf>

<sup>21</sup> KHC Asset Management Approach <http://www.kyhousing.org/Documents/2019%20NCSHA%20Entry/Award%20Entries/2019%20NCSHA%20Award%20Entry%20-%20Rental%20Housing%20-%20Multifamily%20Management.pdf>

## Appendix B: Best Practices in Implementing Medicaid-Financed Tenancy Support Services

This summary highlights common themes identified through TAC's work on several technical assistance (TA) projects with the Centers for Medicare and Medicaid Services (CMS) and with states implementing tenancy support services under Medicaid. TAC identified three states who have been implementing these services that are most relevant to Minnesota's impending implementation under an approved 1915(i).

These include:

- Louisiana who previously implemented tenancy supports under a 1915(i) but is now implementing these services under the State Plan Rehabilitation Option and several 1915(c) waivers.
- Washington who is implementing tenancy support services statewide under an 1115 demonstration; the benefit is structured like a 1915(i).
- Maryland who is implementing tenancy support services as part of locally-administered Assistance in Community Integration Services (ACIS) pilots (in three counties and Baltimore City in collaboration with MCOs) under an 1115 demonstration; their benefit is also structured like a 1915(i).

Michigan also recently received CMS approval for a 1915(i) that includes housing-related services but these services won't be implemented until 2022. Still, the experiences of Michigan and states like California, Massachusetts, North Carolina and New Jersey also offer lessons learned based on their efforts to prepare for and/or implement tenancy support services under Medicaid using various waivers and authorities.

### Provider Network and Capacity Building

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One of the most common challenges faced by states in preparing to implement Medicaid-funded tenancy support services involves assessing and implementing strategies to address the TA, training and capacity building needs of the different types of providers that will play a critical role in delivering these services and ensuring successful tenancies. This includes providers' capacity to bill Medicaid, understand housing resources and navigation, and effectively deliver evidence-based services in housing settings.

As states build and sustain their provider networks, they are often balancing the goals of ensuring service availability with that of service quality, fidelity and alignment with the state's intended vision for services. States may seek to recruit and target who they perceive to be their strongest providers first, set standards for tenancy support services delivery using contractual

language and requirements, and provide necessary training to meet the state’s requirements and expectations.

## Preparing Providers for Medicaid Participation

Many states aim to tap into existing community-based providers who already have experience delivering housing supports using non-Medicaid resources such as HUD, SAMHSA, state or locally-funded grants and programs as part of its Medicaid tenancy supports service provider network. These and other providers who may become part of the network may not have the capacity to bill for Medicaid services due to limited staff availability and/or knowledge, inadequate technological infrastructure, and the cost-prohibitive nature of developing Medicaid billing capacity. Many states (Louisiana, Maryland, New Jersey) have provided both one-time and ongoing training and support (e.g., through Learning Collaboratives) to help providers develop their capacity to submit Medicaid billings. New Jersey, for example, worked with providers helping to ready them for the significant system and services changes brought on by Medicaid-funded tenancy supports, providing training on documentation, billing, and Medicaid compliance for providers making the shift from program-based funding to Medicaid reimbursement. States can further support providers through this transition by allowing managed care organizations (MCOs) or larger or regional Medicaid providers to submit billings on behalf of smaller direct service providers, as Massachusetts did under its Community Support Program for People Experiencing Chronic Homelessness (CSPECH) program.

Adequate rate setting for Medicaid reimbursable services is also critical. Under its CSPECH program, Massachusetts also established higher initial rates during the first year of tenancy support service delivery to support provider infrastructure development (i.e. the cost of technological infrastructure procurement, staff training, implementation of new systems and processes) and then reduced rates in second year to bring them into line with other established provider rates.

In addition to setting adequate rates that support quality service provision, states should also consider that payment methodologies can impact service provision. Providers that are new to Medicaid, such as those who have been funded primarily through HUD CoC homeless resources, have historically received “grant” funding and have little experience tracking and billing for units of service, especially when the unit is defined as a quarter of an hour. Some states allow MCOs to use an alternative payment arrangement (APA), such as a daily or weekly rate, to reimburse for services to alleviate “administrative burden” on providers. An APA does not eliminate the need for service documentation or billing, but it can reduce the amount of time provider staff spend on these indirect activities.

## Provider Workforce Development

A number of states have invested in assessing the workforce development needs of their provider networks in order to develop the skills and expertise necessary to implement evidence-based service delivery that supports successful tenancies, along with TA and training to meet those needs. Agencies that become part a state's tenancy support services provider network may have experience serving some but not all of the state's intended target population, and/or may not necessarily be experienced in delivering housing-focused services. TAC has worked with states like North Carolina and Louisiana to develop and implement self-assessments for providers to gauge their agency's capacity and/or readiness to effectively deliver tenancy support services to the state's target population(s), and to offer TA and training to address identified needs.

Training for direct tenancy support services staff and supervisors typically aims to establish conceptual buy-in about the value of tenancy support services, as well as practical skills for service delivery.

Training topics may include:

- Tenets and principles of evidence-based permanent supportive housing
- Skill building activities
- Services supervision
- Population-specific needs and challenges (e.g., homelessness, disability-specific)
- Housing resources and navigation

Education about what tenancy support services are and their role are also commonly provided for others such as referring entities, MCOs authorizing access to services, and state and local housing agencies, landlords, and developers.

States have used a variety of methods to support provider workforce TA and training initiatives, using both state staff and contracting with national experts. Washington State directly employs field trainers who support providers with the basic tenants of supportive housing service delivery and fidelity self-assessment. They are complemented by five state-contracted national firms, including TAC, who offer complementary expertise, TA and training on topics that support provider skill building, utilizing peer supports, and engaging with housing partners. Train-the-trainer approaches are also common to sustain ongoing training capacity within states. For example, North Carolina recently employed TAC to develop training curriculum and deliver initial provider training that included a train-the-trainer component for local MCO staff to sustain ongoing training delivery. Both Louisiana and North Carolina's approach to provider training included time-limited provider TA and coaching support to reinforce provider skill development and model problem solving for tenancy-related issues and challenges. TAC is also

encouraging North Carolina to promote the establishment of Learning Collaboratives for ongoing staff support to continue to strengthen and sustain good service delivery practice.

## **Coordination with Non-Medicaid Services and Resources**

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In order to ensure the full spectrum of services that states' target populations need to attain and maintain housing, non-Medicaid funding sources remain an essential complement to Medicaid-funded tenancy supports. Perhaps the two most common activities for which states seek non-Medicaid resources are outreach and engagement and one-time move-in costs. State Medicaid programs and providers coordinate multiple federal, state, local, and philanthropic resources to fund these activities.

Outreach and engagement is a particular challenge for individuals experiencing homelessness as they are often not enrolled in Medicaid and may require a lengthy period of engagement and rapport building prior to Medicaid enrollment. SAMHSA, HRSA, and HUD grant funds, along with local dollars, are often braided in to cover the costs of outreach and engagement for non-Medicaid enrolled homeless individuals who are eligible to receive tenancy support services. While these resources may be largely coordinated at the local level, states can also play a role in lining up resources and facilitating the coordination process. In Washington State, if an individual in need of housing-related supports is not enrolled in Medicaid, there are mechanisms to expedite enrollment that all homeless outreach staff working with chronically homeless individuals in the state are trained to use. Washington also has a state-funded Landlord Mitigation Program that covers some move-in and other costs related to the housing unit. Louisiana created a Housing Establishment and Preservation Fund for similar purposes using HUD CDBG dollars.

## **Preparing Individuals for Successful Tenancy**

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An important factor involved in transitioning individuals from institutional and congregate settings to supportive housing that states often overlook is the occurrence of loneliness and isolation once housed. Individuals in institutions and congregate living settings eat meals, participate in activities and spend "downtime" with others...rarely are residents alone. While this is often a reason individuals verbalize wanting to leave such settings, the reality of being alone for large amounts of time can be a challenge to successful tenancy. North Carolina has experienced a high rate of individuals returning from supportive housing to assisted living facilities as a result of residents experiencing loneliness. Both North Carolina and Washington have focused on connecting individuals with Supported Employment to help address meaningful daytime activity and improve self-sufficiency. Still, some individuals may not choose to be employed, and even if working, may still be alone during evening and weekend hours. A health plan in California recently reported a similar experience with adults transitioning from

institutional settings, and used its own resources to create a program that provides new tenants the opportunity to socialize, problem-solve issues related to tenancy, and build support networks.

## Data Strategies

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States implementing tenancy support services under Medicaid are engaged in many types of activities related to managing and integrating data in order to better target housing-related services, demonstrate the impact of services on tenant outcomes, service utilization and costs, and inform program improvements. Most states are initially focused on collecting and reporting basic demographic and enrollment data during early services implementation, and on ensuring systems for tracking and reporting on the outcome measures to be examined as implementation progresses.

Washington State developed and uses the Predictive Risk Intelligence System (PRISM) as one of the criteria for determining Medicaid-funded tenancy supports services eligibility. PRISM is a predictive tool that uses an integrated client dataset to stratify or score individuals by acuity risk based on their Medicaid health care expenditures, helping to ensure that those at greatest risk of high service utilization and expenditures are prioritized for services. As Michigan was preparing to submit their 1915(i), the Department of Health and Human Services was engaged in an initiative to integrate HMIS data into their state data warehouse in order to match it with Medicaid claims data and identify frequent users of homeless and health care services to prioritize for a local housing and services pilot. The impact of this pilot on healthcare outcomes and costs is currently being evaluated, and participants' housing stability, and the use of emergency rooms and other costly healthcare services monitored.

California's Whole Person Care (WPC) pilots, which are county-based initiatives authorized under a section 1115 demonstration, target Medicaid beneficiaries who are high utilizers of services. Pilots were given the option to fund tenancy support services to address the needs of their targeted populations. Many WPC pilot programs have developed methods to integrate or share data across systems and providers, e.g., HMIS, MCO and County data systems, and behavioral health provider electronic health records. WPC pilots examine a number of outcomes including improved housing stability and health outcomes, and reductions in avoidable use of emergency and inpatient services and related costs, among others. Additional key outcomes examined in relation to tenancy support services delivery include increases in household income, reductions in homelessness, decreased returns to institutional settings, and diversion from the criminal justice system.

## Appendix C: Stakeholder Interview Questions and Contact Lists

### PSH Evaluation and Best Practice Study Stakeholder Interview Guide May 2019

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Below are the types of questions that will be asked during group and individual interviews. These questions are intended to be a guide and actual questions may vary as the interviews progress. Questions broken down by stakeholder group as follows:

#### PSH Owner/Property Manager – 100% PSH Properties

1. Please describe the property that you manage? How many units overall? How many PSH/LTH units? How long have you been in operation?
2. Were there sufficient referrals at initial lease-up and currently at turn-over for the PSH/LTH units? If not, what are some reasons or challenges?
3. Are the PSH/LTH units being occupied on a timely basis overall? If not, what are some of the reasons or challenges?
4. Are the eligibility requirements for the supportive housing units clear to property management and service staff? Are there any challenges with the requirements?
5. What role does your Continuum of Care (CoC)'s coordinated entry process play as a referral agent (if any)? (FYI, it is a requirement for LTH/HPH units)
6. Which entity works with the coordinated entry list manager to request referrals when you have an open unit (property management/service provider or both)? Is it clear to you what each party's role is? Do you feel that this division of labor works? Any recommendations to improve the coordinated entry referral process?
7. Please discuss key elements of your property's tenant selection plan and process to screen applicants for criminal justice involvement, credit reports, and background? Do you consider mitigating factors for applicants for supportive housing units? If yes, describe your criteria and process.
8. What is the level of rejection of applicants at your property? What are the most common reasons for a denial to PSH/LTH unit?
9. Discuss your process to accept and review a reasonable accommodation (RA)? Who do you work with on these requests? Do you work with the service provider staff who represent



the applicant? How did you learn how to support the RA? Did you receive training on RA and Fair Housing? If not, would it be useful in supporting this process?

10. What services do PSH tenants receive (pre-tenancy, tenancy sustaining, and other)? Who provides them? If it's your agency, how do you separate duties of property management and the provision of tenancy supports?
11. How and where are services provided to tenants? How is your relationship with the staff that offer the tenancy supports? Are the services provided adequate to support households in sustaining their tenancies and improving their quality of life? If not adequate, what additional services or supports are needed? Do property management and the service provider work together on lease infractions to prevent evictions?
12. How are the services paid for? Is ongoing funding of services an issue? If yes, what are biggest issues? What are some possible solutions?
13. Who does the property manager contact if they have a tenancy-related issue with a tenant? Is the response generally timely and productive in supporting the household to sustain their tenancy? Any additional supports that would be helpful to have?
14. How would you assess the overall success of your PSH/LTH residents in living as meaningful and prosperous lives as possible? What are their biggest barriers?
15. Do you have any suggestions/recommendations for improving or sustaining the success of your PSH property? Changes or improvements to the process itself? Training suggestions? Other areas that you think need to be improved?
16. What do you see as the specific barriers for the creation and successful operation/sustainability of PSH projects? Do you have any specific suggested improvements that MN Housing can make in terms of policy changes or resource gaps in order to facilitate new PSH development as well as sustain its ongoing operations?
17. Is there anything else that we should know as we evaluate PSH/LTH housing in Minnesota?

### **Multi-Family Owner/Property Manager – Integrated PSH**

1. Please describe the property that you manage? How many units overall? How many PSH/LTH units? How long have you been in operation?
2. Were there sufficient referrals at initial lease-up and currently at turn-over for the PSH/LTH units? If not, what are some reasons or challenges?
3. Are the PSH/LTH units being occupied on a timely basis overall? If not, what are some of the reasons or challenges?

4. Are the eligibility requirements for the supportive housing units clear to property management and service staff? Are there any challenges with the requirements?
5. What role does your Continuum of Care (CoC)'s coordinated entry process play as a referral agent (if any)? (FYI, it is a requirement for LTH/HPH units)
6. Which entity works with the coordinated entry list manager to request referrals when you have an open unit (property management/service provider or both)? Is it clear to you what each party's role is? Do you feel that this division of labor works? Any recommendations to improve the coordinated entry referral process?
7. Please discuss key elements of your property's tenant selection plan and process to screen applicants for criminal justice involvement, credit reports, and background? Do you consider mitigating factors for applicants for supportive housing units? If yes, describe your criteria and process.
8. What is the level of rejection of applicants at your property? What are the most common reason for a denial to PSH/LTH unit?
9. Discuss your process to accept and review a reasonable accommodation? Who do you work with on these requests? Do you work with the service provider staff who represent the applicant? How did you learn how to support the RA? Did you receive training on RA and Fair Housing? If not, would it be useful in supporting this process?
10. What services do PSH tenants receive (pre-tenancy, tenancy sustaining, and other)? Who provides them?
11. How and where are services provided to tenants? How is your relationship with the staff that offer the tenancy supports? Are the services provided adequate to support households in sustaining their tenancies? If not adequate, what additional services or supports are needed?
12. Who do you contact if you have a tenancy-related issue with a tenant? Is the response generally timely and productive in supporting the household to sustain their tenancy? Any additional supports that would be helpful to have? Do property management and the service provider work together on lease infractions to prevent evictions?
13. Do you have any suggestions/recommendations for improving or sustaining the success of the PSH/LTH units within your property? Changes or improvements to the process itself? Training suggestions? Other areas that you think need to be improved?
14. What do you see as the specific barriers for the creation and successful operation/sustainability of PSH projects? Do you have any specific suggested improvements that MN Housing can make in terms of policy changes or resource gaps in order to facilitate new PSH

development as well as sustain its ongoing operations?

## Housing Developers of 100% PSH Properties

1. Please provide us with an overview of your agency/firm's experience in the development of PSH for persons who are homeless or with disabilities.
  - How many projects and units have you developed?
  - How many are under development?
  - Sources used for development/operation/services
2. What development financing strategies have been successful? How do you view Minnesota Housing's efforts to incentivize the development of PSH opportunities or housing projects? And the resources used to finance housing? How has it worked? Suggestions for the future? Are these sustainable? Are there resources gaps for developing supportive housing? What improvement could be made to assist you in sustaining the ongoing health of your PSH property?
3. What types of partnerships have been developed to assist in the development and operations of your PSH properties? Discuss any challenges to collaboration. Have you been able to sustain these partnerships? What have they changed/how have the relationships evolved?
4. How were the roles of property management and service provision defined and coordinated initially? How have these evolved over time?
5. How did you go about the development of your tenant selection plan (TSP) and what areas do you screen for at time of application? Has the TSP changed over time? How do you balance these tenant selection considerations with offering PSH to the intended population and hardest to serve?
6. What services/agencies are available to support people living in your housing units? How do your tenant's access these services?
7. In your initial supportive services plans for the PSH properties, did you plan on offering space to service providers to offer supportive services? If so, how has this approach worked and evolved? If you didn't plan to offer space to service providers, what were some of the reasons for not offering space? Add question about community space also.
8. How has your supportive services plan for your PSH property evolved over time? Have services and/or partners changed over time? If so, discuss the reason(s) for these changes (i.e. meet the needs of tenants)?

9. What types of services do tenants with disabilities or other needs require? Are you able to offer access to these types of services? What are some ways that access to these types of services could be improved?
10. Do you have relationships with separate agencies to provide supportive services or do you offer them within the PSH project itself? How has this service delivery approach/model worked and how has it evolved? Is the service model sustainable? Does it generally meet the needs of tenants? How could this service model be improved?
11. Do you have any current concerns about the availability of services and supports if and when a tenant needs them? What challenges exist in the delivery of services?
12. If you were to develop a PSH project in the future, what lessons learned from your past experiences would you employ? Financing and operational strategy? Supportive services plan? Any new partnerships you would prioritize?
13. How would you assess the overall success of your PSH/LTH residents in living as meaningful and prosperous lives as possible? What are their biggest barriers?
14. What do you see as the specific barriers for the creation and successful operation/sustainability of PSH projects? Do you have any specific suggested improvements that MN Housing can make in terms of policy changes or resource gaps in order to facilitate new PSH development as well as sustain its ongoing operations?
15. Is there anything else that we should know as we evaluate PSH/LTH housing in Minnesota?

### **Supportive Services Provider for Integrated PSH Model**

1. For how long has your agency been providing supportive services to those living in PSH? How does your organization prioritize this service element? How does this work fit into your agency's overall mission and priorities?
2. How would you describe your relationship with multi-family owner and property manager(s) of the Multi-Family Rental Properties where you provide services to the tenants? How did this relationship begin? How has it evolved over time?
3. How does your staff work with the coordinated entry system? At what point in the housing referral process do you first engage with potential tenants? How do you ensure that applicants referred by CES are eligible for services from your agency?
4. What partnerships help sustain the PSH/LTH tenancies of consumers that you provide services for? (e.g., project sponsors, housing and/or property managers, supportive services providers)? What makes these relationships work? What is your role in these partnerships?

How do you collaborate with other parties in regards to referral to the property, application, move-in, after move-in)? How have these relationships evolved? Do they currently work well?

5. What is your role working with the property management?
6. In what ways, if at all, do you work to promote Housing First Principles in your PSH/LTH project? How are these HF principles integrated into the PSH/LTH processes for application, screening, service model and tenant retention/eviction prevention? How do you work with the owner/property manager to build understanding and “buy-in” to these principles? What has worked successfully in this regard? Have there been any challenges in this regard? Are there areas that you think could be improved? How could MN Housing staff support you in these efforts?
7. Please discuss your understanding of the property’s application process screening criteria (i.e. criminal justice involvement, credit reports, and background). Is this generally a reasonable process? What challenges hinder with a client accessing housing quickly (i.e. application screening, expenses associated with application process)? Does property management have a process and criteria for considering mitigating factors?
8. What is the level of rejection of applicants for the PSH/LTH units at the property(s)? From your perspective, what are the most common reasons for a denial to PSH/LTH unit?
9. In what ways has your program worked to ensure successful reasonable accommodation with property owners/managers? How did you learn how to support the RA? Did you receive training on RA and Fair Housing? If not, would it be useful in supporting this process?
10. What services do you offer an applicant/tenant of a LTH/PSH unit? (e.g., services related to engagement, service coordination, case management, tenancy supports, family-specific, independent living skills, transportation, education/employment, harm reduction, financial management, community building, physical health and health care access, mental health, substance use, co-occurring disorders, crisis response, disability, or brain injury — or directed to specific categories such as families, children, youth, seniors or Veterans)? What services are provided by the primary service provider and what services are provided by community partners through referrals or other methods?
11. How much choice are PSH/LTH applicants/tenants given in selecting services? Are tenants required to use any of the services?
12. Does any of the PSH/LTH housing you work with have entry requirements, like sobriety or service engagement?

13. How are services tailored to tenants' needs, preferences, and strengths? Discuss your process on developing a trauma-informed person-centered housing/services plan with the applicant/tenant? When does this occur? How often is the plan updated with the tenant? How has this process evolved over time?
14. What specific service models/interventions are used to deliver services (e.g., Housing
15. First, motivational interviewing, progressive engagement, 2Gen, Assertive Community Treatment, Critical Time Intervention)?
16. How and where are services provided to tenants? Discuss staffing roles as well as case ratios. Discuss the frequency of face-to-face contact and where the services are delivered - location on-site or in the community. Do you use peer providers?
17. Are there any gaps between what clients need and the availability of services to clients/tenants? How do you work to fill/mitigate those gaps?
18. How are the services funded (e.g., federal grant programs, the owner pays for services from operating budget or cash flow), Medicaid billing (ARMHS, TCM, CADI, etc.), local government funds, or fundraising or philanthropic grants? Are services funding sources sustainable?
19. How do you monitor and evaluate outcomes of your PSH/LTH supportive services? In what ways does your agency use data to inform continuous quality improvement?
20. What are your greatest challenges in providing services to tenants? What engagement strategies have been successful in supporting service resistant tenants? What training that you've received has been particularly useful? What other skills or resources would assist in the tenant's and your success?
21. How would you assess the overall success of your PSH/LTH residents in living as meaningful and prosperous lives as possible? What are their biggest barriers?
22. Is there anything else that we should know as we evaluate PSH/LTH housing in Minnesota?
23. What do you see as the specific barriers for the creation and successful operation/sustainability of PSH projects? Do you have any specific suggested improvements that MN Housing can make in terms of policy changes or resource gaps in order to facilitate new PSH development as well as sustain its ongoing operations?

## Supportive Services Provider for 100% PSH Projects

1. Is supporting tenants in PSH a priority for your agency? How has leadership been involved? For how long?
2. How would you describe your relationship with the owner and property manager of the PSH project? Has this relationship evolved over time?
3. What agency staff are involved in providing supportive housing services and what are their roles? What is your role specifically? At what point do staff get involved with tenants (i.e. referral to the property, application, move-in, after move-in)? How have these roles evolved? Do they currently work well? Are their established policies and procedures in place regarding these roles?
4. Are the PSH units in the project being occupied on a timely basis? Are there sufficient referrals at initial lease-up and vacancy? What roles does the Continuum of Care (CoC)'s coordinated entry process play as a referral agent? What, if any, are the specific barriers that prevent timely, sufficient stream of referrals? How could the process be improved?
5. In what ways, if at all, do you work to promote Housing First Principles in your PSH/LTH project? How are these HF principles integrated into the PSH/LTH processes for application, screening and termination of assistance? How do you work with the property manager to build understanding and “buy-in” to these principles? What has worked/successes? Have there been any challenges in this regard? Are there areas that you think could be improved? How could MN Housing staff support you in these efforts?
6. Please discuss your understanding of the property's application process screening criteria (i.e. criminal justice involvement, credit reports, and background). Is this generally a reasonable process? What challenges hinder with a client accessing housing quickly (i.e. application screening, expenses associated with application process)? Does property management have a process and criteria for considering mitigating factors?
7. What is the level of rejection of applicants for the PSH/LTH units at the property(s)? From your perspective, what are the most common reasons for a denial to PSH/LTH unit?
8. In what ways has your program worked to ensure successful reasonable accommodation with property owners/managers? How did you learn how to support the RA? Did you receive training on RA and Fair Housing? If not, would it be useful in supporting this process?
9. What services do you offer an applicant/tenant of a LTH/PSH unit? (e.g., services related to engagement, service coordination, case management, tenancy supports, family-specific, independent living skills, transportation, education/employment, harm reduction, financial

management, community building, physical health and health care access, mental health, substance use, co-occurring disorders, crisis response, disability, or brain injury — or directed to specific categories such as families, children, youth, seniors or Veterans)? What services are provided by the primary service provider and what services are provided by community partners through referrals or other methods?

10. How much choice are PSH/LTH applicants/tenants given in selecting services? Are tenants required to use any of the services?
11. Does any of the PSH/LTH housing you work with have entry requirements, like sobriety or service engagement?
12. How are services tailored to tenants' needs, preferences, and strengths? Discuss your process on developing a trauma-informed person-centered housing/services plan with the applicant/tenant? When does this occur? How often is the plan updated with the tenant? How has this process evolved over time?
13. What specific service models/interventions are used to deliver services (e.g., Housing First, motivational interviewing, progressive engagement, 2Gen, Assertive Community Treatment, Critical Time Intervention)?
14. How and where are services provided to tenants? Discuss staffing roles as well as case ratios. Discuss the frequency of face-to-face contact and where the services are delivered - location on-site or in the community. Do you use peer providers?
15. Are there any gaps between what clients need and the availability of services to client/tenants? How do you work to fill/mitigate those gaps?
16. How are the services funded (e.g., HSP or state grant programs, income supplements, Medicaid, local government funds)? Are services funding sources sustainable?
17. How do you monitor and evaluate outcomes for people in PSH/LTH units? In what ways does your agency use data to inform continuous quality improvement?
18. What are your challenges in providing services to tenants? What engagement strategies have been successful in support service resistant tenants? What training that you've received has been particularly useful? What other skills or resources would assist in the tenant's and your success?
19. How would you assess the overall success of your PSH/LTH residents in living as meaningful and prosperous lives as possible? What are their biggest barriers?
20. What do you see as the specific barriers for the creation and successful operation/sustainability of PSH projects? Do you have any specific suggested improvements



that MN Housing can make in terms of policy changes or resource gaps in order to facilitate new PSH development as well as sustain its ongoing operations?

21. Is there anything else that we should know as we evaluate PSH/LTH housing in Minnesota?

### Funders/Lenders to PSH Projects

1. Provide an overview of the various housing development financing programs that support PSH development administered through your agency.
  - How many affordable units developed?
  - How many are under development?
  - Percentage of units that are PSH?
  - Are there specific housing development programs for persons with disabilities or those who are homeless?
  - Experience with combining resources that cut across agencies (Housing Choice Voucher (HCV) formerly Section 8) & (Low Income Housing Tax Credit (LIHTC), HOME & Continuum of Care (CoC) Programs)
2. Discuss your development policies and incentives in place that promote new PSH development. Do these incentive complement MN Housing incentive structure to create new PSH? What types of incentive have you employed? (e.g. Threshold Requirements, Set-asides, Scoring Incentives/Waivers) What has worked how has your policy structure evolved over time?
3. Is there overall support of this direction from multi-family developers? If not, what changes have you made to address developer/owner concerns?
4. How do you feel that you are doing with meeting the needs in your community? How do you coordinate with the CoC to ensure that proposed PSH projects are targeted to populations that meet the needs/gaps identified by the CoC? What are some of the challenges with coordinating with the CoC?
5. How do you work with specific developers on initial feasibility and concept? Do you actively support proposed PSH development in regarding to zoning or community review process?
6. Discuss barriers that exist in PSH development (e.g. financial feasibility, developer capacity, service delivery, political or community opposition). What strategies have been used to address these within your community? Are there ways of potentially partnership with MN Housing staff on these efforts in the future?

7. Do you have a standard definition of PSH including what it is and what it is not? Add homeless eligibility criteria/definition? Do you have challenges with this when a developer proposes a concept?
8. How have proposed PSH projects been able to ensure deep affordability of the PSH units? What operating or rent subsidy resources have been used? What approaches have worked well and have demonstrated sustainability? Has your PHA been a partner with these PSH projects?
9. What kinds of PSH housing models do you think are most successful and sustainable? What specific projects have been most successful? Are there common characteristics among these projects? How have Multi-Family Rental Developments that have incorporated PSH/LTH units into their properties fared? Have they been successful/sustainable?
10. What types of partnerships have been developed to assist in the creation of PSH for persons who are homeless or disabled? Discuss any challenges to collaboration.
11. Discuss your process to review/approve a proposed housing project's tenant selection plan to reasonable screening criteria are adopted and that the project is affirmatively marketed. Has this process worked/evolved over time? How does this review coordinate with MN Housing's requirements around PSH/LTH referral protocols.
12. How do you monitor existing PSH properties in your portfolio currently? What areas do you review (e.g. financial health, vacancy, denials, affordability, etc.)? How often? Is this an area to potentially partner with MN Housing staff on?
13. Do you evaluate the success of the PSH project in regards to tenant outcomes? If so, what outcomes do you track? How do you track the data (e.g., HMIS)? Do you coordinate your efforts with the CoC?
14. What kinds of barriers do you face in either administering or sustaining these targeted housing programs or creating PSH? What strategies have been used or could be used address these? What are some specific areas with potential to partner with MN Housing staff to ensure existing PSH properties and units are sustained?

### **CoC Staff/Coordinated Entry Representative**

1. How is the implementation of Coordinated Entry going in your CoC? What is working? What have been some of the challenges? What areas are still being addressed? How is the prioritization and referral to MN Housing PSH/LTH units integrated within the CES?

2. Is your Coordinated Entry system providing sufficient referrals to PSH/LTH properties or units in the CoC's portfolio? Is the system able to make appropriate matches between available PSH/LTH units and homeless households prioritized for PSH? How do you assess/track this?
3. Is your Coordinated Entry system able to make timely referrals to PSH/LTH properties or units in the CoC's portfolio? What is the average time for a referral to take place? How do you track this? Has the CoC established any benchmarks for PSH projects in regards to timeliness of referral?
4. How do you work with PSH projects/owners and service providers to ensure Housing First practices have been established and utilized in the ongoing operation of the PSH? Do you have any future plans in this area?
5. Is the CoC tracking denials of referrals to PSH/LTH units with the CoC? Do you view this as a potential issue in regards to potentially restrictive screening practices that "screen out" applicants with high barriers? How much of an issue is overly restrictive screening practices? How why widespread is it?
6. What type of efforts are underway to improve Coordinated Entry processes as well as ensure sustainability of your CES system?
7. Where you've had implementation challenges with CES, how have you worked through them to ensure timely referral to PSH properties when a vacancy is identified?
8. How does your staff monitor PSH projects locally? What tenant outcomes do you track? How do these efforts support the long-term success and sustainability of the PSH project? Are there any gaps in how you monitor/track outcomes? What are your plans to address these areas? Are there opportunities to partner with MN Housing staff on monitoring ongoing operations of PSH projects/units?
9. Can you identify any PSH gaps within your CoC? Could a gaps analysis be used to help inform resource allocation of new PSH development at both the CoC as well your local Community Development Office? Are there opportunities to partner with MN Housing staff in identifying gaps, or in developing strategies to fill them?

## Minnesota Housing and Stakeholder Interview List

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Interviews conducted on-site in February 2019 or remotely in the May-June timeframe.

<b>Name</b>	<b>Title</b>	<b>Affiliation</b>
<b>Kim Bailey</b>	Grants Manager	Minnesota Housing Finance Agency
<b>Shelly Bork</b>	Housing Management Officer Specialist	Minnesota Housing Finance Agency
<b>Kristine Davis</b>	Human Services Supervisor	MN Department of Human Services
<b>Renee Dickinson</b>	Housing Program Supervisor, Compliance	Minnesota Housing Finance Agency
<b>Vicki Farden</b>	Supportive Housing Policy Specialist	Minnesota Housing Finance Agency
<b>Eric Grumdahl</b>	Deputy Director, MN Interagency Council on Homelessness	Minnesota Housing Office to Prevent & End Homelessness
<b>Britt Heinz-Amborn</b>	HMIS Manager, Reporting & Evaluation	Institute for Community Alliance (HMIS)
<b>Anne Heitlinger</b>	Underwriting Manager	Minnesota Housing Finance Agency
<b>Jennifer Ho</b>	Commissioner	Minnesota Housing Finance Agency
<b>James Lehnhoff</b>	Assistant Commissioner of Multifamily Housing	Minnesota Housing Finance Agency
<b>Ashley Oliver</b>	Head of Asset Management and Compliance	Minnesota Housing Finance Agency
<b>John Patterson</b>	Director of Planning, Research, and Evaluation	Minnesota Housing Finance Agency
<b>Devon Pohlman</b>	Manager of Multifamily Programs	Minnesota Housing Finance Agency
<b>Rachel Robinson</b>	Deputy Commissioner	Minnesota Housing Finance Agency
<b>Joel Salzer</b>	Manager of Housing Stability Team	Minnesota Housing Finance Agency
<b>Erin Sullivan Sutton</b>	Division Director	MN Department of Human Services
<b>Cathy ten Broeke</b>	Assistant Commissioner, Director to Prevent & End Homelessness	Minnesota Housing Office to Prevent & End Homelessness
<b>Demetri Vincze</b>	HMIS Director	Institute for Community Alliance (HMIS)

## External State Permanent Supportive Housing Stakeholder Interview List (May 2019)

Name	Title	Affiliation	Interview Date
<b>Barb Jeanetta</b>	Executive Director	Alliance Housing	6/11/2019
<b>Carla Solem</b>	Continuum of Care Coordinator	West Central Minnesota CoC	7/10/2019
<b>Deborah Flannery</b>	Director of Lending Programs	Greater MN Housing Fund	6/19/2019
<b>Diedre Schmidt</b>	President/CEO	CommonBond Communities	6/18/2019
<b>Emily Bastian</b>	Vice President of Chemical and Mental Health	Avivo	6/7/2019
<b>Jamie Thielan</b>	President/CEO	Sand Companies	6/17/2019
<b>Jean Eide</b>	President	Ripley Richards Real Estate Development Services	6/11/2019
<b>Jennifer Prins</b>	Planning Director/ Continuum of Care Coordinator	Southeast Minnesota CoC	6/6/2019
<b>Jennifer Romero</b>	Housing Coordinator	Carver County Health and Human Services	6/21/2019
<b>Jessica Hering</b>	Twin Cities Housing Manager	The Salvation Army	6/14/2019
<b>Jessie Hendel</b>	Vice President	CommonBond Communities	6/7/2019
<b>Lee Blons</b>	President/CEO	Beacon Interfaith	6/6/2019
<b>Lois Mueller</b>	Vice President, Supportive Housing	RS Eden	6/5/2019
<b>Nancy Cashman</b>	Executive Director	Center City Housing	6/10/2019
<b>Patty Nadeau</b>	Vice President	DW Jones Management	6/7/2019
<b>Skip Duchesneau</b>	President	DW Jones, Inc.	6/7/2019

<b>Name</b>	<b>Title</b>	<b>Affiliation</b>	<b>Interview Date</b>
<b>Tony Montgomery</b>	Community Investments Director	Federal Home Loan Bank of Des Moines	6/21/2019
<b>Tracy Berglund</b>	Director of Housing of and Emergency Services	Catholic Charities	6/18/2019
<b>Wendy Wiegmann</b>	Director of Programs	Simpson Housing	6/14/2019
<b>Bronia Clifton</b>	Manager of Supportive Housing	Massachusetts Department of Housing and Community Development	9/18/2019
<b>Catherine Racer</b>	Associate Director	Massachusetts Department of Housing and Community Development	9/18/2019
<b>Caty Waterman</b>	Deputy Director, Multifamily Administration and Initiatives	Maryland Department of Housing and Community Development	11/25/2019
<b>David Eng</b>	Strategic Partnership Specialist	MassHousing	9/13/2019
<b>Edward Chase</b>	Community Services	MassHousing	9/13/2019
<b>Jennifer Miles</b>	MFP Housing Director	Maryland Department of Housing and Community Development	11/25/2019
<b>Jonathan Coulter</b>	Managing director of Asset Management and Multifamily Compliance	Kentucky Housing Corporation	12/5/2019
<b>Keisha Pervis</b>	PSH Compliance Monitor	North Carolina Housing Finance Agency	12/4/2019
<b>Kelly Rose</b>	Chief Housing Solutions Officer	Michigan State Housing Development Authority	9/25/2019
<b>Matt Rayburn</b>	Deputy Exec Director	Indiana Housing & Community Development Authority	12/2/2019
<b>Natasha Weaver</b>	Tax Credit Manager	Colorado Housing Finance Agency	1/10/2019
<b>Phyllis Quinn</b>	Compliance Manager	Kentucky Housing Corporation	12/5/2019

<b>Name</b>	<b>Title</b>	<b>Affiliation</b>	<b>Interview Date</b>
<b>Roger Herzog</b>	Executive Director	Community Economic Development Assistance Corporation	10/3/2019
<b>Sara Barcan</b>	Director of Housing Development	Community Economic Development Assistance Corporation	10/3/2019
<b>Shalonda Kelly</b>	Deputy Director Special Population Housing Programs	Maryland Department of Housing and Community Development	11/25/2019
<b>Steve DiLella</b>	Director of Individual and Family Support	Connecticut Department of Housing	9/6/2019
<b>Susan Westbrook</b>	Manager of Rental Assets	North Carolina Housing Finance Agency	12/4/2019
<b>Tanya Clark</b>	Senior Asset Manager	North Carolina Housing Finance Agency	12/4/2019
<b>Terry Nash Giovannucci</b>	Manager of Planning, Research and Evaluation	Connecticut Housing Finance Authority	9/12/2019
<b>Zach Gross</b>	Supportive Housing Manager	Indiana Housing & Community Development Authority	12/2/2019

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## Appendix D: Sample Policies and Tools from PSH Best Practices Assessment

### Due Diligence Documentation

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- Affordable Housing Restriction (MA)..... D1
- Loan Closing Agenda (MA)..... D32
- Owner’s Agreement for Integrated PSH Units (MA)..... D47

### Qualified Allocation Plans and PSH Incentive Documents

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- Connecticut Qualified Allocation Plan 2018 ..... D50
- Massachusetts Qualified Allocation Plan 2018–2019 ..... D69
- Michigan Qualified Allocation Plan 2019..... D189
- Connecticut Supportive Housing Guidelines 2018 ..... D231
- Massachusetts Supportive Housing NOFA 2019 ..... D249
- Michigan Permanent Supportive Housing QAP Addendum 2019–2020 ..... D255

### Tenant Selection and Housing First

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- Supportive Housing Tenant Screenings Criteria (CO) ..... D273

### Supportive Service Plans

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- PSH Connecticut Supportive Housing Service Plan Guidelines (CT) ..... D278

### Monitoring/Assessment

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- Supportive Housing Asset Management (IN) ..... D283
- Annual Supportive Service Access Plan (NC) ..... D284
- CEDAC Supportive Housing Data Collection Tool (MA) ..... D287
- DMHAS Supportive Housing Quality Initiative (CT) ..... D299



## **AFFORDABLE HOUSING RESTRICTION**

**DATE: As of October 15, 2009**

GRANTOR:	Franconia Apartments LLC
PROPERTY NAME:	Franconia Apartments
TOTAL NUMBER OF UNITS:	36
TOTAL NUMBER OF RESTRICTED UNITS: <sup>1</sup>	36
NUMBER OF HIGH MODERATE INCOME UNITS (110% AMI): <sup>2</sup>	0
NUMBER OF MODERATE INCOME UNITS (80% AMI):	0
NUMBER OF LOW INCOME UNITS (60% AMI):	22
NUMBER OF VERY LOW INCOME UNITS (50% AMI):	2
NUMBER OF EXTREMELY LOW INCOME UNITS (30% AMI):	12
NUMBER OF HOME ASSISTED UNITS:	20
PROPERTY ADDRESS:	365 Annum Street Springfield, Massachusetts

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AFFORDABILITY TERM: 30 years and 10 months (subject to extension for any extension of the construction period and/or extension of one or more of the Loans to which this Restriction relates, as set forth below)

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<sup>1</sup> In order to satisfy the affordability requirements of the MHP first mortgage loan at least twenty percent (20%) of the total Units shall be Very Low Income Units, forty percent (40%) of the total Units shall be Low Income Units or fifty percent (50%) of the total Units shall be Moderate Income Units.

<sup>2</sup> Numbers in parentheses are the percentage of median income for the Area (AMI, as defined below), adjusted for family size, as determined from time to time by HUD (as defined below) pursuant to Section 8 of the United States Housing Act, as amended.

This Affordable Housing Restriction (this "Restriction") is granted by the undersigned Grantor, a Massachusetts limited liability company having a mailing address of c/o Springfield Housing Action Corporation, 31 East Street, Springfield, Massachusetts 02100, for the benefit of The Commonwealth of Massachusetts acting by and through the Department of Housing and Community Development having a mailing address of 100 Cambridge Street, Suite 300, Boston, Massachusetts 02114-2524 ("DHCD"); The Commonwealth of Massachusetts, acting by and through the Department of Housing and Community Development under the Affordable Housing Trust Fund Statute, M.G.L. c. 121D, by the Massachusetts Housing Finance Agency ("MHFA"), as Administrator, having an address at One Beacon Street, Boston, Massachusetts 02108 ("AHT"); Community Economic Development Assistance Corporation, a body politic and corporate, duly organized and existing in accordance with Chapter 40H of the Massachusetts General Laws with an office at One Center Plaza, Suite 350, Boston, Massachusetts 02108 ("CEDAC"); and the City of Springfield, Massachusetts, acting by and through its Office of Housing and Neighborhood Development, having an address at 1600 East Columbus Avenue, Springfield, Massachusetts 01103 (the "City").

The Massachusetts Housing Partnership Fund Board, a Massachusetts public instrumentality and body politic and corporate, having a mailing address of 160 Federal Street, Boston, Massachusetts 02110 ("MHP") is, or is anticipated to be, the first mortgage lender for the Project (as defined below). Upon the closing of the MHP First Mortgage Loan for the Project, MHP, together with its successors and assigns, shall be deemed a Holder of this Restriction and the senior lender hereunder. The Grantor acknowledges that, notwithstanding the order of recording, this Restriction is senior to the MHP First Mortgage Loan, subject to the provisions of Section 19 below.

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## BACKGROUND

- A. The Grantor holds or will acquire a leasehold interest in the Property and intends to construct a 36-unit rental housing development, consisting of one residential building, at the Property (the "Project").
- B. As a condition of the Loan, the Grantor has agreed that this Restriction be imposed upon the Property as a covenant running with the land and binding upon any successor to the Grantor, as owner thereof.

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## RESTRICTIONS

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor hereby covenants as follows:

- 1. Definitions.** Capitalized terms used herein are defined herein and in Exhibit D attached hereto.
- 2. Use Restrictions.** The Property shall be reserved and used for the Permitted Uses and for no other purpose. The Restricted Units shall include at least 5 one-bedroom Units, 24 two-bedroom Units and 7 three-bedroom Units. Twenty of the Restricted Units shall be deemed to be

assisted under the HOME Program ("HOME Assisted Units"). Such HOME Assisted Units may also constitute Restricted Units with respect to other programs hereunder. The Property also shall include at least two (2) Units accessible to individuals with mobility impairments and at least one (1) additional Unit accessible to individuals with sensory impairments. Each Unit shall contain complete facilities for living, sleeping, eating, cooking and sanitation which are to be used on other than a transient basis. Each Unit shall meet the housing quality standards set forth in the regulations of HUD at 24 C.F.R. §982.401 or any successor thereto, the accessibility requirements at 24 C.F.R. Part 8 or any successor thereto (which implement Section 504 of the Rehabilitation Act of 1973) and, if applicable, the design and construction requirements of 24 C.F.R. §100.205 or any successor thereto (which implement the Fair Housing Act). Throughout the term hereof, the Grantor shall maintain the Property and the Improvements in good, safe and habitable condition in all respects and in full compliance with all applicable laws, by-laws, rules and regulations of any governmental (or quasi-governmental) body with jurisdiction over matters concerning the condition of the Property.

**3. Occupancy Restrictions.** The following restrictions shall apply during the period commencing with the first date on which any Units are occupied and continuing for the balance of the Affordability Term, subject always to any applicable rent restrictions of the federal low-income housing tax credit program under Section 42 of the Internal Revenue Code of 1986, as amended, and any provision herein that conflicts with the requirements of the federal low-income housing tax credit program shall be suspended so long as the restrictions under the federal low income housing tax credit program are in effect.

**A. Low Income Units.** At least 22 of the Units of the types shown on Exhibit C attached hereto shall be leased exclusively to Low Income Families ("Low Income Units"). The monthly rent charged to a Family occupying a Low Income Unit shall not exceed the lesser of Fair Market Rent or an amount equal to (x) one-twelfth of thirty percent (30%) of sixty percent (60%) of the Bedroom Adjusted AMI, minus (y) if applicable, an allowance established by the Holders for any utilities and services (excluding telephone) to be paid by the occupying Family. A Family who resides in a Restricted Unit, who qualified as a Low Income Family at the time of such Family's initial occupancy at the Property and whose Household Income exceeds sixty percent (60%), but does not exceed eighty percent (80%) of the Family-size Adjusted AMI, shall continue to be treated as a Low Income Family and the foregoing maximum rent shall continue to apply to such Family. A Family who resides in a Restricted Unit, who qualified as a Low Income Family at the time of such Family's initial occupancy at the Property and whose Household Income exceeds eighty percent (80%) of the Family-size Adjusted AMI, shall, from and after the expiration of the then-current term of such Family's lease, no longer be treated as an income-qualified Family and must pay as monthly rent the Over-income Rent.

**B. Very Low Income Units.** At least 2 of the Units of the types shown on Exhibit C attached hereto shall be leased exclusively to Very Low Income Families ("Very Low Income Units"). The monthly rent charged to a Family occupying a Very Low Income Unit shall not exceed the lesser of Fair Market Rent or (x) one-twelfth of thirty percent (30%) of fifty percent (50%) of the Bedroom Adjusted AMI, minus (y) if applicable, an allowance established by

the Holders for any utilities and services (excluding telephone) to be paid by the occupying Family. A Family who resides in a Restricted Unit, who qualified as a Very Low Income Family at the time of such Family's initial occupancy at the Property and whose Household Income exceeds fifty percent (50%), but does not exceed eighty percent (80%), of the Family-size Adjusted AMI, shall, from and after the expiration of the then-current term of such Family's lease, be treated as a Low Income Family, and must pay as monthly rent the lesser of (x) the maximum amount payable by the Family under the laws of the municipality in which the Property is located or of The Commonwealth of Massachusetts, (y) one-twelfth of thirty percent (30%) of sixty percent (60%) of the Bedroom Adjusted AMI (minus, if applicable, an allowance established by the Holders for any utilities and services [excluding telephone] to be paid by the occupying Family) or (z) the comparable market rent for the Family's Unit. A Family who resides in a Restricted Unit, who qualified as a Very Low Income Family at the time of such Family's initial occupancy at the Property and whose Household Income exceeds eighty percent (80%) of the Family-size Adjusted AMI, shall, from and after the expiration of the then-current term of such Family's lease, no longer be treated as an income-qualified Family and must pay as monthly rent the Over-income Rent.

- C. Extremely Low Income Units.** At least 12 of the Units of the types shown on Exhibit C attached hereto shall be leased exclusively to Extremely Low Income Families ("Extremely Low Income Units"). The monthly rent charged to a Family occupying an Extremely Low Income Unit shall not exceed the lesser of Fair Market Rent or (x) one-twelfth of thirty percent (30%) of thirty percent (30%) of the Bedroom Adjusted AMI, minus (y) if applicable, an allowance established by the Holders for any utilities and services (excluding telephone) to be paid by the occupying Family, provided that, with respect to a PCE who qualifies as an Extremely Low Income Family and whose Household Income is not more than fifteen percent (15%) of the Family-size Adjusted AMI, the PCE shall not be required to pay as a contribution towards rent more than (x) one-twelfth of thirty five percent (35%) of fifteen percent (15%) of the Bedroom Adjusted AMI, minus (y) if applicable, an allowance established by the Holders for any utilities and services (excluding telephone) to be paid by the occupying Family. A Family who resides in a Restricted Unit, who qualified as an Extremely Low Income Family at the time of such Family's initial occupancy at the Property and whose Household Income exceeds thirty percent (30%), but does not exceed fifty percent (50%) of the Family-size Adjusted AMI, shall continue to be treated as an Extremely Low Income Family but, from and after the expiration of the then-current term of such Family's lease, must pay as monthly rent the Over-income Rent. A Family who resides in a Restricted Unit, who qualified as an Extremely Low Income Family at the time of such Family's initial occupancy at the Property and whose Household Income exceeds fifty percent (50%), but does not exceed eighty percent (80%), of the Family-size Adjusted AMI, shall, from and after the expiration of the then-current term of such Family's lease, be treated as a Low Income Family and must pay as monthly rent the lesser of (x) the maximum amount payable by the Family under the laws of the municipality in which the Property is located or of The Commonwealth of Massachusetts, (y) one-twelfth of thirty percent (30%) of sixty percent

(60%) of the Bedroom Adjusted AMI (minus, if applicable, an allowance established by the Holders for any utilities and services [excluding telephone] to be paid by the occupying Family) or (z) the comparable market rent for the Family's Unit. A Family who resides in a Restricted Unit, who qualified as an Extremely Low Income Family at the time of such Family's initial occupancy at the Property and whose Household Income exceeds eighty percent (80%) of the Family-size Adjusted AMI, shall, from and after the expiration of the then-current term of such Family's lease, no longer be treated as an income-qualified Family and must pay as monthly rent the Over-income Rent.

- D. MHP First Mortgage Affordability Requirements.** In order to satisfy the affordability requirements of the MHP First Mortgage Loan at least twenty percent (20%) of the total Units shall be Very Low Income Units, forty percent (40%) of the total Units shall be Low Income Units or fifty percent (50%) of the total Units shall be Moderate Income Units.
- E. Applicable Lease Term, Change of Status.** References in the foregoing provisions of the "then-current term of such Family's lease" shall refer to the term of the lease or occupancy agreement in effect on the date of the required delivery of the income certification that reflects (or that, if duly delivered, would have reflected) the applicable increase in such Family's income. If, with the Holders' consent, the Grantor does not require that a lease be signed for a Restricted Unit (e.g., a property providing short-term transitional housing), the provisions set forth above shall apply, except that the applicable date on which a Family's income-qualified status and/or applicable rent restriction is modified shall be the first day of the month that is at least thirty (30) days following the date of the required delivery of the income certification that reflects (or that, if duly delivered, would have reflected) the applicable increase in such Family's income.
- F. Federal or State Rental Subsidy.** Except with respect to HOME Assisted Units, if a Restricted Unit or the Family occupying such Unit receives federal or state rental subsidy, then the Family's contribution towards rent shall be the contribution allowable under the federal or state rental subsidy program and the maximum rent (i.e., tenant contribution plus rental subsidy) shall be the rent allowable under the federal or state rental subsidy program. In the case of HOME Assisted Units, if a Restricted Unit receives federal or state project-based rental subsidy and the occupying Family qualifies as a Very Low Income Family and pays as a contribution towards rent not more than thirty percent (30%) of one-twelfth of the Family's Household Income, then the maximum rent (i.e., tenant contribution plus rental subsidy) shall be the rent allowable under the federal or state rental subsidy program.
- G. Next Available Unit Rule.** If at any time fewer than the required number of Units are leased, rented or occupied by Extremely Low Income Families, the next available Units shall all be leased, rented or otherwise made available to Extremely Low Income Families until the required number of Units occupied by Extremely Low Income Families is again obtained. Subject to the foregoing, if at any time fewer than the required number of Units are leased, rented or occupied by Very Low Income Families, the next available Units shall all be leased, rented or otherwise made available to Very Low Income Families until the required number of Units occupied by Very Low Income Families is again obtained.

Subject to the foregoing, available Units shall be leased, rented or otherwise made available to Low Income Families. The foregoing provisions shall be applied so as to maintain a mix of Restricted Units that is comparable in size, features and number of bedrooms to the originally designated Restricted Units (i.e., a Unit will not be considered an available Unit for purposes of this Paragraph if classification of such Unit as a Restricted Unit would cause the then current mix of Restricted Units to no longer be comparable to the original mix of Restricted Units described in Section 2 above and as shown on Exhibit C).

**H. CBH Rents.** Notwithstanding the foregoing, a PCE occupying a Restricted Unit shall not be required to pay as a contribution towards rent more than (x) one-twelfth of thirty-five percent (35%) of the greater of (i) the PCE's Household Income as recertified annually and (ii) fifteen percent (15%) of the Bedroom Adjusted AMI, minus (y) if applicable, an allowance established by the Holders for any utilities and services (excluding telephone) to be paid by the PCE.

**I. Persons Certified Eligible.** If at any time fewer than five (5) Units at the Property are leased, rented or occupied by PCEs, then the Grantor shall immediately notify EOHHS of the shortfall in PCEs at the Property (a "CBH Unit Shortfall"). At any time when there is a CBH Unit Shortfall at the Property, the Grantor shall notify EOHHS of each vacancy of a Restricted Unit at the Property, including the vacancy that gave rise to the CBH Unit Shortfall (a "Vacancy Notice") and each such Unit shall be made available for leasing to a PCE until the required number of Units occupied by PCEs is again obtained. Upon receipt of a Vacancy Notice, EOHHS shall refer to the Grantor a PCE for whom the Unit is appropriate, taking into account the number of bedrooms and the accessibility or adaptability of such Unit. Grantor shall not refuse to accept a PCE as a tenant on the grounds that such PCE's income is inadequate. If EOHHS does not refer a PCE within 60 days after receipt of a Vacancy Notice, the Unit that was the subject of the Vacancy Notice may be re-rented by the Grantor to an income-qualified Family who is not a PCE. If at any time either (x) EOHHS is no longer able or willing to refer PCEs to the Property because of a change in CBH program needs with respect to the Property, (y) EOHHS fails to refer a PCE to the Grantor in response to two Vacancy Notices within a one-year period or (z) a CBH Unit Shortfall exists at the Property for a one-year period, the Grantor will promptly notify CEDAC. In such event, the Grantor and CEDAC will meet and consult in good faith with EOHHS to address such situation and, if appropriate, to identify an appropriate eligible population acceptable to CEDAC for such Units, consistent with the then applicable CBH Regulations and CBH Guidelines.

**4. Rent Schedule.** Projected initial monthly maximum rents and monthly allowances for utilities and services for all Restricted Units shall be as set forth in Exhibit B attached hereto. Notwithstanding the rent restrictions set forth in Section 3 above, the maximum monthly rent permitted to be charged for a Restricted Unit at any particular income level is not required to be lower than the maximum rent applicable at such income level pursuant to Exhibit B, regardless of changes in fair market rents or in median income over time (subject only to the restrictions applicable in the event of any federal or state subsidy, as set forth in Section 3 above). Rents for Restricted Units shall not be increased above applicable maximums without all Holders' prior

written approval of a specific request by the Grantor for a rent increase, except for increases implemented in accordance with an annual schedule of maximum rents and allowances issued by DHCD. Notwithstanding the foregoing, rent increases shall be subject to the provisions of outstanding leases and shall not be implemented without at least thirty (30) days' prior written notice by the Grantor to all affected Residents and notwithstanding any provision in a lease or occupancy agreement to the contrary, in the event of any increase in the rent payable by such Residents in connection with an increase in the income of such Residents, consistent with the terms hereof, the Residents shall have the right to terminate their lease or occupancy agreement by written notice to the Grantor delivered within such thirty-day period.

## **5. Resident Selection.**

- A. Nondiscrimination.** The Grantor shall not discriminate on the basis of race, creed, color, sex, age, handicap, marital status, sexual preference, national origin or any other basis prohibited by law in the lease, use and occupancy of the Units or in connection with the employment or application for employment of persons for the operation and management of the Units. The Grantor shall not discriminate against, or refuse to lease, rent or otherwise make available the Units to, a holder of a certificate or voucher under the Federal Rental Certificate Program or the Federal Rental Voucher Program or a holder of a comparable document evidencing participation in a HOME Program tenant-based assistance program because of the status of the prospective tenant as a holder of such certificate, voucher or comparable HOME Program tenant-based assistance document.
- B. Selection Policies.** The Grantor shall adopt and submit to the Holders for approval resident selection policies and criteria for the Restricted Units that:
- (i) Are consistent with the purpose of providing housing for a Low Income Family, a Very Low Income Family or an Extremely Low Income Family, as defined below and required herein;
  - (ii) Are reasonably related to eligibility of prospective tenants under the Programs and to the prospective tenants' ability to perform the obligations of the Grantor's form lease;
  - (iii) Give reasonable consideration to the housing needs of Families that would have preference under Section 6(c)(4)(A) of the United States Housing Act of 1937 (42 U.S.C. §1437 et seq.); and
  - (iv) Provide for (x) the selection of Residents from a written waiting list in the chronological order of their application, insofar as practicable, and (y) the prompt written notification to any rejected applicant of the grounds for any rejection.

The Grantor shall also provide the Holders with an affirmative marketing plan acceptable to all Holders. The affirmative marketing plan must comply with all applicable statutes, regulations and executive orders, with all Holders' affirmative marketing requirements and with DHCD's directives reflecting the agreement between DHCD and HUD in the case of NAACP, Boston Chapter v. Kemp. The approved marketing plan and the approved resident selection policies and criteria shall be adhered to in every respect and any changes thereto shall be subject to



the prior written approval of the Holders. The Grantor shall list vacancies in Restricted Units in the MassAccess Housing Registry at <http://www.massaccesshousingregistry.org>.

**6. Lease Form.** The Grantor shall not include in any lease for a Restricted Unit any of the following provisions:

- A.** Agreement by the tenant to be sued, to admit guilt or to a judgment in favor of the Grantor in a lawsuit brought in connection with the lease.
- B.** Agreement by the tenant that the Grantor may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the Unit after the tenant has moved out of the Unit. The Grantor may dispose of such personal property in accordance with state law.
- C.** Agreement by the tenant not to hold the Grantor or the Grantor's agents legally responsible for any action or failure to act, whether intentional or negligent.
- D.** Agreement of the tenant that the Grantor may institute a lawsuit without notice to the tenant.
- E.** Agreement by the tenant that the Grantor may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.
- F.** Agreement by the tenant to waive any right to a trial by jury.
- G.** Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease.
- H.** Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the Grantor against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

All leases for Restricted Units shall be consistent with the requirements set forth herein, shall be on a form reasonably approved by the Holders, shall be for terms of not less than one (1) year (unless a shorter term is specified by mutual agreement between the Resident and the Grantor, subject to the Holders' program requirements) and shall require tenants to provide information required for the Grantor to meet its reporting requirements hereunder. The Grantor may not terminate the tenancy or refuse to renew the lease of an occupant of a Restricted Unit except (i) for serious or repeated violation of the terms and conditions of the lease; (ii) for violations of applicable federal, state or local law; (iii) for completion of the tenancy period for transitional housing; or (iv) for other good cause. Any termination or refusal to renew must be preceded by not less than thirty (30) days by the Grantor's service on the tenant of a written notice specifying the grounds for the action.

**7. Transfer Restrictions.** The Grantor shall not sell, transfer, convey, rent (except for leases or occupancy agreements made in connection with the Permitted Uses that are substantially in the form approved by the Holders), encumber as security for financing, or in any

other way exchange all or any portion of the Property nor shall the Grantor permit the sale, transfer or pledge of any direct or indirect interests in the Grantor, without the express written permission of the Holders, which consent shall not be unreasonably withheld or delayed with respect to any transfer to Springfield Housing Action Corporation (the "Sponsor") or any entity wholly owned and controlled by the Sponsor pursuant to the Right of First Refusal dated of even date herewith granted to the Sponsor by the Grantor, provided that at the time of exercise of such Right of First Refusal (i) no Event of Default, or event or condition which with the giving of notice or passage of time or both would constitute an Event of Default, is then outstanding hereunder or under any of the Loans; (ii) the Sponsor or such other entity designated as transferee is an eligible borrower under all applicable Statutes, Regulations and Guidelines as then in effect; (iii) the Sponsor or such other entity is in good standing with all Holders and in each Holder's reasonable discretion has sufficient financial capability and experience with affordable housing similar to the Property to perform the obligations of the Grantor; (iv) the Sponsor or such transferee agrees in writing to be bound by and perform all of the terms and conditions hereof; (v) such transfer is permitted by the holder of all loans secured by the Property and (vi) the Grantor gives to all Holders no less than thirty (30) days' prior written notice of any such proposed transfer. Without limiting the generality of the foregoing, the Permitted Encumbrances are hereby approved by the Holders. Any sale, transfer or other disposition (each, a "transfer") of all or any part of the Property shall further be subject to the Purchase Option and First Refusal Right, as described below, and to such further terms and conditions with respect thereto as may be set forth in the HIF Statute, the HIF Regulations, the HIF Guidelines, the CBH Statute, the CBH Regulations, and the CBH Guidelines. Upon request by the Grantor, DHCD shall sign a certificate, in form and substance reasonably acceptable to DHCD, stating whether, as of a specified date, any Purchase Option or First Refusal Right in favor of DHCD remains in effect, or has been exercised, terminated, waived or assigned, and otherwise conforming with the certification requirements described below. No transfer of all or any part of the Property to any party other than DHCD or its assignee shall be consummated unless and until (i) the period for the exercise of all Purchase Options and/or First Refusal Rights, as applicable, shall have expired without DHCD's exercise of rights thereunder or (ii) DHCD shall have unconditionally waived its rights thereunder in writing. Notwithstanding the foregoing: (i) the investor member interest of Grantor held by Massachusetts Housing Investment Corporation (the "Investor") may be transferred to an entity in which the Investor or an affiliate of the Investor is the majority owner, provided that the Holders receive notice of such transfer and (ii) the Grantor's investor member may remove and replace the manager of the Grantor in accordance with the provisions of the Grantor's operating agreement upon the consent of the Holders, which consent will not be unreasonably withheld, conditioned or delayed.

#### **8. CBH/HIF Purchase Option.**

- A.** Upon the expiration of the Affordability Term (as defined in Section 10 below), DHCD shall have the right to purchase the Grantor's interest in the Property from the Grantor, at a price equal to the then-current appraised value of the Property, less the total outstanding balance, at the time of such purchase, of all principal, interest and any other charges payable under the CBH Loan and HIF Loan, and any and all other outstanding obligations of the Grantor with respect thereto (the "Purchase Option"), by delivering written notice to

the Grantor of its election to exercise the Purchase Option by or before the date that is one hundred twenty (120) days after the expiration of the Affordability Term (the "Option Exercise Deadline"). If DHCD shall have failed to deliver such written notice of its election to exercise the Purchase Option to the Grantor by the Option Exercise Deadline, DHCD shall be deemed to have unconditionally waived the Purchase Option, and the Purchase Option shall automatically terminate, and shall have no further force or effect.

- B.** DHCD shall have the right at any time to assign its rights under this Purchase Option to a qualified developer selected by DHCD in accordance with the CBH Statute and CBH Regulations and the HIF Statute and HIF Regulations, and effective as of any such assignment, all rights and obligations of DHCD with respect to such Purchase Option shall automatically be deemed to apply to such assignee, and all references to "DHCD" in this Section shall automatically be deemed to refer to such assignee (except to the extent a provision explicitly provides otherwise). So long as the Grantor is not in default under the CBH Loan, HIF Loan or hereunder, Springfield Housing Action Corporation (the "Sponsor") shall have the right to match the best offer received by DHCD from a qualified developer to become DHCD's assignee.
- C.** Promptly upon request by DHCD at any time or from time to time, either before the Option Exercise Deadline or after DHCD's exercise of the Purchase Option, the Grantor shall provide DHCD with a copy of, or otherwise make available for DHCD's review at a mutually convenient time and location, any and all material owned by or readily available to the Grantor that an unrelated third-party potential buyer would reasonably request in connection with its due diligence for the acquisition of the Property, including, by way of example but not of limitation, deeds, title insurance policies, appraisals, studies, reports, and other materials relating to the Property and/or any encumbrance(s) subject to which the Property is to be conveyed, or otherwise reasonably necessary or appropriate for DHCD to review in connection with its exercise of the Purchase Option.
- D.** The appraised value of the Property shall be determined at DHCD's request by the method specified in the CBH Statute and HIF Statute (as may be more fully described in the CBH Regulations and HIF Regulations) and in accordance with DHCD policies, and the costs of the appraisers shall be shared equally by DHCD and the Grantor (unless the CBH Regulations or HIF Regulations provide otherwise). Notwithstanding anything to the contrary contained in this Restriction, the Grantor shall not be required to use its own funds to repay any debt secured by the Property in the event the appraised value of the Property is less than the aggregate of all permitted debt secured by the Property.
- E.** The closing for the sale of the Property to DHCD shall take place in accordance with applicable provisions of the CBH Regulations or HIF Regulations, by or before the date that is one hundred twenty (120) days after the Option Exercise Deadline (i.e., on or before the date that is two hundred forty (240) days after the expiration of the Affordability Term), by the close of the business day, at the Registry of Deeds; provided, however, that if DHCD reasonably determines additional time is necessary to effect the closing due to delays of the Grantor in providing DHCD with the due diligence material described above or any other failure by the Grantor fully to cooperate with preparations for the sale, the

closing date may be extended to a date reasonably determined by DHCD as necessary to redress the delays caused by the Grantor, which shall be specified in a written notice from DHCD setting forth the reasons for such extension, delivered to the Grantor by or before the date originally scheduled for the closing. The parties may also mutually agree to extend the date of the closing by written instrument.

- F. The transfer to DHCD pursuant to the Purchase Option shall be subject to such other requirements as may be more fully described in the CBH Regulations or HIF Regulations consistent with the CBH Statute and HIF Statute. Adjustments in the purchase price for recording fees, deed stamps and other charges shall be made, and any other issues associated with the transfer shall be resolved, in accordance with standard conveyancing practice in The Commonwealth of Massachusetts. If either party so desires, the parties shall enter into a purchase and sale agreement memorializing the terms of the sale, consistent with the terms hereof and of the CBH Statute and HIF Statute; provided, however, that the Purchase Option shall be binding regardless of whether the parties execute a purchase and sale agreement. Notwithstanding any other provision hereof to the contrary, if, after delivering notice of its intention to exercise the Purchase Option, DHCD determines, in its sole discretion, that it is not in the best interests of DHCD to effect the purchase, DHCD may terminate the Purchase Option at any time, upon written notice to the Grantor recorded with the Registry of Deeds; provided, however, that such termination right shall apply to DHCD only and not to any assignee.
- G. Concurrently with its acquisition of the Property, DHCD shall cause to be recorded with the Registry of Deeds an affordable housing restriction, in compliance with the CBH Statute, HIF Statute and any other applicable statutory requirements for the same (and, in the case of an assignee, in form acceptable to DHCD, in its discretion), which shall require that the Property shall be used only for the purposes of preserving or providing affordable housing thereon, which housing shall remain affordable for a period of not less than fifty (50) years.

**9. CBH/HIF First Refusal Right.**

- A. If the Grantor intends at any time or from time to time prior to DHCD's exercise (or unconditional waiver) of the Purchase Option, as described above, to transfer all or any part of its interest in the Property, and the Grantor receives a bona fide offer for such transfer that the Grantor desires to accept (each, an "Offer"), the Grantor shall promptly deliver to DHCD written notice of the same (which shall not be deemed to have been duly delivered to DHCD unless it contains a copy of clause C. below), together with a copy of such Offer (the "Offer Notice"). The Grantor shall provide DHCD with such reasonable evidence as DHCD may require to satisfy DHCD as to the bona fide nature of the Offer. For purposes of this Section, a purchase by the Sponsor shall not be considered an Offer that triggers DHCD's First Refusal Right. A transfer of a member interest in the Grantor shall not be considered an Offer that triggers the Local Agency or DHCD First Refusal Right so long as (x) such member interest is not all or substantially all of the member interests in the Grantor and (y) such transfer does not take place within one year of a transfer of a manager interest in the Grantor or of a controlling interest in a manager of the Grantor.

- B.** DHCD shall have the right to purchase the Grantor's interest in the Property (or the portion(s) thereof to which the Offer relates), at the same price and on the same terms set forth in such Offer (the "First Refusal Right"), by delivering to the Grantor and recording with the Registry of Deeds written notice of its election to exercise such First Refusal Right, in accordance with the terms set forth below (the "Exercise Notice"), by or before the date that is one hundred twenty (120) days after DHCD's receipt of such Offer Notice (such 120-day period, the "First Refusal Period"). If DHCD does not intend to exercise the First Refusal Right, DHCD may, but shall have no obligation to, notify the Grantor in writing that the First Refusal Right will not be exercised (a "Waiver Notice").
- C.** If, by the expiration of the First Refusal Period with respect to an Offer, DHCD shall have failed to deliver to the Grantor an Exercise Notice or a Waiver Notice, DHCD shall be deemed to have waived its First Refusal Right with respect to such Offer, subject to any revived First Refusal Right with respect to a modified Offer, as described below. However, DHCD shall retain a First Refusal Right for subsequent Offers and the Purchase Option as described above, notwithstanding any prior actual or deemed waiver of the First Refusal Right, or any intervening transfer of the Property or any portion(s) thereof. The First Refusal Right shall automatically expire upon the waiver, expiration or exercise of the Purchase Option.
- D.** If any of the terms of an Offer shall be revised from the terms reflected in the Offer Notice in such a manner as to be materially more favorable to the buyer or if a closing pursuant to the Offer has not occurred on or before the date six months after the date of the Offer Notice but the Grantor desires to continue pursuing a sale pursuant to such Offer, the Grantor shall promptly deliver to DHCD an Offer Notice with respect to such revised or continued Offer (which shall not be deemed to have been duly delivered to DHCD unless it contains a copy of clause C. above), and DHCD shall have a new First Refusal Right with respect to such modified or continued Offer. The First Refusal Period for such new First Refusal Right shall run for a period of one hundred twenty (120) days from the date of DHCD's receipt of the Offer Notice with respect to such revised or continued Offer.
- E.** DHCD shall have the right at any time to assign its rights under the First Refusal Right to a qualified developer selected by DHCD in accordance with the CBH Statute and CBH Regulations and the HIF Statute and HIF Regulations and, effective as of any such assignment, the rights and obligations of DHCD with respect to such First Refusal Right shall automatically be deemed to apply to such assignee, and all references to "DHCD" in this Section shall automatically be deemed to refer to such assignee (except to the extent a provision explicitly provides otherwise). DHCD shall provide written notice of any such assignment to the Grantor.
- F.** In accordance with the provisions of the CBH Statute and HIF Statute:
- (i) An Offer Notice containing the required language as described above shall be deemed to have been duly delivered if sent by regular and certified mail, return receipt requested (or by such other method as may be authorized under the CBH Statute and CBH Regulations and the HIF Statute and HIF Regulations), addressed to DHCD (or to any assignee of DHCD, if DHCD has previously given the Grantor notice of such

- assignment, including the name and notice address of such assignee, in accordance with the notice provisions set forth herein) in the care of the keeper of records for DHCD, which for purposes hereof shall be deemed to be the General or Chief Counsel of DHCD (or in care of the keeper of records for such assignee of DHCD, as applicable).
- (ii) The Exercise Notice or Waiver Notice shall be duly signed by a designated representative of DHCD or of the assignee of DHCD, as the case may be, and (x) mailed to the Grantor by certified mail (or such other method as may be authorized under the CBH Statute or HIF Statute) at the notice address set forth in the Offer Notice and (y) recorded with the Registry of Deeds by the expiration of the First Refusal Period. If DHCD shall have assigned the First Refusal Right to a qualified developer prior to delivery of the Exercise Notice, the Exercise Notice shall include the name and address of such assignee and the terms and conditions of such assignment.
  - (iii) An affidavit acknowledged by a notary public that DHCD or its designated representative has mailed an Exercise Notice or a Waiver Notice (the "Affidavit") shall conclusively establish the manner and time of the giving of such notice. Any Affidavit may be recorded with the Registry of Deeds by either party. Each Affidavit shall have attached to it a copy of the Offer Notice to which it relates.
  - (iv) Each Offer Notice, Exercise Notice and Waiver Notice shall contain the name of the record owner of the Property and a description of the premises to be transferred, in form adequate to identify the same.
- G.** The closing for the sale of the Property (or, if applicable, the part thereof that is the subject of the Offer) to DHCD shall take place in accordance with applicable provisions of the CBH Regulations and HIF Regulations, by or before the date that is one hundred twenty (120) days after the expiration of the First Refusal Period (i.e., on or before the date that is two hundred forty (240) days after DHCD's receipt of the relevant Offer Notice), by the close of the business day, at the Registry of Deeds (such date, the "Closing Deadline"); provided, however, that if DHCD reasonably determines additional time is necessary to effect the closing, due to delays of the Grantor in providing DHCD with the due diligence material described below or any other failure by the Grantor fully to cooperate with preparations for the sale, the Closing Deadline may be extended to a date reasonably determined by DHCD as necessary to redress the delays caused by the Grantor, which shall be specified in a written notice from DHCD setting forth the reasons for such extension, delivered to the Grantor and recorded with the Registry of Deeds, by or before the date originally scheduled for the closing. The parties may also mutually agree to extend the Closing Deadline, by written instrument; provided, however, that in such event, the parties shall execute an instrument reflecting such extension, which shall be recorded with the Registry of Deeds by or before the date originally scheduled for the closing.
- H.** Concurrently with the delivery of the Offer Notice, the Grantor shall provide DHCD with a copy of, or otherwise make available for DHCD's review at a mutually convenient time and location, all material relating to the Property (or the part thereof that is the subject of the

Offer) and/or the proposed sale, transfer, or other disposition thereof that has been made available to the party making the Offer, and shall thereafter promptly make available to DHCD any additional material made available to such party. Promptly upon any request therefor by DHCD, the Grantor shall provide DHCD with a copy of, or otherwise make available for DHCD's review at a mutually convenient time and location, any and all other material owned by or readily available to the Grantor that an unrelated third-party buyer would reasonably request in connection with its due diligence for an acquisition of such Property, including, by way of example but not of limitation, deeds, title insurance policies, appraisals, studies, reports, or other materials relating to such Property and/or any encumbrance(s) subject to which the Property is to be conveyed, or otherwise reasonably necessary or appropriate for DHCD to review in connection with its exercise of the First Refusal Right.

- I. The transfer to DHCD pursuant to the First Refusal Right shall be subject to such other requirements as may be more fully described in the CBH Regulations or HIF Regulations consistent with the CBH Statute and HIF Statute. Adjustments in the purchase price for recording fees, deed excise stamp taxes and other charges shall be made, and any other issues associated with the transfer shall be resolved, in accordance with standard conveyancing practice in The Commonwealth of Massachusetts. If either party so desires, the parties shall enter into a purchase and sale agreement memorializing the terms of the sale, consistent with the terms hereof and of the CBH Statute and HIF Statute; provided, however, that the First Refusal Right shall be binding regardless of whether the parties execute a purchase and sale agreement. Notwithstanding any other provision hereof to the contrary, if, after delivering notice of its intention to exercise the First Refusal Right, DHCD determines, in its sole discretion, that it is not in the best interests of DHCD to effect the purchase, DHCD may terminate the First Refusal Right at any time, upon written notice delivered to the Grantor and recorded with the Registry of Deeds; provided, however, that such termination right shall apply to DHCD only, and not to any assignee. If DHCD exercises such termination right or if either DHCD or its assignee (other than the Sponsor) fails to perform hereunder on or before the Closing Deadline through no fault of the Grantor, then the First Refusal Right shall lapse and be of no further force or effect.
- J. Concurrently with its acquisition of the Property, DHCD shall cause to be recorded with the Registry of Deeds an affordable housing restriction, in compliance with the CBH Statute, HIF Statute and any other applicable statutory requirements for the same (and, in the case of an assignee, in form acceptable to DHCD, in its discretion), which shall require that such Property shall be used only for the purposes of preserving or providing affordable housing thereon, which housing shall remain affordable for a period of not less than fifty (50) years.

**10. Term of Restrictions; Covenants to Run with Land.** The term of this Restriction shall be the sum of the Affordability Term plus the Option Term. The "Affordability Term" shall be 30 years and 10 months from the date hereof, provided that if the Project is not completed within 10 months after the date of this Restriction for any reason, any Holder shall have the right to extend the Affordability Term by recording in the Registry of Deeds a certificate of extension certifying

the length of the delay in completing the Project, whereupon the Affordability Term shall automatically be extended by an amount of time equal to the length of such delay and provided further that the term hereof shall automatically be extended for the period of the extension of any of the Loans to which this Restriction relates. The "Option Term" shall be the period from the expiration of the Affordability Term through the Option Exercise Deadline (as defined in Section 8 above) plus any additional period necessary for the consummation of a purchase of the Property under either the Purchase Option or the First Refusal Right, if applicable, under Section 8 or 9 above. Notwithstanding the foregoing, this Restriction shall not expire until the recording in the Registry of Deeds of a written determination by the Secretary of EOHHS, that there is no longer a need to maintain and use the Property as CBH Community-Based Housing. Notwithstanding any provision to the contrary herein or in any of the other Loan Documents, this Restriction shall remain in full force for the full term set forth herein including any extension, notwithstanding any prepayment of the Loan. The restrictions contained herein shall run with the land, shall bind the successors and assigns of the Grantor, and shall inure to the benefit of the Holders and their successors and assigns as permitted herein. Notwithstanding the foregoing, upon satisfaction in full at the originally stated maturity date, as it may have been extended, of all obligations under a particular Loan, as determined by the appropriate Holder, the Grantor may request that the Holders modify this Restriction to eliminate the requirements imposed by or otherwise relating to such Loan set forth in this Restriction. The parties shall cooperate to prepare an appropriate amendment to this Restriction, which amendment shall be duly recorded with the Registry of Deeds by the Grantor at its cost and expense.

**11. Subsequent Conveyances.** Each and every contract, deed or other instrument hereafter executed conveying the Property or portion thereof shall expressly provide that such conveyance is subject to this Restriction, provided, however, that the covenants contained herein shall survive and be effective regardless of whether such contract, deed or other instrument hereafter executed conveying the Property or portion thereof provides that such conveyance is subject to this Restriction.

**12. Income Verification.** The Grantor represents, warrants and covenants that the determination of whether a Family occupying a Restricted Unit meets the income requirements set forth herein shall be made by the Grantor at the time of leasing of a Restricted Unit and thereafter at least annually on the basis of the current income of such Family. In initially verifying a Family's income, the Grantor shall examine the source documents evidencing annual income (e.g., wage statements, interest statements, unemployment compensation statements) for the Family.

**13. Reporting Requirements.**

**A. Annual Report.** Annually, no later than September 30, Grantor shall submit to DHCD, via the web-based annual reporting system located at <https://app2.ocd.state.ma.us/hsgdevannualreport>, or as otherwise instructed, an annual report consisting of the following in a form approved by DHCD and containing such supporting documentation as DHCD shall reasonably require:

(i) Annual adjusted income of each Family occupying a Restricted Unit.



- (ii) Monthly gross rents (rents plus utility allowances, if applicable) for all Restricted Units, such rents to be consistent with the schedule of maximum rents published annually by DHCD. The rent schedule shall include the maximum rents applicable to Restricted Units under Section 3 as well as the actual rents to be charged to over-income Families under Section 3.
  - (iii) Data required by DHCD regulations at 760 CMR 61.00 promulgated pursuant to Chapter 334 of the Acts of 2006 and all applicable DHCD directives, guidelines and forms as may be amended from time to time. The Grantor shall collect said data for the express purpose of reporting to DHCD, and the collection and reporting of said data shall comply with said regulations, directives, guidelines and forms.
  - (iv) Rental assistance data on all existing Residents of Restricted Units.
  - (v) The Grantor's certification, made to the best knowledge and belief of the officer or individual signing such certification, that:
    - (a) The Property continues to be used for the Permitted Uses.
    - (b) The Property continues to contain the required number of Low Income Units, Very Low Income Units and Extremely Low Income Units and to comply with the rent and other restrictions applicable to such Restricted Units. Each Resident of a Restricted Unit has been certified as a PCE.
    - (c) Grantor has not transferred, pledged or encumbered any interest in the Property, except as specifically provided in, and in accordance and compliance with the terms of, this Restriction.
    - (d) Grantor has caused the Property to be maintained in a manner consistent with the Statutes, Regulations and Guidelines and no children under six years old reside in or occupy the Property within the meaning of the Lead Paint Law or, if such children do reside in or occupy the Property, that the Property is in compliance with the Lead Paint Law.
    - (e) The information submitted pursuant to this Paragraph A. is true and accurate
- B. Confidentiality.** The Holders and the Grantor shall treat as confidential any of the foregoing information relating to a specific Resident or Unit in compliance with all applicable state and federal statutes and regulations, including M.G.L. c. 66A, and shall implement adequate systems and procedures for maintaining the confidentiality of such information (but the Holders and the Grantor may release general statistical and other information about the Property, so long as the privacy rights and interests of the individual Residents are protected). The Holders and the Grantor shall not use any of the foregoing information in Paragraph A.(iii) for any purpose described in Section 603(d)(1) of the federal Fair Credit Reporting Act (15 U.S.C. § 1681a(d)(1)) or in any manner that would cause a Holder or Grantor to be considered a "consumer reporting agency" under Section 603(f) of the federal Fair Credit Reporting Act (15 U.S.C. § 1681a(f)).

- C. Additional Reports.** Grantor shall prepare and submit to the Holders such additional reports as any Holder may deem necessary to ensure compliance with the requirements of this Restriction and of the Programs.
- D. Records.** The Grantor shall maintain as part of its records (i) copies of all leases of Restricted Units; (ii) all initial and annual income certifications by Residents of Restricted Units and (iii) such additional records as any Holder may deem necessary to ensure compliance with the requirements of this Restriction and of the Programs.
- E. Additional Reporting Requirements.** Additional reporting requirements are stipulated in the Loan Agreement.
- 14. No Demolition.** The Grantor shall not demolish any part of the Improvements or substantially subtract from any real or personal property included within the Property except in conjunction with renovation or rehabilitation of the Units or construction of a new project on the Property, in either case subject to the prior written consent of all Holders, which consent may be granted or withheld in a Holder's sole judgment.
- 15. Casualty.** The Grantor represents, warrants and agrees that if the Property, or any part thereof, shall be damaged or destroyed, the Grantor (subject to the approval of the lender(s) providing financing) will use its best efforts to repair and restore the Units to substantially the same condition as existed prior to the event causing such damage or destruction, and the Grantor represents, warrants and agrees that the Units shall thereafter continue to operate in accordance with the terms of this Restriction.
- 16. Inspection.** The Grantor hereby grants to each Holder and its duly authorized representatives the right to enter the Property (a) at reasonable times and in a reasonable manner for the purpose of inspecting the Property to determine compliance with this Restriction or any other agreement between the Grantor and such Holder and (b) after thirty (30) days' prior written notice, to take any reasonable and appropriate action under the circumstances to cure any violation of the provisions of this Restriction. The notice referred to in clause (b) shall include a clear description of the course and approximate cost of the proposed cure.
- 17. Enforcement.** Upon violation by the Grantor of any of the provisions of this Restriction that remains uncured for more than thirty (30) days after notice thereof from any Holder (or for such longer period not to exceed thirty (30) days as shall be reasonably required under the circumstances to cure such violation, provided that the Grantor has commenced the cure of such violation within the initial thirty (30) day period and is thereafter diligently pursuing the cure to completion), any Holder, at its option (without liability to any party for failure to do so), may apply to any court, state or federal, for specific performance of this Restriction or an injunction against any violation of this Restriction, or for such other relief as may be appropriate, since the injury arising from the default under any of the terms of this Restriction would be irreparable and the amount of damage would be difficult to ascertain and may not be compensable by money alone. In each such default notice, the Holder giving such notice shall specify the violation in question and the actions such Holder believes are necessary and feasible to remedy such violation. No waiver by a Holder of any breach of this Restriction shall be deemed a waiver of such breach by any other Holder or a waiver of any other or subsequent breach. No act or

omission by any Holder, other than a writing signed by it waiving a breach by the Grantor in accordance with the next Section hereof, shall constitute a waiver thereof. Any Holder shall be entitled to recover from the Grantor all of such Holder's reasonable costs of an action for enforcement of this Restriction, including reasonable attorneys' fees (including the time of any in-house counsel of a Holder charged at the same rate as comparable outside attorneys). By its acceptance of this Restriction, no Holder undertakes any liability or obligation relating to the condition of the Property. Without limiting any other rights or remedies available to a Holder, any transfer of all or any other portion of the Property in violation of the provisions hereof, in the absence of a certification from all Holders approving, or waiving any restrictions with respect to, the same, all as set forth above, shall, to the maximum extent permitted by law, be voidable by any Holder, by suit in equity to enforce the restrictions hereof.

**18. Compliance Certification.** Upon written request therefor, a Holder shall provide a statement in form acceptable for recording certifying that the Grantor is in full compliance with the provisions hereof as relate to that Holder, provided such Holder believes that the Grantor is so in compliance. Upon receipt of a written request therefor, if a Holder shall believe that the Grantor is not so in compliance, such Holder shall provide such a recordable certification specifying in detail the section or sections hereof with which such Holder believes the Grantor not to be in compliance. Any third party dealing with the Grantor may rely for all purposes on the truth and completeness of such a certification of a Holder.

**19. Senior Lender Foreclosure.**

- A.** Notwithstanding anything herein to the contrary, but subject to the provisions of this Section, if the holder of record of a first mortgage granted to a state or national bank, state or federal savings and loan association, cooperative bank, mortgage company, trust company, insurance company or other institutional or governmental lender shall acquire the Property by reason of foreclosure or similar remedial action under the provisions of such mortgage or upon conveyance of the Property in lieu of foreclosure, and provided that the holder of such mortgage has given the Holders not less than sixty (60) days' prior written notice of its intention to foreclose upon its mortgage or to accept a conveyance of the Property in lieu of foreclosure to attempt to structure a workout or other arrangement to avoid such foreclosure, conveyance in lieu of foreclosure, or similar remedial action and the Secretary of EOHHS has failed within such sixty (60) days to locate a purchaser for the Property who is capable of operating the Property for the Permitted Uses subject to the provisions of this Restriction and who is reasonably acceptable to such mortgage holder, then except as provided below, the rights and restrictions herein contained shall not apply to such mortgage holder upon such acquisition of the Property or to any purchaser of the Property from such mortgage holder, and such Property shall, subject to Paragraph B. below, thereafter be free from all such rights and restrictions. The recording in the Registry of Deeds of a sworn affidavit by the foreclosing mortgagee certifying as to the failure of the Secretary of EOHHS to meet the foregoing deadline may be relied upon by any third party, provided that the foreclosure deed is recorded not more than six (6) months after the receipt by the Secretary of EOHHS of the foreclosure notice. Notwithstanding the foregoing, the rights and restrictions contained herein shall terminate

only to the extent it is financially infeasible to maintain the level of affordability required by this Restriction or some lesser level of affordability (i.e., fewer Restricted Units or Restricted Units affordable to Families with higher Household Incomes than those required by this Restriction). "Financially infeasible" shall mean (i) with respect to the operation of the Property, that the rent and other income from the Property is, or is reasonably projected to be, less than the reasonable expenses required (or reasonably projected to be required) to maintain and operate the Property and (ii) with respect to a sale of the Property, that the restrictions would prevent (or be reasonably projected to prevent) the senior mortgage holder from recovering all amounts due and owing with respect to its financing of the Property, including without limitation, principal, interest, charges, costs, expenses, late fees and prepayment premiums. Financial infeasibility shall be determined by the senior mortgage holder in its reasonable discretion after consultation with the Holders. The senior mortgage holder shall notify the Holders of the extent to which the rights and restrictions contained herein shall be terminated and the Grantor agrees to execute any documents required to modify this Restriction to conform to the senior mortgage holder's determination. The Grantor hereby irrevocably appoints any senior mortgage holder and each of the Holders, its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any such documents on behalf of the Grantor should the Grantor fail or refuse to do so.

- B.** The rights and restrictions contained herein shall not lapse if the Property is acquired through foreclosure or deed in lieu of foreclosure by (i) the Grantor, (ii) any person with a direct or indirect financial interest in the Grantor, (iii) any person related to a person described in clause (ii) by blood, adoption or marriage, (iv) any person who is or at any time was a business associate of a person described in clause (ii), and (v) any entity in which any of the foregoing have a direct or indirect financial interest (each a "Related Party"). Furthermore, if the Property is subsequently acquired by a Related Party during the period in which this Restriction would have remained in effect but for the provisions of this Section, this Restriction shall be revived and shall apply to the Property as though it had never lapsed.
- C.** In the event such mortgage holder conducts a foreclosure or other proceeding enforcing its rights under such mortgage and the Property is sold for a price in excess of the sum of the outstanding principal balances of all notes secured by mortgages of the Property plus all future advances, accrued interest and all reasonable costs and expenses which the holders thereof are entitled to recover pursuant to the terms of such mortgages, such excess shall be paid to the Holders in consideration of the loss of the value and benefit of the rights and restrictions herein contained and released by the Holders pursuant to this Section in connection with such proceeding, provided that in the event that such excess shall be so paid to the Holders by such mortgage holder, the Holders shall thereafter indemnify such mortgage holder against loss or damage to such mortgage holder resulting from any claim made by the mortgagor of such mortgage to the extent that such claim is based upon payment of such excess by such mortgage holder to the Holders in accordance herewith, provided that such mortgage holder shall give the prompt notice of any such claim and shall not object to intervention by the Holders in any proceeding relating

thereto. The Holders shall share any such excess pro rata in proportion to the respective amounts of principal and interest (if any) then outstanding on their portions of the Loan and the liability of a Holder under the foregoing indemnity shall be limited to the amount of such excess received by it. To the extent the Grantor possesses any interest in any amount which would otherwise be payable to the Holders under this Paragraph, to the full extent permissible by law, the Grantor hereby assigns its interest in such amount to said mortgage holder for payment to the Holders.

- D.** This Restriction is senior to the MHP first mortgage loan, as the same may be amended, modified or restated. MHP may terminate, modify or subordinate this Restriction in accordance with and subject to the requirements set forth in Paragraphs A. through C. above. The Grantor agrees to execute any documents required so to terminate, modify or subordinate this Restriction. The Grantor understands and agrees that, in the event of foreclosure of the MHP first mortgage loan and the exercise by MHP of the Power of Sale therein, the Property will be sold subject to the restrictions imposed hereby, unless MHP exercises its rights to terminate, modify or subordinate this Restriction prior to such sale. The Grantor hereby irrevocably appoints MHP, or any agent designated by MHP, its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any such documents on behalf of the Grantor should the Grantor fail or refuse to do so.

**20. Notices.** Any notice, request or other communication which any party hereto may be required or may desire to give hereunder shall be made in writing, and shall be deemed to have been properly given if hand delivered, if sent by recognized national overnight courier, receipt confirmed, or if mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed, in the case of the Grantor, to the Grantor's address set forth above and, in the case of one or more Holders, to the address(es) of such Holder(s) as set forth above. Any party may change its notice address by furnishing in writing to all other parties hereto a notice of such new notice address. A notice sent by certified or registered mail shall be deemed given three days after mailing; a notice sent by overnight courier shall be deemed given one day after deposit with such courier; and a notice delivered by hand shall be deemed given upon receipt. The Holders shall use reasonable efforts to send courtesy copies of all notices sent to the Grantor to the Grantor's investor at the address set forth below, provided that any failure to send such a courtesy copy shall not affect the validity of any notice: Massachusetts Housing Investment Corporation, 70 Federal Street, Boston, Massachusetts 02110, Attention: Richard Becker, Director of Asset Management.

**21. Successors and Assigns; No Third-Party Beneficiaries.** This Restriction shall be binding upon the Grantor and its successors and assigns, and shall burden the Property as specified herein. This Restriction shall also be binding upon the Holders, and shall inure to the benefit of their successors and assigns, provided that a Holder shall not voluntarily assign its rights hereunder unless (a) such Holder believes in good faith that it is no longer reasonably capable of performing its duties hereunder, and (b) such assignment shall be to a governmental body or an entity of a similar character and purposes to such Holder which is reasonably capable of

performing such duties hereunder (except that DHCD's rights with respect to the Purchase Option and First Refusal Right are assignable, as set forth herein).

**22. Severability; Construction.** All rights, powers and remedies provided herein may be exercised only to the extent that exercise thereof does not violate any applicable law, and are intended to be limited to the extent necessary so that they will not render this Restriction invalid, unenforceable or not entitled to be recorded, registered or filed under applicable law. If any provision or part hereof shall be affected by such holding, the validity of other provisions of this Restriction and of the balance of any provision held to be invalid, illegal or unenforceable, in part only, shall in no way be affected thereby, and this Restriction shall be construed as if such invalid, illegal, or unenforceable provision or part hereof had not been contained herein. In the event of any actual or potential inconsistency between the terms of this Restriction and any of the Statutes and/or the Regulations, such terms shall be interpreted, to the extent reasonably possible, so as to reconcile any such inconsistencies. If such provisions cannot reasonably be reconciled, the provisions of the Statutes, the Regulations and this Restriction, in the foregoing order of priority, shall control.

**23. Governing Law.** This Restriction shall be governed by the laws of The Commonwealth of Massachusetts. Inasmuch as the restrictions contained herein have been imposed upon the Property in part to satisfy requirements of various governmental bodies referred to herein, including, without limitation, DHCD, the restrictions contained herein are intended to be construed as a restriction held by a governmental body with the benefit of Section 26 of Chapter 184 of the Massachusetts General Laws as existing as of the date hereof, such that the restrictions contained herein shall not be limited in duration by any rule or operation of law, but rather shall run for the full term thereof.

**24. Recording.** The Grantor, at its cost and expense, shall cause this Restriction and any amendment hereto to be duly recorded with the Registry of Deeds (and if necessary or appropriate, re-recorded), shall pay or cause to be paid all recording, filing, or other taxes, fees and charges and shall comply with all such statutes and regulations as may be required by law in order to establish, preserve and protect the ability of the Holders and their successors and assigns to enforce this Restriction.

**25. Further Assurances.** Each Holder is authorized to record or file any notices or instruments appropriate to assuring the enforceability of this Restriction; and the Grantor on behalf of itself and its successors and assigns appoints each Holder its attorney-in-fact to execute, acknowledge and deliver any such instruments on its behalf. Without limiting the foregoing, the Grantor and its successors and assigns agrees to execute any such instruments upon request. The benefits of this Restriction shall be in gross and shall be assignable by any Holder. The Grantor and the Holders intend that the restrictions arising hereunder take effect upon the date hereof, and to the extent enforceability by any person ever depends upon the approval of governmental officials, such approval when given shall relate back to the date hereof regardless of the date of actual approval or the date of filing or recording of any instrument evidencing such approval.

**26. Counterparts.** This Restriction may be executed in several counterparts, each of which when executed and delivered shall be an original, but all of which together shall constitute one

instrument. In making proof of this Restriction, it shall not be necessary to produce or account for more than one such counterpart executed by the party against whom enforcement of this Restriction is sought.

**27. Incorporation of Exhibits and Riders.** Any and all exhibits and riders attached hereto or otherwise referenced herein are hereby incorporated by reference, the same as if each were fully set forth herein.

**28. Amendment; Waiver.** This Restriction may not be amended, nor may any obligation hereunder be waived or released, without first obtaining the written consent of all Holders.

No documentary stamps are required as this Restriction is not being purchased by the Holders.

Executed under seal as of the date set forth above.

FRANCONIA APARTMENTS LLC

By: FRANCONIA APARTMENTS MM, INC., its  
Managing Member

By: \_\_\_\_\_

Elsie Borden

Its: President

- EXHIBIT A Property Description
- EXHIBIT B Projected Initial Rent Schedule
- EXHIBIT C Initial Affordability Matrix
- EXHIBIT D Additional Definitions

**COMMONWEALTH OF MASSACHUSETTS**

\_\_\_\_\_ County, ss.

On this 15th day of October, 2009, before me, the undersigned notary public, personally appeared Elsie Borden, the President of Franconia Apartments MM, Inc., proved to me through satisfactory evidence of identification, which was (a current driver’s license) (a current U.S. passport) (my personal knowledge of the identity of the principal), to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he/she signed it voluntarily, in such capacity, for its stated purpose.

\_\_\_\_\_  
Notary Public  
My commission expires:



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**EXHIBIT A : PROPERTY DESCRIPTION**

**EXHIBIT B : PROJECTED INITIAL RENT SCHEDULE**

(Rents include utility allowance)

UNIT TYPE	INCOME LEVEL				
	EXTREMELY LOW INCOME	VERY LOW INCOME	LOW INCOME	MODERATE INCOME	HIGH MODERATE INCOME
SRO	\$305.00	\$508.00	\$610.00	\$814.00	\$1,119.00
STUDIOS	\$407.00	\$678.00	\$814.00	\$1,086.00	\$1,493.00
1-BR	\$436.00	\$727.00	\$873.00	\$1,164.00	\$1,600.00
2-BR	\$523.00	\$872.00	\$1,047.00	\$1,397.00	\$1,919.00
3-BR	\$605.00	\$1,008.00	\$1,210.00	\$1,614.00	\$2,219.00
4-BR	\$676.00	\$1,125.00	\$1,350.00	\$1,801.00	\$2,475.00

**EXHIBIT C : INITIAL AFFORDABILITY MATRIX** -- NOTE THAT IN ORDER TO SATISFY THE AFFORDABILITY REQUIREMENTS OF THE MHP FIRST MORTGAGE LOAN AT LEAST TWENTY PERCENT (20%) OF THE TOTAL UNITS SHALL BE VERY LOW INCOME UNITS, FORTY PERCENT (40%) OF THE TOTAL UNITS SHALL BE LOW INCOME UNITS OR FIFTY PERCENT (50%) OF THE TOTAL UNITS SHALL BE MODERATE INCOME UNITS.

NUMBER/SIZE OF UNITS REQUIRED BY	INCOME CATEGORY				
	HIGH MODERATE INCOME	MODERATE INCOME	LOW INCOME	VERY LOW INCOME	EXTREMELY LOW INCOME
AHT	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO 2 1-BR 18 2-BR 4 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO 3 1-BR 6 2-BR 3 3-BR ___ 4-BR
CBH	___ SRO ___ STUDIO 3 1-BR 2 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR
HIF	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO 3 1-BR 5 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR 3 2-BR 5 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR
HOME	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR 15 2-BR 1 3-BR ___ 4-BR	___ SRO ___ STUDIO 1 1-BR 3 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR
SPRINGFIELD HOME	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO 2 1-BR 18 2-BR 4 3-BR ___ 4-BR	___ SRO ___ STUDIO ___ 1-BR ___ 2-BR ___ 3-BR ___ 4-BR	___ SRO ___ STUDIO 3 1-BR 6 2-BR 3 3-BR ___ 4-BR
<b>COMPOSITE</b>	___ SRO ___ STUDIO	___ SRO ___ STUDIO	___ SRO ___ STUDIO	___ SRO ___ STUDIO	___ SRO ___ STUDIO



**AFFORDABLE HOUSING RESTRICTION**

	____ 1-BR ____ 2-BR ____ 3-BR ____ 4-BR	____ 1-BR ____ 2-BR ____ 3-BR ____ 4-BR	2 1-BR 18 2-BR 2 3-BR ____ 4-BR	____ 1-BR ____ 2-BR 2 3-BR ____ 4-BR	3 1-BR 6 2-BR 3 3-BR ____ 4-BR
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## EXHIBIT D : ADDITIONAL DEFINITIONS

Following are additional definitions used in this Affordable Housing Restriction:

"AHT Guidelines" shall mean the guidelines issued by DHCD regarding the AHT Program, as the same may be amended, supplemented, replaced or otherwise modified from time to time.

"AHT Program" shall mean the Affordable Housing Trust Fund loan program established under the AHT Statute under which AHT makes loans available to sponsors of affordable housing for Low Income and Extremely Low Income Families.

"AHT Statute" shall mean the Massachusetts Affordable Trust Fund Statute, M.G.L. c.121D.

"Alternative Form of Housing" shall mean housing that involves an unusual or specialized level of management or social services, an innovative financing or ownership structure or other innovative features, including, without limitation, any of the various types of housing defined and described in 760 CMR 23.02 of the HIF Regulations (as defined below) or as otherwise described in the HIF Statute.

"Area" shall mean Springfield, MA HMFA.

"Bedroom Adjusted AMI" applicable to a Unit shall mean the median income for the Area, with adjustments for the number of bedrooms in such Unit, as determined from time to time by HUD pursuant to Section 8 of the United States Housing Act of 1937, as amended. For purposes of adjustments for the number of bedrooms in a Unit, a Unit that does not have a separate bedroom is assumed to be occupied by one individual and a Unit with one or more separate bedrooms is deemed assumed to be occupied by 1.5 individuals for each bedroom (with the total number of individuals rounded up).

"CBH Community-Based Housing" shall mean housing reserved for PCEs that is: (a) integrated housing (a non-institutional Residential Housing Development (as defined in the CBH Regulations), or housing units therein, either on a single site or multiple sites, in which no more than one-third of the housing units are reserved for PCEs and which complies with any additional requirements specified in the CBH Guidelines as approved by DHCD); or (b) any other non-institutional Residential Housing Development, or one or more housing units therein, that is reserved for PCEs, as approved by DHCD.

"CBH Guidelines" shall mean the guidelines issued by DHCD regarding the CBH Program, as the same may be amended, supplemented, replaced or otherwise modified from time to time.

"CBH Regulations" shall mean the regulations relating to the CBH Program promulgated by DHCD at 760 Code of Massachusetts Regulations, Section 60.00 et. seq., as the same may be amended, supplemented, replaced or otherwise modified from time to time.

"CBH Program" shall mean the Community-Based Housing Fund Program, established for the purpose of facilitating the creation of community-based housing, under which DHCD contracts to make funds available through CEDAC and other financial intermediaries, for such financial intermediaries to loan to sponsors of community-based housing for PCEs, subject to and in accordance with the provisions of the CBH Statute.

"CBH Statute" shall mean Chapter 290 of the Acts of 2004 (budget line item 4000-8201), as the same may be amended, supplemented, replaced or otherwise modified from time to time.

"EOHHS" shall mean the Executive Office of Health and Human Services of the Commonwealth of Massachusetts (or any successor thereto or designee thereof).

"Extremely Low Income Family" shall mean a Family whose Household Income is less than or equal to thirty percent (30%) of the Family-size Adjusted AMI.

"Fair Market Rent" shall mean the fair market rent in the Area for a comparably-sized dwelling as established by HUD under regulations promulgated at 24 C.F.R. §888.11 (or successor regulations), minus a monthly allowance established by the Holders for any utilities and services (excluding telephone) to be paid by the occupying Family.

"Family" shall have the meaning set forth in 24 C.F.R. §5.403 (or any successor regulation). Notwithstanding the foregoing, a household comprised of a full-time student or students shall not qualify as a Family except as permitted under the federal low-income housing tax credit program pursuant to Section 42(i)(3)(D) of the Internal Revenue Code of 1986, as amended.

"Family-size Adjusted AMI" shall mean the median income for the Area, adjusted for family size, as determined from time to time by HUD pursuant to Section 8 of the United States Housing Act of 1937, as amended.

"Grantor" shall mean the Grantor named on the first page hereof or any successor or assign thereof permitted under Section 8 of this Restriction, including any party holding ownership interests in or with respect to the Property.

"Guidelines" shall mean the AHT Guidelines, the CBH Guidelines, the HIF Guidelines and the HOME Guidelines.

"HIF Guidelines" shall mean the guidelines issued by DHCD regarding the HIF Program, as the same may be amended, supplemented, replaced or otherwise modified from time to time.

"HIF Program" shall mean the phase of the Housing Innovations Fund loan program established under the HIF Statute for the purpose of facilitating the creation and retention of alternative forms of housing, under which DHCD contracts to make funds available through CEDAC and other financial intermediaries, for such financial intermediaries to loan to sponsors of Alternative Forms of Housing for Low Income Families, subject to and in accordance with the provisions of the HIF Statute.

"HIF Regulations" shall mean the regulations relating to the HIF Program promulgated by DHCD at 760 Code of Massachusetts Regulations, Section 23.00 et seq., as the same may be amended, supplemented, replaced or otherwise modified from time to time.

"HIF Statute" shall mean Section 5 of Chapter 244 of the Acts of 2002 (budget line item 7004-7013), as continued by Chapter 290 of the Acts of 2004 (budget line item 7004-7013).

"High Moderate Income Family" shall mean a Family whose Household Income is less than or equal to one-hundred-ten percent (110%) of the Family-size Adjusted AMI.

"Holder" shall mean each of DHCD, AHT, CEDAC, and the City, or, as applicable, each successor or assign of the foregoing and "Holders" shall mean all of the foregoing parties, collectively.

"HOME Guidelines" shall mean the guidelines issued by DHCD regarding the HOME Program, as the same may be amended, supplemented, replaced or otherwise modified from time to time.

"HOME Program" shall mean the federal HOME Investment Partnerships Program under which DHCD and the City make loans available to sponsors of certain types of affordable housing.

"HOME Regulations" shall mean 24 C.F.R. Part 92.

"Household Income" shall mean a Family's adjusted annual income determined in the manner set forth in 24 C.F.R. §5.609 (or any successor regulations).

"HUD" shall mean the United States Department of Housing and Urban Development.

"Improvements" shall mean the building or buildings on the Property presently containing, or after completion of the planned construction to contain, the number of Units indicated on the first page hereof, and all other authorized buildings, structures and improvements located on the Property from time to time, all equipment and fixtures therein, and any authorized repair, improvement, reconstruction, restoration, renovation, or replacement of a capital nature thereto or otherwise on the Property.

"Loan" shall mean collectively, the loans for the Project being provided to the Grantor under the Programs.

"Low Income Family" shall mean a Family whose Household Income is less than or equal to sixty percent (60%) of the Family-size Adjusted AMI.

"Moderate Income Family" shall mean a Family whose Household Income is less than or equal to eighty percent (80%) of the Family-size Adjusted AMI.

"Over-income Rent" shall mean, for a particular over-income Family, a monthly rent equal to the lesser of (x) the maximum amount payable by the Family under the laws of the municipality in which the Property is located or of The Commonwealth of Massachusetts, (y) one-twelfth of thirty percent (30%) of the Family's Household Income as recertified annually or (z) the comparable market rent for the Family's Unit.

"PCE" or "Person Certified Eligible" shall mean a Moderate Income Family with disabilities who is institutionalized or at risk of being institutionalized, but who is not eligible for housing developed pursuant to the so-called FCF program, authorized by Chapter 290 of the Acts of 2004 (budget line item 4000 8201) as amended from time to time, and who has been certified as an eligible PCE by EOHHS (or its designee) in accordance with the procedure described in the CBH Guidelines.

"Permitted Encumbrances" shall mean those encumbrances on the Property identified in the mortgage granted to the Holders of even or near date herewith.

"Permitted Uses" shall mean use of the Improvements for the number of rental Units indicated on the first page hereof comprising an Alternative Form of Housing, consistent with the HIF Statute, HIF Regulations and HIF Guidelines, including the number of Restricted Units indicated on the first page hereof of which at least 5 Units (containing a total of not less than seven bedrooms) shall be

reserved for PCEs and shall qualify as CBH Community-Based Housing consistent with the CBH Statute, CBH Regulations and CBH Guidelines. Such Permitted Uses shall include activities and/or services of a nature to benefit the Residents of the Restricted Units and/or to benefit the use of the Improvements as an Alternative Form of Housing and/or to benefit use of the Improvements as CBH Community-Based Housing.

"Programs" shall mean the AHT Program, the CBH Program, the HIF Program and the HOME Program.

"Property" shall mean that certain parcel or parcels of land located at the Property Address indicated on the first page hereof and more particularly described in Exhibit A attached hereto, together with all Improvements thereon.

"Registry of Deeds" shall mean the Hampden Registry of Deeds.

"Regulations" shall mean the CBH Regulations, the HIF Regulations and the HOME Regulations.

"Residents" shall mean the lawful occupants of the Units.

"Restricted Unit" shall mean a Unit required by the terms hereof to be rented to a Low Income Family, a Very Low Income Family or an Extremely Low Income Family or a Unit required by the terms hereof to be reserved as CBH Community-Based Housing.

"Sponsor" shall mean Springfield Housing Action Corporation.

"SRO Unit" shall mean a single-room (zero bedroom) Unit intended for occupancy by a single eligible Resident and that contains neither food preparation nor sanitary facilities.

"Statutes" shall mean the AHT Statute, the CBH Statute and the HIF Statute.

"Studio Unit" shall mean a single-room (zero bedroom) Unit intended for occupancy by a single eligible Resident that contains food preparation and/or sanitary facilities.

"Unit" shall mean any residential unit located on the Property.

"Very Low Income Family" shall mean a Family whose Household Income is less than or equal to fifty percent (50%) of the Family-size Adjusted AMI.





\$4,110,000 Loan (aggregate) from  
Department of Housing and Community Development ("DHCD")  
\$750,000.00 HOME Loan

Community Economic Development Assistance Corporation ("CEDAC")  
\$750,000.00 HIF Loan  
\$690,000.00 CBH Loan

Affordable Housing Trust Fund ("AHT")  
\$1,000,000.00 Trust Loan

The City of Springfield (the "City")  
\$920,000.00 HOME Loan

(each, a "Participating Lender")

to

Franconia Apartments LLC ("Borrower")

Secured by property located at 365 Annum Street,  
Springfield, Massachusetts (the "Property")

Closing Date: October 15, 2009

Agent Lender: The Commonwealth of Massachusetts acting by and through the Department of  
Housing and Community Development ("Agent")

Lenders' Counsel: Dewey & Lewis LLP ("LC")

Borrower's Counsel: Heisenberg and Planck, PC ("BC")

Senior Lender's Counsel: Peters and Pinkham LLP ("SLC")

Architect: Right Angle Architects LLP

Contractor: Hammer and Nails Construction Corp.

Disbursing Agent: the Community Economic Development Assistance Corporation

Closing Escrow Agent: Matts Planck

	DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
I.	<u>LOAN DOCUMENTATION</u>			
1.	Award Letter/Conditional Commitment	Participating Lenders		
	A. AHT Award Letter	AHT		
	B. City Award Letter	City		
	C. HOME Award Letter	DHCD		
	D. HIF Conditional Commitment	CEDAC		
	E. CBH Conditional Commitment	CEDAC		
2.	Commitment Letter	Participating Lenders		
	A. AHT Commitment Letter	AHT		
	B. City Commitment Letter	City		
	C. HIF Firm Commitment Letter	CEDAC		
	D. CBH Firm Commitment Letter	CEDAC		
3.	HOME Contract, including Commonwealth terms and conditions, completed EFT form with voided check and contractor authorized signature form	DHCD		LRO
4.	Participating Lenders' Promissory Notes:			
	A. AHT Promissory Note	LC		
	B. City Promissory Note	LC		
	C. HOME Promissory Note	LC		
	D. HIF Promissory Note	LC		
	E. CBH Promissory Note	LC		

	DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
5.	Loan Agreement	LC		
6.	Loan Agreement Exhibits			
	A. Legal Description of Property	BC		
	B. Project Sources and Uses	Borrower		Lines 161 through 199 of updated One-Stop
	C. Ineligible Project Costs	LC		
	D. Detailed Project Schedule (including completion and move-in dates)	Borrower		Line 12 of updated One-Stop
	E. Other Loans	LC		
	F. Development Team	Borrower		
	G. List of Environmental Reports	BC		
	H. Pending Litigation	BC		
	I. Form of Requisition Certificate	LC		
	J. Forms of Lien Waiver	LC		
	K. Definitions	LC		
7.	Leasehold Mortgage, Security Agreement and Assignment of Leases and Rents	LC		
8.	Mortgage Exhibits			
	A. Legal Description of Property	BC		
	B. Senior Lenders/Pari Passu Lenders/Junior Lenders	LC		
	C. Permitted Encumbrances	LC		

DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
9. Affordable Housing Restriction	LC		
10. Affordable Housing Restriction Exhibits			
A. Property Description			
B. Projected Initial Rent Schedule	BC		
C. Initial Affordability Matrix	Participating Lenders		
D. Additional Definitions	Participating Lenders		
	LC		
11. Disbursing Agent Agreement	LC		See MassDocs form
12. Master Subordination Agreement	LC/SLC		If required by Senior Lender. Use MassDocs form if possible
13. Intercreditor Agreement among Subordinate Lenders	LC		Only required if there are non-MassDocs subordinate lenders and the pari passu status not covered by Master Subordination Agreement
14. Copies of funding commitments for all other development sources	Borrower		
15. Copies of other lender loan documents			
MHIC, LLC	BC		
Springfield Housing Action Corporation. (Deferred Fee)	BC		

	DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
	Massachusetts Housing Partnership Fund Board (Commitment Letter) Springfield Housing Action Corporation (Energy Grant)	BC		
16.	Evidence of Subsidy Layering Approval	BC		Only required if multiple federal sources (e.g. LIHTC and project-based Section 8 contract)
17.	HUD Removal of Grant Condition	BC		
II.	<u>TITLE</u>			
18.	ALTA mortgagee's title insurance policy in the aggregate amount of the Loans, all exceptions deleted other than any permitted senior mortgages and any permitted encumbrances	BC		
19.	Commitment or specimen policy, with copies of title encumbrances	BC		NIB
20.	Purchase and Sale Agreement	BC		Only required if conveyance to occur at financing closing
21.	Deed and conveyancing documents	BC		Only required if conveyance to occur at financing closing

DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
22. Municipal lien certificate and water and sewer certificate with respect to the Property	BC		
23. Survey of the Property with surveyor's certificate (including flood zone certification)	BC		For rehabilitation project, plan sufficient to delete survey exception from title policy
<b>III. <u>PERMITTING</u></b>			
24. Opinion letter or letters concerning zoning, land use, environmental and other real estate matters issued to all Participating Lenders	BC		
25. Letter from Massachusetts Historic Commission evidencing finding of no adverse effect (MGL Ch. 9, §27C, 950 CMR §71.00)	Borrower		
26. Architect's certificate	BC		See MassDocs form
27. Architect's certificate re changes in design required by MRS and response to MRC letter (if applicable)	BC		LRO
28. Evidence of availability of utilities	BC		Only required if not covered by Architect's Certificate

DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
29. Copies of permits and approvals	BC		If applicable
A. Order of Conditions, if applicable			
B. Local Historic Approval, if applicable			
C. MEPA Certificate, if applicable			
D. City and MWRA Sewer Connection Permits, if applicable			
E. Title V Certification, if applicable			
F. Fuel Storage License, if applicable			
G. Curb Cut/Traffic Access Permit, if applicable			
30. Site eligibility letter	BC		LRO; Chapter 40B project only.
31. Final approval letter by agency issuing site eligibility letter	BC		LRO; Chapter 40B project only.
32. Regulatory Agreement	BC		LRO; Chapter 40B project only.

IV. ENVIRONMENTAL

DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
33. ASTM Phase I Environmental Report demonstrating absence of release or threat of release of hazardous materials or oil (all as defined in M.G.L. c. 21E), from, at or on the Property	Borrower		Most recent report must be dated within 12 months of closing
34. Additional Environmental Reports as recommended by the Phase I Report	Borrower		
35. Reliance Letters re Environmental Reports	Borrower		See MassDocs form
36. Activity and Use Limitation	BC		If applicable
37. Response Action Outcome (RAO) or other evidence of remediation	BC		If applicable
38. Lead Paint Inspection Reports or Evidence of Lead Paint compliance	Borrower		For rehabilitation projects only
39. Asbestos Inspection Reports	Borrower		For rehabilitation projects only
V. <u>CONSTRUCTION</u>			
40. Plans and Specifications stamped by architect and approved by Lender	Borrower		NIB; not required for AHT unless there are no other public funding sources.



DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
41. Lender's Review of Plans and Specifications for Compliance with Housing Quality Standards	Participating Lenders		NIB
42. Architect's Contract	BC		
43. Architect's Insurance	BC		
44. Construction Contract (with Davis-Bacon wages, if applicable)	BC		A draft contract to be provided for review and a final copy to be provided after execution.
45. Payment, Performance and Lien Bonds (with Multiple Obligee Riders) or Letter of Credit	BC		
46. Contractor Insurance	BC		
47. Davis-Bacon Wage Certification (if applicable)	BC		See MassDocs form
48. Plan for Construction Monitoring (including clerk of the works contract)	Borrower		LRO
49. Structural Engineering Report, if applicable	Borrower		For rehabilitation projects only
50. Construction Inspection Agreement	LC		See MassDocs form

DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
51. Construction Period Flow of Funds	Borrower		LRO
52. Building Permit(s)	Borrower		
53. Development Services Agreement	BC		
54. List of Subcontractors	BC		
VI. <u>MANAGEMENT</u>			
55. Management Agreement	Borrower		LRO; draft contract to be provided for review and a final copy to be provided after execution.
56. Management Plan	Borrower		LRO
57. Tenant Selection Plan	Borrower		LRO
58. Marketing/Affirmative Fair Marketing Plan approved by applicable entity (e.g., City of Boston Fair Housing Commission)	Borrower		LRO
59. Form of Occupancy Agreement or Lease	Borrower		LRO
60. AHAP	Borrower		Applicable only if Project-based Assistance for the project

DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
61. Supportive Services Contract/ Documentation	Borrower		LRO; only if required by a Participating Lender.
62. DDS/DMH/MRC certification (if applicable)	Borrower		LRO
<b>VII. <u>ORGANIZATIONAL DOCUMENTS</u></b>			
63. Clerk's Certificate of Franconia Apartments MM, Inc., dated the Closing Date, as to articles, by-laws, vote and incumbency	BC		
64. Corporate certificates of legal existence and good standing of Franconia Apartments MM, Inc. in Massachusetts, of recent date, from Secretary of State	BC		From Massachusetts as well as state of organization, if different
65. Tax certificate of good of Franconia Apartments MM, Inc. from Massachusetts Department of Revenue, of recent date	BC		Treasurer's certificate may be substituted in certain instances if approved by Participating Lenders
66. Copy of Certificate of Formation	BC		
67. Copy of Operating Agreement certified by Borrower's Manager	BC		

DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
68. Certificate of Legal Existence and Good Standing (naming managers)	BC		From Massachusetts as well as state of organization, if different
69. Qualification to do business in Massachusetts	BC		For all entities not organized in Massachusetts
70. Borrower's Financial Statements	Borrower		LRO; NIB
71. Sponsor's Financial Statements	Borrower		LRO; NIB
72. UCC, tax lien and Bankruptcy Court searches	BC		NIB; may be waived for entity formed within six months of closing.
73. Opinion letter dated the Closing Date from counsel for Borrower concerning legal existence, due authority and enforceability issued to all Participating Lenders	BC		

VIII. MISCELLANEOUS

DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
74. Certificates or binders of insurance naming Agent Lender (for itself and as agent) as mortgagee, insured, and/or loss payee (as appropriate) with respect to comprehensive general liability insurance and builder's risk or casualty insurance on the Property	Borrower		See MassDocs list of named insureds
75. One-Stop updated as of closing (Excel spreadsheet portion only)(Revisions to include revised date (line 1b), updated development schedule, construction numbers consistent with signed construction contract, updated rent schedule, signed section 7, updated project summary information (pages A-1 through A-8), updated Exhibit 11)	Borrower		LRO; Excerpts for loan document exhibits: Development Schedule (line 12), Sources of Funds (lines 81 through 104), Development Budget (lines 161 through 199), Rent Schedule (lines 222 through 228). NOTE: For all items in the development budget that have changed by more than 10% an explanation is required.
76. Appraisal ("As is" appraisal is required if there is an acquisition cost for the project; "as completed" appraisal may also be required depending on transaction)	Borrower		LRO

DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
77. HUD Release of Grant Conditions	DHCD		NIB; Only required for federally funded programs.
78. Closing Escrow Letter with Specimen Title Policy and Wiring Instructions	LC		
79. Form W-9	LC		Three originals to be forwarded to AHT; one original to be forwarded to CEDAC
80. Document Comparisons with Closing Attorney Certification	LC		Final loan documents to be compared to initial MassDocs forms and forwarded to Participating Lenders at time of execution.
81. Contact List	LC		Contacts to include Sponsor, Borrower, Development Consultant, Borrower's Counsel, Senior Lender, Senior Lender's Counsel, Subordinate Lenders, Subordinate Lenders' Counsels

DOCUMENT DESCRIPTION	RESPONSIBLE PARTY	STATUS	NOTES
82. Requisition in form acceptable to lenders	Borrower		LRO; NIB; draft to be provided for review prior to closing with back-up invoices by line item, final version to be submitted prior to disbursement of funds.

LRO = Lender Review Only (to be reviewed by Participating Lenders and forwarded after approval to attorney for inclusion in closing binder)

ALR = Attorney and Lender Review (copies should be provided by Borrower to both attorney and Participating Lenders)

NIB = Not in Binder (not to be included in closing binder)

**Owner's Agreement to Set Aside Units for  
the Department of Mental Health/Department of Developmental Services and to Create  
Accessible Units**

**Revised December 2017**

**On Owner's Letterhead**

[Date]

Chrystal Kornegay  
Executive Director  
Massachusetts Housing Finance Agency  
One Beacon Street  
Boston, MA 02108

RE: [Name of Development]  
MassHousing No. \_\_\_\_\_

Dear Ms. Kornegay:

It is our understanding that the Massachusetts Housing Finance Agency ("MassHousing") has adopted a policy relating to housing the physically and mentally handicapped. As a condition to the above-referenced financing, MassHousing has required that we comply with this policy and that we also comply with all other applicable accessibility requirements. In this regard, we commit ourselves as follows:

1. DMH/DDS Set-Aside [not applicable to Options for Independence or Elder CHOICE developments]

We will set aside 3% of all subsidized units, pro-rated among low-income and moderate units as applicable for residents referred by the Department of Mental Health (DMH) and/or the Department of Developmental Services (DDS) according to the Interagency Agreement on Massachusetts Housing Finance Agency Set-Asides (Parity Agreement) between DMH and DDS. All such referrals must pass the usual management screening and comply with the elderly eligibility requirements under the Tenant Selection Plan approved for the Project by MassHousing. In return, DMH and DDS have agreed to offer any services necessary to maintain acceptable tenancies and to offer alternative housing should such tenancy fail. (See MassHousing/DMH/DDS/EOHHS Set-Aside Agreement for details.) Should MassHousing determine that DMH or DDS has failed to meet its obligations, MassHousing will suspend or terminate this agreement for the development in question.



2. Accessible Units [check applicable provision(s)]

[ ] ***The development receives no federal financial assistance other than tax credits or tenant-based vouchers.*** We have or will modify at least one unit to meet the accessible unit standards of the Americans with Disabilities Act (“ADA”) and the Massachusetts Architectural Access Board (“AAB”).

[ ] ***The development receives federal financial assistance other than tax credits or tenant-based vouchers.*** We have or will modify at least one unit and will modify and/or set aside funds to modify up to 5% of the units, according to the limits of the law, to meet the accessible unit standards for persons with mobility impairments of Section 504 of the Rehabilitation Act of 1973 (“Section 504”), the ADA and the AAB.

[ ] ***The development was originally funded through the Section 202 Direct Loan Program for Housing for the Elderly or Persons with Disabilities (as in effect prior to the effective date of the National Affordable Housing Act of 1990) or the Section 811 Program of Supportive Housing for Persons with Disabilities.*** In addition, we will modify (to meet the accessible unit standards set forth above) such greater percentage of units above 5%, according to the limits of the law, as may be required by the United States Department of Housing and Urban Development in implementing Section 504 and the Fair Housing Act of 1988, as amended from time to time.

[ ] ***The development was originally funded through the Section 202 Direct Loan Program for Housing for the Elderly or Persons with Disabilities (as in effect prior to the effective date of the National Affordable Housing Act of 1990)*** Under the original tenant selection plan in effect at the time of the original development and continuously thereafter, we have admitted persons with mobility impairments, regardless of age, to units within the Development with accessibility features, such units constituting \_\_\_ % of the units within the Development, and we intend to continue to admit such persons to such units.

[ ] ***The development involves (i) new construction or (ii) substantial rehabilitation of an existing facility.*** In addition, we have or will modify up to an additional 2% of the units (at least one unit), according to the limits of the law, to meet the accessible unit standards for persons with hearing or vision impairments of Section 504, the ADA and the AAB.

As used herein, the phrase “according to the limits of the law” shall mean “to the maximum extent feasible” under Section 504 and ADA regulations as amended from time to time.

3. Disability Fair Housing Compliance

We will comply with all applicable federal and state disabilities fair housing laws, including Section 504, the ADA, the Fair Housing Amendments Act of 1988, M.G.L. c. 151B, M.G.L. c. 93, Section 103, Massachusetts Executive Order 246, the rules and regulations of the AAB and any other or subsequent applicable laws and regulations. We further understand that in compliance with the above laws and regulations, we have obligations to house any eligible applicant who meets screening requirements without regard to disability.

We understand that MassHousing will rely on these commitments in closing the above-referenced financing transaction.

Sincerely,

[Name of Borrower]

By: \_\_\_\_\_  
Name, Title

*updated: December 2017*



CONNECTICUT  
HOUSING FINANCE  
AUTHORITY

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Low-Income Housing Tax Credit

Qualified Allocation Plan

2019 Application Year

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## I. FEDERAL REQUIREMENTS

The Federal Low-Income Housing Tax Credit Program ("LIHTC") requires each state responsible for allocating the Federal Low-Income Housing Tax Credits ("Credits") to approve a plan for the allocation of such Credits within its jurisdiction, which plan is to be relevant to the housing needs and consistent with the housing priorities of such state. This is the Qualified Allocation Plan ("Plan") for the State of Connecticut ("State").

According to Section 42(m) of the Internal Revenue Code of 1986, as amended (the "Code"), the Plan must:

1. Set forth selection criteria to be used to determine housing priorities of the Connecticut Housing Finance Authority ("Authority"), as the housing credit agency for the State, which are appropriate to local conditions;
2. Give preference to projects:
  - a. serving the lowest income tenants, and;
  - b. obligated to serve qualified tenants for the longest period of time;
  - c. which are located in qualified census tracts and contribute to a concerted community revitalization plan, and;
3. Provide a procedure that the Authority (or its agent) will follow in monitoring for non-compliance with the provisions of Section 42 of the Code and in notifying the Internal Revenue Service ("IRS") of project non-compliance that comes to the attention of the Authority.
4. Additionally, the Plan selection process must apply criteria addressing the following:
  - a. project location;
  - b. housing needs characteristics;
  - c. project characteristics, including whether the project uses existing housing as part of a community revitalization plan;
  - d. sponsor characteristics;
  - e. tenant populations with special housing needs;
  - f. public housing waiting lists;
  - g. tenant populations of individuals with children;
  - h. projects intended for eventual tenant ownership;
  - i. energy efficiency of the project; and
  - j. the historic nature of the project.

## II. STATE HOUSING PLANS

The Authority and the State of Connecticut Department of Housing (“DOH”) work closely to align the Plan with State housing policy. To that end, the focus of the Plan for 2019 is on the most current priorities within State housing policy in support of the State’s mission and vision to achieve a Connecticut where affordable housing, in strong, vibrant, and inclusive communities, is accessible to individuals and families across the state and homelessness is a thing of the past. The Plan for 2019 distributes points to reflect the State’s priorities. It does this by ensuring consistency and coordination with the State of Connecticut’s three long range and large scale Plans related to affordable housing: the Consolidated Plan for Housing and Community Development (“ConPlan”), the Conservation and Development Policies: The Plan for Connecticut (the “C&D Policies Plan”), and the Analysis of Impediments to Fair Housing Choice 2015 (“AI”).

The Plan for allocating Credits in the State supports the needs and priorities as defined in the current State of Connecticut ConPlan and the current Annual Action Plan, as required by the National Affordable Housing Act of 1990 (the “Act”). The Act requires that the ConPlan govern the allocation of Federal funds by the State. The Plan will not undertake a separate needs assessment or establishment of goals and objectives, but incorporates by reference the needs assessment of the ConPlan and adopts its specific priorities for rental housing for use in the Plan. Additionally, the Plan similarly adopts relevant housing policies of the C&D Policies Plan and the AI.

### A. ConPlan

The overall goal of the community planning and development programs covered by the ConPlan is to develop decent housing available to all, ensure a suitable living environment and expand economic opportunities principally for low- and moderate-income persons.

The affordable housing development objectives of the ConPlan adapted for use in the Plan may include the following:

1. Prevent and end homelessness.
2. Increase the supply of affordable housing, which includes preservation, rehabilitation and creation of affordable housing with the goal of expanding housing choice and opportunity.
3. Increase the supply of quality affordable housing in order to support economic growth and the development of stable and healthy communities and neighborhoods.
4. Make housing investments that support responsible growth and development in the state and the efficient use of existing infrastructure investment in transportation, water, sewer, and other utility systems.

### B. C&D Policies Plan

Affordable rental housing development policies of the C&D Policies Plan adapted for use in the Plan incorporate the Growth Management Principles of the C&D Policies Plan, which call for revitalizing regional centers, expanding housing opportunity and choice, as well as concentrating investments that support both development and transportation. In addition, the Plan is also consistent with the C&D Policies Plan regarding its policy to promote “housing mobility and choice across income levels utilizing current infrastructure and the preservation of existing residential neighborhoods and housing stock.” In accordance with C.G.S. § 16a-35d exceptions may apply

to the funding of growth-related developments located in priority funding areas and will be considered as applicable at the discretion of the Authority's Board of Directors.

### **C. Analysis of Impediments to Fair Housing Choice 2015**

The AI is intended to satisfy the State's obligation to analyze the impediments to fair housing choice and to then take steps to overcome the impediments it identifies, in order to enable the State to more quickly overcome the barriers to full and equal access to safe, decent, affordable housing in economically vibrant, diverse communities statewide.

## **III. ALLOCATION PROCESS**

### **A. Statutory and Procedure Requirements**

All proposed projects must meet occupancy, rent restrictions and other basic statutory requirements of the Code, the Procedures of the Authority, and applicable State and Federal law.

### **B. Credit Availability**

In order to provide predictability to the development community after a 9% round's awards are announced, the Authority will estimate and release the amount of Credits available for the subsequent round. The amount estimated to be available will be based upon the estimated Credit Ceiling, adjusted for forward allocations, if any, and any designated exceptional priorities, if any, using the following calculation:

1. The previous round's Credit Ceiling, less;
2. Forward Allocations awarded in the previous round, plus;
3. Forward Allocations from the next year's Credit Ceiling.

### **C. Allocation Priorities**

The Plan provides a total of 106 points to support priority for housing development proposals that incorporate:

Rental Affordability (35 points) – Creates or preserves rental units dedicated to low-income families, households and individuals with incomes below 50% of the Area Median Income.

Financial Efficiency & Sustainability (27 points) – Demonstrates cost effectiveness through efficient use of Credits and other sources.

Local Impact (15 points) – Supports use of land and resources in ways that enhance the long-term quality of life which contributes to a vibrant and resilient economy and maximizes existing infrastructure while preserving natural resources, giving priority to projects that reuse or capitalize areas within built-up lands, existing commercial properties, and brownfield sites.

Opportunity Characteristics (15 points) – Promotes diverse housing opportunities in municipalities with defined opportunity characteristics, including better outcomes in education, greater employment opportunities and economic health.

Qualifications & Experience (11 points) – Promotes an experienced development team's strong track record in LIHTC and affordable housing development.

State Sponsored Housing Portfolio (“SSHP”) Developments – Additional Points (3 points) – Supports the redevelopment of the State’s aging moderate rental housing stock.

#### **D. 9% LIHTC Allocation Process**

The Authority will allocate 9% Credits based upon the selection criteria and application ranking procedures set forth below:

1. Applications in the 9% round will be separated into two classifications: Public Housing and General.
2. Determine LIHTC eligibility based on the criteria in Section III. F.
3. Score applications based on the criteria in Section III. G.
4. Select the highest-scoring applications in the Public Housing and General Classifications subject to adjustments for the following, as necessary:
  - Within the General Classification, skip over higher-scoring applications to fulfill the 10% non-profit requirement.

The Authority intends to distribute as evenly as possible the available 9% Credits between the Public Housing and the General Classifications, and may reallocate available Credits at its discretion.

Tie breakers: If two projects have equal scores, the Authority will use the following tie-breakers, in order:

1. Preference is given, within the Public Housing Classification, to applications for SSHP developments that include Family units (as defined in the Glossary) over other applications in this classification;
2. Lowest credit per unit;
3. Highest Total Rental Affordability Category score;
4. Highest Total Local Impact Category score;
5. Highest Total Financial Efficiency & Sustainability Category score; and

The results of the evaluation and ranking will be determined at the sole discretion of the Authority.

#### **E. Application Classifications**

Applications for 9% Credits are grouped into one of two classifications for evaluation. The Public Housing and General Classifications are used for allocation within the competitive round.

Public Housing Classification – Preservation, rehabilitation or qualified new construction that is part of a comprehensive plan to replace and/or rehabilitate public housing units inclusive of those in the SSHP as described below, the Rental Assistance Demonstration (RAD) program, or Choice Neighborhoods. This classification is limited to applications that address housing policy to revitalize housing developments that were financed and developed through Federal or State public housing programs. Among its purposes, the project must include but not be limited to integrating units into the community or region and encouraging economic integration.

SSHP developments eligible to apply for 9% Credits are those that have a transaction year of 2020 or sooner, or are current “at-risk” developments, and in either case, have received from



DOH a preliminary approval of rental assistance subsidy prior to the application deadline if the applicant contemplates or requires such subsidy for its application to be financially feasible.

General Classification – Projects that do not qualify for the Public Housing Classification.

There is not a separate classification for projects involving qualified non-profit organizations. Credits will be allocated subject to satisfying the non-profit set-aside requirement stated in Section 42(h)(5) of the Code. Non-profit organizations must satisfy the following requirements in order to receive a non-profit designation:

1. The non-profit organization must commit to participating materially (within the meaning of Section 469(h) of the Code) in the development and operation of the project throughout the compliance period; and
2. The non-profit sponsor must be a qualified non-profit organization as defined in Section 42(h)(5)(C) of the Code.

The Public Housing and General Classifications apply to the 9% LIHTC application rounds only.

## F. Application Criteria

A completed CHFA-DOH Consolidated Application for Housing Development (“ConApp”) must be submitted by the published deadline and meet the requirements of the Authority as described in Board policy statements and in CHFA Guidelines.

In addition, the following requirements must be met or evidenced:

1. All applications must meet at least one of the following criteria in order to be eligible to apply (criteria based upon the Policies outlined in the C&D Policies Plan):
  - a. Enhance housing mobility and choice across income levels and promote vibrant, mixed-income neighborhoods through rental opportunities;
  - b. Support adaptive reuse of historic and other existing structures for use as residential housing;
  - c. Develop housing in urban communities to people most likely attracted to working and/or living in urban environments;
  - d. Support local efforts to develop appropriate urban infill housing and neighborhood amenities to make better use of limited urban land;
  - e. Develop housing as part of mixed use and transit-oriented development within walking distance to public transportation facilities;
  - f. Increase housing density in village centers;
  - g. Access to parks and recreational opportunities, including trails, greenways, community gardens and waterways, for affordable and mixed-income housing.
2. All applications must also meet policy and administrative requirements of the Authority as follows:
  - a. The proposed development must be ready to proceed as documented by the following **Application Threshold** items:
    - A credible financing plan as evidenced by letter(s) of commitment or other proof of serious intent from providers of other sources of funds essential to the viability of the proposed project (not including any capital subsidy contemplated from DOH,

provided, however, that no project can be awarded tax credits unless DOH provides CHFA with its commitment for funding. Any capital subsidy contemplated from DOH will be evaluated by DOH following submission of the ConApp, and DOH shall communicate its determination with respect to such funding to both the Authority and the applicant.)

- Evidence of site control.
  - Evidence of planning and zoning approval.
  - Qualified development team in place, including architect, general contractor and management agent.
  - All Sponsors are subject to bidding requirements but may be exempt from having a General Contractor in place at time of application. At any time that project costs increase from the budget proposed at the time of application, the Authority shall require the applicant to mitigate and reduce such project cost increases. Efforts may include competitive bidding and/or value engineering or both as may be required by CHFA. Applicants are advised to pre-qualify three general contractors acceptable to CHFA. Competitive bidding for a General Contractor or project value-engineering should be completed prior to the applicant's execution of a Carryover Allocation Agreement or receipt of an Authority-issued 42(m) letter.
  - All LIHTC developments must provide construction observation reports to the Authority on a regular basis as described by the Authority in its current Pre-Construction Guidelines.
  - Length of Extended Low Income Housing Commitment ("ELIHC") for a minimum of 40 years.
  - Development shall be affordable to current residents (if any) so that no permanent displacement is required for reasons of affordability.
  - A minimum of 20% of the units in the development shall serve households with incomes greater than 25% but less than or equal to 50% of the Area Median Income ("AMI"). Points will be awarded based on the percentage of the total units in a development over 20% that will serve households with incomes greater than 25% but less than or equal to 50% AMI.
  - Development plans and specifications that are in compliance with the Multifamily Design, Construction and Sustainability Standards and Construction Guidelines ("Standards") shall be submitted at a minimum level of 40% complete.
- b. For rehabilitation projects, there must be minimum construction hard cost expenditures (Divisions 3-16 as noted on the ConApp Project Cost Summary form) of \$25,000 per unit.
  - c. Developments that received LIHTCs in a prior year are not eligible to apply for 9% LIHTCs if less than 20 years have passed since the project, or a portion of the project, has been placed in service.
  - d. The proposed applicant must commit to undertaking good faith efforts to hire or train very low-income persons in accordance with the Authority's Very Low-Income Construction Employment Policy.

- e. In the case of a rehabilitated housing proposal, the applicant shall provide a preliminary Capital Needs Assessment of the structure to be rehabilitated, in form and content consistent with the Standards.
  - f. Applications may not be filed by applicants who have (1) failed to comply with the terms of any ELIHC for a project they previously sponsored or developed; (2) been removed as a general partner or management agent from any previous LIHTC development; or (3) experienced a LIHTC project foreclosure.
  - g. Each application within the Public Housing Classification for a development with existing residents will be required to certify that it has a plan that ensures meaningful resident participation in the planning and implementation process, in accordance with C.G.S. §8-64c. (For additional information refer to the ConApp.)
  - h. Each applicant will be required to affirm its commitment, by certifying in writing to:
    - Give preference in its tenant selection plan to eligible households on waiting lists of the public housing authority(ies) (PHA) in the local market area unless HUD regulations prohibit such preference,
    - Make on-going efforts to request that the PHA make referrals to the project, or request that the PHA include relevant information about the project on any listing the PHA makes available to persons on its waiting list(s), and to persons least likely to apply.
  - i. As a condition of applying for and receiving an allocation, applicants are required to waive their right to request a Qualified Contract. The waiver requirement applies to applicants for both 9% LIHTCs and 4% LIHTCs. This waiver by the applicant will be binding upon the eventual ownership entity and any successor entities.
  - j. The Authority's Board of Directors reserves the right to independently review proposals and not award Credits because of non-compliance with requirements of any adopted housing policies, standards, or objectives of the State.
3. An allocation of Credits is conditioned upon a Credit reservation by the Authority's Board of Directors and the submission of a housing market study, in form and content consistent with the Authority's Market Study Guidelines, indicating sufficient demand for the housing to be developed.
  4. If a proposed development contains units that have a rental subsidy that subsequently becomes unavailable, upon the request of the owner and with the authorization of the Authority, the designated units, including supportive housing units, may revert to 50% or 60% AMI units as stated in the ELIHC until new rental subsidy funding becomes available.
  5. Developments proposing to establish tenant ownership of the development (or all of the individual units) after the initial 15 year compliance period must submit a specific and credible plan that demonstrates the development of owner capacity and identifies the resources necessary for tenant organization and representation, the acquisition(s), and all transaction costs.
  6. The Authority reserves the right to consider alternative financing structures that reduce the volume of 9% LIHTCs used or reduces the need for scarce CHFA soft financing. One alternative is the use of separate, but simultaneous, financing plans utilizing both 9%

LIHTCs and 4% LIHTCs and tax-exempt bonds. Developments eligible for consideration should be of a scale to produce demonstrable savings of these resources in exchange for the higher complexity of the execution. In determining such alternative financing structures, the Authority will consider, among other things:

- Experience in successfully completing the proposed alternative structure and organizational depth and capacity to undertake complex transactions;
- Simultaneous financing for each building/phase/condominium unit;
- Ability to adhere to strict timelines; and
- Demonstration of cost savings, increased unit production, and a reduction in the volume of 9% LIHTCs or resources, as required.

7. When calculating the amount of 9% LIHTCs necessary to achieve feasibility for transactions proposing to utilize third-party financing, the Applicant shall ensure that the terms of the proposed financing are such that the use of credits is minimized and the debt is sized appropriately. The Authority shall review the terms of the proposed financing in the context of the development proposal and determine its acceptability.

**G. Scoring**

There are two types of LIHTCs—9% and 4% credits. Only the 9% credits, which generate more equity, are awarded on a competitive basis through the QAP. The 4% credits are used in conjunction with bond financing, which may be competitively awarded through a Notice of Funding Availability. All applicants in the 9% round will be scored by the following criteria:

**1. Rental Affordability**

**a. Supportive Housing Units**

Points will be awarded based on documentation of supportive services from a Qualified Service Provider specifically for residents identified as homeless or chronically homeless, as defined in the Supportive Housing Guideline. Documentation must include a Services Plan and evidence of funding sources, including a budget, for supportive services. (Reference must be made to the current Supportive Housing Guideline for definitions, service funding criteria and the list of Qualified Service Providers).

Percent of units	Points
≥ 20%	6
≥10% and <20%	2

**b. Households at or below 25 Percent of Area Median Income (AMI)**

Points will be awarded based on the percentage of qualified units that serve households at or below 25 percent of AMI and provide rents pursuant to HUD guidelines adjusted for family size throughout the extended use period.

Percent of units	Points
≥25%	7
≥20% and <25%	4
≥15% and <20%	3
≥10% and <15%	2

**c. Households above 25 and at or below 50 Percent of AMI**

Points will be awarded based on the percentage of total units that serve households above 25 and at or below 50 percent of AMI and provides rents pursuant to HUD guidelines adjusted for family size throughout the extended use period.

Percent of units	Points
≥40%	6
≥30% and <40%	4
Over 20% and <30%	3

**d. Mixed Income Housing**

Projects that promote economic integration by creating mixed income housing will receive points based on the percent of non-qualified units (market rate housing without income restrictions) included.

Percent of non-qualified units	Points
≥20%	6
≥10% and <20%	2

**e. Preserves At-Risk Affordable Housing**

The rehabilitation project preserves existing occupied affordable rental housing that is at risk of conversion to unregulated use (expiring use restrictions) and has identified rehabilitation needs. Properties must be at risk of conversion within 3 years of the LIHTC application due date. (Rehabilitation levels defined in the Standards.)

Rehabilitation Level	Points
Substantial rehabilitation	5
Moderate rehabilitation	2

**f. Production and Preservation of Affordable Housing**

The Authority prefers to produce more affordable housing through the increase in the deed-restricted housing supply, as long as such production is appropriate to the site and the needs of the community. Renovation of a property that is not habitable, and/or is blighted or condemned will be counted as new production. Adaptive re-use is new construction. If deed-restricted housing already exists, any addition to the unit count will be considered an increase and not new construction, and only an increase in units of 10% or more may receive points. Refer to Glossary for definition of “blight”.

Effect on unit count	Points
New Construction	4
Increased units by 10% or more	2

**g. On-Site Resident Services Coordinator**

On-site resident services coordinator (RSC), working a minimum of 20 hours per week. Property budget line item or evidence of arrangement with a third party provider specifying the funding source is required.

1 Point
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<b>2. Financial Efficiency &amp; Sustainability</b>
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**a. Cost Effectiveness, Hard Costs**

Points will be awarded for square foot costs that fall within an acceptable range as evaluated according to the Standards for applications that include plans and

% Deviation	Points
Between +/-5%	3
Between >5% and 10% or between <-5% and -10	1

specifications submitted at a level of 90% complete or better. Points may be awarded based upon deviation from the Authority’s anticipated construction square foot cost. (For additional information refer to the Standards.) Costs are reviewed in the context of development location and any applicable constraints in the marketplace including regional labor and material costs and applicability of prevailing wage statutory requirements. Determination of the acceptable range of hard costs shall be at the Authority’s discretion.

**b. Credits Per Qualified Bedroom**

Projects will be ranked lowest to highest credits per qualified bedroom and awarded incremental points in accordance with their ranking. Points will be scaled accordingly with the lowest credits per qualified bedroom receiving 5 points and the highest receiving 0. Per-bedroom figures may be modified by the results of the Authority’s financial feasibility analysis.

	Points
Lowest credits per bedroom	5
Incremental credits	Scaled pts
Highest credits per bedroom	0

**c. Credits less than 50% of Total Uses**

LIHTCs estimated by the Authority for any one development which do not exceed 50 percent of total uses will receive points. LIHTCs estimated by the Authority for developments located in QCTs or DDAs, as defined in Section 42(d)(5)(B)(ii) of the Code, which do not exceed 65 percent of total uses as recognized by the Authority will receive points.

4 Points
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**d. Other Permanent Funding Sources**

Commitment(s) for permanent funding sources in excess of 5% of Total Development Resources, including local housing trust funds, grants, foundation awards, or non-debt commitments such as land contributions, tax abatement, block-grant funds, or an AHP award will qualify for 1 point if written documentation is provided. State or state-administered funds, including but not limited to DOH funding, Urban Act, Brownfields, HTCC, State Historic Tax Credits, and CRDA are not eligible sources of permanent funding for purposes of qualifying for the point.

1 Point
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**e. Building Plans and Specifications**

Cost estimates become more reliable with greater levels of completion of plans and specifications. To encourage fully developed plans and specifications, Applicants that submit building plans and specifications at a level of completion of 90% or higher may be awarded points. In order to qualify for points, Applicant shall certify that 90% drawings and specifications have been subjected to quality control review to check for errors and omissions, building code, and fire code compliance issues. Determination of completeness is at the sole judgment of the Authority.

% Complete	Points
≥90%	3

**f. Sustainable Design**

Points will be awarded based upon the Sustainable Design Measures (SDM) provided and indicated in the plans, specifications, Energy Conservation Plan, third-party Energy Consultant’s / Professional Engineer’s report, and/or other supporting documents as outlined in the Standards.

Points for SDMs described below are additive. Maximum points available in this category: 7

SDM	Description	Points
Passive House Design	Points may be awarded for projects designed to meet Passive House standards. Submit plans and specifications at a level of 90% and in accordance with the Guideline for Passive House.	3
Cost Effectiveness	1 point will be awarded to the top two projects that qualify for the Passive House Design points and that have the lowest per unit construction costs.	1
High-performance Building Design	<u>Minor, Moderate or Substantial Rehabilitations</u> – Projected reduction in energy consumption ≥ 33%  <u>Gut Rehabilitations/New Construction</u> – Projected energy cost savings ≥ 23% over current ASHRAE Standards.	2
Renewable Energy System	Provide a roof-top, building- or landscape-integrated Photovoltaic (PV) system providing ≥ 33% of site lighting energy requirements, or an ENERGY STAR-qualified central geothermal HVAC system.	1

**g. Cost Effectiveness, Intermediary Costs**

Cost efficient designs and reasonable soft costs, such as professional fees, are strongly encouraged. 4 points will be awarded to the top 2 projects per classification with the lowest percentage of Intermediary Costs.

4 Points

**3. Local Impact**

**a. Priority Locations**

Project is located in a Priority Funding Area. A point will be given for each of the following criteria as identified by the C&D Policies Plan for the subject property.

- Designation as an Urban Area or Urban Cluster in the 2010 Census

Criteria	Points
5 Criteria	5
4 Criteria	4
3 Criteria	3
2 Criteria	2
1 Criteria	1

- Boundaries that intersect a ½ mile buffer surrounding existing or planned mass-transit stations
- Existing or planned sewer service from an adopted Wastewater Facility Plan
- Existing or planned water service from an adopted Public Drinking Water Supply Plan
- Local bus service provided 7 days a week within ½ mile of the proposed development as measured by a pedestrian’s path

**b. Transit-Oriented Development**

<p>“Transit Oriented Development” for the purposes of the LIHTC program means the development of multi-family residential apartments within walking distance of public transportation stations serving rapid transit bus services or rail. (For the complete definition, refer to the Glossary.) Applicants shall provide maps evidencing the distance of a pedestrian’s path to the transportation hub or transit station. Points are additive and may be awarded based on criteria below:</p> <p>Criteria</p>	<p>Maximum of 4 Points</p>
<ul style="list-style-type: none"> <li>• Mixed income development located within a half mile of an existing station or hub along the CTfastrak corridor or the Hartford rail line, Shoreline East or MetroNorth’s New Haven, New Canaan, Danbury and Waterbury lines;</li> </ul>	<p>2</p>
<ul style="list-style-type: none"> <li>• Mixed use development that includes neighborhood amenities such as pharmacy, restaurant, market, studio or other retail/commercial/cultural opportunity(ies) that encourage community revitalization</li> </ul>	<p>2</p>

**c. Family Developments**

Proposed developments must not be age-restricted, and must contain a mix of bedroom sizes, with more than 50% of the development’s total units containing two or more bedrooms.

1 point

**d. Signed Resident Participation Agreement**

Point is given, within the Public Housing Classification only, to applications that include a signed agreement for resident participation if signed agreements are applicable in accordance with C.G.S. § 8-64c.

1 Point

**e. Historic Place, Adaptive re-use, or Brownfield Development**

Renovation of a designated historic building (provide evidence of such designation); or

3 Points

Renovation and adaptive re-use of vacant or abandoned non-residential structure (does not have to be historic); or

Remediation of Brownfield site, such site included on a federal or state list of brownfield sites and/or has been awarded Brownfield “clean-up” funds by a federal or state agency.



**f. Located in a Qualified Census Tract**

One point awarded to projects that are located in Qualified Census Tracts (QCTs), as defined in § 42(d)(5)(B)(ii) of the Code, and the development of which contributes to a concerted community revitalization plan. Difficult Development Areas (DDAs) may be included in this category. Community revitalization plan must be provided. (For definitions, refer to the Glossary).

1 Point
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<b>4. Opportunity Characteristics</b>
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**a. Municipalities Having Less Assisted and Deed Restricted Housing**

Project is located in a municipality where there is less than 10% assisted and deed restricted housing according to the definition in C.G.S. §8-30g(k) and identified on the “Affordable Housing Appeals Procedure List” published by DOH.

6 Points
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**b. Development located in an Area of Opportunity**

“Development Located in an Area of Opportunity” means a development with non-age restricted units of which more than 50% of the development’s total units contain two or more bedrooms, and that is located in a municipality with: Below average poverty levels, Average to above average ratings for school performance as evidenced by GreatSchools 2013 District Ratings, Above average “Jobs to Population” ratio and access to higher education opportunities as evidenced by proximity to community/technical colleges. Refer to Opportunity Characteristics Guideline for points calculations. A Locational Guideline Map will be made available on the Authority’s website and will be the tool for Applicant’s to use to determine their points.

Additive to a maximum of 9 points in this category:
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- Below Average Poverty Rate

2 points
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- Above Average Performing Schools (Scores in the 8 to 10 range) or Average Performing Schools (Scores in the 4 to 7 range)

2 points or 1 point
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- Employment in Community

3 points
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- Access to Higher Education

2 points
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<b>5. Qualifications &amp; Experience</b>
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**a. Experience of the Sponsor/Applicant/General Partner**

The Authority will award points for demonstrated experience of the sponsor, applicant or general partner (“GP”), either principal or entity, in successful LIHTC development(s) based on the scales below up to a maximum of 5 points combined for the number of projects and the years of LIHTC experience. To count, projects must have a minimum of 5 years of operation since being placed in service. Applicants claiming points for experience should include a list of developments, locations, and years placed in service.

Number of Projects: To use the scale, add the applicable points for projects in operation more than 5 years. A maximum of 3 points are possible in this category.

Projects	Points
≥6	3
≥4 and <6	2
≥2 and <4	1

Number of Years' Experience: To use the scale, add the applicable points for years of ownership. A maximum of 2 points are possible in this category.

Years LIHTC experience	Points
≥10	2
≥5 and <10	1

**b. Developer/Sponsor Resources**

Points will be awarded based upon the percentage of permanent Developer/Sponsor Resources to the project's permanent Total Development Resources (for additional information, refer to the Glossary).

% of Resources	Points
≥10%	3
≥5% and <10%	2
<5%	0

**c. Women and Minority Participation**

Women and/or minorities are encouraged to participate in the ownership, development, or management of the project. Points may be awarded if evidence is provided that the entity meets the Supplier Diversity Eligibility Requirements of the State of Connecticut relative to women- or minority-owned business entities (MBE). Please visit the Department of Administrative Services for complete information.

2 Points
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**d. Connecticut-based Contractor**

Contractor is a State based organization whose principal place of business has been located in the State for a minimum of 3 years.

1 Point
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<b>6. SSHP Development – Additional Points</b>
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Points will be awarded to the highest ranking SSHP development application that has an aggregate allocation need of annual LIHTCs not to exceed \$1.2 million. SSHP developments must be eligible to apply. Existing SSHP developments that propose an expansion are eligible only if such expansion provides net new units of non-age restricted housing containing two or more bedrooms.

3 Points
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## IV. PROJECTS FINANCED WITH TAX-EXEMPT BONDS

To the extent projects are financed with the proceeds of tax-exempt bonds subject to the annual volume cap limitation under Section 146 of the Code, such projects may receive Credits without receiving an allocation from the Authority. If fifty percent (50%) or more of the aggregate basis of a project (including land) is financed with the proceeds of such tax-exempt bonds, the entire project is eligible for Credits based on its qualified basis without receiving an allocation of Credits

from the Authority. However, all credits for such projects must be determined by the Authority to have been consistent with the State's QAP, such consistency being determined by the following:

- A. Application Criteria: Tax-exempt bond financed projects must meet the application criteria set forth in Section III. F. and the Authority's Procedures.
- B. Underwriting Criteria: Tax-exempt bond financed projects must also meet the underwriting criteria adopted from time to time by the State Bond Commission for multifamily rental housing financed with bonds issued pursuant to an allocation of volume cap authority approved by the State Bond Commission.
- C. Credit Limitation: Tax-exempt bond financed projects are also subject to the limitation on the amount of Credits available to a project contained in Section 42(m)(2)(A) of the Code.

## V. TAX CREDIT COMPLIANCE MONITORING

### Compliance Monitoring Overview

Section 42(m)(1)(B)(iii) of the Code requires that a qualified allocation plan provide a procedure the agency (or an agent or other private contractor of such agency, ("Authorized Delegate")) will follow in monitoring for noncompliance with the provisions of Section 42 and to notify the IRS of such noncompliance.

The compliance monitoring process will determine if a project is in compliance with the requirements of the LIHTC Program pursuant to Section 1.42-5 of the Treasury Regulations. The Authority's monitoring process is outlined in the Low-Income Housing Tax Credit Compliance Manual which can be downloaded from the Authorized Delegate's website. Please refer to the Compliance Manual for detailed monitoring information. The Authority's compliance monitoring requirements apply to all tax credit projects, including those financed with tax-exempt bonds.

The Internal Revenue Service (IRS) published guidance for state housing credit agencies, Guide for Completing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition, effective January 2011. The purpose of the Guide is to standardize the treatment of non-compliance issues and it includes instructions for completing Form 8823 and guidelines for determining noncompliance and reporting dispositions.

If an owner fails to comply with the requirements of the Code and the Regulations promulgated thereunder, the Authority will notify the IRS of such noncompliance by filing Form 8823.

Owners and management agents of developments placing in service are required to attend the Authority's Tax Credit Compliance Monitoring Conference at least six months prior to the first building's Placed-In-Service date. However, if the owner and agent have previously attended this Conference, within the last three years, the attendance requirement may be waived with Authority approval.

**A. Recordkeeping and Record Retention**

Under the recordkeeping provision of Reg. Section 1.42-5 (b), the owner must keep records for each building in the project for each year in the compliance period.

Under the record retention provision, Section 1.42-5 (b)(3), owners are required to keep all records for each building for a minimum of six years after the due date (with extensions) for filing the federal income tax return for that year. The original records for the first year of the credit period must be retained for at least six years beyond the due date (with extensions) (21 years) for filing the Federal income tax return for the last year of the compliance period of the building. Duplicate copies of first year files should be kept at an accessible and secure off-site location. Copies may be scanned, retained in a PDF file or recoded on a compact disc.

The owner of a LIHTC project must retain the original local health, safety, or building code violation reports or notices that were issued by the State or local government unit for the Authority's inspection and submit copies with the annual certification.

**B. Certification and Review Provisions**

1. The owner of the tax credit project must certify at least annually to the Authority that for the preceding 12-month period the project met certain requirements. The Authority will review at least 20% of low income tenant files at least once every three years. New projects will be reviewed within two years following the year the last building in the project is placed in service. The required reports, certifications, and forms can be found at the Authorized Delegate's website. Annual reporting must be submitted throughout the Extended Use Period of the project.
2. The Authority or its Designee will require annual certification that the developer/owner has provided, and will continue to provide, items for which a development received points in the competitive scoring process that led to a LIHTC award.
3. Additionally, the Authority or its designee will require annual certification that the developer/owner has complied with all requirements of the Violence Against Women Act (VAWA). Guidance and references are provided on the Authority's website.

**C. Inspection Provision**

- a. At least once every three years the Authority or its designee will perform an on-site inspection of the project including site, building exteriors, building systems, units, and common areas. At least 20% of the project's low-income units will be inspected using standards governed by HUD and Uniform Physical Condition Standards (UPCS). These standards require properties to be in decent, safe and sanitary condition, and in good repair.
- b. The Authority or its designee will periodically perform Quality Assurance monitoring for supportive housing units pledged by a developer/owner in its development project. Monitoring visits during which the monitoring agency will review files, interview staff and meet with tenants to assess compliance are more fully described in the current Supportive Housing Guideline.

**D. Notification of Noncompliance**

The Authority is required to provide prompt written notice to the owner when the Authority does not receive the required certifications and other forms; does not receive or is not permitted to inspect the tenant income certifications, supporting documentation and rent records; or discovers by inspection, review or in some other manner that the project is not in compliance with the provisions of Section 42. The correction period, established by the Authority, is 30 days from the date of the notice. The Authority is required to file Form 8823 Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition with the IRS.

**E. Compliance Monitoring Fees**

Projects allocated Tax Credits are required to pay an upfront Tax Credit Servicing Fee in the amount of 8% of the annual allocation. The Authority reserves the right to make adjustments to annual monitoring fees due to increased monitoring requirements and or costs.

**F. Asset Management Fees**

The Authority will perform Asset Management functions throughout the compliance period on projects receiving American Recovery and Reinvestment Act (ARRA) funding through the Tax Credit Assistance Program (aka TCAP), 1602 Program: Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Tax Credits (aka Section 1602 or TCEP) or other new federal credit exchange program funding. The Asset Management Fee charged for projects receiving any of the ARRA funding sources shall be \$5,000 annually.

**G. Other**

The Authority reserves the right to revise compliance monitoring policies and procedures as required by Section 42 of the Code, including other guidance published by the IRS.

The 2008 HERA Law requires the Authority to report tenant data to HUD annually, including tenant race, ethnicity, family composition, age, income, use of rental assistance or other similar assistance, disability status, and monthly rental payments.

Please refer to the Authority's Compliance Monitoring Manual for detailed monitoring requirements. It can be found at [www.spectrumlihtc.com](http://www.spectrumlihtc.com).

**H. Liability & Delegation**

Compliance with the requirements of Section 42 of the Code is the responsibility of the owner of the building for which the Credits were allocated. The Authority's obligation to monitor for compliance with the requirements of Section 42 of the Code does not make the Authority liable for an owner's noncompliance.

The Authority may choose to delegate all or a portion of its compliance monitoring responsibilities to an agent or other private contractor, Authorized Delegate. The option, if chosen, does not relieve the Authority of its obligation to notify the IRS of noncompliance. The Authority may also delegate some or all of its compliance monitoring responsibilities to another state agency. The delegation may include the responsibility of notifying the IRS on noncompliance.

**Low Income Housing Tax Credit Program**

**2018-2019 Qualified Allocation Plan**

Commonwealth of Massachusetts

Department of Housing and Community Development

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## **Section I. Executive Summary**

### **I. Introduction:**

The year 2017 was exceptionally challenging for many participants in the Low Income Housing Tax Credit (LIHTC) delivery system. During the first six months of the year, many tax credit investors reduced equity prices and adjusted terms in response to uncertainty over federal tax reform. Investors and other industry participants were concerned -- and remain concerned -- about the impact tax reform might have on corporate tax rates, depreciation schedules, and other factors that could affect the value of the credit. The changes in the equity market caused issues for developers throughout the country, including those working in Massachusetts. Numerous sponsors of Massachusetts projects with LIHTC awards spent the first part of 2017 working on funding gaps related in part to equity market changes.

The equity market stabilized to some degree by mid-year. However, in November 2017, as this Department -- the allocating agency for the federal credit in Massachusetts -- completed the draft 2018 QAP, the U.S. House of Representatives passed proposed tax reform legislation. The legislation eliminated the 4% credit, the federal historic tax credit, and the New Markets tax credit. The legislation further established 20% as the corporate tax rate. Shortly after the House action, the U.S. Senate released its version of tax reform legislation. As of the date of this draft QAP, the Senate has not yet voted on the proposed bill. As 2017 comes to an end, the fate of tax reform -- including key provisions affecting the housing, historic, and new markets credits -- is unknown.

Despite the many uncertainties related to tax reform and despite the unsettled affordable housing delivery system, DHCD has made the decision to release the draft 2018 QAP. There is such great need for affordable and mixed-income rental housing in Massachusetts. The Department intends to fulfill its responsibilities as the LIHTC allocating agency despite the unsettled federal environment. With this document, the Department seeks to promote as much consistency and stability as possible in the Massachusetts affordable housing delivery system. The QAP public hearing required by statute will be held on December 21, 2017.

### **II. Changes to the 2018-2019 QAP:**

As 2018 approaches, DHCD anticipates that uncertainty and significant challenges will be factors throughout the year and into 2019. As indicated, the Department intends to make every effort to provide as much stability and continuity as possible in the tax credit allocation process. To serve that purpose, DHCD has made very few changes in the 2018 QAP and has decided to establish the 2018 QAP as a two-year document: the document is intended to govern allocations both in 2018 and 2019. However, all interested parties should note the following: the Department is committed to amending the 2018-2019 QAP as necessary to incorporate relevant changes to the LIHTC -- if and when such changes become law.



In summary, the Department has made the following changes to the 2018-2019 QAP:

- A fifth priority threshold category has been added on page 5 of the QAP. The new category is intended to encourage the production of affordable housing in communities with less than 12% affordable housing stock as measured by the state's Subsidized Housing Inventory (SHI).
- The preservation section of the document, including the preservation matrix, has been modified in several ways. Both the narrative and the matrix reflect the current stressed resource environment and encourage preservation developers to limit the initial proposed scope of rehabilitation and the state resources they seek. In addition, the calculation of developer fee on identify-of-interest preservation projects has been changed.
- DHCD has restricted the total amount of state Low Income Housing Tax Credit that a sponsor may seek. The resource is in great demand, and the Department has set firmer limits per project.
- In this QAP, DHCD has modified the language that would allow sponsors to submit certain projects on a rolling basis. DHCD has determined that the resource environment does not support rolling applications at this time.

The Department has made no other material changes to the 2018-2019 QAP. As indicated, it is DHCD's intent to provide maximum stability and consistency in the LIHTC and affordable housing delivery system during a time of unusual uncertainty at the federal level.

### **III. Ongoing Areas of Emphasis During 2018-2019:**

The 2018-2019 QAP includes one significant change originally incorporated in the 2017 QAP:

- Sponsors of senior housing projects must include detailed and appropriate service packages intended to support an often vulnerable population. Sponsors also must demonstrate to the Department's satisfaction that they have the ability to pay for these services over time.

In addition, through the 2018-2019 QAP, DHCD intends to continue its emphasis on all the following matters related to the allocation process:

- The ongoing importance of managing project costs;
- The ongoing need to strictly prioritize preservation projects, given constraints on volume cap and other resources;
- The ongoing need to produce more units for extremely low-income (ELI) and homeless families and individuals;
- The ongoing need to produce more mixed-income housing, with units available to a broad range of households;
- The ongoing importance of producing more integrative housing opportunities for persons with disabilities;
- The ongoing need to continue promoting thoughtful and strategic efforts to affirmatively further fair housing in every community in the Commonwealth.

**The Ongoing Need to Better Manage Project Costs:**

During the past few years, the Department has been engaged with its quasi-public affiliates and members of the development community in ongoing efforts to better manage project costs. With limited tax credit and subsidy resources available, it is critical that all affordable housing be built as cost effectively as possible. The effort to manage and control costs is an ongoing process: it will continue during 2018 and 2019 and into the foreseeable future. The Department's position paper on managing costs is attached to this document as Appendix C.

**The Ongoing Need to Strictly Prioritize Preservation Projects:**

Sponsors of projects dependent on tax exempt bonds with 4% credits must carefully review the Department's revised priorities for these resources, which are in great demand. Sponsors of preservation projects also must carefully review and conform to the revised preservation matrix and instructions contained in Section IX of this document.

**The Ongoing Need to Produce More Units for ELI and Homeless Families and Individuals:**

The Baker-Polito Administration is committed to the provision of housing affordable to individuals and households with a wide range of incomes. There is significant need in Massachusetts, as in so many other states, for housing for extremely low-income individuals and families, including those making the transition from homelessness. As part of the ongoing effort to end homelessness in Massachusetts, the Department is committed to producing more permanent affordable rental housing for these households, with an emphasis on housing with services included. The Department also is committed to preserving existing ELI units. The threshold requirement for ELI units in all credit projects remains at 10% of total units. However, DHCD is encouraging sponsors to exceed the threshold requirement. The Department will continue its long history of supporting ELI units and units for the homeless with federal project-based Section 8 rental assistance as well as state-funded assistance through the Massachusetts Rental Voucher Program (MRVP). Support also may be available for tenants eligible for the HUD Section 811 program for persons with disabilities. In addition, DHCD will award funds from the newly-established National Housing Trust Fund (HTF) to encourage the development of ELI units with support services in Massachusetts projects.

**The Ongoing Need to Produce More Mixed-Income Housing:**

While there is widespread acknowledgement of the housing needs of ELI households and the homeless, there is growing recognition of the housing burdens faced by many middle-income working households -- especially those who live in highly desirable areas such as metropolitan Boston. To help address this issue, DHCD is encouraging the production of mixed-income housing, whether through the creation of new units or, in limited instances, through modification of the income mix in existing projects.

**The Ongoing Need to Produce More Units for Persons with Disabilities:**

Working in recent years with the Executive Office of Health and Human Services (EOHHS), the Department has been involved in the Community First initiative and other efforts to increase housing opportunities and quality of life for persons with disabilities. In its work with EOHHS, its commissions, and various advocacy groups, DHCD has identified potential design approaches in new construction, adaptive re-use, and preservation projects that will increase opportunities for persons with disabilities. These include the application of the principles of universal design and visitability. The Department

will continue its work with the development community during 2018 and 2019 to implement these approaches. DHCD also encourages developers to include within their projects more units for persons with disabilities than are required by various federal and state statutes.

### **The Ongoing Need to Promote Thoughtful and Strategic Efforts to Affirmatively Further Fair Housing:**

The Department has consistently sought to affirmatively further fair housing by prioritizing development of housing in communities with excellent public schools and access to employment and public transportation, while maintaining a commitment to investment in low-income neighborhoods. HUD's final rule, issued in 2015, reinforces the importance of affirmatively furthering fair housing through a balanced approach that creates meaningful housing choice across a broad range of communities while continuing to invest in place-based strategies within low-income neighborhoods. Consistent with the HUD rule, the Department will continue to implement a balanced approach, but in evaluating projects in low-income communities, will prioritize proposals in which housing development is demonstrably part of a larger effort to expand access to jobs, education, transportation and other amenities to enhance residents' access to opportunity.

## **IV. Ongoing Implementation of Priority Funding Categories and Pre-Application Process:**

The Department's priority funding categories and its pre-application process are important to its efforts to achieve the goals identified in this document. First implemented in 2013, the priority funding categories and the pre-application process are described as follows:

### **Priority categories for funding:**

Applications to DHCD for funding awards in 2018-2019 will be required to fit within one or more of the following five categories. The fifth category has been added to this QAP.

- 1) **Housing for extremely low-income individuals (ELI), 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, promoting occupancy for a range of household incomes, and supporting a broader strategy for community revitalization through investment in jobs, transportation, and education. 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. (Please refer to the preservation matrix included in this document in the section beginning on page 23.) To be eligible to apply for 9% tax credits, a sponsor must demonstrate that the project is infeasible with 4% tax 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% of the units in a project must include two or more bedrooms, and at least 10% must be three-bedroom units, unless that percentage of two-bedroom or three-bedroom 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.
  - 5) **Family or senior housing production in communities in which the affordable housing stock, as defined by the state Subsidized Housing Inventory (SHI), is lower than 12%.** Sponsors who seek to build affordable senior housing in these communities should note that DHCD will evaluate each community's prior support for affordable family housing. This priority category will be available to sponsors during calendar year 2018.

#### **Pre-Application process:**

The Department will continue the pre-application process during 2018-2019. The pre-application process has helped DHCD identify projects that are at an early stage and not ready to proceed to competitive review. The process also has helped DHCD identify projects that have significant cost issues and need to be restructured. Pre-applications for the winter 2018 rental funding competition were due on November 30, 2017, as per a NOFA released by DHCD in October 2017. Full applications are due on February 15, 2018. Projects must receive DHCD approval through the pre-application process in order to be eligible for the February 2018 competition. Sponsors should refer to DHCD's Notice of Funding Availability for the February 2018 competition to determine the pre-application fee amount for their projects.

All pre-applications must be submitted online at: <https://massonestopplus.intelligrants.com>. The information requested in the pre-application is intended to confirm that a project will be ready to move quickly if selected for funding during a full competition.

#### **V. Other Matters of Importance During 2018-2019:**

##### **Discussing projects with the Department:**

The Department has always encouraged developers to provide information on possible projects at a very early stage in the development process. DHCD again is encouraging developers to make early contact with Department staff, to discuss the five priority funding categories, the pre-application process, and aspects of each project. The early exchange of information on projects, policies, and practices is central to the success of the Massachusetts affordable housing delivery system.

##### **Paperless system for submitting funding applications:**

During 2018-2019, DHCD will continue using its online system - OneStop+ - for the submission of funding applications. First implemented in 2015, this environmentally-friendly system saves developers time and money and provides DHCD with extensive data on projects at various points in the life cycle of each project.

## VI. Conclusion:

In summary, the Low Income Housing Tax Credit in Massachusetts has helped support the production or preservation of over 67,000 affordable multifamily rental units since the program became operational in 1987. The program is highly flexible and has been used to advance numerous policy goals: sustainable development; neighborhood revitalization; housing for extremely low-income households; housing for the homeless; housing for persons with disabilities; housing in areas of opportunity; new construction as well as adaptive re-use and preservation. At the national level, the LIHTC program has supported the production or preservation of almost 3 million housing units since 1987. No other housing program – federal or state – has the power of the Low Income Housing Tax Credit. No other housing program has supported the production or preservation of so many units. Every federal or state program should be measured by its outcomes. The Department is proud of the outcomes achieved each year with its Low Income Housing Tax Credit allocations and its commitment of subsidy funds.

## Section II. Federal and State Requirements of the Qualified Allocation Plan

Each year, the state allocating agency for the federal Low Income Housing Tax Credit is required to publish a plan describing how it intends to award the credit. The requirement that states publish a plan was established in the Omnibus Reconciliation Act of 1989. The plan is called the Qualified Allocation Plan, or QAP.

In the Commonwealth of Massachusetts, the Department of Housing and Community Development, or DHCD, is the allocating agency for tax credits. The Department is responsible for preparing the annual allocation plan and making it available for review by interested members of the public before final publication.

Section 42 of the Internal Revenue Code is the federal statute governing the tax credit program. In accordance with Section 42(m), each state allocating agency must include the following in the annual allocation plan:

- Selection criteria for projects receiving tax credit allocations
- Preference for projects serving the lowest income tenants and for projects serving tenants for the longest period of time
- Preference for projects located in qualified census tracts, the development of which will contribute to a concerted community revitalization plan. (Qualified census tracts now are defined as tracts either in which 50 percent or more of the households have income less than 60 percent of the area median gross or with a poverty rate of 25% or greater.)

In addition, Section 42(m) states that the selection criteria must take into consideration the following project, community, or development team attributes:

- Location
- Need for affordable housing
- Project characteristics
- Sponsor capacity

- Tenants with special needs as a target population
- Public housing waiting lists
- Individuals with children as a target population
- Projects intended for tenant ownership

The 2018-2019 Qualified Allocation Plan prepared by the Department of Housing and Community Development conforms to all the plan requirements summarized in the paragraphs above. In preparing the QAP, the Department has paid particular attention to the first three project attributes (location, need, and project characteristics) in order to implement the Commonwealth's sustainable development principles and to address the critical need to produce new housing in Massachusetts. The 2018-2019 Qualified Allocation Plan reflects the ten sustainable development principles that have been in effect in Massachusetts since 2007. The ten principles are listed on the following pages. The Department will use the ten principles as part of the threshold evaluation for tax credit applications.

As of May 2007, the sustainable development principles are:

**1. Concentrate Development and Mix Uses.**

Support the revitalization of city and town centers and neighborhoods by promoting development that is compact, conserves land, protects historic resources, and integrates uses. Encourage remediation and reuse of existing sites, structures, and infrastructure rather than new construction in undeveloped areas. Create pedestrian friendly districts and neighborhoods that mix commercial, civic, cultural, educational, and recreational activities with open spaces and homes.

**2. Advance Equity.**

Promote equitable sharing of the benefits and burdens of development. Provide technical and strategic support for inclusive community planning and decision making to ensure social, economic, and environmental justice. Ensure that the interests of future generations are not compromised by today's decisions.

**3. Make Efficient Decisions.**

Make regulatory and permitting processes for development clear, predictable, coordinated, and timely in accordance with smart growth and environmental stewardship.

**4. Protect Land and Ecosystems.**

Protect and restore environmentally sensitive lands, natural resources, agricultural lands, critical habitats, wetlands and water resources, and cultural and historic landscapes. Increase the quantity, quality and accessibility of open spaces and recreational opportunities.

**5. Use Natural Resources Wisely.**

Construct and promote developments, buildings, and infrastructure that conserve natural resources by reducing waste and pollution through efficient use of land, energy, water, and materials.

**6. Expand Housing Opportunities.**

Support the construction and rehabilitation of homes to meet the needs of people of all abilities, income levels, and household types. Build homes near jobs, transit, and where services are available. Foster the development of housing, particularly multifamily and smaller single-family homes, in a way that is compatible with a community's character and vision and with providing new housing choices for people of all means.

**7. Provide Transportation Choice.**

Maintain and expand transportation options that maximize mobility, reduce congestion, conserve fuel and improve air quality. Prioritize rail, bus, boat, rapid and surface transit, shared-vehicle and shared-ride services, bicycling, and walking. Invest strategically in existing and new passenger and freight transportation infrastructure that supports sound economic development consistent with smart growth objectives.

**8. Increase Job and Business Opportunities.**

Attract businesses and jobs to locations near housing, infrastructure, and transportation options. Promote economic development in industry clusters. Expand access to education, training, and entrepreneurial opportunities. Support the growth of local businesses, including sustainable natural resource-based businesses, such as agriculture, forestry, clean energy technology, and fisheries.

**9. Promote Clean Energy.**

Maximize energy efficiency and renewable energy opportunities. Support energy conservation strategies, local clean power generation, distributed generation technologies, and innovative industries. Reduce greenhouse gas emissions and consumption of fossil fuels.

**10. Plan Regionally.**

Support the development and implementation of local and regional, state and interstate 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 Commonwealth.

The Department is committed to providing tax credits to projects in suburban, exurban, and rural communities in order to provide increased opportunities for underserved populations in those locations. This commitment is captured in part through DHCD's fourth priority funding category relating to family housing production in "areas of opportunity" or in communities that have not achieved 12% affordability housing stock on the state's Subsidized Housing Inventory (SHI). The Administration also is committed to working with municipal government to address local zoning obstacles faced by project sponsors as they attempt to produce critically needed affordable rental units. Project sponsors are strongly encouraged to seek project sites that will accomplish both sustainable development and fair housing objectives. The Department will continue to work closely with members of the development community in determining appropriate strategies for achieving these goals.

In preparing the 2018-2019 QAP, the Department considered various measures and indicators of affordable housing need in Massachusetts. The measures or indicators included the number of households on public housing waiting lists; average and median sales prices and rental rates, both statewide and in various regions; vacancy rates for rental housing; median household income, both

statewide and in various regions; number of households living below the federal poverty level; and so on.

During 2018-2019, the Department encourages developers to structure projects that emphasize the following characteristics:

- 1) projects that create new affordable housing units, in particular units suitable for families in locations with job growth potential and locations that constitute areas of opportunity
- 2) projects whose sponsors actively promote principles of fair housing
- 3) projects that are consistent with the ten sustainable development principles, including “green” design principles, etc.
- 4) projects that are part of comprehensive neighborhood improvement plans or initiatives, including projects in the federal Choice Communities pipeline
- 5) projects that preserve valuable existing affordable units and meet DHCD’s preservation priorities
- 6) projects that include units for individuals or households with incomes below 30% of area median income, including the homeless
- 7) projects that include both affordable and market-rate units
- 8) projects that include more units than required for persons with disabilities and place emphasis on visitability
- 9) projects with acceptable per-unit costs and projects with lower-than-average per-unit costs
- 10) projects located in communities or neighborhoods with expanding social and/or educational opportunities, expanding employment opportunities or significant revitalization and investment activity
- 11) projects located in communities that have less than 12% affordable housing stock as defined by the Commonwealth’s Subsidized Housing Inventory (SHI).

In addition, the Department has established five priority categories for all projects submitted for consideration during 2018-2019. The five priority categories are identified in earlier sections of this document.

This allocation plan also sets forth the application process and scoring system for 2018-2019.

It is important to note that the priorities included in this plan to a large extent are priorities for the Department's other affordable housing programs as well. This is true for two reasons. First, tax credit projects often require other DHCD resources in order to proceed. Thus, the priorities established for the tax credit program have a direct impact on DHCD's other housing programs. For example, when DHCD, through the tax credit allocation plan, establishes recommended cost limits for tax credit projects, the cost limits clearly apply to other DHCD programs in support of the same project.

The second reason is that the tax credit program, through the annual allocation plan, undergoes greater and more frequent scrutiny than other state housing programs. Although other housing programs have guidelines and regulations that are modified from time to time, the annual tax credit allocation plan is the public document in which the Department most clearly and most frequently attempts to state its priorities for state-assisted affordable housing projects.



Section 42 requires allocating agencies to make an allocation plan available for public review and comment before publishing a final plan. During 2017, DHCD met regularly in small groups and with individual representatives of the affordable housing community to discuss the status of the equity markets, cost management, individual tax credit projects, and possible QAP changes. As it prepared the 2018-2019 plan, the Department encouraged suggestions and comments from housing professionals, other experts, municipal officials, advocates, and concerned citizens. In accordance with code requirements, the Department presented the draft allocation plan for public review and comment at a public hearing held on December 22, 2017. The Department wishes to publicly acknowledge the Massachusetts development community for its thoughtful contributions during the QAP discussions, as well as for its outstanding work in the production and preservation of affordable housing.

### **Section III. Federal Credit Available in 2018**

#### **9% Credit**

As of the effective date of the 2018-2019 QAP, the Department of Housing and Community Development anticipates having provided reservation letters allocating all but approximately \$1,800,000 of the total available 2018 credit of \$15,851,709. The total amount of 9% tax credits available for allocation in 2018 is subject to change. Additional credit may become available if projects that received allocations in prior years return tax credits to DHCD. Please note that DHCD will revisit this section of the 2018-2019 QAP at the end of 2018, to reflect the credit anticipated to be available in 2019.

DHCD will continue its efforts to encourage developers to strongly consider tax-exempt bond financing and 4% credits, rather than 9% credits, to finance their projects. On a case by case basis, DHCD reserves the right to ask developers seeking 9% credits to prepare alternative 4% scenarios for evaluation by the Department. Developers of preservation projects should expect to submit 4% credit applications, not 9% credit applications, as discussed in other sections of this document.

#### **4% Credit**

Prior to 2007, DHCD delegated the authority to allocate the federal 4% credit to two Massachusetts quasi-public housing agencies – MassHousing and MassDevelopment. Both agencies have the authority to issue tax-exempt bonds subject to the Commonwealth's private activity bond volume cap. As of October 31, 2007, DHCD opted not to delegate such authority and therefore is the sole agency that determines eligibility and allocates federal 4% credit to projects. Both MassHousing and MassDevelopment retain the authority to issue tax-exempt bonds to multifamily rental projects. In 2018, DHCD will continue working closely with both agencies to coordinate the allocation of the 4% credit with the allocation of volume cap for tax-exempt bond financing.

The demand for 4% credits with tax-exempt financing has increased dramatically during the last year. Some of the increase in demand is driven by the MassHousing portfolio of Chapter 13A projects. Many Chapter 13A projects are being sold and/or recapitalized; many sponsors are seeking volume cap and 9% credits to support the redevelopment of this important class of projects. Working with MassHousing, MassDevelopment, and its other quasi-public affiliates, DHCD has made changes to the 4% allocation process to ensure that the projects most in need of assistance and most ready to proceed receive priority in 2018-2019 allocations. Developers who hope to secure 4% credits and tax-exempt financing should refer to Sections VIII and IX of this document for additional information. Developers

who are interested in securing an allocation of 4% credit for their projects should contact DHCD's tax credit staff early in the development process. DHCD will require each developer seeking 4% credit to submit two items:

- a pre-application
- the preservation checklist (see Section IX)

Based on these documents, DHCD and its quasis will determine whether the project is eligible to pursue tax-exempt financing and/or 4% credits. Developers may submit OneStop+ applications with 4% credit requests to DHCD on a rolling basis, rather than waiting for a DHCD rental funding competition, if 4% credit is the only source being sought. However, the only determination DHCD will make on a rolling basis is whether the project is eligible for 4% credit. Developers who also are seeking DHCD subsidy financing and/or state LIHTC must submit a full funding application during a regularly-scheduled rental funding competition.

#### **Section IV. Impact of Federal Legislation Enacted in Recent Years**

The purpose of this section of the 2018-2019 QAP is to maintain a historical record of Congressional actions that have affected the LIHTC over time. This section does not address the current proposed changes to the LIHTC as part of the 2017 legislation related to the federal tax code.

From a program perspective, it would be difficult to overstate the importance to the tax credit program of the enactment of the American Recovery and Reinvestment Act (ARRA) of 2009. Signed into law by President Barack Obama on February 17, 2009, the ARRA statute contained two critically important relief measures for stalled tax credit projects. ARRA created both the Tax Credit Assistance Program (TCAP), administered by the U.S. Department of HUD, and the Tax Credit Exchange Program (Section 1602), administered by the U.S. Department of the Treasury. In total, the two new programs provided more than \$170 million in funds to stalled credit projects in Massachusetts. The rapid and simultaneous implementation of two new programs in a short time period – less than four months – presented the Department with significant challenges. But DHCD was able to make the first TCAP awards in August 2009, and, two months later, the Department issued the first awards to Tax Credit Exchange projects. As of January 2011, all of the 32 TCAP or TC-X projects were either in construction or completed. As of January 2012, all 32 TCAP or TC-X projects were complete. During 2018-2019, DHCD will continue working with its asset management contractors to regularly evaluate the status of the now-occupied TCAP and TC-X projects.

Prior to the enactment of ARRA, Congress in 2008 enacted HERA – the Housing and Economic Recovery Act. That important legislation also contained provisions favorable to the tax credit program. DHCD incorporated certain changes allowed by HERA into the 2009 Qualified Allocation Plan, including changes to the calculation of the 9% credit and to the Department's annual allocation authority. As permitted by HERA, the Department from 2009 through 2017 added 61 cities and towns to the list of "difficult to develop areas" ("DDAs") in Massachusetts. Per the HERA legislation, these DDA designations apply only to 9% credit projects. The cities and towns designated by DHCD are listed as follows:

1. Andover	17. Fall River	33. Methuen	49. Springfield
2. Arlington	18. Fitchburg	34. New Bedford	50. Stow
3. Ashland	19. Gardner	35. North Adams	51. Taunton
4. Attleboro	20. Gloucester	36. North Attleboro	52. Tyngsboro
5. Beverly	21. Greenfield	37. Northampton	53. Uxbridge
6. Boston	22. Hanover	38. Northbridge	54. Wareham
7. Brookline	23. Haverhill	39. Orange	55. Webster
8. Cambridge	24. Holyoke	40. Paxton	56. Westfield
9. Chelmsford	25. Lawrence	41. Pittsfield	57. Westford
10. Chelsea	26. Leominster	42. Provincetown	58. Westport
11. Chicopee	27. Littleton	43. Quincy	59. Weymouth
12. Danvers	28. Lowell	44. Revere	60. Williamstown
13. Dartmouth	29. Ludlow	45. Rockland	61. Worcester
14. Duxbury	30. Lunenburg	46. Salem	
15. Easthampton	31. Lynn	47. Somerville	
16. Easton	32. Medfield	48. Spencer	

In 2018-2019, DHCD will continue the DDA designations of the Barnstable County communities and the communities located in the Brockton, MA, HMFA, made in the 2011 QAP.

The designation of an area as a DDA and the degree of the resulting basis boost for a particular project or a building within the project will be made at the Department's discretion. The Department's decision to permit a basis boost will not necessarily apply to other projects or buildings in the same community if the basis boost is not needed for financial feasibility. The Department will determine the extent of the basis boost (up to 130%) in the communities listed on page 12 based on a given project's financial feasibility. The per-unit eligible basis caps and the per-project tax credit allocation limits are described in Section X of this QAP and will still apply. The sponsor of a credit project located in a community not currently designated as a DDA may contact the Department if he or she believes the community should be included on the designation list. The Department will require the sponsor to submit substantial documentation before it will evaluate such requests.

It also is important to note that legislation enacted by Congress provided changes to the credit in 2000. Those changes remain in effect in DHCD's 2018-2019 QAP. In December 2000, Congress passed legislation that provided \$1.75 in per capita allocation authority to each state, subject to regular cost-of-living increases. As of January 2008, the Commonwealth's allocation was based on \$2.00 per capita. That amount increased by \$.20 to \$2.20 with the enactment of HERA in July 2008 and increased again on January 1, 2009 to \$2.30. In 2010, the per capita allocation rate was reduced to \$2.10. As of January 2011, the per-capita allocation rate was \$2.15. As of January 2012, the per-capita allocation rate was \$2.20. In 2013, the rate was raised to \$2.25; and in 2014, the rate was raised again to \$2.30. As of January 2016, the rate was raised to \$2.35.

In addition to providing a per capita increase, the December 2000 legislation required all states to incorporate certain changes in their annual Qualified Allocation Plans. Based on an advisory memo to all state allocating agencies from the National Council of State Housing Agencies (NCSHA), DHCD incorporated the following program changes in the 2002 QAP. These changes remain in effect in the 2018-2019 QAP.

- In accordance with the December 2000 law, the 2018-2019 QAP must give preference to community revitalization projects located in qualified census tracts. (Please note that the Commonwealth of Massachusetts QAPs historically have given preference to such projects.)
- In accordance with the law, the 2018-2019 QAP requires every tax credit applicant to submit a market study of the housing needs of low income individuals in the area to be served. A non-related party approved by DHCD must conduct the study at the developer's expense.
- In accordance with the law, DHCD will continue its practice of conducting regular site inspections to monitor compliance. (Please note that DHCD inspects projects at least once every three years.)
- In accordance with the law, DHCD will make available to the general public a written explanation of any allocation not made "in accordance with the established priorities and selection criteria of the agency."
- In accordance with the law, DHCD will permit sponsors of tax credit projects that receive allocations "in the second half of the calendar year" to qualify under the ten percent test within six months of receiving the reservations, regardless of whether the 10% test is met "by the end of the calendar year." (Please note that developers who receive reservations during the first half of a calendar year must meet their ten percent deadline by the end of the calendar year, or by an earlier deadline established by DHCD.) In addition, and in accordance with NCSHA's recommended industry practices, DHCD will require that developers provide a certified accountant's opinion relative to the ten percent test. The accountant's opinion must be in the format established by National Council of State Housing Agencies.

## **Section V. The Massachusetts State Housing Tax Credit**

During 2013 and 2014 only, Chapter 142 of the Acts of 2011 had the effect of increasing DHCD's allocation authority for state housing credits from \$10 million to \$20 million. However, enactment in November 2013 of a major housing bond bill included an amendment to Chapter 142 of the Acts of 2011: DHCD now has authority to allocate up to \$20 million each year in state housing credit through 2019, at which point the Department's annual housing credit authority will revert to \$10 million. As of the date of this QAP, the legislature is continuing its work on a comprehensive housing bond bill that will increase DHCD's annual state LIHTC.

Over the past eight years, demand has steadily increased. As 2018 begins, demand for the state low-income housing tax credit remains at an all-time high. In recent competitions, as many as 32 applicants have requested state credit awards totaling \$33.8 million -- far in excess of the Department's annual authority. The imbalance between demand and supply increased as the HOPE VI applications were submitted to DHCD for consideration during 2012 and 2013. The sponsors of both Fairfax Gardens in Taunton and Old Colony in Boston applied for state credits as well as federal credits to complete their financing packages. The sponsors of several very large-scale preservation projects also have sought state credit awards and tax-exempt bond financing, in order to preserve affordable units without accessing the 9% federal credit. The amount of annual state credit authority is critical to DHCD's

ability to support projects with state LIHTC. Because of current demand, and because DHCD does not yet know how much state LIHTC will be available as of January 1, 2020, the Department has established an upper limit for state LIHTC projects seeking commitments during 2018. The upper limit is \$1,500,000. In 2018, DHCD expects requests for state LIHTC to range from \$400,000 to \$1,500,000.

During 2018-2019, the selection process for state credit projects fundamentally will be the same as the selection process for federal 9% credit projects. However, DHCD reserves the right to establish certain limits for the state credit that differ from limits for federal credit. The sponsors of projects may request an allocation of state credit in combination with federal credit. It is important to note that state credit typically will be allocated in lieu of a portion of federal credit, which the project might otherwise receive.

During 2018-2019, DHCD will continue working to restore a more reasonable balance between state credit demand and supply. During the winter 2018 competition, DHCD will limit each sponsor to no more than one state credit award. In addition, DHCD will limit the amount of state credit funding available per project and the amount available per team. While the Department may entertain some exceptions, sponsors should limit their state credit requests as follows:

- \$ 400,000 for projects with 40 or fewer units
- \$ 700,000 for projects with 41 to 60 units
- \$1,000,000 for projects with 61 to 100 units
- \$1,500,000 for projects greater than 100 units

Please note that exceptions to the amounts listed above will be made only if projects are very large-scale (greater than 400 units) or have unusually compelling characteristics.

In advance of the winter 2018 round, sponsors of projects seeking state credit should contact the Department to discuss the raises they hope to seek from the sale of state credits. At present, DHCD will not accept raises of less than 70 cents per state credit dollar.

In the winter 2018 funding round, sponsors of projects seeking state credit must meet one of the priority categories described in Section I of this QAP.

Sponsors should note that an eligible investor may claim each dollar of state credit allocated for a five-year period. In accordance with the process set forth in Section XII of this document, DHCD may elect to issue binding forward commitments during 2018-2019.

Interested sponsors should note that legislative changes in 2016 created a “donation tax credit” within the state LIHTC. The Department has published draft donation credit regulations effective as of 2017. However, there is no additional authority for donation credit projects. Sponsors must follow the normal competitive process for state LIHTC.

## Section VI. Special Challenges in 2018

As was true in 2017, the primary challenge for DHCD in 2018-2019 is a resource challenge. The tax credit equity market continues to respond with enthusiasm to Massachusetts developers and projects. Tax credit pricing for Massachusetts projects has reached levels not seen before. The development pipeline is very full, and the demand for credit – federal 9%, federal 4% credit, and state housing credit – far exceeds the available resources. DHCD’s challenge in 2018 will be to select the strongest projects, consistent with the four priority funding categories, with an emphasis on those projects most ready to proceed.

In view of the resource environment, DHCD has focused, as always, on several basic questions as it has prepared the 2018-2019 QAP:

- What kind of projects does DHCD most want to support?
- What kind of projects can attract investors at highly favorable prices?
- What is the fair division of tax credits among these projects?

In trying to answer these questions, the Department has considered the following:

- Where is the need for affordable rental units the greatest, as defined by rental rates, vacancy rates, public housing waiting lists, homelessness, and other factors?
- Where will the construction of affordable housing impact potential economic growth?
- What kind of impact will a tax credit project have on the surrounding neighborhood?
- Will the project demonstrate consistency with the Commonwealth’s sustainable development principles?
- What kind of beneficial services will be available to the tenants of the completed project?
- What is the appropriate division of resources between family housing and housing intended to serve individuals, including the frail elderly?

As was true in 2017, the most significant challenge for DHCD in 2018-2019 will be selecting projects that meet Department and Section 42 priorities and preferences, that score well competitively, that are able to attract equity investors at high prices, and that are able to move expeditiously to a construction start. As indicated, all projects must conform to one or more of the priority funding categories described on page 5 of this document. In addition, the Department encourages certain types of projects, including, but not limited to, projects with some or all of the following characteristics:

- The project is sponsored by a non-profit;
- The project will have a significant impact on the neighborhood in which it is located;
- The project will include units and a service plan for extremely low income households, including the homeless;
- The project will include units and a service plan, if necessary, for persons with disabilities, as well as enhanced opportunities for persons with disabilities within the project;
- The project will offer both affordable and workforce or market-rate units;

- The project will help DHCD advance fair housing principles and affirmatively further fair housing goals;
- The project will result in abandoned or foreclosed property being restored to residential use;
- The project will preserve as affordable housing units that are threatened by conversion to market rate housing.

The body of this 2018-2019 Qualified Allocation Plan sets forth in detail the answers to the Department's basic questions and establishes the scoring system for 2018-2019 tax credit applications. In brief, the answers to the basic questions are as follows:

- 1) The Department wishes to support a reasonable mix of affordable housing projects, including projects that create new affordable units for families in areas of job growth and opportunity; preservation projects that maintain rents at affordable levels for low-income households; large-scale redevelopment projects with the potential to impact entire neighborhoods; and mixed-income projects intended to provide both affordable and workforce or market-rate units.
- 2) During 2018-2019, the Department intends to divide the available credit among these worthy projects such that:
  - 70% of the credit is allocated to projects that create new units, either through rehabilitation or new construction.
  - 30% of the credit is allocated to preservation projects, such as projects with expiring use restriction projects, and other preservation projects and smaller scale preservation projects.
- 3) Whether production or preservation, the ideal project must contain certain characteristics that make it worthy of tax credit consideration and equity investment. These characteristics are described in later sections of the 2018-2019 allocation plan.

## **Section VII. Evaluation of the Need for Affordable Housing in Massachusetts**

Each year, in deciding how to allocate the housing credit, the Department of Housing and Community Development must consider the need for affordable rental units throughout Massachusetts. The effort to evaluate need is complicated by the fact that there is no single Massachusetts housing market. Rather, there are hundreds of local housing markets, and they differ significantly from each other. The median home sales prices in the most affluent western suburbs of Boston again exceed \$1,000,000, yet homebuyers in the more rural areas of the state can still find units priced below \$150,000. In addition, the effects of the deep recession and foreclosure crisis that began in 2007 continue to impact some communities far more than others.

Because of the disparate characteristics of various local housing markets, the best measures of affordable housing need in one market may not be the best measures in another. For example, some communities have relatively few residents with household incomes below 50% of area median income,

but the average sales prices for homes in these communities may be above \$700,000. There may be virtually no rental units available to serve local housing needs, including the needs of elders, people with disabilities, and local workers. So, while one indicator of need -- the number of poverty households -- may be low, another indicator -- average or median sales prices -- may be extremely high.

While the indicators or measures of need are too numerous to list in full, the most basic measures of need in given market areas include many or all of the following:

- low median household income
- high percentage of low income households
- high percentage of households at extreme poverty level
- high percentage of homeless individuals or families in shelter
- high percentage of persons with disabilities who are unable to find suitable rental housing
- high percentage of renters in proportion to homeowners
- high percentage of households receiving welfare
- lack of affordable housing stock suitable to meet the needs of frail elders
- generally poor condition of the housing stock
- high rate of unemployment
- high rental rates in and near the market area
- high condominium and single family sales prices in and near the market area
- low vacancy rates
- long public housing waiting lists

For purposes of identifying need in this allocation plan, the Department has used the comprehensive data and analysis prepared by its policy staff as part of the consolidated plan submission to the U.S. Department of Housing and Urban Development (HUD). The data and analysis are contained in Section 3 of the Massachusetts' 2010-2015 Consolidated Plan. (The section is entitled "Housing and Homeless Needs Assessment" and can be downloaded at the following website: <http://www.mass.gov/hed/docs/dhcd/cd/planpolicy/consolidated/2010conplan.pdf>).

The data and analysis contained in the consolidated plan confirm what housing experts already know. There is an ongoing and substantial need for affordable rental housing in Massachusetts. As new tax credit projects came on line in certain Massachusetts markets in 2017, the number of applications received exceeded the number of available units by a ratio of 35:1 or 40:1. Rental vacancy rates in some metropolitan communities are below 3%.

After evaluating the available information, the Department has drawn the following basic conclusions regarding need:

- In most Massachusetts communities, there is a shortage of affordable rental units in good condition.
- In many Massachusetts communities, the need for family rental housing is still greater than the need for other types of affordable rental housing.



- There is an ongoing need for affordable accessible housing throughout the state.
- In certain areas with low rental rates and sales prices, the housing stock is so deteriorated that it must either be rehabilitated or demolished and replaced by new units.
- In other areas, the affordable housing stock includes affordable rental projects faced with expiring use restrictions. In some areas, these units will be lost as affordable housing unless there is intervention.
- In some communities in metropolitan Boston, high rental rates and median home sales prices have eroded the supply of affordable housing. New affordable rental units are badly needed in these communities.
- The rebounding housing markets in certain parts of the state also have caused significant issues for middle-income households seeking to rent.
- Homelessness remains an issue in certain Massachusetts communities.

The Department's determination of need is reflected in the set-aside categories established for 2018-2019 and described in detail in Section VIII of this allocation plan. DHCD's determination of need also is reflected in the scoring system established for 2018-2019 applications and described in Section XI of this plan.

### **Section VIII. Set-Aside Categories for 2018--2019**

After careful consideration, the Department has established two set-asides for purposes of allocating the credit during 2018-2019: a set-aside for production projects and a set-aside for preservation projects. The set-aside categories apply to both the 9% and the 4% credit. DHCD expects developers of preservation projects to seek the 4% credit rather than the 9% credit.

The percentages of available credit established for each set-aside in 2018-2019 are goals rather than absolute minimums or maximums. In evaluating all projects and determining the most effective use of the available credit, DHCD, in its sole discretion, may choose to modify the percentages established as goals for each set-aside.

The two set-aside categories for 2018-2019 are described in brief below.

#### **1) Production set-aside -- 70% of the available credit**

The need and demand for affordable rental units is directly linked to the relative shortage of supply. Through this set-aside, the Department intends to allocate the competitive 9% credit to support the production or creation of new affordable rental units. However, developers also may structure production projects using the 4% credit. All applications for new construction projects will be evaluated in the production category. In addition, applications for rehabilitation will be evaluated in this category if:

- a) The units have been vacant for two or more years; or
- b) The units have been condemned or made uninhabitable through fire damage.

Seventy percent of the credit available for allocation in 2018-2019 is intended to support production. The minimum project size will be twelve units.

## 2) Preservation Set-Aside -- 30% of the available credit

Thousands of affordable housing units currently exist in privately owned Massachusetts properties. Developers often are able to gain control of these properties and submit them to DHCD for LIHTC consideration. To encourage preservation applications, the Department historically has included a preservation set-aside in its annual Qualified Allocation Plan. Consistent with past practice and with its ongoing commitment to preservation, DHCD is including a preservation set-aside in the 2018-2019 QAP and is strongly urging sponsors of preservation projects to structure their applications as tax-exempt bond transactions using 4% credits.

In prior years of economic distress – notably 2008, 2009, and 2010 – many sponsors were unable to secure tax-exempt financing, and few investors were willing to buy the 4% credit. However, as 2018-2019 begins, the bond and equity markets are healthy, although concern exists broadly about the possible ramifications of federal tax reform. Working with MassHousing or MassDevelopment, most sponsors of preservation projects should be able to structure a tax-exempt bond/4% application in lieu of a 9% application. In the winter 2018 rental competitions, any sponsor seeking 9% credit for a preservation application will have to make an extraordinary case to the Department that the project cannot proceed as a 4% credit bond project. All sponsors of preservation projects should anticipate that only the 4% credit will be made available for their applications.

However, the fact that the bond and equity markets are healthy has increased the pressure on the 4% credit. Given the current pressure, DHCD, in consultation with its quasi-public affiliates, has made changes to the 2018-2019 QAP that will affect preservation projects. Sponsors should review the following section of the QAP with care and should contact DHCD with any questions. In any 2018-2019 competition, preservation projects seeking 4% credit and DHCD subsidy will be considered under this set-aside only if the projects qualify under at least one of the subsections described below and in the section of the QAP entitled “The Massachusetts Preservation Matrix”.

In brief, sponsors should evaluate proposed preservation projects in accordance with the subsections below:

- a) *The housing is at risk of loss due to market conversion.* Typically, projects qualifying under this subsection will be existing affordable housing projects whose owners are able either to opt out of the Section 8 subsidy contract or prepay the existing mortgage financed through HUD, MassHousing or Rural Development. In addition, some projects are reaching the end of their 30 or 40 year governmentally financed mortgages, or governmental use restrictions. If these projects are converted to market, the units will continue to exist, but will be lost from the Commonwealth’s inventory of affordable housing. In some cases, this will result in the displacement of existing residents through steep rent increases. Many of these projects are too valuable to lose. The replacement costs would far outweigh the cost to the state of preserving the existing stock. In general, projects will not be considered for funding under this set-aside unless they can be converted to market within 36 months. Rare exceptions may be made for particularly valuable projects in the strongest market areas.
- b) *The housing is at risk of loss due to physical condition or financial distress.* A project in poor physical condition may be at risk of condemnation or other governmental action

to close the property. A property in financial distress has experienced serious cash flow problems that will likely lead to foreclosure. DHCD will evaluate an application to preserve a project in poor physical condition based on a capital needs assessment included in the OneStop+ submission. The assessment must describe how all the major capital needs of the project will be addressed. Applications to assist projects in financial difficulty must demonstrate that the financing, property management, and asset management plans will be sufficient to ensure the project's ongoing financial stability. In general, projects will not qualify for funding under this set-aside unless the capital needs assessment indicates a minimum rehabilitation expenditure of \$30,000 per housing unit. However, sponsors should note that all DHCD resources are in high demand, and that DHCD may cap the resources available to support a given preservation project.

- c) *The application represents a time-limited opportunity to purchase existing affordable housing.* In some cases, a preservation sponsor may have the opportunity to purchase a property due to a seller's need or desire to sell at a particular time. A purchase under Chapter 40T would also qualify under this subsection. While they may represent desirable transactions, projects qualifying as preservation projects under this subsection generally will rank lower than projects qualifying pursuant to subsections a and b above.

The Department intends to award its most valuable resources, including the 4% credit, to the projects that are at greatest risk of loss, or that represent an extraordinary opportunity to purchase and preserve a valuable property. In addition to the threshold criteria in Section XI, and the competitive scoring criteria in Section XII, the Department will take into account the "Priority Matrix for Preservation Properties", included in Section IX. The matrix has been revised for the 2018 QAP.

Within the preservation set-aside, the minimum project size will be twelve units, although the Department expects that most or all applications in this category will represent fairly large-scale projects. There is no maximum project size in this category, although the availability of resources may well restrict project size. Limits on cost, basis, and allocation amounts are described in a later section of this allocation plan. DHCD subsidy limits are described in the section of this plan entitled "The Competitive Scoring System".

Sponsors seeking DHCD allocations within the preservation set-aside should note that preservation projects, like production projects, must meet all eligibility and scoring criteria set forth in this QAP. Preservation sponsors should note the Department's ongoing commitment to sustainable developments with an emphasis on projects located near major public transit as well as extensive retail and commercial opportunities and services.

The Department recognizes that certain preservation transactions are too large to fit within the normal funding limits yet represent projects of scale well worth preserving. From time to time, if resources are available, DHCD is prepared to accept very large-scale preservation applications on a rolling basis. Such applications typically must represent projects that will include more than 500 units. Such applications also must include significant awards of local funds from the communities in which the projects are located. As of the effective date of this QAP, DHCD does not anticipate accepting rolling applications.

It is likely that some applications will be submitted for projects that include both production and preservation units, as described in this plan. If the majority of the units in a project qualify for the production set-aside, DHCD will evaluate the project in the production category. Conversely, if the majority of the units qualify for the preservation set-aside, DHCD will evaluate the project in the preservation category.

**Non-profit set-aside:**

Federal law requires that at least 10% of the credit available in 2018-2019 be allocated to projects involving “qualified non-profit organizations”. DHCD will meet the 10% requirement by allocating credit to such organizations through the set-aside categories described in this section. Historically, the Department has allocated at least half of its 9% credit authority to qualified non-profit organizations.

To be considered a “qualified non-profit”, an organization must:

- Meet criteria described in Section 501(c)(3) or (4) of the Internal Revenue Code and be exempt from payment of taxes under Section 501(a);
- Have as one of its exempt purposes the fostering of low income housing; and
- Not have a prohibited affiliation with, or be controlled by, a for-profit organization, as determined by DHCD.

DHCD will include in the tax credit application the necessary certification to substantiate qualified non-profit status. DHCD will make the required non-profit determination after reviewing the certification.

In order to count toward the 10% set-aside, a qualified non-profit organization, in accordance with Section 42 of the Internal Revenue Code, must:

- Own an interest in the project, directly or through a partnership; and
- Must materially participate (on a regular, continuous, and substantial basis within the meaning of Section 469(h) of the Internal Revenue Code) in the development and operation of the project throughout the tax credit compliance period.

In addition, qualified non-profit developers -- with or without material participation -- may have a right of first refusal to acquire a tax credit project after year 15, in accordance with Section 42 of the code.

Whether projects fit into the production or preservation category, they must include characteristics that make them worthy of consideration by numerous housing and development standards. The Department is intent on allocating its extremely valuable resources, the 9% and 4% credit, only to the strongest possible applications. The following statements describe some of the characteristics the Department seeks to encourage and reward through the scoring system, regardless of project type:

- The project will fill a genuine, documented need, readily supported by available market information.
- The project will provide affordable family housing in an area of opportunity.

- The project will include accessible units available to persons with disabilities, and the sponsor will incorporate visitability features, to the extent possible, throughout the project.
- The completed project will have a positive impact on the surrounding neighborhood.
- The completed project will have characteristics consistent with the Commonwealth's sustainable development principles.
- The completed project will contain elements of "green design" and will promote conservation of energy resources.
- Consistent with fair housing policies, the completed project will offer expanded opportunities to racial, ethnic, and other groups protected under fair housing laws who are underserved in the community in which the project is located.
- From an architectural perspective, the completed project will be compatible with the surrounding neighborhood.
- The units, including the affordable units, will be well-designed, desirable places to live.
- The completed project will include units reserved for individuals or families earning less than 30% of area median income, including individuals or families making the transition from homelessness.
- The developer will have made every effort to secure strong local support for the project.
- The development team has the financial strength to carry out the project.
- The development team has an excellent record in affordable housing development and management.
- Whether new construction or rehabilitation, the intended scope of work is appropriate for the proposed project.
- The total development cost of the project is reasonable, both in the context of industry standards and in the context of public perception.
- The developer's fee and overhead are consistent with the Department's written standards.
- Specific categories of project costs are reasonable, including estimated hard costs, estimated soft costs, and projected operating costs.
- The amount of public subsidy to be invested in the project is reasonable: typically, less than \$100,000 per affordable unit, unless the project primarily is a special needs and/or supportive housing project.
- No member of the development team will profit unduly from participating in the project.
- The project meets a recognizable public purpose.

In addition, as described in Section I of this document, each application submitted in during 2018-2019 must meet at least one of the five priority categories for funding and must have been pre-approved for submission by DHCD.

## Section IX. The Massachusetts Preservation Matrix

### Background:

The Department of Housing and Community Development is a long-time member of the Massachusetts Interagency Working Group (IWG)<sup>1</sup> on preservation issues. Several years ago, as part of the effort to prioritize preservation projects seeking scarce public resources, the IWG created a priority preservation matrix. Broadly speaking, the goal of the matrix is to help various stakeholders understand which characteristics of preservation projects best fit with the funding priorities of DHCD and other Massachusetts public lenders.

In Massachusetts, the term “preservation” is used in a general sense to describe any occupied project with an affordable housing component and use restrictions. But the characteristics of preservation projects can vary significantly. The Commonwealth’s overarching goal is to preserve as many affordable projects and units as possible. However, at any given point in time, some preservation projects, because of their underlying characteristics, are more in need of scarce public funding than other projects. The preservation matrix is intended to set forth the characteristics that are most important for funding during a particular time period – often the calendar years governed by the tax credit Qualified Allocation Plan.

The matrix contained in the 2017 QAP has been modified within this document -- the 2018-2019 QAP. In part, the modifications reflect a highly stressed resource environment for preservation projects, including great pressure on the availability of tax-exempt financing and 4% credits. Tax-exempt financing for Massachusetts multifamily rental projects is in significant demand; neither Mass Housing nor Mass Development is able to provide tax-exempt financing within a given calendar year to every sponsor who seeks it. Other sources that can be used to support preservation projects, including the state LIHTC and certain state bond programs, also are highly stressed. The demand for these sources far outstrips the financing that will be available in 2018-2019. As a consequence, DHCD and its partners have made certain changes to the preservation matrix included in this section.

During 2017, the IWG revised and streamlined the matrix by eliminating the second table and replacing it with a set of additional evaluation criteria that more clearly reflect DHCD’s current priorities. In particular, DHCD will consider the total amount of state-controlled subsidy per affordable unit (including federal and state LIHTC equity) as a factor in awarding preservation resources, and also will carefully scrutinize proposed acquisition, rehabilitation, and soft costs for projects seeking higher amounts of state-controlled subsidy per affordable unit. Preservation projects that exceed \$200,000 per affordable unit in state-controlled subsidies (including tax credit equity) will be especially scrutinized. The matrix identifies the preservation project characteristics that will be granted priority for funding consideration by the public lenders. However, it is important to note that priority status does not guarantee funding for a given project. For example, all preservation projects seeking tax credits and/or other DHCD resources must conform to the various thresholds and scoring criteria contained within the 2018-2019 QAP.

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<sup>1</sup> IWG members include Massachusetts Department of Housing and Community Development, MassHousing, Massachusetts Housing Partnership, MassDevelopment, Community Economic Development Assistance Corporation (CEDAC), Massachusetts Housing Investment Corporation, and the City of Boston.

The first section of the attached matrix identifies four priority eligibility criteria for preservation projects in Massachusetts. As part of any funding consideration, DHCD and its quasi-public affiliates will rank each project based on one of the four priority criteria. Although many preservation projects may meet more than one priority criterion, the public lenders will rank each project against a sole criterion and will select the highest priority criterion for a given project. If a project does not meet one of the four priority criteria, it is highly unlikely that it will be considered for funding from DHCD and/or its quasi-public affiliates during 2018-2019.

If a project meets one of the four priority criteria, DHCD and the quasi-public agencies will use the additional guidance in the matrix to further evaluate the priority status of the project, relative to the Commonwealth's multiple preservation goals. The additional guidance identifies six additional criteria for preservation projects that will be evaluated. As indicated, only those projects that meet one of the four priority eligibility criteria will be further evaluated against the six additional criteria.

### **Chapter 13A Preservation Projects:**

Sponsors of the preservation projects initially financed by MassHousing through the state Chapter 13A program should note the following:

- MassHousing, working with DHCD, has identified a pool of funding resources to help current owners or new owners preserve these important projects. The affordability restrictions on most of the projects either have expired or will expire during 2018-2019. (A number of 13A projects already have been preserved.)
- It is DHCD's expectation that owners of Chapter 13A projects will work closely with MassHousing to access the funds identified by the Agency as appropriate to protect the 13A residents and support preservation of the projects.
- It is DHCD's further expectation that owners of Chapter 13A projects -- either current or new owners -- will not seek additional resources from DHCD for a given project unless MassHousing specifically recommends that they do so.

### **Examples of Preservation Decisions Based on the Matrix:**

The following examples are intended to help stakeholders understand the matrix:

Project A is a 100-unit family preservation project located in a strong market with use restrictions expiring in 2018. Despite the strength of the market, the property is financially troubled, although able to maintain loan payments. Using the first section of the preservation matrix, DHCD and its quasi-public affiliates rank this project as a category I/tier I project (although the project also qualifies as a category I/tier 3). Moving on to the second section of the matrix, DHCD and its quasi-public affiliates assess the extent to which the project addresses the six additional evaluation criteria. The sponsor intends to seek pre-development and acquisition assistance from CEDAC as well as funding through DHCD's competitive rental round. The sponsor is directed to proceed with preparing various funding applications.

Project B is a 100-unit family preservation project located in a weak market with use restrictions expiring in 2024. The project is in need of rehabilitation but is not at risk due to its physical condition. The owner of the project typically is able to meet debt service covenant. The owner intends to seek tax-exempt financing and 4% credits during 2018-2019 in order to resyndicate and recapitalize the project. However, DHCD and its quasi-public affiliates make the determination that this project does not fit within any of the four priority funding categories of the matrix and should not be considered for tax-exempt financing and 4% credits during 2018-2019. Unless the availability of volume cap to support tax-exempt financing increases dramatically during these calendar years, resources will be insufficient to support a preservation project that does not rank well against matrix criteria. DHCD and its quasi-public affiliates strongly encourage the project owner to evaluate the feasibility of taxable financing, including through one of the quas.

The updated preservation matrix is shown on the following pages.



		TIER 1	TIER 2	TIER 3	
<b>ELIGIBILITY CATEGORY</b>	<b>I.</b>	<b>Risk of Loss to Market Conversion<sup>1</sup></b> in Next 5 Years  Ability to Increase Rents Substantially Through Conversion to Market Housing.	Strong rental market with no legal impediments to conversion to market rate.	Market is strong enough for potential conversion to market. No legal impediments to conversion to market rate.	Weak market, legal restrictions or inability of project to compete for market rate tenants.
	<b>II.</b>	<b>Risk of Loss Due to Physical Condition<sup>2</sup></b>	Probable loss of the property in the next 2-4 years due to condemnation or government action. Significant code and safety issues.	Significant code and safety issues that present a risk to tenants and/or threaten the long-term viability of the property.	Extensive capital needs
	<b>III.</b>	<b>Risk of Loss Due to Financial Viability<sup>3</sup></b>  Analysis based on 3 years of financials.	Lender has declared or threatened to declare a default due to a payment default by the current owner.	Property income is insufficient to pay debt service and basic operating expenses plus required reserve deposits, requiring contributions from other sources.	Property is financially troubled, but able to maintain loan payments and basic operating expenses plus required reserve deposits.
	<b>IV.</b>	<b>Unique Acquisition Opportunity<sup>4</sup></b>	Unique opportunity to purchase a project at a below-market price due to seller motivations, or opportunity as 40T designee.	Sale price based on present value of reduced income stream – value will increase as expiration date approaches.	Property for sale – no particular economic benefit to purchase at this moment.

<sup>1</sup> Need to evaluate regulatory issues, marketability of project, conversion costs, etc.

<sup>2</sup> Factors to consider: Year facility was built, number of years since last rehab, annual replacement reserve contribution, total reserves balance

<sup>3</sup> Factors to consider: vacancy, municipal liens, sponsor financial condition, property management quality

<sup>4</sup> Availability of non-state resources to take advantage of the opportunity is important.

### Other Factors to Evaluate in Prioritization of Preservation Projects

Project is eligible for funding primarily under Eligibility Category \_\_\_\_\_ and qualifies as Tier \_\_\_\_\_

- Amount of state-controlled subsidy (including LIHTC) per affordable unit needed to preserve the property
- Degree to which affordability is preserved or enhanced, especially for ELI residents, relative to the current affordability level
- Duration of new use restrictions
- Risk of tenant displacement
- Location of the project in an Area of Opportunity
- Location of the project within a comprehensive neighborhood revitalization plan

## Section X. Recommended Cost Limits; Caps on Eligible Basis; Cap on Allocations Per Project

The Department, its quasi-public affiliates, and members of the Massachusetts development community engaged in extensive discussions between 2013 and 2015 on how best to manage costs in LIHTC and other publicly funded projects. Informed by these discussions and careful analysis, the Department implemented the following “Total Residential Development Cost Limits”. The limits will apply in 2018-2019 -- to all rental projects funded by DHCD with any of its rental resources.

<b>Production Project</b>	<b>(Residential TDC/Unit)</b>
<b><i>Outside Metro Boston*</i></b>	
Single Room Occupancy/Group Homes/Assisted Living/Small Unit** Supportive Housing	\$199,000
Suburban/Rural Area with Small Units	\$279,000
Suburban/Rural Area* with Large** Units	\$319,000
Urban* Area with Small Units	\$359,000
Urban Area with Large Units	\$379,000
<b><i>Within Metro Boston*</i></b>	
Single Room Occupancy/Group Homes/Assisted Living/Small Unit Supportive Housing	\$259,000
Suburban Area with Small Units	\$329,000
Suburban Area with Large Units	\$349,000
Urban Area with Small Units	\$379,000
Urban Area with Large Units	\$399,000
<b>Preservation Project</b>	<b>(Residential TDC/Unit)</b>
<b><i>Outside Metro Boston*</i></b>	
Single Room Occupancy/Group Homes/Assisted Living/Small Unit Supportive Housing	\$139,000
Suburban/Rural Area, All Unit Sizes	\$199,000
Urban Area with Small Units	\$209,000
Urban Area with Large Units	\$219,000
<b><i>Within Metro Boston*</i></b>	
Single Room Occupancy/Group Homes/Assisted Living/Small Unit Supportive Housing	\$189,000
Suburban/Rural Area, All Unit Sizes	\$229,000
Urban Area with Small Units	\$299,000
Urban Area with Large Units	\$299,000

\*See the map contained in Appendix B to determine the proper geographic category for each project based on its location.

\*\*Large Unit projects must have an average of at least two bedrooms per unit or consist of at least 65% two or more bedroom units and 10% three or more bedroom units. All other projects are considered Small Unit projects.

**Sponsors should note the following: DHCD reserves the right to deny a tax credit award to any project deemed to be too costly.**

**Additional limitations for competitively allocated credits:** Even if an application is accepted for review with costs higher than the recommended limits, DHCD typically will cap the project's eligible basis. For the purpose of this QAP, DHCD typically will cap the allowable eligible basis in the production set-aside at \$250,000 per assisted unit for projects within the Boston metro area and \$200,000 per assisted unit for projects outside the Boston metro area. DHCD typically will cap the allowable eligible basis in the preservation set-aside at \$175,000 per assisted unit.

To determine the amount of tax credits for which a production project within the Boston metro area is eligible, the sponsor must multiply \$250,000 in maximum basis times the number of tax credit units times 9%. The sponsor of a preservation project must multiply \$175,000 in maximum basis times the number of tax credit units times 9%. **For example, a 30 unit 100% tax credit production project within the Boston metro area will be eligible for \$675,000 ( $\$250,000 * 30 * .09 = \$675,000$ ). A 30 unit 100% tax credit production project outside the Boston metro area will be eligible for \$540,000 ( $\$200,000 * 30 * .09 = \$540,000$ ). A 30 unit 100% credit preservation project will be eligible for \$472,500 ( $\$175,000 * 30 * .09 = \$472,500$ ). (While the examples above are based on a 9% credit calculation, sponsors should note that the federal legislation establishing a fixed 9% credit has not yet been enacted.)**

Finally, in order to ensure equitable distribution of limited tax credit resources, the Department has established per-project limits for credit allocations. The Department has established \$500,000 as the maximum amount that can be awarded to an assisted living project. In 2018-2019, the Department has established \$1 million as the maximum allocation amount that typically will be awarded to other projects under this QAP. Requests for allocations greater than \$1 million will be considered on a case-by-case basis if the sponsor is able to demonstrate the potential impact of the project and if DHCD has sufficient credit to make a larger allocation.

## **Section XI. Threshold Criteria for 2018-2019 Tax Credit Applications**

During any 2018-2019 competition, DHCD, through its pre-application process, will first establish that an application meets at least one of five priority categories for funding, as described in Section I of this document. DHCD then will evaluate each tax credit application in accordance with threshold criteria, followed by competitive scoring criteria totaling 182 points. Unless an application meets all the threshold criteria set forth in this section, the Department will not review the application in the competitive scoring categories. **In addition, each applicant must submit a narrative addressing the project's ability to satisfy the threshold requirements.**

The thirteen threshold criteria that all applications must meet are as follows:

- Threshold #1: Conformance with Set-Aside Categories
- Threshold #2: Quality of Site
- Threshold #3: Evidence of Local Support or Local Processing
- Threshold #4: Creditworthiness of Sponsor/Owner
- Threshold #5: Evidence of Site Control

- Threshold #6: Identification of All Financing Sources
- Threshold #7: Status of Compliance Monitoring of Other Tax Credit Projects
- Threshold #8: Good Standing with Respect to Other State Housing Programs
- Threshold #9: Commitment to a Thirty-Year Term of Affordability
- Threshold #10: Tenant Supportive Services
- Threshold #11: Inclusion of Units for Extremely Low Income Persons or Families
- Threshold #12: Consistency with the Commonwealth's Sustainable Development Principles
- Threshold #13: Fair Housing Narrative

The requirements included in each threshold criterion are as follows:

***Threshold #1: Conformance with Set-Aside Categories***

Each project submitted to a 2018-2019 competition must meet at least one of five priority funding categories as well as the criteria for either the production or the preservation set-aside. The production set-aside, described in detail in an earlier section of this plan, includes a minimum project size of twelve units. At least 65% of the units in a proposed production project must have two or more bedrooms, and at least 10% of the units must have three bedrooms. DHCD will permit exceptions on the number of bedrooms only if efficiency or one-bedroom units are appropriate for the intended residents. (For example, assisted living projects primarily will include efficiency or one-bedroom units and will not be subject to the two-bedroom requirement. An exception to the bedrooms requirement also will be made for single room occupancy projects.)

The preservation set-aside also is described in detail in an earlier section of this plan. The minimum project size in this category is twelve units. There is no maximum project size in this category. The Department encourages the preservation of projects that include units suitable for families, but also encourages the preservation of projects consisting primarily of one-bedroom units for rental by older households. Other preservation projects are predominantly single room occupancy units for rental by individuals with special needs.

***Threshold #2: Quality of Site***

The quality of the site is one of the most fundamental aspects of any housing project. Like other lenders, both public and private, the Department ideally wishes to fund only those projects in outstanding locations, on problem-free sites. However, in reality, many tax credit applications represent existing, occupied residential properties located on sites that are acceptable, but not ideal. Additional applications represent abandoned or distressed properties that previously were occupied by tenants or homeowners. The sites of these properties also may be less than ideal.

The Department anticipates that some 2018-2019 applications will represent occupied or previously occupied HUD properties. If DHCD were making the decision on quality of site, it might not agree with the decision already made by the U.S. Dept. of HUD. Since a whole class of applications includes sites that have been accepted by the federal housing agency, DHCD has elected not to evaluate "site" as a competitive category in 2018-2019.

However, every 2018-2019 application submitted for consideration still must include a site acceptable, by Department standards, for the proposed housing use. Sponsors should review their sites in light of the Commonwealth's sustainable development principles outlined in Section II of this QAP. Although

site characteristics that are generally consistent with the sustainable development principles may be present more often in urban areas, the Department believes that there are opportunities for housing development in all communities. Infill sites near services and transportation, buildings for adaptive reuse, former commercial or industrial sites, and other “smart growth” opportunities exist in rural and suburban communities. The Department encourages the development of projects in such locations, especially since such projects tend to offer greater opportunity to underserved racial and ethnic groups.

Before preparing a OneStop+ Affordable Housing Application, each tax credit sponsor should contact DHCD’s tax credit staff to schedule a site review. The Department will presume that a site is acceptable if it currently is the location of an occupied housing project, with no significant change proposed to the tenant group to be served. However, DHCD staff will still conduct an on-site assessment using, among other measures, the Commonwealth’s sustainable development principles. To schedule a site review, the tax credit sponsor should contact the Department at least one month prior to the competition deadline for submitting applications. With less than one month's notice, the Department may not be able to conduct a site visit prior to the competition deadline.

***Threshold #3: Evidence of Local Support or Local Processing***

In an ideal world, every affordable housing project would have the support of two key constituencies: its neighbors and the elected leaders of the community. Unfortunately, many projects lack local support, whether from the owners of abutting properties, local elected officials, or both. In some cases, support is withheld for good reasons; in other cases, support is unreasonably withheld.

In general, DHCD encourages applications from tax credit projects that have full local support. In certain circumstances, sponsors may submit applications for DHCD’s credit authority for projects that are not locally supported. If a sponsor/owner cannot demonstrate local support, he or she must instead demonstrate through a written narrative included in the OneStop+ application substantial efforts to respond to local concerns and obtain the chief elected official's support. If DHCD is not satisfied that the sponsor/owner has made every reasonable effort to obtain support, the Department will reject the tax credit application.

With respect to local contributions, numerous projects submitted for tax credit consideration are located in municipalities that have their own funds through federal sources (i.e. Community Development Block Grant monies, the HOME Program, etc.), or through other sources. For projects located within such municipalities, DHCD typically requires a local contribution of funds in order for the project to receive tax credit consideration.

***Threshold #4: Creditworthiness of Sponsor/Owner***

The Department will accept tax credit applications from sponsoring entities that are creditworthy by DHCD standards. The standards of creditworthiness include the following:

- 1) The debt obligations of a partner or other principal of the sponsor/developer entity and the proposed mortgagor/owner entity are paid current;
- 2) No liens exist against property owned by the partner or other principal;

- 3) The partner or other principal of the sponsor/developer entity and the proposed mortgagor/owner entity has not failed to respond to a public filing such as a lien or a judgment;
- 4) The sponsor/developer entity and the proposed mortgagor/owner entity (including any affiliates) have not experienced any event(s) of foreclosure over the past five years.
- 5) The sponsor/developer entity and the proposed mortgagor entity (including any affiliates) have not declared bankruptcy.

In general, a corporation will not be considered creditworthy if there are tax liens against the corporation, its affiliates, its subsidiaries, or its properties. In addition, if there is a bankruptcy lien against the corporation, it will not be considered creditworthy. DHCD also will determine whether a corporate sponsor is current in payments to its creditors and will require a certificate that all state tax payments are current. The Department will require that a sponsor certify that all of the standards of creditworthiness listed above have been satisfied as part of the OneStop+ application submission package.

DHCD will examine the financial strength of a project sponsor using financial statements submitted by the project sponsor. Financial statements must be no more than one year old. An audit will be required for corporations, but not individuals.

Criteria for financial review include the following: The current ratio (current assets divided by current liabilities) must be greater than one. The liabilities to net worth ratio must be less than four. Net worth must be positive, and there must be no “going concern” issue raised by the sponsor’s auditors or reviewers. DHCD staff will ascertain whether the amount of unrestricted cash on hand appears sufficient to cover fixed operating expenses. Sponsors may submit explanations for variations from these criteria, and DHCD will consider these explanations in assessing the financial capacity of a project sponsor.

DHCD is considering entering into a Memorandum of Understanding (MOU) with the Internal Revenue Service in order to obtain tax information useful in determining an applicant’s creditworthiness and good standing with the agency. If an MOU is executed during 2018-2019, DHCD reserves the right to require that all tax credit applicants complete Form 8821, Tax Information Authorization (Rev. 9-98), naming DHCD as the appointee to receive tax information.

#### ***Threshold #5: Evidence of Site Control***

The project sponsor must be able to demonstrate full control of all land and buildings included in the project through a fully executed agreement such as an option agreement, a purchase or sale agreement, or another similar instrument. The instrument demonstrating site control must include a sales price and an expiration date. The expiration date of the instrument should extend at least six months beyond the tax credit application deadline. Ownership of a note and assignment of a mortgage when combined with other factors may constitute full site control in certain limited circumstances.

The “Competitive Scoring System” section of this plan discusses the IRS Code requirement for incurring costs which meet the so-called ten percent test. Property acquisition often serves as a

substantial portion of these costs. If a project sponsor receives a tax credit reservation and later cannot meet the ten percent test, DHCD risks losing the credits. In order to avoid this potential outcome, DHCD attempts to ascertain that sponsors have full site control of all properties included in their respective projects.

The Department will consider all relevant circumstances in determining whether the site control threshold has been satisfied.

***Threshold #6: Identification of All Financing Sources***

In the OneStop+ Affordable Housing application, the sponsor of each tax credit project must identify funding sources sufficient to cover all development and operating costs. The sponsor may not be able to submit firm financing commitments for all sources by the application submission deadline. However, at minimum, the sponsor must submit documentation demonstrating a strong interest from each financing source. All sponsors are expected to submit strong letters from lending sources and a tax credit syndicator or investor. During 2018, DHCD will place particular emphasis on the letters from syndicators and investors.

***Threshold #7: Status of Compliance Monitoring of Other Tax Credit Projects***

Many development team members submitting projects for 2018-2019 consideration previously have participated in the development of tax credit projects that now are occupied. These projects may already have been monitored to determine compliance with Section 42 of the Internal Revenue Code. DHCD will not accept 2018-2019 applications for tax credits if the proposed development team includes members who are affiliated with existing projects for which Forms 8823 (“Low income Housing Credit Agencies Report of Noncompliance”) have been issued for material and/or continuing non-compliance. In addition, DHCD may decide not to accept applications from developers of tax credit projects financed in previous years with outstanding compliance monitoring fees due to the agency. These restrictions apply to all members of the development team. (Ownership and management of a project constitute an affiliation.) Before submitting a 2018-2019 application, a sponsor/owner must verify that all team members can meet this threshold requirement.

***Threshold #8: Good Standing with Respect to Other State Housing Programs***

Many development team members submitting 2018-2019 tax credit applications have participated in other DHCD-assisted projects. All key members of a development team seeking 2018-2019 tax credits must be in good standing with DHCD with respect to other DHCD-assisted projects. As one example, many tax credit developers have used state HOME assistance. If a developer – or other key team member – participated in a state-assisted HOME project that has been monitored and determined to be out of compliance, DHCD may decide not to accept a 2018-2019 tax credit application from a team that includes this team member.

As another example, if a key team member has not made satisfactory progress on an earlier DHCD-assisted project, the Department may decline to accept a 2018-2019 tax credit application that includes this team member. Developers of tax credit projects financed by DHCD in previous years will not be considered in good standing with the agency unless compliance monitoring and/or tax credit processing fees have been paid in full for all their existing projects. Before submitting a 2018-2019 tax credit application, the sponsor/owner must determine that the following members of the team are in good



standing with DHCD: consultant; architect; contractor; management agent; attorney. Obviously, the sponsor/owner also must be in good standing with DHCD.

***Threshold #9: Commitment to a Thirty-Year Term of Affordability***

The sponsor/owner of each 2018-2019 application must commit to at least a 30-year term of affordability (45 years if applying for Massachusetts State Low Income Housing Tax Credits). With respect to affordability, the sponsor/owner must commit:

- To maintain the tax credit project as low income rental housing for at least 30 years (45 years if applying for Massachusetts State Low Income Housing Tax Credits); and
- To offer to the state an opportunity to present a “qualified contract”, as such term is defined in Section 42 of the Internal Revenue Code, for the purchase of the project after expiration of the term of the Agreement.

Each tax credit project owner will be required to sign a Tax Credit Regulatory Agreement and Declaration of Restrictive Covenants (“the Agreement”) before receiving the IRS Form(s) 8609. In the Agreement, the owner will be required to submit to DHCD a written request one year before expiration of the term of the Agreement (i.e., applicable term of affordability) for DHCD to procure such a qualified contract.

***Threshold #10: Tenant Supportive Services***

Sponsors of some tax credit projects, including assisted living projects and HOPE VI projects, provide extensive supportive services for their tenants. The cost of services at assisted living properties and HOPE VI projects is part of the total development cost of the projects. Some sponsors also are able to secure service funding from private or federal sources. At other tax credit projects, developers – especially non-profit developers -- work with neighborhood groups, churches, local schools, and local employers to attempt to create opportunities for their tenants. The services ultimately available at these projects are not part of total development cost but may prove highly beneficial to both tenants and owners over time. In the 2018-2019 Qualified Allocation Plan, DHCD is requiring each applicant for credit to provide a narrative with the OneStop+ funding application describing services available in the community to the existing or future tenants of the project. Developers do not necessarily have to pay for the services, but must identify the services and indicate how they will notify tenants, on a regular basis, of opportunities for further education, employment training, and other important services.

In 2017, DHCD established the requirement that sponsors of senior projects provide services appropriate for the intended tenants. Any developer seeking funds for senior housing projects in 2018-2019 must provide a highly-developed service plan for the tenants who will live in the project. The Department wishes to ensure that this potentially vulnerable population - frail seniors – is provided with housing, but also with the services necessary to ensure their safety and enhance their quality of life.

***Threshold #11: Inclusion of Units for Extremely Low Income Persons or Families***

DHCD requires sponsors of 2018-2019 9% tax credit applications to reserve at least ten percent of the total number of units in their projects for persons or families earning no more than 30% of area median income. Sponsors seeking allocations of 4% credit for primarily affordable projects will be required to reserve at least ten percent of the total number of units in their projects for persons or families earning no more than 30% of area median income. If a sponsor is using tax exempt financing and 4% credits for a mixed income project with at least 50% of the units at market rates, the sponsor must reserve 15% of the total affordable units for persons or families earning no more than 30% of the area median income.

***Threshold #12: Consistency with the Commonwealth's Sustainable Development Principles***

The Commonwealth's sustainable development principles will be applied as a threshold for projects seeking state funding from DHCD and its partner entities. A listing of the principles can be found on pages 7 and 8 of this document.

***Threshold # 13: Fair Housing Narrative***

Each sponsor must provide a narrative describing how the project location and type, tenant selection plan, and other applicable policies and procedures will further the Department's Fair Housing Principles as provided in Appendix K. The narrative also should clearly describe the efforts that will be made to ensure affirmative fair marketing and outreach to those households and individuals least likely to apply for the affordable units within a project.

Each tax credit applicant must submit a narrative addressing the project's ability to satisfy all threshold requirements listed above and on the preceding pages.

**Section XII. The Competitive Scoring System**

During the 2018-2019 funding competitions, DHCD will evaluate all tax credit applications to confirm that they fit within at least one of five priority funding categories established for the pre-application process. DHCD will further evaluate all applications in accordance with threshold criteria described in the preceding section, then in accordance with competitive criteria, totaling 182 points. Applications for projects that meet all applicable threshold criteria will be scored in two competitive categories totaling 182 points. The two competitive categories are:

- I) Fundamental Project Characteristics -- 100 points
- II) Special Project Characteristics -- 82 points

As indicated, the five priority funding categories and the threshold criteria are set forth in preceding sections of this plan. The components of the two competitive categories are as follows:

**Fundamental Project Characteristics**

A total of 100 points is available in this category, which includes the five fundamental components of any affordable housing project, regardless of type. The five fundamental components, valued equally at 20 points each, are:

- A. Financial Feasibility

- B. Design
- C. Development Team
- D. Marketability
- E. Readiness to Proceed

Each of the five components of “Fundamental Project Characteristics” is described in detail below and on the following pages. Every tax credit application must score at least 12 points in each of the five components of fundamental project characteristics. If an application scores fewer than 12 points in any of the five categories, it will not receive an allocation of tax credits during 2018-2019. Nor will the application be evaluated for “Special Project Characteristics”. If an application scores at least 12 points in each of the five categories, totaling at least 60 points, it will be evaluated and scored in the second competitive category, “Special Project Characteristics”.

If a project is evaluated favorably and receives an allocation of credit during 2018-2019, the sponsor should note that later modifications to the project may result in a re-evaluation by the Department. If a project is modified substantially, the allocation may be withdrawn.

**A. Financial Feasibility -- 20 points total; 12 points required minimum**

The information contained in the OneStop+ Affordable Housing Application must demonstrate to DHCD's satisfaction that the proposed project is financially feasible during construction and after completion. The sponsor/owner must include in the application solid evidence of financing commitments from construction and permanent lenders. The sponsor/owner must include a comprehensive letter of interest from a syndicator or investor. The quality of the letter is of utmost importance in 2018-2019. The sponsor/owner must identify sufficient financing sources for all project uses in the OneStop+ application. The operating pro formas included in the application must include trending assumptions and debt service coverage acceptable by current industry standards and explicitly acceptable to DHCD.

The amount of equity raised per tax credit dollar is determined by market forces and, therefore, is subject to change. For 2018-2019 underwriting purposes, DHCD will assume that each project sponsor will obtain \$.95 per tax credit dollar available for development costs. In determining the financial feasibility of the proposal, if a developer is assuming an equity raise higher than \$.95, DHCD will consider the adequacy of the developer's fee and overhead to cover any gap that would result if an equity raise of only \$.95 per tax credit dollar is achieved.

Sponsors seeking credit in 2018-2019 are encouraged to refer to the Program Guidelines for the Low Income Housing Tax Credit Program dated January 2017 for further details regarding recommended financing. A sponsor/owner using assumptions that deviate from the DHCD-recommended assumptions must justify such deviations to DHCD's satisfaction.

As part of its financial feasibility review, DHCD will examine all costs for reasonableness, including but not limited to the following: acquisition; construction costs; general development costs; syndication costs; builder's profit, overhead, and general requirements; operating revenues, expenses and cash flow. Projects which demonstrate significantly lower total development costs and/or significantly reduced subsidy costs per unit will receive higher points in this category. In addition,

such projects may be eligible to receive points in the “Special Project Characteristics” category of this QAP.

**B. Design -- 20 points total; 12 point minimum required score**

The design elements and the proposed scope of work for each 2018-2019 tax credit project will be reviewed by architects and/or cost estimators under contract to DHCD. The architects and/or cost estimators will carefully evaluate the proposed scope of work and overall cost of the project to determine whether the scope and costs are appropriate. In addition, the architects and/or cost estimators will evaluate the architectural aspects of each project to determine:

- Whether the project conforms with all applicable laws, regulations, code requirements, including those specific to accessibility;
- Whether the project has incorporated certain aspects of “universal design” to increase the usefulness of the project to the widest range of residents possible (see attached checklist in Appendix I);
- Whether the architectural treatment is appropriate, given community standards and the surrounding neighborhood, as well as the project site;
- Whether proposed amenities are sufficient, appropriate for the target population, but not excessive;
- Whether the site layout and site design adequately address environmental issues; parking needs; rainwater management; appropriate open space requirements; outdoor improvements appropriate for the target population, visitability, etc.;
- Whether the owner/developer has incorporated energy conservation measures that exceed those required by the Building Code, and whether the project complies with energy efficient building envelope guidelines such as EPA’s Energy Star standards, for appliance and light fixture selection as well as air sealing and insulation measures, which will result in both greater comfort and operating cost efficiencies;
- Whether the owner/developer has incorporated material selection consistent with promoting a healthful interior environmental quality;
- Whether the owner/developer has incorporated mechanical ventilation measures to control humidity and promote good indoor air quality;
- Whether the owner/developer has provided interior CO detectors as mandated by state regulations;
- Whether the project conforms to state and local code-mandated regulations for water conservation requirements (1.6 gallon toilets, low-flow devices, etc.) as well as storm water retention/recharge. The sponsor should identify and advance water conservation measures that go beyond state/local regulations;
- Whether the owner/developer has provided for sufficient construction oversight, building envelope testing, and building system commissioning to ensure that the design and efficiency measures are properly installed and adjusted.
- Whether the owner/developer has employed effective cost management techniques in the design process, including but not limited to Integrated Project Delivery methods, significant involvement by the contractor early in the design process, cost-effective building approaches (such as modular construction, innovative but proven building materials, etc.).

Project designs that incorporate site planning, exterior envelope, detailing, and mechanical system technologies to achieve energy efficiency are preferred. Demolition, renovation, and construction processes that result in waste reduction and conservation of resources are preferred. Building materials that are local in origin, are durable, incorporate recycled content, or avoid toxic materials, are preferred. Sponsors must submit the completed forms found in Appendix I to demonstrate the measures that were utilized to achieve high performance and efficiency.

Sponsors also must submit the accessibility checklist found in Appendix I in order to enable DHCD's reviewing architects to better evaluate the accessibility proposed for each project. The Department is urging all developers to pay increased attention to Universal Design and visitability. As reflected in the modifications to Appendix I, DHCD believes that Universal Design and visitability can be incorporated into numerous preservation projects without substantially increasing costs.

In order to be considered eligible for tax credit funding, all units should be built with three distinct networks:

- One network installed for phone using CAT5e or better wiring.
- A second network for data installed using CAT5e or better, networked from the unit back to a central location (or a similarly configured wireless data network).
- A third network for TV services using COAX cable.

Costs associated with installing the data network are eligible development cost expenses. Network installation will be a threshold requirement in the design scoring section. Sponsors of projects that do not include network installation in their plans and specifications may not be considered eligible for a tax credit award.

In general, DHCD will follow the HOME Rental Program Guidelines and Regulations with respect to the minimum unit and room sizes, minimum suggested counter space, etc., for tax credit projects. With respect to the rehabilitation of existing structures, these minimum standards are intended for guidance and should be met wherever possible. The Department recognizes that, in some cases, constraints such as existing partitions, walls, plumbing, or excessive construction costs will prevent compliance with these standards. If a sponsor determines that it is not feasible to comply with all the HOME standards, he or she should provide an explanation in the tax credit application.

During 2018-2019, DHCD will again require that each sponsor include in his or her application a construction cost pro forma prepared by a qualified contractor or architect or a qualified construction cost consultant. DHCD also will require that all sponsors of existing projects submit a letter from the primary lender supporting the construction cost preform and the proposed scope of work and confirming that such costs cannot be funded in part through a mortgage increase. In addition, in accordance with industry recommended practices, sponsors of projects applying for funding under the preservation set-aside must submit a capital needs assessment that adequately supports the scope of proposed improvements to the Department's satisfaction. A qualified, licensed architect or engineer must perform this study.

In cases where the developer and the general contractor are affiliated, a qualified but unrelated third party contractor, architect or qualified construction cost consultant must prepare the construction cost

perform. Related party contractors are subject to the maximum allowable builder's profit and overhead and general requirements indicated in the Program Guidelines as well.

All sponsors should note that, during 2015, DHCD participated in a design guidelines working group with numerous industry and public lender participants. The City of Boston's Department of Neighborhood Development (DND) convened the working group on behalf of the participating public lenders. Other public lender participants included MassHousing and the Massachusetts Housing Partnership. Several private-sector architects and contractors also participated in the working group. The primary objectives of the group were the following:

- To identify cost-saving measures for all kinds of projects, regardless of location and construction type; and
- To agree to and produce a streamlined and simplified set of design guidelines for use by the public lenders.

The streamlined and revised guidelines, incorporating approaches and saving costs, are posted on the websites of the participating agencies. Sponsors of tax credit projects should follow the revised design guidelines as they prepare applications to submit to DHCD in 2018-2019.

**C. Development Team -- 20 points total; 12 point minimum required score**

The key members of the development team are the owner/developer; the consultant; the architect; the contractor; the management agent; and the attorney. DHCD will review the background of the key team members to determine:

- Prior successful experience in developing tax credit projects
- Financial strength
- Physical and financial condition of other properties developed by the sponsor/owner
- Prior experience on other DHCD-assisted projects
- Inclusion of SOMWBA-certified Minority/Women's Business Enterprise members on the team as sponsor/owner; management agent; contractor.
- Inclusion of SOMWBA-certified Minority/Women's Business Enterprise members on the team as architect; attorneys; syndicators; accountants; consultants.

The intent of this scoring category is to identify those teams capable of financing and developing complicated tax credit projects and managing the projects successfully after completion and occupancy. The scoring in this category will reflect whether members of the team currently own or manage troubled properties. The scoring also will reflect whether members of the team recently have been involved with other DHCD-assisted projects that have not progressed to DHCD's satisfaction. In addition, the scoring will reflect whether the team includes members who are M/WBE certified in Massachusetts by the State Office of Minority and Women Business Assistance (SOMWBA).

To determine the application score in this category, the Department will evaluate the capacity of each key member of the team as identified in the OneStop+. Sponsors of tax credit projects should note that they have two options with respect to identifying a general contractor:

- 1) A sole contractor can be listed in the OneStop+, and the Department will evaluate the capacity of that contractor as part of the scoring process; or
- 2) The names of up to three possible general contractors can be listed in the OneStop+, and the Department will evaluate all three entities for scoring purposes. If the sponsor chooses this option, the score for the contractor will be the average of the scores for each of the three entities listed.

Whether the sponsor chooses to make the final selection of a contractor before or after submitting the tax credit application, certain subcontract bidding processes must be followed to the Department's satisfaction. If a general contractor is selected before the project is submitted, the sponsor will have to demonstrate at a later time that subcontractors were selected through a process demonstrating competitive pricing of construction. This requirement will be a condition in the tax credit reservation letter. If the sponsor elects to choose a contractor after receiving a tax credit reservation, he or she must select the lowest qualified bidder from a pool of at least three bidders and must document the selection process to the Department's satisfaction. Again, this requirement will be a condition in the tax credit reservation letter.

Regardless of which approach the sponsor selects, the Department will require a submission describing bidding procedures later in the tax credit process.

In order to ensure that management entities have adequate experience in managing tax credit properties, DHCD reserves the right to require tax credit compliance training as a condition of its funding award.

**D. Marketability-- 20 points total; 12 points required minimum**

Unless a market exists for the proposed project, the project will fail. **The sponsor/owner identified in each 2018-2019 tax credit application must include in the OneStop+ Affordable Housing Application a detailed market study prepared by a qualified professional acceptable to DHCD. This Internal Revenue Service requirement applies to all projects, whether production projects or occupied preservation projects.**

The National Council of Housing Market Analysts (NCHMA) has adopted Model Content Standards detailing its standards for definitions and content in a housing market study. These standards can be found on the web at:

[http://services.housingonline.com/nhra\\_images/Final%20Model%20Content%20V%203.0.pdf](http://services.housingonline.com/nhra_images/Final%20Model%20Content%20V%203.0.pdf)

The Department will accept membership in the NCHMA organization as indication that the market analyst is a qualified professional acceptable to the Department. DHCD strongly encourages sponsors to direct their market analyst to produce a market study consistent with NCHMA Model Content Standards.

If, during the course of its review, DHCD determines that the market study submitted with the application is inadequate, DHCD will require the sponsor/owner to submit a new market study. An application that includes a market study that does not confirm the viability of the proposed project will in all likelihood not score the minimum points required in this category. The market study included in the application should address need and demand in the specific housing market, including typical sales

prices, rental rates for various types of projects, vacancy rates. The market study should include the sponsor/owner's analysis of why the proposed project will be competitive.

As part of the determination of marketability, DHCD will conduct an independent evaluation of housing need. This evaluation will investigate the project's marketability including whether the project is located:

- a) In a community in which the public housing waiting list exceeds, by a ratio of three to one, the total number of existing federal and state public housing units available for the proposed population (not including units occupied by federal or state rental assistance certificate holders); or
- b) In a community in which there is no public family housing; or
- c) In a community where the rent burden is greater than 30%. Rent burden is defined as the median percentage of gross income spent on housing in the community in which the proposed project is located.

Sponsors of projects for populations with special needs and/or persons with disabilities should carefully address the anticipated demand for the proposed project and the reasons why the project will be attractive to the particular consumer group(s). This requirement applies also to projects intended to serve seniors. Sponsors of these projects must include a resident social services plan acceptable to DHCD. (DHCD recognizes that some tenants will bring services with them, and the Department will accept evidence of such services.) DHCD will place special emphasis on the market study for assisted living applications. Given the marketing issues that some assisted living projects have encountered, DHCD may require significant additional documentation from sponsors of such projects. It has become clear to the Department that assisted living projects are particularly challenging to market and operate successfully over time. Sponsors of new assisted living projects will have to make an exceptional case to the Department as to why their projects should be considered for tax credits and other DHCD resources.

DHCD also will review every proposed project's rent structure. In general, the proposed rents will be compared to rents for comparable, unassisted units in the subject market. DHCD also may consider such market factors as home sales, rentals, and average vacancy levels. Additional factors to be evaluated include, but are not limited to, the sponsor's comparables submitted with the OneStop+ application and/or market study information, newspaper ads, etc. In determining the feasibility of the projected rents, DHCD will use Section 8 contract rents only if satisfactory evidence of a housing assistance payments contract is included with the OneStop+ application. If an executed payments contract is not included, DHCD will compare the proposed rents to the lower of the current HUD FMR for the area or to comparable market rents for the area.

DHCD also will evaluate the sponsor/owner's marketing and outreach plan. All sponsor/owners should include a detailed plan with their respective applications. The plan must indicate in detail how the sponsor intends to market to and attract underserved populations to the project, indicating persons with disabilities and minority households.



**E. Readiness to Proceed -- 20 points total; 12 points required minimum**

The sponsor/owner of each tax credit application must demonstrate to DHCD's satisfaction the ability to meet the Internal Revenue Service Code ten percent test and to receive a carryover allocation in timely fashion. The ability of the sponsor to attract an investor obviously is critical to readiness. For projects receiving a reservation of tax credits in 2018-2019, the sponsor/owner must incur costs, no later than the close of the respective calendar year, which are more than ten percent of the project's reasonably expected basis. In keeping with recent amendments to the IRS Code, a sponsor/owner receiving a reservation of tax credits in the second half of the calendar year 2018-2019 will have an additional six months from the date of the 2018-2019 carryover allocation or binding forward commitment (or until June 30, 2018-2019) to meet the ten percent test. The Department recognizes that ten percent test deadlines could be further extended but, at this time, has decided to extend the ten percent test deadline by six months, rather than longer. Sponsor/owners must include with the OneStop+ a narrative that addresses the proposed costs to be incurred in meeting the ten percent test as well as an anticipated timeframe for meeting the test.

The OneStop+ application should include evidence of substantial progress in areas including but not limited to land use and zoning approvals, environmental and historic reviews, ability to close on sources of financing, and so on. All applications for projects seeking tax credits should include an ASTM Phase One environmental site assessment for all properties in the project and any other applicable environmental reviews including but not limited to lead, asbestos, and radon testing. For properties located in historic districts or designated as buildings having historical significance, the sponsor/owner must include in a narrative the status of required historical approvals and evidence that the Massachusetts Historical Commission review process is underway or completed. The Department expects sponsors of historic projects to have received federal Part I approval in order to be competitive in the "readiness" evaluation. DHCD also expects sponsors requiring state historic credits to have received a high percentage of the total requested allocation in order to be competitive in scoring categories. A sponsor seeking tax credits for a project that requires a comprehensive permit under Chapter 40B should note that the Department will not issue a reservation of tax credits until the sponsor has been granted the comprehensive permit from the local zoning board of appeals and until the requisite appeals period has ended.

During 2018-2019, DHCD will give special consideration in this scoring category to projects that were submitted during a previous competition or competitions but not selected for funding, if DHCD determines that the project sponsors have addressed all issues that prevented them from receiving an earlier allocation.

**Special Project Characteristics**

The Department has designed this scoring category to encourage and reward projects that include some of the characteristics DHCD would most like to support in affordable housing projects. The points in this scoring category are available to projects that include the following special characteristics:

- Part of a comprehensive neighborhood planning effort
- Enhanced accessibility
- Proximity to transit

- Inclusion of MBE/WBE members on the development team
- Non-profit sponsorship
- Persons with disabilities as intended consumers
- Special needs groups as intended consumers
- Inclusion of market rate units in the project
- Location in a community with less than 10% subsidized stock
- Conformance with Section 42 Code preferences
- Emphasis on environmentally friendly design
- Location in area of opportunity for families (jobs, services, good schools, etc.)
- Official local support

The Department values all of these project characteristics. The maximum points available per category are described on the following pages:

**A. Official Local Support -- 2 Points Maximum:**

DHCD will award up to two points to any application with a letter of support from the chief elected official of the community to benefit from the tax credit project. The support letter must specifically endorse the proposed project. The number of points awarded in this category will depend, in part, on whether the chief elected official commits local resources to the project and the extent to which the chief elected official offers support and resources in furtherance of the Department's Fair Housing Principles provided in Appendix K.

**B. Inclusion in a Comprehensive Neighborhood Revitalization Effort – 6 points maximum**

Many proposals for tax credit projects are part of neighborhood plans approved by municipal officials, housing production plans approved by DHCD, and/or comprehensive local plans designed to enhance local residents' access to jobs, education, and/or health care. The Department encourages the submission of projects in areas addressed by municipal or state-approved plans or comprehensive local planning. DHCD will award points in this category as follows:

- 2 points for projects to be developed in locations included in formal neighborhood plans, with revitalization components enhancing access to jobs, education, and/or health care that either have been approved by the chief elected official of the host municipality or have been developed with significant, demonstrated community input, with identified resources for revitalization. The formal written plan must delineate the neighborhood; should identify properties to be demolished or rehabilitated and sites to be redeveloped; and must provide information on current and proposed access to mass transit, retail and commercial opportunities, and necessary services; and must describe in detail the non-housing revitalization components, including a timeline and plan for completion.
- 2 additional points if the project described above is sponsored by a community-based non-profit entity certified by DHCD as a Community Development Corporation under the provisions of Chapter 40H.
- 2 points for a project to be developed in a location included in a housing production plan approved by DHCD's Division of Community Services; or two points for projects to be developed in approved "Priority Development Areas" as determined by state

agencies including MassDOT and the Executive Office of Housing & Economic Development.

Please note that projects will not be eligible for points for the “inclusion in a comprehensive revitalization effort” section unless the sponsor consents to enter into a written agreement with DHCD to evaluate on a regular basis the effects of the development on the surrounding neighborhood. These reports will include tenant income demographics as well as reports on other community revitalization investments in the limited geographic area, concentrating on the investments potentially generated in part or in whole by the presence of the tax credit project.

**C. MBE/WBE Membership on the Development Team -- 6 Points Maximum:**

If the project sponsor, general contractor, or management agent is certified by the State Office of Minority and Women Business Assistance (SOMWBA) as a Minority Business Enterprise (MBE) organization or a Women’s Business Enterprise (WBE), DHCD will award six points in this category. If another key member of the development team -- the architect; the developer’s consultant; the attorney; the accountant, the syndicator -- is SOMWBA-certified as MBE or WBE, DHCD will award a maximum of three points in this category. (It is important to note that six points will be awarded only if the sponsor, contractor, or management agent is MBE or WBE certified by SOMWBA.) No points will be awarded for development team members who are certified in trades not to be used at the proposed project nor will points be given for any subcontractors who are not under contract with the owner. All SOMWBA certifications must be current in order for the application to receive points.

**D. Non-Profit Sponsorship -- 5 Points Maximum:**

Section 42 of the Internal Revenue Code requires that each allocating agency award at least 10% of the annual credit available to projects sponsored by non-profit organizations. In addition to meeting the Section 42 requirements, DHCD wants to encourage non-profit sponsorship of tax credit applications. These applications often represent community-based projects that have strong local support and are critical to the redevelopment of troubled neighborhoods.

In an ongoing effort to encourage qualified non-profits to develop affordable rental housing, DHCD will award points within this category as follows:

5 points for a non-profit sponsor that has been certified by DHCD as a Community Development Corporation under the provisions of Chapter 40H. The sponsor must have the ability to develop a complex affordable rental housing project, either through in-house staff or through consultants expected to serve the project through completion into occupancy.

3 points: If a project is sponsored by a non-profit organization that previously has sponsored and successfully completed at least two LIHTC projects in Massachusetts, DHCD will award three points in this category.

**E. Persons with Disabilities or Special Populations as Intended Consumers – 8 Points**

DHCD will award points in this category to projects that offer units for persons with disabilities integrated into larger projects. DHCD will award up to eight points to projects that offer no more than 15% of the total number of units for persons with disabilities, either individuals or families with a household member with disability. The points will be awarded only if the project design, amenity package, and services are appropriate for the population to be served. Sponsors should note that approval from the Executive Office of Health and Human Services will be required before DHCD can provide certain subsidy funds to support tax credit projects with units for persons with disabilities.

DHCD also will award points in this category to projects that serve other populations in need of support services. DHCD is a member of the Governor's Interagency Steering Committee on Supportive Housing (SH) and was instrumental in helping achieve the Committee's three-year goal of creating 1,000 SH units in less than two years. In 2018-2019, the Department will continue its financial assistance to supportive housing projects. Under this QAP, DHCD will provide up to eight points in this category for projects that provide units with services that are appropriate for special populations, including but not limited to homeless veterans, other homeless individuals or households with identified special needs, including frail elderly to be served in assisted living facilities. The points will be awarded only if at least 20% of the units in the project are reserved for a special population and if the project design, amenity package, and services are appropriate for the population to be served.

**F. Inclusion of Market Rate Units in the Project -- 6 Points Maximum:**

The Department will award six points to a tax credit application that includes at least 50% market rental units. Three points will be awarded to a project with at least 25% market rental units. DHCD will award points in this category only if the marketing information presented by the sponsor and confirmed by the Department supports the proposed mix of market and affordable units.

**G. Location in an Area of Opportunity-- 14 Points Maximum:**

For purposes of allocating the credit in 2018-2019, DHCD will use five priority funding categories, including location of a family project in an "area of opportunity". The Department defines an area of opportunity in part as a neighborhood or community with a relatively low concentration of poverty based on U.S. Department of HUD data. In addition, DHCD identifies an area of opportunity as a neighborhood or community that offers access to opportunities such as jobs, health care, high-performing school systems, higher education, retail and commercial enterprise, and public amenities. To determine whether a location is an area of opportunity, sponsors should use publicly available data such as employment statistics; location near mass transit, green space, and other public amenities; educational testing data; and so on. Sponsors also should confirm with DHCD that their evaluation of an area of opportunity is consistent with the Department's evaluation, since the Department will make the ultimate decision.

To be eligible to receive points within this category, a family housing project typically must be located in a census tract with a poverty rate below 15%. Projects located in municipalities with overall poverty rates below 15% may also qualify for points within this scoring category. On a case by case basis, at its sole discretion, the Department will permit certain projects to receive points in this category if the poverty rate in the census tract and/or the municipality is 15% or higher, as long as the project is located in an area with compelling attributes that make the location desirable to renters.

To be eligible to receive points within this category, a family housing project also must include certain design characteristics: the project must be configured to contain at least 65% two-bedroom or larger units and at least 10% three-bedroom units, unless either percentage is demonstrated to be infeasible or unsupported by public demand.

If the thresholds described above have been met, DHCD will award points within this category as follows:

Up to 8 points for strength of public school system:

Points will be awarded to family housing projects as follows based on the percentage of 10th grade students that score in the Advanced or Proficient categories using an average of the 3 MCAS tests (English Language Arts, Mathematics, and Science and Technology Engineering) as available at [http://profiles.doe.mass.edu/state\\_report/mcas.aspx](http://profiles.doe.mass.edu/state_report/mcas.aspx):

90% or above: 8 points  
85% or above: 6 points  
80% or above: 4 points  
75% or above: 2 points

Up to 6 points for access to employment:

Points will be awarded as follows based on the proximity to jobs of the municipality in which the family housing project is located as defined by average vehicle miles travelled by commuter as available at <http://www.mass.gov/hed/housing/affordable-rent/low-income-housing-tax-credit-lihtc.html>:

5 miles or less: 6 points  
7 miles or less: 4 points  
9 miles or less: 2 points

Up to 2 points for access to higher education:

Two points will be awarded within this category to family housing projects located within two miles of community colleges and/or state colleges/universities within the University of Massachusetts system.

Up to 2 points for access to health care:

Two points will be awarded within this category to family housing projects located within one mile of a major health care facility, such as a hospital, an urgent care center, or a neighborhood health clinic.

The maximum number of points awarded in this category will be 14 points.

**H. Conformance with Section 42 Code Preferences -- 3 Points Maximum:**

In this category, the **total** number of points available to any project is three.

**Extended Term of Affordability -- 3 Points Maximum**

DHCD will award three points in this category to applications whose sponsors commit to a term of affordability of 50 or more years. The extended term of affordability will be included in the project's regulatory agreement. If a project receives points in this category, DHCD will not permit the term of affordability to be reduced at a later date.

**Lowest Income Population to be Served -- 3 Points Maximum**

DHCD will award three points in this category to projects whose sponsors commit to renting at least 15% of the tax credit eligible units to individuals or families with incomes at or below 30% of area median income. If a project receives points in this category, DHCD will require the sponsor's commitment to be included in the project's regulatory agreement. Units intended to count towards this set-aside must be clearly identified in the application in order for the project to earn points in this category.

**Projects Located in Qualified Census Tracts -- 3 Points Maximum**

DHCD will award three points in this category to a project located in a qualified census tract, the development of which contributes to a concerted community revitalization plan, including investment in jobs, education, and/or health care. Internal Revenue Code 42 (d)(5)(C)(ii) defines "Qualified Census Tract" as any census tract designated by the Secretary of HUD in which 50 percent or more of the households have an income less than 60 percent of area median gross income or, in certain instances, there is a poverty rate of at least 25 percent. A concerted community revitalization plan may be formally adopted by a municipality or may be an action plan developed by the project sponsor in contact with one or more organizations within the community, provided that it addresses proposed investments in the community to improve residents' access to jobs, education, and/or health care.

**I. Emphasis on Environmentally Friendly Design and Enhanced Accessibility—26 Points Maximum**

DHCD will award up to 26 points in this category for projects that meet the following design criteria.

**Energy Efficient Envelope Design—5 Points Maximum**

DHCD will award up to five points to projects where the exterior envelope has been insulated beyond requirements of the base Building Code or the stretch code in communities where adopted, achieving values acceptable to the Department:

**General-**

- Provide continuous air infiltration barrier around the insulated perimeter, with all joints sealed, including terminations at roof, windows and doors.
- Install spray foam (minimally expanding) to seal and insulate around all doors and windows, and at framing joints.
- Confirm effective air-sealing measures by commissioning an independent blower door test. Results should show air leakage of less than 8 ACH50. Submit test results at the time of cost certification.
- Confirm that adequate fresh air and exhaust is provided throughout in order to maintain healthy air quality.

**Efficient Building Systems—5 Points Maximum**

DHCD will award up to five points to projects that include the following in their plans and specifications.

- Installation of boilers with an efficiency of 95% or more, or furnaces with an efficiency of 90% or more. Install controls and heat distribution systems that allow operation of the boiler or furnace at peak efficiency.
- Installation of thermostats with an upper limit of 75 degrees Fahrenheit.
- Installation of high efficiency domestic hot water system.
- No central air-conditioning systems unless very high efficiency. If local AC units are installed, electricity must be individually metered.
- Where applicable, provision of automatic lighting controls controlled by occupancy and/or lighting conditions.
- Installation of water conservation measures beyond those required by building code including both domestic water system components (low/no water-use appliances and fixtures) as well as water recapturing systems (rainwater for irrigations, gray water recycling systems, etc.).

**Healthy Indoor Air Quality—4 Points Maximum**

DHCD will award up to four points to projects that include the following in the plans and specifications.

- Ducted provision of fresh air to apartments.
- Installation of kitchen exhaust fans ducted to the outside.
- Provision of continuous or intermittent mechanical ventilation of interior living spaces using bathroom exhaust fans.
- Use of only low-VOC or no-VOC paints, coatings, and adhesives. Ventilate the building during initial curing period.
- No installation of carpet, or use of carpets specifically designed to eliminate off-gassing. Use of only low-VOC carpet adhesives, or installation with tackless strips. No installation of carpets in areas of the building exposed to heavy pollutant load.
- Avoidance of interior products made with formaldehyde or urea-formaldehyde binders.
- Provision of separate air exhaust systems for any building areas where janitorial or maintenance chemicals are to be stored.

**Site Design—4 Points Maximum**

DHCD will award up to four points to projects that include the following in the plans and specifications.

- Where possible, orientation of buildings and structures to maximize energy-efficiency and thermal performance. Consideration of building proportions as well as solar, wind, vegetation and other factors.

- Installation of systems for the control of roof/site rainwater via groundwater recharge and/or controlled release into municipal storm sewer systems.
- Use of native landscape plants that are drought tolerant. Avoidance of plants that are on the Massachusetts Invasive Species list. Use of native ground-cover plants in lieu of grass where appropriate. Preservation of existing trees where possible.
- Minimization of light pollution of the night sky by avoiding over-lighting outdoor spaces and by directing lighting toward the ground plane.
- Planting of fast-growing deciduous trees along the south side of the buildings and paved surfaces to provide summer shade.
- Installation of covered bike racks.

### **Renewable Energy—2 Points Maximum**

DHCD will award up to two points to project that include any of the following in the plans and specifications.

- Wind energy
- Stationary fuel cells
- Hydro-electric power
- Solar Photovoltaics
- Solar thermal collectors (hot water)
- Landfill gas
- Bio diesel

### **Enhanced Accessibility—6 Points Maximum**

DHCD will award up to six points to projects that incorporate any of the following into their plans and specifications.

- 5% or more Group 2 units (minimum 1 unit) in developments otherwise exempt from this requirement.
- Group 1 units in adaptive reuse projects in existing buildings where Group 1 units are not otherwise required.
- In projects that consist of 1 or 2 family dwellings, a minimum of 5% Group 2 units.
- 5% of units outfitted with devices for vision or hearing impaired residents.
- In Group 2 units, two accessible means of egress that are not an exit stairway with areas of refuge.
- Provision of features of Universal Design (see Appendix I, Part B)
- Provision of features of Visitability (see Appendix I, Part C).

### **J. Proximity to Transit—6 Points Maximum**

DHCD encourages developers and municipalities to work together to locate projects near major public transit opportunities, such as subway stations, commuter rail stations, ferry terminals and key bus routes. The benefits of locating housing – market rate and affordable – near such opportunities -- are receiving increased attention and recognition: lower transportation costs for residents; reduced dependency on cars; reduced vehicle miles traveled; health benefits to residents who walk more; and



so on. To encourage locations near major public transit, DHCD will award points within this category as follows:

6 points for projects located within one-half miles of major public transit with nearby services such as retail or commercial opportunities, grocery or convenience stores, restaurants and municipal offices. Major public transit is defined as MBTA subway stops, MBTA commuter rail stops; MBTA or Regional Transit Authority (RTA) key bus route stops; and RTA intermodal transfer stations.

3 points for projects located within three-quarter mile of major public transit with nearby services as defined in the preceding paragraph.

### **Section XIII. The Application Process for Credit in 2018-2019**

The Department of Housing and Community Development typically awards the 9% credit through regularly scheduled competitive funding rounds. In winter 2018, DHCD will hold a competitive funding round for the 9% credit and other rental resources. The Department also anticipates holding a competitive funding round for credits and other sources in winter 2019.

#### **2018 Funding Round:**

The deadline for submitting applications for the winter 2018 rental funding round will be February 15, 2018. Sponsors may submit applications for the winter round only if they have received approval from DHCD in the pre-application process. (The deadline for submitting pre-applications was November 30, 2017. Information on the pre-application process is included elsewhere in this document.) All funding applications must be submitted by the close of business on February 15, 2018, using the on-line OneStop+ Affordable Housing Application. In addition, sponsors are required to submit one copy of architectural materials, one application hard copy with original signatures, and the application fee no later than the close of business on February 16, 2018, to :

Massachusetts Department of Housing & Community Development  
Division of Housing Development  
100 Cambridge Street, Suite 300  
Boston, MA 02114

Online applications received after the close of business on the submission deadline -- February 15, 2018 -- will not be reviewed. Prospective applicants are strongly encouraged to meet with DHCD tax credit staff to discuss their particular projects prior to the funding round deadline.

In addition to the submissions to DHCD, each tax credit sponsor must provide a full copy of the OneStop+ application to the chief elected official of the municipality in which the project is located. Within 30 days of the submission deadline, the sponsor must submit to DHCD a certification that an application identical to the submission to DHCD has been delivered to the chief elected official. If at any time during the competition DHCD determines that the sponsor failed to fully comply with this requirement, the Department reserves the right to disqualify the sponsor's application.

The Department anticipates announcing the results of the winter 2018 funding competition during June 2018.

**Rolling Application Process for Massachusetts Projects**

The application process in Massachusetts for the 9% credit is a competitive process. DHCD typically accepts applications for the 9% credit as well as the Department's rental subsidy resources during regularly scheduled funding competitions. From time to time during past years, DHCD has accepted certain applications with very specific characteristics on a rolling basis. However, given the resource environment as 2018 begins, DHCD will not accept rolling applications under this QAP.

**Application Completeness:**

Although most development projects change over time, and some projects change substantially, the Department must evaluate all project applications in a fair and equitable way. The OneStop+ application essentially is a "snapshot" of a project on the day of submission. For purposes of threshold review and competitive evaluation, the Department will not accept the submission of additional documentation after the application deadline. Each project will be reviewed based on the materials contained in the OneStop+ on the deadline for all submissions.

During 2018, DHCD will make an exception to this policy for projects that receive favorable financing commitments during funding competitions conducted by other public-purpose lenders. DHCD will consider the new commitments in its review process during the 2015 tax credit competition. In addition, at its sole discretion, the Department may contact tax credit applicants after the application deadline to seek clarification on certain materials contained in the OneStop+ application.

**Section XIV. Processing Fees; Late Fees; Compliance Monitoring Fees****A. Processing Fees:**

Sponsors seeking 4% or 9% tax credits during 2018-2019 will be required to pay processing fees as follows. Assuming that the sponsor/owner meets Department deadlines for submitting carryover documentation, the total processing fee will be either 8.5% or 4.5% of the annual credit amount. For tax credit projects sponsored by for-profit developers, the total processing fee is equal to 8.5% of the annual credit amount. For projects sponsored by non-profit developers, the total processing fee is equal to 4.5% of the annual credit amount. The credit amount will be the amount identified on the carryover allocation. If the project does not need a carryover allocation, the credit amount will be the amount identified on IRS Form 8609.

Sponsors seeking state tax credits during 2018-2019 will be required to pay processing fees as follows. Assuming that the sponsor/owner meets Department deadlines for submitting carryover documentation, the total processing fee will be either 3% or 1.5% of the annual credit amount. For state tax credit projects sponsored by for-profit developers, the total processing fee is equal to 3% of the annual state credit amount. For projects sponsored by non-profit developers, the total processing fee is equal to 1.5% of the annual state credit amount. The state credit amount will be the amount identified on the carryover allocation. If the project does not need a carryover allocation, the state credit amount will be the amount identified on state credit eligibility statement.

The processing fee(s) for each project submitted during 2018-2019 will be due in three installments:

- at the time of application;

- at the time the project receives a carryover allocation or binding forward commitment;
- at the time of final commitment of the credit.

It is important to note that the Department will charge a late fee to all sponsors of projects who fail to submit the required documentation and processing fee installments by their deadlines as described below.

**First Installment at Application:**

All tax credits sponsors must pay either \$1,050 or \$5,250 at the time of application (for 4% credit projects, this fee will be due at the time of the request for Official Action Status from MassHousing or MassDevelopment). Checks must be made payable to the Department of Housing and Community Development. The application fee is non-refundable. The application fee for non-profit sponsors and for sponsors of projects with 20 or fewer units is \$1,050. All other sponsors must pay \$5,250.

**Second Installment at Carryover or Binding Forward Commitment:**

Sponsors must pay the second installment of the processing fee(s) before receiving a carryover allocation or binding forward commitment from DHCD. The amount due in this installment will be one-third of the total processing fee, less the amount of the first installment paid at the time of application. This second payment also is non-refundable. Since 4% credit project sponsors do not need to submit carryover documentation unless they are also state credit projects, this second installment only applies to 4% credit projects if they are state credit projects.

**Third Installment at Allocation:**

Each sponsor must pay the remainder of the total amount of the processing fee(s) before receiving a final allocation of credit and IRS form 8609 and/or state credit eligibility statement from DHCD. The third installment also is non-refundable. For 4% credit projects, the remainder of the total processing fee is due prior to issuance of a 42(m) tax credit eligibility determination letter by DHCD.

**B. Late Fees:**

Given the time-sensitive and critical nature of various Internal Revenue Code requirements, DHCD reserves the right to charge late fees to any and all sponsors failing to meet the deadlines for submitting required documentation and processing fee payments. The Department will assess a \$3,000 penalty to any non-profit sponsor and a \$5,000 penalty to any for-profit sponsor who fails to remit the required documentation and the second or third installments of the processing fee within the time specified by DHCD. Materials that are more than 60 days past due will trigger an additional penalty fee in the amount of \$3,000 to a non-profit sponsor and \$5,000 to a for-profit sponsor. The carryover allocation and/or IRS Form 8609(s) will not be released to the sponsor until any outstanding processing fees and late fees have been paid.

Late submission of a signed regulatory agreement to the Department is also subject to a late fee. A finalized regulatory agreement, suitable for execution by the Department, must be submitted by the due date indicated in the regulatory agreement notification package forwarded to the sponsor by tax credit program staff. A fee assessed for late submission of a regulatory agreement - \$3,000 to a non-profit sponsor, \$5,000 to a for-profit sponsor - will be in addition to any late fee detailed above.

In addition, any sponsor who fails to meet his or her carryover allocation deadline -- thus endangering a portion of the Commonwealth's valuable tax credit resource -- should note that the Department has

the right to withdraw the tax credit commitment to the particular project. Furthermore, the Department reserves the right to reject future applications for tax credits from those parties who have failed to meet the Department's deadlines for year-end submissions. The Department is prepared to exercise these rights if necessary.

### **C. Compliance Monitoring Fees:**

An annual monitoring fee will be due and payable by all projects (allocation years 1987-2019) to DHCD or its authorized delegate during the term of the compliance period (as defined in Internal Revenue Code Section 42) or required to be placed in an escrow by the owner. The fee will be based on a charge of \$30 per low income unit per year, as adjusted periodically by DHCD by the Consumer Price Index (CPI). If the actual compliance period for a project will begin in a year later than 2018, the monitoring fee will be required beginning in that same year. Projects which received an allocation of tax credits in years prior to 2018 will be required to pay only a tax credit monitoring fee as set forth below, notwithstanding any provision to the contrary in any prior year's Qualified Allocation Plan and/or Program Guidelines, including without limitation provisions for an annual administrative or monitoring fee. DHCD will utilize 1997, the first year that it collected compliance monitoring fees, as its base year in determining all subsequent fee adjustments.

The actual annual fee will be calculated and collected according to one of the two following methods, the selection of which will be at DHCD's sole discretion:

- The annual monitoring fee will be due and payable on a date designated annually by DHCD throughout the term (or remaining term) of the compliance period. Under this method, the fee will be calculated at \$30 per low income unit in 2018-2019, which amount may be adjusted by DHCD periodically by the Consumer Price Index (CPI) for subsequent years. The total annual fee will not exceed the amount of \$4,000 per project in 2018-2019, which amount may be adjusted by DHCD periodically by the Consumer Price Index (CPI) for subsequent years;
- The total amount of monitoring fees for the 15-year compliance period (or remaining years of the compliance period beginning with 2018) will be due and payable in one payment at a date designated by DHCD. DHCD may require projects that have not previously received IRS Form 8609 to make payment prior to the release of Form 8609. Under this method, the fee will be calculated at \$30 per low income unit multiplied by 15 or the number of remaining years in the compliance period, whichever number is less.
- The total fee will not exceed the amount of \$4,000 per project multiplied by 15 or the number of remaining years in the compliance period, whichever number is less. At DHCD's discretion, this total amount will be placed in escrow by DHCD or the Owner and will be used for the purpose of monitoring during the compliance period. If DHCD does not institute this method of collection in 2018, DHCD may adjust the \$30 per low income unit and \$4,000 per project amounts by the Consumer Price Index (CPI) in any subsequent year.

DHCD reserves the right to charge a reasonable monitoring fee to perform compliance monitoring functions after the completion of the tax credit compliance period (as defined in Internal Revenue Code

Section 42) for the remainder of the term of the Tax Credit Regulatory Agreement and Declaration of Restrictive Covenant.

Projects that receive funding through the Tax Credit Assistance Program or the Tax Credit Exchange Program must pay an asset management fee in addition to a compliance monitoring fee.

## **Section XV. Modification of the Allocation Plan**

DHCD will administer the allocation of tax credits in such a manner as it deems appropriate in accordance with federal law and procedure. It will make determinations, publish rules and guidelines, and require use of particular forms as necessary.

The Governor delegates to DHCD the power to amend this plan in response to changes in federal law or regulations. In addition, the Governor recognizes that circumstances not foreseen in the Plan may arise, and therefore delegates to DHCD the authority to resolve conflicts, inconsistencies, and ambiguities in the plan and operation of the program; to respond to any abuse of the allocation system; and, if necessary, to amend the plan after a public hearing. (Please refer also to Appendix E.)

## **Section XVI. Program Policies**

Sponsors of 2018-2019 tax credit projects should take into consideration the program policies described in this section. Additional program policies are described in the Low Income Housing Tax Credit Guidelines available from DHCD. All applicants should read the guidelines in effect at the time of application.

### **A. Assumptions Regarding Value of the Credit and Least Amount Necessary for Feasibility**

Federal legislation requires that the administering agency allocate only the amount of credit necessary to make a project feasible. To determine the least amount of credit necessary for feasibility, DHCD must be aware of the full extent of financial resources available to a project and the project costs. In particular, federal law requires developers to certify to state credit agencies the extent of all federal, state, and local resources that apply or might apply to a project, as well as project costs at three different points in time:

- 1) At the time of application,
- 2) At the time an allocation is made (carryover allocation or binding forward commitment),  
and
- 3) When the project is placed in service.

To determine the least amount of credit necessary for feasibility at the time of application and at the time of allocation, DHCD will assume that a project is to be syndicated and will determine a credit amount based on a set of assumptions regarding projected net equity to be raised. Developed by DHCD, these assumptions will be applied to all tax credit projects unless the developer provides definitive information, acceptable to DHCD, indicating that different assumptions should be used.

When a project places in service, DHCD requires an audited cost certification in its established format. The IRS Form 8609(s) will not be released to the project owner until the final analysis is completed by DHCD. DHCD may reduce the final allocation as it appears on the 8609(s) for the project if:

- The project does not have enough basis to support the original allocation; or
- The project costs are not acceptable to DHCD.

DHCD will examine all costs for reasonableness, including but not limited to the following: acquisition; construction costs; general development costs; syndication costs; builder's profit, overhead, and general requirements; operating revenues, expenses and cash flow. Only reserves required by a lender and/or DHCD will be allowed. If a developer has proceeded with or completed construction of a project without DHCD's knowledge, DHCD may deem tax credits unnecessary for the feasibility of that project. In these circumstances, the project will not be eligible for an award of tax credits. DHCD will not allow a development budget line item carried both as a source and a use, if it has no reasonable basis for being paid but is included for the purpose of calculating the eligible basis in an effort to increase the annual tax credit calculation.

#### **B. Developer's Fee/Overhead**

DHCD will determine the calculation of each tax credit allocation based on eligible costs that include a developer's fee and overhead that conform to DHCD's maximum allowable developer's fee and overhead limits as calculated below. Please note that the calculation of fees was changed in the 2018 QAP and these changes are described below and on the following page. In addition, the developer's fee and overhead limits are now being tied to the "Total Residential Development Cost Limits" in Section IX of this QAP. Sponsors of identity-of-interest projects may not seek a paid fee for their transactions and should refer to Section IX of this document for additional information.

DHCD will determine the developer's fee and overhead at three points in time: at the time of application, at the time of carryover allocation, and when the project sponsor applies for IRS form 8609. If the developer's fee and overhead exceed the allowable limits at any of the three points in time, the tax credits allocation will be reduced accordingly. Although DHCD recognizes the evolving nature of projects, in order to promote readiness and to encourage the best possible cost estimates, DHCD reserves the right to disallow increases in total developer's fee and overhead that result primarily from increases in replacement costs after the time of application. For purposes of calculating the developer's fee and overhead, total replacement costs are defined as all total development costs net of project reserves and syndication costs approved by DHCD. In addition, sponsors should note that DHCD does not permit a calculation of "fee on fee".

In calculating the allowable developer's fee and overhead, sponsors should consider any development or operating reserves or escrows funded by cash at closing or through syndication as part of the developer's fee and overhead, as follows:

- Reserves or escrows that are intended to remain in the project for more than five years will not be included in the developer's fee and overhead. The five year holding period is assumed to begin on the first day that the development has achieved full occupancy, and end five years following such date;

- 80% of reserves or escrows that are intended to remain in the project for less than five years are included in the developer's fee and overhead;

All consultant costs, including but not limited to development consultant, syndication consultant, and historic consultant fees, are included in the maximum developer's fee and overhead allowed.

As of the 2015 QAP, and also in this document, the maximum allowable developer's fee and overhead shall be calculated according to the following schedule (see the exceptions below):

- Developer's fee and overhead may equal up to 5% of acquisition costs, and, in addition;
- Developer's fee and overhead may equal up to 15% of the first \$3 million in total replacement costs less acquisition, and, in addition;
- Developer's fee and overhead may equal up to 12.5% of the total replacement costs less acquisition that are from \$3 million to \$5 million, and, in addition;
- Developer's fee and overhead may equal up to 10% of the total replacement costs less acquisition that exceeds \$5 million, subject to the limitations on paid fee described below.

For large projects, the amount of the developer's fee and overhead that is payable in cash out of the development budget shall be further limited as follows:

- For projects with total replacement costs less acquisition between \$15 million and \$25 million, the *paid* fee shall be equal to the fee as calculated above plus 7.5% of the amount over \$15 million; and, in addition;
- For projects with total replacement costs less acquisition that exceed \$25 million, the *paid* fee shall be equal to the fee as calculated above plus 5% of the amount over \$25 million.

Furthermore, for projects involving acquisition by a related party, the maximum *paid* fee shall be equal to 2.5% of the acquisition cost.

Any fees not payable in cash out of the development budget in keeping with the provisions above may be deferred and payable from operating cash flow over time. Payment of deferred developer fees out of operating cash flow will have payment priority over DHCD cash flow repayment requirements provided that the terms of the deferred developer fee note are acceptable to DHCD.

If the developer's fee and/or overhead for a project is determined to be unreasonable, DHCD reserves the right to reduce the permissible fee, even though that fee may otherwise meet program guidelines based on the project's size. Projects with total development costs that exceed DHCD's cost limits may have the maximum allowable fee reduced by 10% of the amount that the project exceeds the cost limits.

### **C. Compliance Monitoring**

Beginning with 1990 allocations, the federal legislation requires that an extended low income use agreement be in effect for a minimum of 30 years for every project receiving tax credits. To enforce these and other program use restrictions, DHCD will require that each project owner enter into a Tax Credit Regulatory Agreement and Declaration of Restrictive Covenants (the "Agreement"). In the case

of buildings which are financed with the proceeds of tax-exempt bonds and receive an allocation of 4% tax credits, DHCD will require that the owner enter into an Extended Low Income Housing Agreement and Declaration of Restrictive Covenants (the "Agreement") with the DHCD. These Agreements limit the use of all of the low income units to rental housing, with income and rental restrictions, for a minimum period of thirty years.

In addition, DHCD has an obligation, as of January 1, 1992, to monitor the compliance of all tax credit projects with tax credit requirements as set forth in Section 42 of the Internal Revenue Code and applicable regulations. DHCD will monitor tax credit projects for compliance with the requirements of the Agreement. DHCD also will perform physical inspections taking into consideration local health, safety and building codes. Owners may be charged an annual fee to cover the administrative costs of such monitoring.

DHCD's procedure for monitoring compliance with Low Income Housing Tax Credits requirements is outlined in Appendix C to this plan. DHCD's procedure is adopted pursuant to Section 42(m) (1) (B) of the Internal Revenue Code and Treasury Regulation Section 1.42-5. DHCD reserves the right to amend this procedure as may be necessary or appropriate to conform to applicable changes in the Internal Revenue Code or regulations promulgated thereunder. Notwithstanding anything to the contrary in this Allocation Plan, DHCD may adopt such amendments without a public hearing process, but shall give reasonable notice before implementation of any such amendment to all tax credit applicants and owners. In addition, DHCD may adopt further monitoring forms and procedures as part of its Low Income Housing Tax Credit Guidelines or as otherwise deemed appropriate.

Pursuant to Section 42(m) (1) (B) and Treasury Regulation Section 1.42-5(f), DHCD may retain an agent or other private contractor ("Authorized Delegate") to perform compliance monitoring functions. Any reference to DHCD in this monitoring procedure shall also include, where appropriate, an Authorized Delegate of DHCD.

Pursuant to Section 42 (m)(1)(B)(iii), this monitoring procedure applies to all owners of buildings or projects for which the low income housing credit is or has been claimed at any time. If DHCD becomes aware of noncompliance that occurred prior to January 1, 1992, DHCD is required to notify the Internal Revenue Service of such noncompliance. The monitoring procedure includes provisions for record keeping and record retention, annual certification and review, on-site records review, building inspection, and notification to owners and the Internal Revenue Service of noncompliance.

#### **D. 130% Rule**

Projects located in qualified census tracts or difficult-to-develop areas as identified by the U.S. Department of Housing and Urban Development and/or by the Department of Housing and Community Development may seek up to 130% of the rehabilitation credit basis amount for which they are eligible. Current information on the designation of difficult development areas by DHCD is included in Section IV of this QAP. The 130% factor may not be applied to the acquisition basis. DHCD will award up to 130% of the rehabilitation credit at its discretion and only if necessary for project feasibility. Current information about the designation of qualified census tracts and difficult development areas was issued by HUD on April 20, 2012 and September 28, 2012, respectively.



Tax-exempt projects are eligible for up to 130% of credit, subject to the determination of least amount of credit necessary for feasibility, only if the project is located in a qualified census tract or difficult-to-develop area as identified by the U.S. Department of Housing and Urban Development.

#### **E. Lead Paint**

All units in all tax credit buildings must be de-leaded prior to the issuance of a final allocation (IRS Form(s) 8609) for the project. All de-leading work must be performed in accordance with the provisions of M.G.L. c.111, 190-199B, 105 CMR 460.000, as well as all EPA requirements.

#### **F. Physical Accessibility**

In order to enable DHCD to evaluate the accessibility provisions of each project, sponsors must provide summary information regarding accessibility using the checklist found in the Appendix I. In addition to the requirements of the Massachusetts Architectural Access Board (MAAB), projects may also be subject to other applicable federal, state, and local statutes and regulations such as the Fair Housing Act (FHA), Section 504 of the Rehabilitation Act of 1973, the Architectural Barriers Act of 1968 (ABA), and the Americans with Disabilities Act (ADA). Sponsors should note that Appendix I is regularly modified.

#### **G. Affirmative Action**

DHCD requires developers to establish affirmative action goals for the percent of minority participation in each project. Developers and management agents must establish effective marketing plans to reach the identified minority groups that are least likely to apply for the housing being provided. Prior to initial occupancy of any unit in the project, the owner shall adopt and implement 1) an affirmative fair marketing plan for all units and 2) a tenant selection plan for the low income units, in both cases consistent with any standards and guidelines adopted by DHCD as then in effect and consistent with all applicable laws. Both the affirmative fair marketing and tenant selection plans shall be subject to review by DHCD, at DHCD's request.

If a tax credit project is located in a predominantly white neighborhood in the City of Boston, according to a list maintained at DHCD, the affirmative fair marketing plan shall have the percentage goals for occupancy of the low income units which reflect the racial and ethnic composition of the City of Boston as determined in the most recent U.S. Census. As per the most recent U.S. Census, the percentage goals for the City of Boston are as follows:

#### **Race:**

Total Population:	100.00%
White alone	53.9%
Black or African American alone	24.4%
American Indian and Alaska Native alone	0.4%
Asian alone	8.9%
Native Hawaiian and Other Pacific Islander alone	0.04%
Other total (some other race and two or more races)	12.3%

**Ethnicity:**

Total Population:	100%
Hispanic or Latino	17.5%
Not Hispanic or Latino	82.5%

**H. Local Preference**

DHCD will allow up to 70% local preference in tax credit projects if the sponsor is able to demonstrate to DHCD's satisfaction that a need for such preference exists. The documentation of local housing need must be fully substantiated in the project's market study or through other supporting documentation such as the Municipality's Consolidated Plan or a local affordable housing plan. . To ensure that the local preferences established for the project do not violate applicable fair housing laws and, therefore, do not have a discriminatory effect on protected classes, the sponsor must:

- develop an affirmative fair marketing plan targeting those least likely to apply in accordance with the DHCD's Affirmative Fair Marketing Plan guidelines provided in Appendix K;
- list vacant units upon availability with Citizen's Housing and Planning Association's (CHAPA's) Massachusetts Accessible Housing Registry at <http://www.chapa.org>;
- list vacant units located in the Boston-Cambridge-Quincy MSA, upon availability, with the City of Boston's Metrolist (Metropolitan Housing Opportunity Clearing Center), at Boston City Hall, P.O. Box 5996, Boston, MA 02114-5996 (617-635-3321);
- develop a tenant selection lottery system consistent with that described in the "Guidelines for Housing Programs in Which Funding is Provided Through a Non-Governmental Entity" (NEF Guidelines) as published by the Department as well as the additional provisions provided in Appendix K.

Both the affirmative fair marketing plan and the tenant selection lottery system will be reviewed by DHCD program staff at the time of carryover allocation. Please see Appendix K for additional information on developing the lottery.

**I. HUD Subsidy Layering Guidelines**

Pursuant to Section 911 of the Housing and Community Development Act of 1992, HUD is required to determine that projects receiving or expecting to receive both federal, state or local assistance and tax credits do not obtain subsidies in excess of that which is necessary to produce affordable housing. On December 15, 1994, the U.S. Dept. of HUD issued administrative guidelines referred to as subsidy layering guidelines, regarding limitations on combining Low Income Housing Tax Credits with HUD and other government assistance in the Federal Register. The guidelines make a provision for housing credit agencies to implement the subsidy layering reviews for projects that are at least receiving HUD housing assistance and are receiving or allocated Low Income Housing Tax Credits. Housing credit agencies may perform the subsidy layering review function provided that the housing credit agency certifies to HUD that it will properly apply the guidelines that HUD establishes. DHCD is the housing credit agency in Massachusetts and, as of September 2017, has made the required certification to HUD that it will properly apply the HUD subsidy layering guidelines. Sponsors of LIHTC projects should contact the Low Income Housing Tax Credit staff for further information.

**J. Project Size**

In order to avoid undue concentration of resources in any one area, DHCD will consider tax credit projects of 100 units or more on a case-by-case basis. DHCD will require a detailed market study and will closely examine the probable absorption rate for these projects.

**K. Single Room Occupancy**

Federal law requires that a Low Income Housing Tax Credit unit may not be used on a transient basis. Tax regulations require a minimum lease term of six months. However, single room occupancy units rented on a month-to-month basis may qualify for the credit if they are funded under the Stewart B. McKinney Act.

**L. Housing for the Homeless**

The tax credit has become a substantial resource for transitional housing for the homeless. The portion of a building used to provide supportive services may be included in the qualified basis. Transitional housing for the homeless must contain sleeping accommodations and kitchen and bathroom facilities and be located in a building used exclusively to facilitate the transition of homeless individuals to independent living within 24 months.

**M. Luxury Items in Tax Credit Projects**

In accordance with federal tax law, the eligible basis of a building must be reduced by the amount of the adjusted basis attributable to those market units in the building that are above average quality standard of the low income units. However, the developer may elect to exclude from the eligible basis the excess cost of the market units, provided that such excess cost does not exceed 15% of the cost of a low income unit.

**N. Fair Housing and Occupancy Data Collection**

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 for 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 DHCD's objective to ensure that new and ongoing programs and policies affirmatively advance fair housing, promote equity, and maximize choice. In order to achieve this objective, DHCD shall be guided by the principles found in Appendix K of this document.

In order to help the Department assess the impacts of local preference on affirmative marketing goals and compliance with applicable civil rights laws, all project owners will be required to report household characteristic data for all tax credit units at the time of final rent-up and on an annual basis from that point forward. The report will include but may not be limited to the following data points: capital subsidies restricting the unit, size of the tenant household, income level of the tenant household, race and ethnicity of the head of household (to the extent available), number of children under the age of six, number of children under the age of 18, and type of rental assistance if any. Project owners or their specified designees will be required to report using the web-based data collection system developed by the Department.

## **APPENDICES**

**Appendix A: - 2018-2019 Rental Round Pre-Application to DHCD**

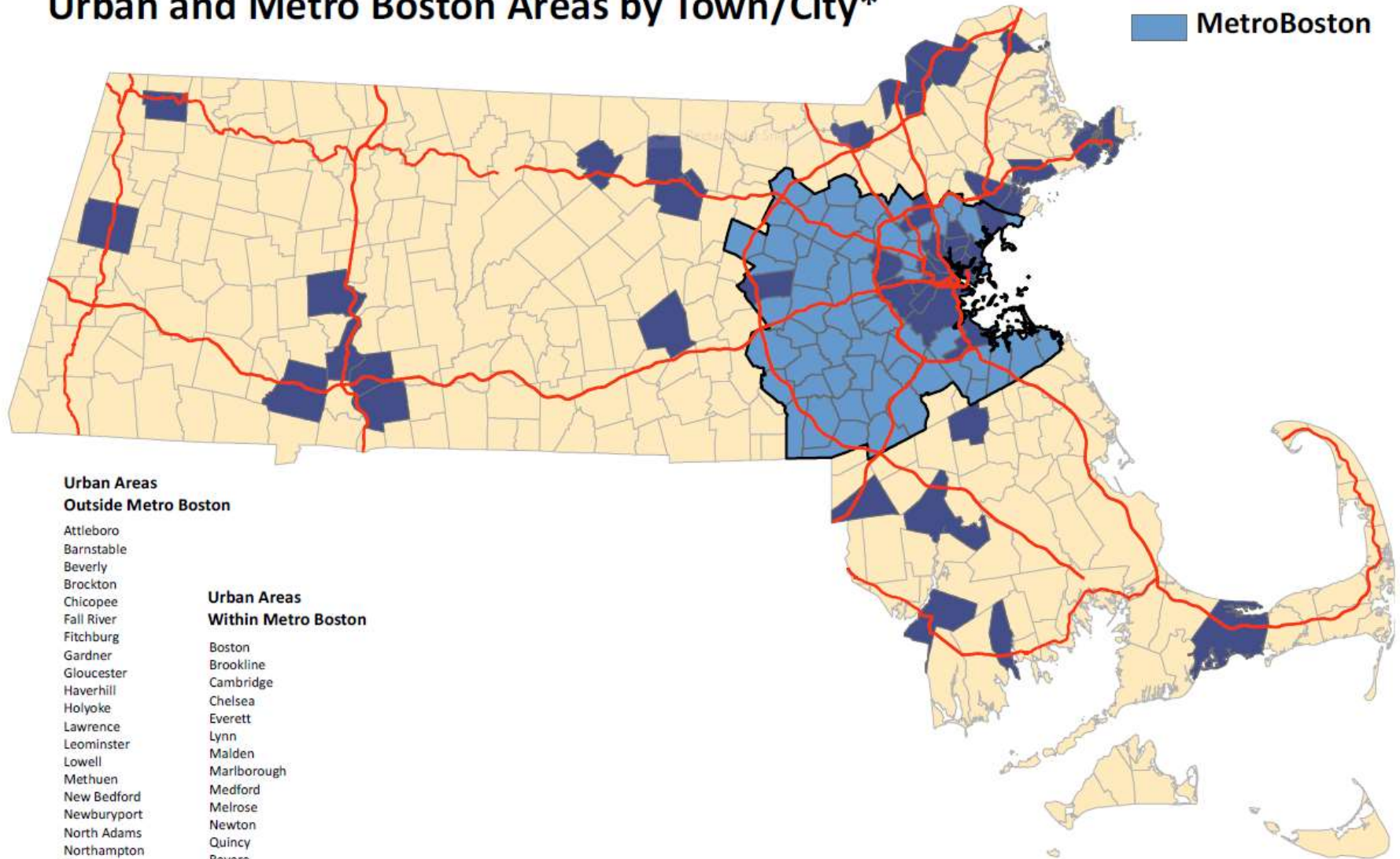
**Appendix A: - 2018-2019 Rental Round Pre-Application to DHCD**

Pre-applications must be submitted online to DHCD. Information on the pre-application process is included elsewhere in this document. All applications must be submitted using the on-line OneStop+ Affordable Housing Application.

**Appendix B: Map of Recommended Cost Limit Areas**

# 2015 QAP Geography: Urban and Metro Boston Areas by Town/City\*

 Urban Areas  
 MetroBoston



**Urban Areas  
Outside Metro Boston**

- Attleboro
- Barnstable
- Beverly
- Brockton
- Chicopee
- Fall River
- Fitchburg
- Gardner
- Gloucester
- Haverhill
- Holyoke
- Lawrence
- Leominster
- Lowell
- Methuen
- New Bedford
- Newburyport
- North Adams
- Northampton
- Peabody
- Pittsfield
- Salem
- Springfield
- Taunton
- Westfield
- Worcester

**Urban Areas  
Within Metro Boston**

- Boston
- Brookline
- Cambridge
- Chelsea
- Everett
- Lynn
- Malden
- Marlborough
- Medford
- Melrose
- Newton
- Quincy
- Revere
- Somerville
- Waltham
- Woburn

\* Metro Boston is the MassBenchmarks Region as defined by the Donahue Institute (UMass Boston).



**Appendix C: Affordable Rental Housing in Massachusetts: Managing  
Development Costs**

## **Appendix C: Affordable Rental Housing in Massachusetts: Managing Development Costs Department of Housing and Community Development May 2015**

### **Managing the Cost of Affordable Rental Housing: Current Challenges**

The importance of managing cost in the development of affordable housing cannot be overstated. Whether rental or homeownership, affordable housing typically is supported in part – sometimes in large part – by public subsidies overseen and distributed by public lenders. The lenders’ goal is to make the best investments possible – investments that will support the production or preservation of decent, safe, affordable housing that will serve thousands of tenants or homeowners for many years. As public lenders evaluate affordable housing proposals to determine whether an investment should be made, they must weigh many factors and carefully analyze each proposed project. Every public dollar counts, and every public dollar for housing must be invested wisely. The cost of a proposed project is a critically important evaluation factor.

The cost of producing or preserving affordable rental housing varies widely in different regions of the country. Cost is not perceived as a problem in certain municipalities and states. However, in many other jurisdictions, the cost of developing affordable housing has increased dramatically over the past decade. The cities most affected tend to be large desirable coastal cities with economies that have recovered well from the recent recession years. The states that are most affected tend to be coastal states with highly desirable metropolitan areas.

### **Cost, Public Resources, and Need**

While it is disappointing to many, the reality is that we live in a time of constrained public resources, and that certainly is true in the world of affordable housing. The federal resources available to support the production of new affordable housing have decreased dramatically during the past few years. The cuts to important federal programs such as the HOME program and the Community Development Block Grant program have caused repercussions throughout the affordable housing delivery system. States and municipalities have far fewer federal dollars to invest in affordable housing projects than they did a decade ago. While some states have increased their resources to help offset the decline in federal resources, not all states are able to do so. The hard reality is that more federal monies for affordable housing are needed. They cannot be fully replaced by other sources. 2

To complicate the challenge, the federal reductions have occurred at a time of great need for affordable housing – and particularly for affordable multifamily rental housing. Market rate rent levels in desirable communities are at the highest levels seen in years. These rents are far beyond the economic reach of millions of households. The effects of the long recession years continue to be felt, as hundreds of thousands of individuals and families across the country live on the margin and in poverty, and thousands of others have slipped into homelessness. Wait lists for affordable public housing units in certain jurisdictions are massive. Wait lists for sound, well-run affordable rental housing projects in desirable Massachusetts cities such as Boston can exceed 1000 families, who may have to wait as long as a decade for a unit.

**Efforts to Identify Cost Issues in Massachusetts and Elsewhere**

Many states and cities affected by high cost development have recently undertaken efforts to identify, control, and reduce the cost of affordable rental housing and the amount of subsidy needed to produce such housing. Several states have undertaken formal rental housing cost studies; some states have incorporated firm cost restraints in their policy documents, such as their tax credit Qualified Allocation Plans (QAPs). National housing and development groups also have undertaken rental cost studies. Enterprise and the Urban Land Institute in particular should be recognized for their recent cost research and work with cities and states, summarized in their January 2015 publication, “Bending the Cost Curve”. Other national groups also are researching cost and cost-management issues and working on strategies for cost management and reduction.

In Massachusetts during the past few years, the state-level public lenders – specifically, the Department of Housing and Community Development and its quasi-public affiliates – have taken numerous steps to evaluate development costs and to identify areas where cost reductions can be achieved. The Department and the quasi-public agencies have engaged in a series of very useful and informative discussions with members of the Massachusetts development community. The discussions and the efforts will continue in years to come. All state-level housing agencies are participants in this initiative:

- Department of Housing and Community Development (DHCD)
- Community Economic and Development Assistance Corporation (CEDAC)
- MassDevelopment
- MassHousing
- Massachusetts Housing Partnership (MHP)

The quasi-public agencies have been working with their governing boards and their staff to heighten everyone’s awareness of the importance of cost management. DHCD and all the quasi-public affiliates have been working extensively with individual developers as they structure their projects, emphasizing that cost control is essential to the development process. 3

The City of Boston also has been an active and important participant in cost management discussions, and other Massachusetts municipalities have contributed time and effort as well. The discussions are ongoing, and the efforts to manage the cost of affordable housing in a state with many thriving mini-markets will continue. The need for more affordable rental housing in Massachusetts is enormous, and it is expected to increase, not decrease, in the immediate future.

**Cost Drivers in Massachusetts and Elsewhere: Recent Discussions**

Inevitably, some of the cost drivers in affordable rental housing exist because public lenders in Massachusetts and elsewhere are asked to support so many goals. Projects ideally should be located near mass transit and services, yet available sites in these locations can be very expensive to acquire. A developer may find a buildable site near transit and services, but the cost of acquisition may add thousands of dollars to the per-unit cost of the project.

The development process itself can generate significant costs, because it involves so many participants: developers, architects, engineers, contractors, subcontractors, accountants, attorneys, local officials, community organizations, advocates, private lenders, investors, public lenders. The

process can be particularly complicated in certain jurisdictions: for example, in cities or towns with extensive zoning and permitting requirements, in dense urban neighborhoods, in localities where developable land is scarce, in cities or towns with high labor costs.

Costs also vary depending on the type of project: new construction, historic rehabilitation, adaptive re-use, or preservation projects. A 20-story, steel-framed tower with underground parking to be constructed on a tight urban site is an immensely complicated undertaking, and a very costly undertaking. And yet this type of construction may be the only viable construction type in a dense neighborhood near excellent mass transit and with significant services and amenities available to residents.

As indicated, the costs tend to be highest in states with large, desirable metropolitan areas – areas with a shortage of developable land available for multifamily rental development. That is true in Massachusetts, where the highest cost rental projects tend to be located in the eastern part of the state, and, in particular, in metropolitan Boston.

### **Cost Drivers in Massachusetts**

Based on research, analysis, and many discussions, there is relative consensus that all the following factors contribute to the cost of affordable rental housing in Massachusetts:

- High land acquisition costs
- Significant Infrastructure costs
- Proposed amenities and scope
- Lack of understanding of green design
- Lengthy and complicated design review process by multiple lenders
- Lack of coordination on design review by multiple lenders
- Volatile construction cost environment
- High cost of labor
- Lack of early coordination among developer, architect, and contractor
- Certain high soft costs
- Development fee formulas that do not incent lower costs
- Lengthy and costly zoning and permitting process
- High cost of compliance with certain public regulations and requirements for affordable housing
- Relative lack of experience on part of developer or other members of team

While the list of cost drivers is extensive and potentially daunting, the Massachusetts state-level public lenders and their many development community partners have identified key cost drivers for immediate focus, as follows:

- Proposed construction type
- Proposed amenities and scope
- Conflicting design review standards
- Lack of coordination on design review by multiple lenders
- Lack of early coordination among developer, architect, contractor

- Developer capacity issues

### **Immediate Action Steps in Massachusetts**

The ongoing challenge for DHCD and its quasi-public affiliates is to identify the best strategies for reducing cost. Certain cost management steps will be implemented immediately, and they are described below.

### **Construction Type, Design Review, Amenities and Scope, Coordination**

Many of the other key drivers of cost are directly or indirectly related to design and scope. The City of Boston has been an active participant in the ongoing state-level discussions of cost management in Massachusetts. The City has taken the lead in establishing a working group to examine issues related to design and scope, including project types, amenities, and materials, as well as conflicting design guidelines and lack of coordination in design review by public lenders. The working group met throughout early 2015, but will continue its work during the coming months. The working group also is evaluating approaches to construction in which a contractor is involved at a very early stage with a developer and architect. DHCD, MHP, and MassHousing are representing the state-level agencies on the design and scope working group, which expects to issue full recommendations later in 2015. One of the first products of the working group is a draft streamlined set of design guidelines for Massachusetts public lenders to distribute to their development clients. The draft guidelines will be refined further during the coming months.

Also in the coming months, DHCD and its quasi-public will consider additional elements of cost management, such as assessment tools for the effectiveness of green design and incentive fees for sponsors of lower cost projects.

### **Implementation of New Recommended Cost Limits**

New cost limits will be incorporated into DHCD's 2017 tax credit Qualified Allocation Plan. The limits reflect project type and location and are based on MHP's extensive research on behalf of DHCD and all the quasi-public affiliates. Using DHCD's extensive data-base as well as its own, MHP researched the costs of hundreds of rental projects in the public lenders' shared portfolio, funded between 2009 through 2013. MHP's research and analysis included many variables: the cost of production versus preservation; family housing versus senior housing or special needs housing; regional variations in cost; variations based on construction type; and so on. The new recommended cost limits, attached to this memorandum as Appendix I, will be implemented immediately and will apply to all rental housing funded by the Massachusetts public lenders. What will the new limits mean for future projects? The sponsor of a project with costs outside the new limits will have to make an extraordinary case to DHCD and the quasi-public affiliates in order to secure tax credits and/or scarce subsidies. The sponsor may not be able to make that case. The new cost limits will be reviewed annually and will be part of the Massachusetts public lenders' ongoing efforts to manage costs.

### **Modification of Developer Fee/Overhead Calculation**

The calculation of developers' fee and overhead will be tied firmly to the new cost limits in the 2017 QAP. Developers of production projects, as defined in the QAP, may seek the maximum fee and overhead permitted by the existing formula as long as a project fits within the new recommended cost limits. However, the public lenders will cap the calculation of fee and overhead at the recommended limit for the type of project and location. In addition, developers of production projects may be

required to defer a percentage of fee and realize it over time through efficient property management and resulting cash flow. Developers of preservation projects based on arms-length transactions may seek the maximum fee and overhead with the same limitations that apply to production projects. Certain additional fee limitations will apply to preservation transactions between affiliated sellers and buyers.

### **Continuing Implementation of the Pre-Application Process with Further Emphasis on Cost**

As has been the practice for over a year, DHCD will hold a pre-application round prior to its next rental funding competition. At pre-application, DHCD may elect to review only those projects that meet the new recommended cost limits. If invited into the next full funding round, anticipated for February 2018, the sponsors of accepted projects will be expected to meet the new cost limits during the round.

### **Increasing Developer Capacity**

MHP already has done considerable work to address the issue of developer capacity, particularly among smaller developers. That work will continue. In 2012, MHP offered a well-received workshop entitled “How to Drive A Closing”. During 2013, MHP worked with the Wentworth Institute of Technology and the Mel King Institute to design a capacity-building course called “Introduction to Project Management – the Design and Construction Process”. With scholarships available to some non-profits, the course concentrated on helping project managers understand basic building systems, construction plans and specifications, project scheduling, sustainable building practices, project team management. MHP intends to hold more workshops on “How to Drive A Closing”. These offerings are particularly important for non-profit developers who lack the financial strength to carry and retain experienced full-time development staff. (Non-profit developers also will realize a benefit from the newly implemented Massachusetts Community Investment Tax Credit – a credit created through legislation to provide certain non-profits with capacity-building funds.)

### **Conclusion**

DHCD and the Massachusetts quasi-public housing affiliates are engaged at many levels in discussions of cost management. The discussions began several years ago and will continue in the foreseeable future. The issues are complex, but strategies for cost management are being implemented, and they are achieving results. In coming months, the Department and the quasi-public agencies intend to add new strategies, including a focus on innovation and on additional research on best practices elsewhere in the country. The end result of all our work will be even stronger public investment in affordable rental housing in the Commonwealth.

## **APPENDIX 1**

### **Recommended Cost Limits as amended**

Based on extensive research and data analysis, primarily undertaken by the Massachusetts Housing Partnership and described in earlier sections of this memorandum, DHCD will incorporate the following recommended cost limits into its 2017 tax credit Qualified Allocation Plan (QAP). The limits will apply to all rental projects funded by DHCD with any of its rental resources.

**Production Project (TDC/Unit) *Outside Metro Boston\****

Single Room Occupancy/Group Homes/Assisted  
 Living/Small Unit\*\* Supportive Housing  
 Suburban/Rural Area with Small Units  
 Suburban/Rural Area\* with Large\*\* Units  
 Urban\* Area with Small Units  
 Urban Area with Large Units

***Within Metro Boston\****

Single Room Occupancy/Group Homes/Assisted  
 Living/Small Unit Supportive Housing  
 Suburban Area with Small Units  
 Suburban Area with Large Units  
 Urban Area with Small Units  
 Urban Area with Large Units

**Preservation Project****(Residential TDC/Unit)*****Outside Metro Boston\****

Single Room Occupancy/Group Homes/Assisted  
 Living/Small Unit Supportive Housing  
 Suburban/Rural Area, All Unit Sizes  
 Urban Area with Small Units  
 Urban Area with Large Units

***Within Metro Boston\****

Single Room Occupancy/Group Homes/Assisted  
 Living/Small Unit Supportive Housing  
 Suburban/Rural Area, All Unit Sizes  
 Urban Area with Small Units  
 Urban Area with Large Units

\* See the attached map to determine the proper geographic category for each project based on its location.

\*\* Large Unit projects must have an average of at least two bedrooms per unit or consist of at least 65% two or more bedroom units and 10% three or more bedroom units. All other projects are considered Small Unit projects.

## **Appendix D: Compliance Monitoring Procedure**



## Appendix D: Compliance Monitoring Procedure

The compliance monitoring procedure includes five components:

- I. Record keeping and Records Retention
- II. Annual Certification and Review
- III. Records Review
- IV. Building Inspection
- V. Notification of Noncompliance

These components are based on and incorporate the requirements of Internal Revenue Code Section 42 and Treasury Regulation Section 1.42-5. “Low income units” refers to tax credit eligible units as defined by Section 42(g).

### I. Record keeping And Record Retention

**Record keeping:** For each year in the compliance period, which is equal to 15 taxable years beginning the first year the tax credit is taken, the Owner shall maintain records for each building in the project showing the:

- a. Total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);
- b. Percentage of residential rental units in the building that are low income units as defined by Section 42(g), and the size in square feet of each low income unit.
- c. Rent charged on each residential rental unit in the building (including any utility allowance);
- d. Number of occupants in each low income unit if the rent is determined by the number of occupants per unit under Section 42(g)(2) (as in effect prior to 1989 amendments);
- e. Annual income certification for each low income tenant per unit unless specifically waived by the Internal Revenue Service under Revenue Procedure 2004-38.
- f. Documentation to support each low income tenant’s income certification (for example, a copy of the tenant’s federal income tax returns, W-2 Form, verification from a third party such as an employer or a state agency paying unemployment compensation, and/or a statement from the local housing authority declaring that the tenant did not exceed the income limit under Section 42(g) if a tenant is receiving Section 8 housing assistance payments,);
- g. Each low income vacancy in the building and information that shows when, and to whom, the next available units were rented;
- h. Eligible basis and qualified basis of the building at the end of the first year of the credit period; and
- i. Character and use of the nonresidential portion of the building included in the building’s eligible basis under Section 42(d).

**Specific Requirements:** In accordance with Treasury Regulation Section 1.42-5 and Revenue Procedures 94-64 and 94-65, DHCD adopts the following specific requirements: (i) As provided in Section 5.01(3) of Revenue Procedure 94-64, the requirement for annual income re-certification will

apply to all owners, including all owners of 100% low income buildings unless specifically waived by the Internal Revenue Service under Revenue Procedure 2004-38. (ii) As provided in Section 4.04 of Revenue Procedure 94-65, DHCD will require owners to obtain documentation, other than the statement described in Section 4.02 of the Revenue Procedure, to support a low income tenant's annual certification of income from assets.

**Records Retention:** The Owner shall retain records for the first year of the credit period for at least six years beyond the due date (with extensions) for filing the tax return for the last year of the compliance period of the building. The Owner shall retain the records described above for all subsequent years in the compliance period for at least six years after the due date (with extensions) for filing the federal income tax return for that year.

Additionally, for each year that the Agreement remains in effect after the compliance period, the Owner shall retain records adequate to demonstrate compliance with the terms and conditions of the Agreement, including, but not necessarily limited to, income and rent records pertaining to tenants. The Owner shall retain the records pertaining to a particular year for at least 6 years following the close of that year.

**Inspection Records Retention:** The Owner shall also retain and provide, for DHCD's inspection, any original report or notice issued by a state or local authority of a health, safety, or building code violation concerning the Project. Retention of the original violation report or notice is not required beyond the time when DHCD reviews the report or notice and completes its inspection pursuant to Section III below, except where the violation remains uncorrected.

## **II. Annual Certification and Review**

**Submission of Certification:** The Owner of every project that has received tax credits must submit to DHCD at least annually for each year in the compliance period an Owner's Certification of Continuing Tax Credit Compliance, which will be provided by DHCD. In this document, the Owner shall certify to DHCD, under the penalty of perjury, that for the preceding 12-month period:

- a. The project was continually in compliance with the terms and conditions of its Agreement with DHCD, MHFA or MDFA;
- b. The project met either the 20-50 test under Section 42(g) (1) (A) or the 40-60 test under Section 42(g) (1) (B), whichever minimum set-aside test was applicable to the project (The 20-50 test means that a minimum of 20% of the project's units were set aside for tenants at 50% of the area median income at tax credit restricted rent levels. The 40-60 test means that a minimum of 40% of the project's units were set aside for tenants at 60% of the area median income at tax credit restricted rent levels);
- c. There was no change in the applicable fraction as defined by Section 42(c)(1)(B) of any building in the project, or that there was a change, and a description of that change is provided;
- d. The Owner has received an annual income certification from each low income tenant, and documentation to support that certification; or in the case of a tenant receiving Section 8 housing assistance payments, that the Owner has received a statement from a public housing authority that the tenant's income does not exceed the applicable

- income limit under Section 42(g). In accordance with Treasury Regulation Section 1.42-5 and Revenue Procedures 94-64, 94-65 and 2004-38, DHCD adopts the following specific requirements: (i) As provided in Section 5.01(3) of Revenue Procedure 94-64, the requirement for annual income re-certification will apply to all owners, including all owners of 100% low income buildings, unless specifically waived by the Internal Revenue Service under Revenue Procedure 2004-38. (ii) As provided in Section 4.04 of Revenue Procedure 94-65, DHCD will require owners to obtain documentation, other than the statement described in Section 4.02 of the Revenue Procedure, to support a low income tenant's annual certification of income from assets;
- e. Each low income unit in the project was rent-restricted under Section 42(g)(2);
  - f. All units in the project were for use by the general public (as defined in Treas. Reg. 1.42-9), including the requirement that no finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, occurred for the project. (A finding of discrimination includes an adverse final decision by the Secretary of the Department of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court.);
  - g. The buildings and low income units in the project were suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government office responsible for making local health, safety, or building code inspections did not issue a violation report or notice for any building or Low Income unit in the project. Alternatively, if a violation report or notice was issued by a state or local government office, the owner must state whether the violation has been corrected and must also attach to the Owner's Certification either a statement summarizing the violation report or notice or a copy of the violation report or notice;
  - h. There was no change in the eligible basis (as defined in Section 42(d)) of any building in the project, or there was a change, and information regarding the nature of that change is provided;
  - i. All tenant facilities included in the eligible basis under Section 42(d) of any building in the project were provided on a comparable basis without charge to all tenants in the building;
  - j. If a low income unit in the project became vacant during the year, reasonable attempts were made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income;
  - k. If the income of tenants of a low income unit in the building increased above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the building was or will be rented to tenants having a qualifying income;
  - l. An extended low income housing commitment as described in Section 42(h)(6) was in effect (for buildings subject to Section 7108(c)(1) of the Omnibus Budget Reconciliation Act of 1989), including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United State Housing Act of 1937;
  - m. All low income units in the project were used on a nontransient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(iii) or single

- room occupancy units rented on a month-by-month basis under Section 42(i)(3)(B)iv);  
and
- n. Any additional information that DHCD deems pertinent.

In addition, the Owner must submit completed IRS Forms 8609 [with parts I and II (the top and bottom sections) completed] to DHCD for every building in the project for the first year of the compliance period. For every year of the compliance period thereafter, the Owner must submit Schedule A of Form 8609 for every building in the project. The Owners of all low income housing projects will also be required to submit to DHCD at least once each year information on tenant income and rent for each low income unit, and documentation regarding the occupancy characteristics for all units, including DHCD project completion reports and other data collection requests in the form and manner designated by DHCD, in order to illustrate compliance with fair housing requirements.

**Review of Certification:** DHCD will review the above-described certifications submitted by Owners for compliance with the requirements of Section 42 for all tax credit projects, including those buildings financed by the Rural Housing Services (RHS), formerly the Farmers Home Administration (FMHA), under its Section 515 Program, and buildings of which at least 50% of the aggregate basis (including land and the building) is financed with the proceeds of tax-exempt bonds and administered by MHFA or MDFA.

The submission and review of certifications described above shall be made at least annually covering each year of the compliance period which is equal to 15 taxable years beginning with the first year the tax credit is taken. DHCD reserves the right to continue monitoring for any additional term that the Agreement remains in effect.

### **III. Records Review**

DHCD will conduct a records review of a project's low income units which have been selected for on-site inspection pursuant to Section IV below.

The records review will include an examination of the annual low income certifications, the documentation the Owner has received supporting the certifications, and the rent records for the tenants in those units. The Owner must have definitive documentation to support the income certification. For example, in the case of a tenant receiving Section 8 housing assistance payments, a letter from the local housing authority will only be accepted if that statement notes the tax credit income limit for the tenant's family size in the municipality, states that the tenant's income does not exceed such tax credit income limit, and states the effective date of the certification.

In conjunction with the selection of units to be inspected under Section IV below, DHCD will select the records to be reviewed randomly and in a manner that will not give an owner advance notice that tenant records for a particular year will or will not be reviewed. However, DHCD may give an owner reasonable notice that tenant record review will occur so that the owner may assemble the tenant records. The review of tenant records may be undertaken wherever the owner maintains or stores the records (either on-site or off-site).

In addition to the above procedures, DHCD will review the records from the first year of the compliance period for every project in order to establish initial eligibility for the Low Income Housing Tax Credit.

Buildings financed by the RHS under its Section 515 Program and buildings of which at least 50% of the aggregate basis (taking into account the building and land) is financed with the proceeds of tax-exempt bonds will be excepted from this records review provision if DHCD enters into an agreement with the RHS and/or MHFA or MDFA, providing among other terms and conditions that RHS and/or MHFA or MDFA must provide information concerning the income and rent of the tenants in the building to DHCD. DHCD may assume the accuracy of any such information provided by RHS, MHFA, or MDFA. DHCD shall review such information and determine that the income limitation and rent restriction of Section 42(g) (1) and (2) are met. However, if the information so provided is not sufficient for DHCD to make this determination, DHCD must request the necessary additional information directly from the Owner of the buildings.

The certifications and review under Sections I and II must be made at least annually covering each year of the 15-year compliance period. DHCD retains the right to require such certifications and review for any additional term that a Low Income Housing Tax Credit Regulatory Agreement between the owner and DHCD (or its successors) remains in effect.

#### **IV. Building Inspection**

DHCD will conduct an on-site inspection of all buildings in a project by the end of the second calendar year following the year the last building in the project is placed in service. The minimum number of units to be inspected will be the greater of twenty percent of the project's low income units or three low income units.

Following the initial inspection, DHCD will conduct an on-site inspection of all buildings in a project at least once every three years. The minimum number of units to be inspected will be the greater of twenty percent or the project's low income units or three low income units.

DHCD will select the low income units to be inspected randomly and in a manner that will not give an owner advance notice that a unit will or will not be inspected. However, DHCD may give an owner reasonable notice that an inspection of the building and low income units will occur so that the owner may notify tenants of the inspection.

DHCD will review any health, safety, or building code violations reports or notices retained by the owner as required in Section I above and will determine:

- a. Whether the buildings and units are suitable for occupancy, taking into account state and local health, safety and building codes (or other habitability standards); or
- b. Whether the buildings and units satisfy, as determined by DHCD, the uniform physical condition standards for public housing established by HUD (24 CFR 5.703).

Regardless of whether DHCD makes its determination under a. or b. above, the project must continue to satisfy applicable state and local health, safety, and building codes. If DHCD becomes aware of any violation of these codes, it must report the violation under Section V below.

A building financed by RHS under its Section 515 program will be excepted from this inspection provision if RHS inspects the building (under 7 CFR part 1930) and the RHS and DHCD enter into a memorandum of understanding, or other similar arrangement, under which RHS agrees to notify DHCD of the inspection results.

DHCD retains the right to perform on-site inspections of the buildings of any project at least through the end of the compliance period and for any additional term that a Low Income Housing Tax Credit Regulatory Agreement and Declaration of Restrictive Covenants between the owner and DHCD remains in effect.

#### **V. Notification of Non-Compliance**

DHCD will provide prompt written notice to the Owner if DHCD does not receive the certifications described above, does not receive or is not permitted to review the tenant income certifications, supporting documentation, and rent record described above, or discovers by inspection, review, or in some other manner, that the project is not in compliance with Section 42. DHCD will file Form 8823, "Low Income Housing Credit Agencies Report of Noncompliance of Building Disposition", with the IRS no later than 45 days after the end of the correction period and no earlier than the end of the correction period, whether or not the noncompliance or failure to certify is corrected. The correction period, as specified in the noncompliance notice to the Owner, shall not exceed 90 days from the date of the notice to the Owner, unless extended by DHCD for up to six months where DHCD determines that there is good cause for granting an extension. DHCD will retain records of noncompliance or failure to certify in accordance with applicable Treasury regulations. If noncompliance or failure to certify is corrected within three years after the end of the correction period, DHCD will file Form 8823 reporting the correction.

DHCD will report its compliance monitoring activities annually on Form 8610, "Annual Low Income Housing Credit Agencies Report".

**Appendix E: Future Changes to the 2018-2019 Allocation Plan**

## **Appendix E: Future Changes to the 2018-2019 Allocation Plan**

Without limiting the generality of DHCD's power and authority to administer, operate, and manage the allocation of Low Income Housing Tax Credits according to federal law, federal procedures and this Plan, DHCD shall make such determinations and decisions, publish administrative guidelines and rules, require the use of such forms, establish such procedures and otherwise administer, operate, and manage allocations of tax credits in such manner as may be, in DHCD's determination, necessary, desirable, or incident to its responsibilities as the administrator, operator, and manager of the Low Income Housing Tax Credit Program.

The Governor recognizes and acknowledges that DHCD may encounter situations which have not been foreseen or provided for in the Plan and expressly delegates to DHCD the authority to amend the Plan, after the public has had the opportunity to comment through the public hearing process, and to administer, operate, and manage allocations of tax credits in all situations and circumstances, including, without limiting the generality of the foregoing, the power and authority to control and establish procedures for controlling any misuse or abuses of the tax credit allocation system and the power and authority to resolve conflicts, inconsistencies or ambiguities, if any, in this Plan or which may arise in administering, operating, or managing the Low Income Housing Tax Credit Program.

The Governor further expressly delegates to DHCD the ability to amend this Plan to ensure compliance with federal law and regulations as such federal law may be amended and as federal regulations are promulgated governing tax credits.



**Appendix F: Summary of Comments and Suggestions from the Public Process**

## **Appendix F: Summary of Comments and Suggestions from the Public Process**

As required by Section 42 of the Internal Revenue Service code, the Department of Housing and Community Development held a public hearing on the draft 2018-2019 QAP on December 22, 2018. The hearing was held in the Department's offices at 100 Cambridge Street, Boston, MA 02114. Eight people offered comments during the hearing; the Department received additional written comments on the draft QAP.

Brief summaries of the oral and written comments are included below and on the following page. Interested parties may obtain full copies of written comments from DHCD's Division of Housing Development (617-573-1308).

### **Michelle Apigian ICON Architects**

Ms. Apigian offered written testimony in support of the "passive house" approach to design in affordable housing projects.

### **Kathy Brown Coalition of Occupied Homes in Foreclosure**

Ms. Brown offered written testimony in support of the donation tax credit as a component of the state LIHTC. Ms. Brown requested that the Department provide donation tax credits even to projects not eligible for federal tax credits.

### **Robert Gehret City of Boston, Department of Neighborhood Development (DND)**

On behalf of DND, Mr. Gehret offered comments commending the changes to the preservation matrix, particularly because of the Chapter 13A projects. He also noted that Boston preservation projects can be costly and urged the Department to take various factors into consideration while evaluating the Boston projects.

### **Hank Keating**

An architect, Mr. Keating provided written testimony in support of "passive houses" as an important approach to sustainable, energy-efficient, affordable multi-family housing. Mr. Keating asked the Department to modify the QAP scoring system to strongly encourage "passive house" design.

### **Judith Liben Massachusetts Law Reform Institute (MLRI)**

On behalf of MLRI, Ms. Liben offered numerous written comments on DHCD's draft 2018-19 QAP. Among her comments were the following:

- Fair housing advocates want DHCD to provide extensive information, including the location of LIHTC projects, so that they may assess whether DHCD is fulfilling its fair housing obligations.

- MLRI wants DHCD to provide information useful to the general public, including lists and maps of LIHTC projects. MLRI notes that some states use an interactive search system called Emphasis.
- MLRI wants DHCD to publish an annual LIHTC report, providing extensive data on award outcomes as well as extensive information on the census tracts in which family LIHTC projects are or will be located.

**John Seward**  
**Massachusetts Association of Housing Cooperatives**

Mr. Seward commented that the Department does not indicate how it will encourage tenant cooperative ownership of LIHTC projects.

**Matt Thal**  
**(On behalf of various Massachusetts community development corporations)**

Mr. Thal urged the Department in oral and written testimony to provide guidance on the potential use of the state Low Income Housing Tax Credit to support donation tax credit projects.

**Robert Van Meter, Local Institute Support Group (LISC)**  
**Emily Jones, Local Initiative Support Group (LISC)**

Ms. Jones and Mr. Van Meter offered oral and written comments on behalf of the Local Initiative Support Group (LISC). In their comments, they urged the Department to promote three energy-related strategies:

- requiring developer applications to certain energy programs
- requiring benchmarking in WegoWise for projects in need of rehabilitation or refinancing
- requiring comprehensive energy audits

They also urged the Department to:

- consider strategies for “pest-proofing” projects
- require smoke-free policies in new construction projects
- award points for “passive house” projects

**Zoe Weintrobe**  
**Jewish Community Housing for the Elderly (JCHE)**

Ms. Weinrobe commended the Baker-Polito Administration for emphasizing the importance of supportive services in senior housing. On behalf of JCHE, she also noted the importance of a new threshold category intended to encourage production projects in communities with less than 12% affordable housing stock. She suggested raising the limit on 9% LIHTC awards to encourage senior production projects of 100 or more units. Ms. Weinrobe asked DHCD to re-evaluate the two-year QAP and to consider a one-year QAP.

**Appendix G: The Massachusetts Low Income Housing Tax Credit Program**

## **Appendix G: The Massachusetts Low Income Housing Tax Credit Program**

### **760 CMR 54.00: MASSACHUSETTS LOW-INCOME HOUSING TAX CREDIT PROGRAM**

- 54.01: Scope, Purpose and Applicability
- 54.02: Definitions
- 54.03: Amount of Credit Authorized
- 54.04: Eligible Projects
- 54.05: Eligible Recipients
- 54.06: Allotment of Credit Among Partners, etc.
- 54.07: Transferability of Credit
- 54.08: Prerequisites to Claiming Credit
- 54.09: Placed in Service Requirement; Time for Claiming Credit
- 54.10: Carryforward of Credit
- 54.11: Limitations on Credit; Ordering of Credit
- 54.12: Recapture
- 54.13: Reporting and Recordkeeping Requirements
- 54.14: Application Process and Administrative Fees
- 54.15: Reference to Federal Credit Rules
- 54.16: Authorization of Department to Take Further Actions

#### **54.01: Scope, Purpose and Applicability**

(1) General. 760 CMR 54.00 explains the calculation of the low-income housing tax credit established by M.G.L. c. 23B, §3, M.G.L. c. 62, § 6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, §§ 34, 82, 90). The Department of Housing and Community Development may allocate Massachusetts low-income housing tax credit in the amount set forth in M.G.L. c. 23B, §3, M.G.L. c. 62, § 6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, §§ 34, 82, 90) for projects that qualify for the federal low-income housing tax credit under Section 42 of the Internal Revenue Code of 1986, as amended.

(2) Effective Date. 760 CMR 54.00 takes effect upon promulgation and applies to tax years beginning on or after January 1, 2001.

#### **54.02: Definitions**

For purposes of 760 CMR 54.00 et seq., the following terms have the following meanings, unless the context requires otherwise:

Act, M.G.L. c. 23B, § 3, M.G.L. c. 62, § 6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, § § 34, 82, 90).

Allocation of Massachusetts Credit, the award by the Department of the authorized Massachusetts low-income housing tax credit among qualified Massachusetts projects.

Allotment, in the case of a qualified Massachusetts project owned by an unincorporated flow through entity, such as a partnership, limited liability company or joint venture, the share or portion of credit allocated to the qualified Massachusetts project that, consistent within and subject to 760 CMR 54.06, may be claimed by a taxpayer who is designated a member or partner of such entity or by a transferee of such member or partner.

**Building Identification Number**, the identification number assigned to each building in a qualified Massachusetts project by the Department.

**Code**, the Internal Revenue Code of 1986, as amended and in effect for the taxable year.

**Commissioner**, the Commissioner of Revenue.

**Compliance Period**, the period of 15 taxable years beginning with the first taxable year during which a qualified Massachusetts project first meets all of the requirements of 760 CMR 54.08.

**Credit Period**, the five-year period during which a qualified Massachusetts project is eligible for the Massachusetts low-income housing tax credit. The credit period begins with the taxable year in which a project meets all of the requirements of 760 CMR 54.08 and ends five years later.

**Department**, the Department of Housing and Community Development.

**Eligibility Statement**, a statement authorized and issued by the Department certifying that a given project is a qualified Massachusetts project and setting forth the annual amount of the Massachusetts low-income housing tax credit allocated to the project. The Department shall only allocate tax credit to qualified Massachusetts projects consisting of one or more buildings that are all placed in service on or after January 1, 2001.

**Federal Carryover Allocation** federal carryover allocation of a tax credit where a federal low-income housing tax credit is allocated under Section 42 (h)(1)(E) or (F) of the Code prior to the calendar year in which the buildings comprising the project are placed in service.

**Federal Low-income Housing Tax Credit** the federal tax credit as provided in Section 42 of the Code.

**Low Income Project**, a qualified low-income housing project, as defined in Section 42 (g)(1) of the Code, which has restricted rents that do not exceed 30% of the applicable imputed income limitation under said Section 42 of the Code, for at least 40% of its units occupied by persons or families having incomes of 60% or less of the median income or for at least 20% of its units occupied by persons or families having incomes of 50% or less of the median income.

**Median Income**, the area median gross income as such term is used in Section 42 of the Code, and which is determined under United States Department of Housing and Urban Development guidelines and adjusted for family size.

**Placed in Service**, this term shall have the same meaning as the term is given under Section 42 of the Code and the federal regulations thereunder.

**Qualified Massachusetts Project**, a low-income project located in the Commonwealth which meets the requirements of M.G.L. c. 23B, §3 M.G.L. c.62 §6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, §§ 34, 82, 90) and whose owner enters into a regulatory agreement.

Regulatory Agreement an agreement between the owner of a qualified Massachusetts project and the Department recorded as an affordable housing restriction under M.G.L. c. 184 with the registry of deeds or the registry district of the land court in the county where the project is located that requires the project to be operated in accordance with the requirements of 760 CMR 54.00, and M.G.L. c. 23B, §3, M.G.L. c. 62, § 6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, § § 34, 82, 90) for not less than 30 years from the expiration date of the compliance period.

Taxpayer any person, firm, or other entity subject to the personal income tax under the provisions of M.G.L. c. 62, or any corporation subject to an excise under the provisions of M.G.L. c. 63.

#### **54.03: Amount of Credit Authorized**

(1) Authorized Amount. The amount of Massachusetts low-income housing tax credit authorized to be allocated annually equals the sum of:

- (a) \$10,000,000;
- (b) unused Massachusetts low-income housing tax credits, if any, for the preceding calendar years; and
- (c) Massachusetts low-income housing tax credits returned to the department by a Qualified Massachusetts Project.

#### **54.04: Eligible Projects**

(1) Project Eligibility. Qualified Massachusetts Projects for which the Department has issued an eligibility statement are eligible for an allocation of Massachusetts low-income housing tax credit.

(2) Prioritization by the Department. The Department shall amend or supplement its existing qualified allocation plan or its program guidelines, or both, to provide taxpayers guidance on how Massachusetts low-income housing tax credit will be allocated among competing projects. Such guidance shall adhere to the statutory requirements of providing the least amount of Massachusetts low-income housing tax credit necessary to ensure financial feasibility of selected projects while allocating the total available Massachusetts low-income housing tax credit among as many Qualified Massachusetts Projects as fiscally feasible. Subject to these statutory constraints, the Department may, in its discretion, provide guidance that

- (a) requires owners of projects with more than a designated dollar amount of federal credit to fund a portion of project equity from funds attributable to the Massachusetts low-income housing tax credit,
- (b) encourages owners of certain projects to raise equity primarily using the Massachusetts low-income housing tax credit while using a minimal amount of the so-called 9% federal low-income housing tax credit,
- (c) encourages the creation of projects funded through a combination of Massachusetts low-income housing tax credit and the so-called 4% federal low-income housing tax credit allowable to buildings financed with tax-exempt bonds, and
- (d) encourages the creation of any other projects that the Department deems to be consistent with the statutory goal of increasing the overall number of low-income housing units.

**54.05: Eligible Recipients**

Any person or entity (of whatever type) with an ownership interest in a Qualified Massachusetts Project is eligible to receive an allocation of Massachusetts low-income housing tax credit with respect to such project.

**54.06: Allotment of Credit Among Partners, etc.**

Whenever an owner of a Qualified Massachusetts Project with respect to which Massachusetts low-income housing tax credit has been allocated is an unincorporated flow-through entity, such as a partnership, limited liability company or joint venture, the entity may allot the Massachusetts tax credit available to the entity among persons designated by it as partners or members in such amounts or proportions as they may agree in the organizational documents governing such entity, provided that the owner certifies to the Commissioner the amount of Massachusetts low-income housing tax credit allotted to each member or partner on a form designated by the Commissioner. The allotment of Massachusetts low-income housing tax credit need not follow or be consistent with the allocation, as the word is used in Section 704(b) of the Code, of other partnership items (e.g., income, loss, deduction or credit, including the federal low-income housing tax credit). Similarly, whenever Massachusetts low-income housing tax credit is allocated with respect to a Qualified Massachusetts Project that is owned through a joint tenancy or similar ownership arrangement, the owners of such project may allot the right to claim the Massachusetts low-income housing tax credit allocated with respect to such project among themselves in such amounts as they agree, without regard to their actual ownership interest in the project, provided that the owners certify to the Commissioner the amount of Massachusetts low-income housing tax credit allotted to each owner on a form designated by the Commissioner.

**54.07: Transferability of Credit**

(1) Transferors, Transferees. Any taxpayer with an ownership interest in a Qualified Massachusetts Project with respect to which there has been allocated Massachusetts low-income housing tax credit and any taxpayer to whom the right to claim Massachusetts low-income housing tax credit has been allotted or transferred may transfer the right to claim unclaimed Massachusetts low-income housing tax credit to any other Massachusetts taxpayer without the necessity of transferring any ownership interest in the original project or any interest in the entity which owns the original project. The transferor must transfer all credit attributable to periods after the transfer date agreed upon by the parties. For treatment of carry forward credit, see 760 CMR 54.10.

(2) Transfer Contract Requirements. A taxpayer, owning an interest in a Qualified Massachusetts Project or to whom the right to claim Massachusetts low-income housing tax credit has been allotted or transferred, who transfers his, her or its credit such that credit may be claimed by a taxpayer without ownership in the project and without an interest in the entity that owns the project must enter into a transfer contract with the transferee. The transfer contract must specify the following:

- (a) Building Identification Numbers for all buildings in the project;
- (b) the date each building in the project was placed in service;
- (c) the 15-year compliance period for the project;
- (d) the schedule of years during which the credit may be claimed and the amount of credit previously claimed; and



- (e) the taxpayer or taxpayers that are responsible for paying recapture if recapture should occur.

The transferring party shall attach a copy of this contract to the transfer statement required under 760 CMR 54.13(4).

(3) Transferred Eligibility to Claim Credit. Any taxpayer who is a transferee of the right to claim a Massachusetts low-income housing tax credit with respect to a Qualified Massachusetts Project may, provided all transfer requirements and all other requirements for claiming such credit are met, claim such credit notwithstanding the fact that the credit may initially have been allocated to a taxpayer paying a different income tax (i.e., personal or corporate)

(4) Sale of Credit is Sale of Capital Asset. The sale of Massachusetts low-income housing tax credit will be treated as the sale of a capital asset under the Massachusetts personal income tax or the net income measure of the corporate excise.

(5) Examples. The following examples illustrate the application of 760 CMR 54.07:

- (a) Example 1. If taxpayer X receives an allotment of Massachusetts low-income housing tax credit as a partner in a partnership that owns a Qualified Massachusetts Project, taxpayer X may transfer the Massachusetts low-income housing tax credit allotted to it to taxpayer Y, whether or not taxpayer Y is a partner in the partnership.
- (b) Example 2. Credit is allocated with respect to a project owned by a limited liability company and allotted to individuals who are members in the company. One of the members may sell his or her credit to a corporation, whether or not such corporation is a member in the company.

#### **54.08: Prerequisites to Claiming Credit**

When Massachusetts low-income housing tax credit is allocated with respect to a Qualified Massachusetts Project, such credit may not be claimed by any taxpayer with respect to any building in such project unless and until

- (1) all buildings in such project have been placed in service, and
- (2) the project has met the minimum set-aside and occupancy requirements of Section 42(g) of the Code. Before the end of the first taxable year in which credit is claimed, the taxpayer must record a Regulatory Agreement in a form acceptable to the Department with respect to such project.

#### **54.09: Placed in Service Requirement; Time for Claiming Credit**

(1) Placed in Service Requirement. All buildings in a project must generally be placed in service in the year in which the allocation of Massachusetts low-income housing tax credit is made. Notwithstanding the foregoing sentence:

- (a) with respect to a project that has an allocation of federal low-income housing tax credit, whenever such project qualifies for a federal carryover allocation under Section 42(h)(1)(E) or (F) of the Code and the federal regulations thereunder, such project may continue to be a Qualified Massachusetts Project if the owner of the project

- enters into a satisfactory carryover allocation agreement with the Department prior to the end of the year in which the allocation of credit is made;
- (b) with respect to a project for which the federal low-income housing tax credit is allowable by reason of Section 42(h)(4) of the Code applicable to buildings financed with tax exempt bonds, such project may continue to be a Qualified Massachusetts Project if, in the judgment of the Department, the project would otherwise meet all of the requirements for a federal carryover allocation under Section 42(h)(1)(E) or (F) of the Code and the federal regulations thereunder and the owner of the project enters into a satisfactory carryover allocation agreement with the Department prior to the end of the year in which the allocation of credit is made; and
  - (c) with respect to all projects that do not have an allocation of federal low-income tax credit and for which such credit is not allowable by reason of Section 42(h)(4) of the Code, such project may continue to be a Qualified Massachusetts Project if, in the judgment of the Department, the project would meet the standards and requirements for a federal carryover allocation under Section 42(h)(1)(E) or (F) of the Code and the regulations thereunder, if, at the time of the allocation of the Massachusetts low-income tax credit, the project had, instead, been allocated a federal low-income tax credit, and the owner of the project enters into a satisfactory carryover allocation agreement with the Department prior to the end of the year in which the allocation of the Massachusetts low-income housing tax credit is made.

The Department shall provide a form of Massachusetts carryover allocation agreement for the Massachusetts low-incoming housing tax credit.

(2) Timing of Claiming Credit. Any taxpayer holding the right to claim Massachusetts low-income housing tax credit with respect to a Qualified Massachusetts Project may claim a pro rata portion of the annual amount of Massachusetts low-income housing tax credit allocated with respect to such project for the calendar year in which such project first meets the conditions described in 760 CMR 54.08, with proration based on the portion of such calendar year during which the project meets those conditions. Any amount of annual credit deferred on account of proration may be claimed in the sixth tax year, assuming the project remains qualified.

(3) Early Credit Election. Notwithstanding the generally applicable timing for claiming Massachusetts low-income housing tax credit described in 760 CMR 54.09(2), an owner of a Qualified Massachusetts Project may elect to accelerate the time for claiming the credit. Provided that the project first meets the conditions described in 760 CMR 54.08, an owner of such Qualified Massachusetts Project may file a notice with the Commissioner in a form to be determined by the Commissioner that the owner has elected to accelerate the credit.

(4) Effect of Early Credit Election. When an owner of a Qualified Massachusetts Project makes an early credit election in the first year of the credit period and such project meets the requirements for making such an election, then notwithstanding 760 CMR 54.09(2), any taxpayer holding the right to claim Massachusetts low-income housing tax credit with respect to such project shall claim the taxpayer's share of the project's entire annual allocation of Massachusetts low-income housing tax credit for the taxable year in which such election is validly made, without proration or adjustment on

account of the date during such year on which the project is placed in service or on which such election is made, subject to any other applicable limitations.

- (5) Examples. The following examples illustrate the application of 760 CMR 54.09.
- (a) Example 1. Assume \$100,000 of Massachusetts low income housing tax credit is allocated with respect to a project in 2001. The project is owned by one individual who retains the right to claim such credit. No Massachusetts carryover allocation agreement under 760 CMR.54.09 (1) has been entered into. The individual's tax year coincides with the calendar year. If the project meets the conditions described in 760 CMR 54.08 and is placed in service on October 1, 2001, then the individual holding the right to claim such credit may claim \$25,000 in Massachusetts low-income housing tax credit on his or her Massachusetts tax return for the year 2001 subject to any other applicable limitations. The individual would be expected to claim \$100,000 on his or her Massachusetts tax returns for each of the years 2002, 2003, 2004, and 2005, and to claim \$75,000 on his or her Massachusetts tax return for the year 2006, assuming the project remains qualified and the individual retains the right to claim all of the credit.
  - (b) Example 2. The same individual elects to take the early credit option instead of the pro rata approach. The individual may claim \$100,000 in Massachusetts low income housing tax credit on his or her tax return for 2001, and \$100,000 per year for each of the subsequent four years.
  - (c) Example 3. The same individual has a tax year that runs from July 1 to June 30. The individual elects to take the early credit option. The individual takes the \$100,000 credit available on October 1, 2001 in his tax year that ends on June 30, 2002 and \$ 100,000 per year for each of the taxpayer's subsequent four tax years.

#### **54.10: Carryforward of Credit**

- (1) Carryforward Period. Any amount of the credit that exceeds the claimant's tax due may be carried forward to any of the five subsequent taxable years.
- (2) Transfer of Carryforward. A taxpayer who transfers an unclaimed portion of the credit pursuant to 760 CMR 54.07(1) may choose whether or not to include carryforward credit from prior years in the transfer.
- (3) Transferee Treated Like Original Owner. For the purpose of determining the carryforward period, the transferee shall be bound by the same schedule for claiming a credit as the taxpayer originally entitled to the credit as an owner of a qualified Massachusetts project, regardless of how often the credit has been transferred.

#### **54.11: Limitations on Credit; Ordering of Credit**

- (1) Limitations on Credit. The credit may not be applied to increase the maximum amount of credit allowed under M.G.L. c. 63, or to reduce the minimum corporate excise imposed under M.G.L. c. 63.

(2) Ordering of Credit. The credit may be applied in combination with other credits allowed under M.G.L. c. 63 in any order. Similarly, the credit may be applied in combination with other credits allowed under M.G.L. c. 62 in any order.

(3) Credit Nonrefundable. The credit is not refundable to the taxpayer. The following text is effective 11/24/2000.

#### **54.12: Recapture**

(1) Recapture; Disallowance. Whenever an event or circumstance occurs with respect to a Qualified Massachusetts Project that results in any recapture of federal low-income housing tax credit or if, in the judgment of the Department, the project would meet the condition for recapture of federal low-income housing tax credit under Section 42(j) of the Code and the regulations thereunder, if, at the time of the allocation of the Massachusetts low-income tax credit, the project had, instead, been allocated a federal low-income tax credit, then any Massachusetts low-income housing tax credit claimed with respect to the project shall be subject to recapture in the amount described below, subject to the standards and requirements of Section 42(j) of the Code and the regulations thereunder, and any Massachusetts low-income housing tax credit allocated to such project and not yet claimed as of the date of the recapture event shall be disallowed. Notwithstanding any agreement between transferor and transferee, each taxpayer who has claimed any portion of the Massachusetts low-income housing tax credit allocated to the project in question shall be liable for payment of his, her or its respective recapture amount as specified in 760 CMR 54.12(3).

(2) Recapture Period. Massachusetts low-income housing tax credit allocated with respect to a project is subject to recapture (and disallowance to the extent not yet claimed) at any time during the 15-year compliance period.

(3) Recapture Fraction.

(a) With respect to projects that have an allocation of federal low-income housing tax credits, a fraction in which the numerator is the amount of all federal low-income housing tax credit recaptured with respect to the project and the denominator is the amount of all federal low-income housing tax credit previously claimed with respect to the project.

(b) With respect to projects that do not have an allocation of federal low-income housing tax credit, a fraction calculated according to the standards and requirements of Section 42(j) of the Code, as if a federal low-income housing tax credit had been allocated to the project instead of a Massachusetts low-income housing tax credit.

(4) Amount of Recapture. The amount of Massachusetts low-income housing tax credit to be recaptured from any taxpayer upon the occurrence of a recapture event equals the product of

(a) the Massachusetts low-income housing tax credit claimed by such taxpayer prior to the recapture event times

(b) the recapture fraction.

(5) Timing of Recapture. The amount of recapture of the Massachusetts low-income housing tax credit shall be reported and shall be subject to tax in the taxable year during which the recapture event takes place.

(6) Example. The following example illustrates the application of 760 CMR 54.12. Assume, the owner of a Qualified Massachusetts Project is a calendar year taxpayer. The annual credit amount allocated to the project is \$20,000. The project meets the requirements of 760 CMR 54.08 on October 1, 2001. Taxpayer makes an early credit election and takes a \$20,000 credit for tax year 2001. Taxpayer takes a second \$20,000 credit for tax year 2002. On April 1, 2003, the project goes out of compliance and becomes subject to federal recapture, or would become subject to federal recapture if federal credits had been awarded instead of state credits. No credit is available to taxpayer for tax years 2003, 2004 and 2005. The \$40,000 credit previously taken by the taxpayer is subject to recapture according to the formula in 760 CMR 54.12(4).

### **54.13: Reporting and Recordkeeping Requirements**

(1) Taxpayer Requirements. In order to claim the credit, a taxpayer must provide to the Commissioner the following:

- (a) eligibility statement as provided in 760 CMR 54.13(2);
- (b) allotment certification, if applicable, as provided in 760 CMR 54.13(3);
- (c) transfer statement, if applicable, as provided in 760 CMR 54.13(4) (with a copy of transfer contract, if applicable, as provided in 760 CMR 54.07(2)); and
- (d) Massachusetts carryover allocation agreement, if applicable, as provided in 760 CMR 54.09(1).

(2) Eligibility Statement. The Department shall adopt a form of eligibility statement to be issued by the Department evidencing a Qualified Massachusetts Project's eligibility for Massachusetts low-income housing tax credit. Each taxpayer claiming any Massachusetts low-income housing tax credit with respect to a project shall file a copy of the eligibility statement with each Massachusetts tax return on which any Massachusetts low-income housing tax credit is claimed.

(3) Allotment Certification. The Commissioner, in consultation with the Department, shall provide a form of allotment certification to be filed by any unincorporated flow-through entity

- (a) that is the owner of a project with respect to which Massachusetts low-income housing tax credit has been allocated or the following text is effective 11/24/2000
- (b) to which the right to claim a Massachusetts low-income housing tax credit has been allotted or transferred. The entity shall file such certification with the Commissioner following the close of the first taxable year in the credit period or the first taxable year the entity holds the right to claim credit, whichever is later. Such certification shall provide the name and federal taxpayer identification number of each taxpayer with an interest in the entity on the date the project met all of the requirements of 760 CMR 54.08, and shall also indicate the amount of Massachusetts low-income housing tax credit allotted to each such taxpayer. The certification shall also contain such other information as the Commissioner may from time to time require. Each taxpayer claiming any Massachusetts low-income housing tax credit by way of a flow-

through entity shall file a copy of such certification with each Massachusetts tax return on which any Massachusetts low-income housing tax credit is claimed.

- (4) Transfer Statement. The Commissioner, in consultation with the Department, shall promulgate a form of transfer statement to be filed by any person who transfers the right to claim Massachusetts low-income housing tax credit with respect to a Qualified Massachusetts Project. The transfer statement shall be required in addition to the transfer contract required in 760 CMR 54.07(2).

The transferor shall file a transfer statement with the Commissioner within 30 days after transfer. The transferor shall also provide a copy of such statement to the owner of the project with respect to which the transferred credit was allocated within 30 days after transfer. The transfer statement shall provide the name and federal taxpayer identification number of each taxpayer to whom the filing transferor transferred the right to claim any Massachusetts low-income housing tax credit with respect to the project and shall also indicate the amount of Massachusetts low-income housing tax credit, including any carry forward credit, transferred to each such person or entity. The statement shall also contain such other information as the Commissioner may from time to time require. A copy of the transfer contract, if required under 760 CMR 54.07(2), shall be attached to the transfer statement. Each taxpayer claiming any Massachusetts low-income housing tax credit shall file with each Massachusetts tax return on which any Massachusetts low-income housing tax credit is claimed copies of all transfer statements and transfer contracts necessary to enable the Commissioner to trace the claimed credit to the credit that was initially allocated with respect to the project. Each project owner shall file copies of all transfer statements and transfer contracts received regarding a project with such owner's annual Massachusetts tax or informational return.

- (5) Record keeping Requirements. Owners of qualified Massachusetts projects and taxpayers that transfer or claim credit with respect to such projects shall be required to keep all records pertaining to credit until the expiration of the regulatory agreement; if a Massachusetts carryover allocation agreement is entered into with the Department under 760 CMR 54.09(1), the records must include a copy of the Massachusetts carryover allocation agreement and documents relevant thereto.

#### **54.14: Application Process and Administrative Fees**

(1) Application. Project applicants seeking an allocation of Massachusetts low-income housing tax credit shall include a request for such credit allocation in the same application to be filed with the Department through which such proponent requests an allocation of federal low-income housing tax credit. With respect to projects described in 760 CMR 54.09(1) (b), the request for Massachusetts low-income housing tax credit shall be made in the form of a letter to the Department accompanied by:

- (a) a copy of the applicant's submission to the agency providing the tax-exempt bond financing for the project; and
- (b) such additional information as would be included in an application to the Department for a federal low-income housing tax credit allocation. The Department shall issue guidance describing any additional information to be included with credit requests. The Department may require that the applicant provide analyses of alternative funding scenarios that allow the Department to evaluate the comparative efficiency of

allocating varying levels of federal and Massachusetts low-income housing tax credit to such proposed project.

- (2) **Filing Fee.** Each application seeking an allocation of Massachusetts low-income housing tax credit shall be accompanied by a filing fee set by the Department which shall be payable to the Commonwealth of Massachusetts.

**54.15: Reference to Federal Credit Rules**

Unless otherwise provided in M.G.L. c. 23B, §3, M.G.L. c. 62, § 6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, §§ 34, 82, 90) or 760 CMR 54.00 or unless the context clearly requires otherwise, the Massachusetts low-income housing tax credit shall be administered and allocated in accordance with the standards and requirements applicable to the federal low-income housing tax credit as set forth in Section 42 of the Code and the federal regulations adopted there under, and with respect to the administration of the Massachusetts low-income housing tax credit, whenever the word “Secretary” appears in the Code and associated regulations, it shall be taken to mean Director of the Department.

**54.16: Authorization of Department to Take Further Actions**

Nothing in 760 CMR 54.00 shall be deemed to limit the authority of the Department to take all actions deemed by the Department in its discretion to be consistent with the authority granted the Department under M.G.L. c. 23B, §3, M.G.L. c.62, § 6I and M.G.L. c. 63, § 31H (St. 1999, c. 127, §§ 34, 82, 90).

**REGULATORY AUTHORITY**

760 CMR 54.00: M.G.L. c. 23B, §§ 3, 6; M.G.L. c. 62, §§ 6I (a), (c) (7), (e), (f) (4), (g); M.G.L. c. 63, §§ 31H (a), (c) (7), (e), (f) (4), (g).

## **Appendix H: Glossary of Terms**



## Appendix H: Glossary of Terms

Tax credit applicants should note that the federal rules governing Low Income Housing Tax Credits are complex. All developers should consult a qualified tax attorney or accountant to determine eligibility for the credit. The terms defined below are not meant to substitute for a reading of Section 42 but are only meant to provide prospective applicants with a general understanding of commonly used terms.

### **4% Credit**

The term “4% credit” refers to the 30% tax credit, which has a present value equal to 30% of the project’s qualified development costs, or approximately 4% per year over a 10-year period. The “4% credit” is available in two situations: 1) Development costs of new building or substantial rehabilitation developed with a federal subsidy, including tax-exempt financing; and 2) Acquisition cost of an existing building, which must also be substantially rehabilitated (the greater of \$6,000 per low income unit or 20 % of the depreciable basis of the building) in order to qualify for the credit for the acquisition cost.

### **9% Credit**

The term “9% credit” refers to the 70% tax credit, which has a present value equal to 70% of the project’s qualified development costs, or approximately 9% per year over a 10-year period. The “9% credit” is available for the development costs of a new building or substantial rehabilitation of an existing building without a federal subsidy.

### **Applicable Fraction**

The smaller of the “unit fraction” or the “floor space fraction” (see Section 42(c) (1) of the Internal Revenue Code. The “unit fraction” is the fraction of qualified low income units in the building. The “floor space fraction” is the fraction of total floor space contained in the qualified low income units in the building.

### **Carryover Allocation**

An exception to the general rule that a credit allocation is valid only if the allocation occurs within the calendar year in which the building is placed in service. Under this type of allocation, 1) more than 10 percent of the project's reasonably anticipated basis (costs) must be incurred by the end of the calendar year in which the allocation is made; and 2) the building(s) in the project must be placed in service by the end of the second calendar year following the year of the allocation. “However, projects which receive reservations in the second half of any calendar year will have six months from the date of allocation (or until the following June 30, if later) to incur more than

10 percent of the project's reasonably anticipated basis as of the end of the second calendar year following allocation".

**Compliance Monitoring**

DHCD must actively monitor all tax credit projects to determine if they are complying with the various requirements of the tax credit program, which include, but are not limited to, determining whether the rents charged on tax credit units exceed maximum allowable rents and whether the incomes of tenant households at initial occupancy and during subsequent reviews exceed maximum allowable income limits.

**Department of Housing and Community Development**

The Department of Housing and Community Development (DHCD) is the designated tax credit allocating agency for the Commonwealth of Massachusetts. DHCD administers federal community development programs, administers the state's public housing programs, coordinates its anti-poverty efforts, and provides a variety of services to local government officials. The focus of DHCD is to make state and federal funds and technical assistance available to strengthen communities and help them plan new developments, encourage economic development, revitalize older areas, improve local government management, build and manage public housing, stimulate affordable housing through the private sector and respond to the needs of low- income people.

**Eligible Basis**

The sum of the eligible cost elements that are subject to depreciation, such as expenditures for new construction, rehabilitation, building acquisition, and other costs used to determine the cost basis of the building(s) (see IRC Section 42 for a more detailed definition). The eligible basis is increased by 30 percent if the building(s) in the project are located in a difficult development area or qualified census tract.

**EUR**

Title VI subtitle A of the Cranston-Gonzalez National Affordable Housing Act contains the Low Income Housing Preservation and Resident Homeownership Act of 1990 ("LIHPRHA" or Expiring-Use Restriction ("EUR") program). Contracts under low-interest loan programs of the 1960's & 1970's permitted certain owners to prepay federally assisted mortgages after the twentieth year of the forty year mortgage term. The statute's basic objectives are to assure that most of the "prepayment" inventory of HUD-assisted housing remains affordable to low income households and to provide opportunities for tenants to become homeowners

**HOPE VI**

In 1992, Congress created the Urban Revitalization Demonstration Program (otherwise known as HOPE VI) for the purpose of revitalizing severely distressed public housing developments. HOPE VI is funded by the U.S. Department of Housing and Urban Development to provide localities with funds and flexibility to reshape existing public housing neighborhoods. It can supply up to \$50 million to transform an entire public housing development.

**Internal Revenue Code**

The Low Income Housing Tax Credit Program (LIHTC) is a housing program contained within Section 42 of the Internal Revenue Code of 1986, as amended, governs tax credits for owners or investors in low income housing projects.

**Massachusetts Development  
Finance Agency**

The Massachusetts Development Finance Agency (MDFA) was created by the Massachusetts legislature to expand economic development opportunities. MDFA funds its programs through the sale of taxable and tax-exempt bonds to private investors.

**Massachusetts Housing Finance  
Agency**

The Massachusetts Housing Finance Agency (MHFA) was created by the Massachusetts legislature to expand rental and homeownership opportunities for low and moderate income households. MHFA funds its programs through the sale of taxable and tax-exempt bonds to private investors.

**Qualified Basis**

The portion or percentage of the eligible basis that qualifies for the tax credit. A building's qualified basis equals its eligible basis multiplied by its applicable fraction.

**Section 42**

Section 42 of the Internal Revenue Code of 1986, as amended, governs tax credits for owners or investors in low income housing projects, which has received an allocation under the terms of this plan.

**TDC**

Total Development Costs. Costs incurred for the purchase and/or rehabilitation of existing buildings or new construction. Development costs may include planning, oversight, relocation, demolition, construction or rehabilitation, reserves and all other costs necessary to develop the affordable housing project.

**Ten Percent (10%) Test**

In order to qualify for a carryover allocation, the developer's basis in the property at the end of the year in which the allocation is received must be more than ten percent of the amount that the project's basis is reasonably expected to be at the end of the second year following the allocation year. Basis consists of the project's depreciable costs and land that is reasonably expected to be part of the project. However, projects which receive reservations in the second half of the calendar year will have six months from the date of allocation to meet the ten percent test.

**Appendix I. Design Self Evaluations (Accessibility)**

## Appendix I. Design Self Evaluations (Accessibility)

### Part A: Access Code Summary Code Applicability

Sponsors are required to answer the following questions regarding applicability of state, federal, and local accessibility regulations.

1. Are Section 504, Title II of the ADA, or the ABA applicable to the project based on the applicable statutes or sources of funding? Explain.

2. If the project is existing, show calculations indicating the cost of the work relative to the value of the building or replacement cost (per MAAB's CMR 521 3.3, or Section 504 8.23(a) if applicable).

3. Describe any variances from MAAB's requirements that are anticipated, and the status of the variance process.

**Regulatory Requirements:**

Provide summary information regarding accessibility in the table below. Include the most stringent applicable requirements of MAAB, the FHA, Section 504, the ADA, and any other local requirements

**1. Site Access - Accessible Route**

<b>Requirement for Facility:</b> Routes to and from public spaces and parking are required to be accessible.	<b>Proposed:</b>
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**2. Accessible Parking**

<b>Requirement for Facility:</b>	<b>Proposed: (Indicate total number of spaces provided)</b>
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**3. Building Entrances and Accessible Routes Within Buildings**

<b>Requirement for Facility:</b>	<b>Proposed:</b>
----------------------------------	------------------

**4. Common Areas & Facilities (Offices, laundry rooms, community rooms, etc.)**

<b>Requirement for Facility:</b>	<b>Proposed:</b>
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**5. Group 1 Units (MAAB)**

<b>Requirement for Facility: (include units covered by the FHA)</b>	<b>Proposed:</b>
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**6. Group 2 Units (MAAB)**

<b>Requirement for Facility:</b>	<b>Proposed:</b>
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**Part B: Universal Design Checklist  
DHCD Requirements for all developments**

**In addition to the requirements of MAB, FHA, ADA & 504.**

**\*Requirements with an asterisk may be waived for moderate rehab projects.**

**\*\* Requirements with two asterisks shall be required only at “Gut” rehab projects.**

Feature	DHCD Required		Check if Included	Comment (Explain all items that are not included)
	Rehab	New		

**Exterior**

Provide wayfinding signage at large or challenging sites	Y	Y		
Provide effective exterior lighting at walkways, accessible routes, and exterior spaces, esp. hazards	Y	Y		
Provide handrails at all exterior steps and stairs subject to snow or ice accumulation in order to reduce slipping hazard	Y	Y		

**Common Areas**

Laundry rooms - provide a table for folding accessible to persons with physical disabilities	Y	Y		
Laundry Room Door to have 1/2 height vision panel	Y	Y		
Color contrast between tread & risers on stairs and between floors & walls in corridors, more lighting to facilitate recognition of steps by vision-impaired persons	Y	Y		
Corridors in common areas of Elderly or Assisted Living Projects to have a	Y	Y		



continuous handrail mounted on one side, 34" AFF				
All washers & dryers to be front loading with front controls, mounted on platforms to reduce bending	Y	Y		
Motion detector light switches at laundry rooms, other common areas	Y	Y		
Use materials and colors such that residents & visitors can easily recognize changes in floor level, use, etc. to assist with wayfinding.	Y	Y		

**Entrances**

Provide exterior lighting at each entry door, switched by photocell/motion detector.	Y	Y		
Overhead weather protection at entrances	N	Y		
Rough in wiring for power operated doors	Y*	Y		
Max threshold height at exterior doors to be adaptable & able to comply with the requirement for accessible route	Y*	Y		
Provide power operated doors at exterior entries of Elderly or Assisted Living Projects	Y*	Y		
No steps at entrances	N	Y		
Site grading provides accessible route up to first floor level (1:20 slope maximum)	N	N		

**Unit Interiors**

Rocker-type electrical switches	Y	Y		
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Switches no higher than 48" AFF, Thermostats at 54"	Y*	Y		
Lever hardware on all doors	Y	Y		
Receptacles, phone & cable jacks 18" AFF minimum	Y*	Y		
Max threshold or floor transition height at interior doors to be 1/2"	Y	Y		
Recommend contrasting colors between floor surfaces and trim and between walls and doors to facilitate recognition of steps by vision-impaired persons	Y	Y		
Overhead light fixtures to be able to accommodate a 2700 lumen lamp minimum, where provided.	Y	Y		
Receptacles next to phone jacks for TTY devices	Y*	Y		
If provided, Bi-fold, bypass, and Pocket doors to have premium hardware, easy-grip handle, and 32" clear when closed	Y*	Y		
All doors leading to habitable rooms to have min. 32" clearance	N	N		
Elec panel within standard reach range & with clear floor space	Y*	Y		
Rough wire all units to allow strobe lights to be installed in every bedroom and living area	Y*	Y		
Additional electrical outlets at bed locations & desks: fourplex outlet for computers, electronic equipment, personal use equipment such as oxygen	N	Y*		
Adjustable height closet rods and shelves	Y	Y		

At double hung windows, use block & tackle balances	Y	Y		
Acoustics: STC 50 at walls / IIC 50 at floors between units and between units and common areas.	Y**	Y		
Acoustics: Locate bedrooms so that they are not adjacent to common corridors, trash chutes, or other noise sources.	Y**	Y		
Odor Control: Provide for compartmentalization of each residential units per Energy Star standards. (At new and adaptive re-use projects.)	N	Y		
Ventilation: Where conditioned fresh air supply is provided to unit interiors, allow resident control of air flow. (At new and adaptive re-use projects.)	N	Y		
Furnishing: Bedrooms and Living Rooms should have more than one usable furniture configuration. (At new and adaptive re-use projects.)	N	Y		
Furnishing: At multi-level (townhouse) units with no bedroom on the entry floors, provide space to allow a temporary bed or sofa-bed in the living room. (At new and adaptive re-use projects.)	N	Y		

**Baths**

All tub/shower control knobs to be single lever handled	Y	Y		
Lever faucet controls at lavatory sinks, not paddle handles	Y	Y		

Provide min. 12" grab bar in all tub/shower units at wall opposite controls, 48" AFF	Y	Y		
Tubs and showers must have slip resistant floors (conform to ASTM F-462)	N	Y		
Mirrors in baths low enough to reach counter backsplashes	Y	Y		
Provide solid blocking at all water closets and tub/showers for grab bars installation	Y	Y		
Handheld showers at short wall of all baths, adjustable height mounting.	N	N		
Lighting: Provide non-glare dimmable task lighting at vanities.	Y	Y		

**Kitchens**

Min. clear floor space between cabinets & appliances 48"	N	Y		
Loop handles on cabinet doors & drawers	Y	Y		
Lever faucet controls at kitchen sinks	Y	Y		
Contrast colors at border treatment of countertop vs cabinets to facilitate recognition of edge of counter by vision impaired persons	Y	Y		
Adjustable height shelves in wall cabinets	Y	Y		
Controls on appliances mounted to avoid reaching over burners of Elderly or Assisted Living Projects	Y	Y		
Range hoods wired to remote switch near the range in an accessible	Y	Y		

location of Elderly or Assisted Living Projects				
Pull-out shelves in base cabinets and pantry of Elderly or Assisted Living Projects	Y	Y		
Lighting: Provide non-glare dimmable task lighting at countertops.	Y	Y		

**Part C: Visitability**

Visitability of residential units will be considered in project evaluation and scoring. The information below must be provided by the development team in order to determine the degree of visitability.

1. Definition: Visitable Units shall have, at minimum, all of the following features:
  1. Units shall be on a route without steps from a public way. *(Please note that this is not the same as an “accessible route” as defined in 521 CMR or the ADA.)*
  2. All doors on the above route, including the unit entry door, shall be 36” wide (32” minimum clear width).
  3. All unit interior doors (except closet doors) on the entry level shall be 36” wide (32” minimum clear width).
  4. On the unit entry level, there shall be a clear path to (a) a full or half bathroom; and (b) the living room and dining area of the unit. Such a full or half bathroom shall provide maneuverability clearances including access to fixtures in accordance with either (a) the Fair Housing Act Design Manual or (b) Group 1 bathrooms as defined by 521 CMR.
2. New Construction Projects and Adaptive Reuse Renovation Projects.

DHCD has established a requirement that in new construction and adaptive re-use projects, all units in elevated buildings and all ground floor units shall fulfill the requirements of the above definition of a Visitable Unit. This requirement includes units with more than one story (“townhouse units”).

3. Renovation of Existing Residential Projects.

DHCD has established the goal of providing Visitable Units in existing renovation projects wherever feasible. Sponsors are encouraged to make as many units as possible meet the definition above of a Visitable Unit.

At present, how many units in the project are visitable? \_\_\_\_\_

Upon completion of the renovations, how many units in the project will be visitable? \_\_\_\_\_

For units that will not be visitable, please describe the problems preventing visitability, as well as an estimate of what the cost impact would be of resolving the problem in order for the units to be made visitable. In cases of technological or space infeasibility, please explain.

Requirement	Description of	Cost
1. Units shall be on a route without steps from a public way.		
2. Doors on route shall be 36" wide with a zero step entrance.		
3. All unit interior doors on the entry level shall be 36" wide.		
4. Clear paths to an entry level bathroom and the living/dining room; bathrooms. Bathroom to meet Fair housing or Group 1 requirements.		

## DHCD Requirements for CBH Units

For CBH units the following **additional** requirements apply.

\*Requirements with an asterisk may be waived for moderate rehab projects.

Feature	DHCD Req'd		Check if Included	Comment (Explain all items that are not included)
	Rehab	New		

### Exterior

Dedicated accessible parking space for each CBH unit (if parking is provided)	Y	Y		
If covered parking is available, provide direct covered access from parking to CBH units	Y	Y		

### Entrances

All building entrances on accessible routes	N	Y		
Automatic door openers at building entrances on accessible routes	Y	Y		
All doorbells and intercoms must be accessible	Y	Y		

### CBH Unit Interiors

Electrical power for automatic door openers at unit entries	Y	Y		
Shelf for packages at inside and outside of all unit entrances	N	Y		
42" clear width in hallways	Y*	Y		
Space to allow wheelchair approaches at both sides of bed	Y*	Y		
Wide, shallow closets (depth 24" max) with bifold doors)	Y	Y		
Flush transition to exterior patios or decks	Y	Y		
Intercom systems usable by vision or hearing impaired persons	Y	Y		

### Baths

66" turning diameter in bathrooms	Y*	Y		
Curbless shower or tub with 48" wide parallel clear area	Y*	Y		
Grab bars at all showers and tubs	Y	Y		

### Kitchens

66" turning diameter in kitchen	Y*	Y		
Side by side refrigerator/freezer	Y	Y		
Cabinets with sliding shelves and 'lazy susan' corner cabinets	Y	Y		

**Appendix J. Design Self Evaluation (Green Building)**



## Appendix J. Design Self Evaluation (Green Building)

In order to enable DHCD to evaluate the sustainable design provisions of each project, sponsors are to provide summary information regarding green building techniques and sustainable design using the following checklist.

Feature	Verification Requirement	Check if included	Comment (explain all items that are not included)
<b>Site Design:</b>			
1. Minimize light pollution of the night sky by avoiding over-lighting outdoor spaces and by directing lighting toward the ground plane.	Include in outline specification . Submit site lighting plan and fixture information with commitment documents.		
2. Use native landscape plants that are drought tolerant. Avoid plants that are on the Massachusetts Invasive species list. Use ground-cover plants where grass is not appropriate. Preserve existing trees where possible.	Include in outline specification. Submit landscape plan with commitment documents.		
3. Install systems for the recharge of roof rainwater runoff into the groundwater. This may include downspouts to previous landscape surfaces ample for percolation.	Include in outline specification. Submit plans with commitment documents.		
4. Plant deciduous trees along the south side of building and paved surfaces to provide summer shade.	Indicate on site plan.		
5. Install covered bike racks.	Indicate on site plan.		
<b>Building Design:</b>			
6. Manage water at the building envelope to exclude water. Install flashing at horizontal exterior joints.	Submit flashing details with commitment documents.		
7. Seal the building envelope against air infiltration. Use spray foam around windows and doors, and sealant beneath plates. Provide complete air infiltration barrier including lapped and taped joints.	Submit results from blower door test at randomly selected units at completion of construction. (10% of total units minimum).		
8. At slab-on-grade construction for conditioned spaces, provide a thermal break and insulation at slab edge and underside.	Indicate on wall section.		
9. Insulate the building to a standard 15% better than code requirements.	Include in outline specification a list of insulation values, including walls, foundation, band joists, windows, and roof.		

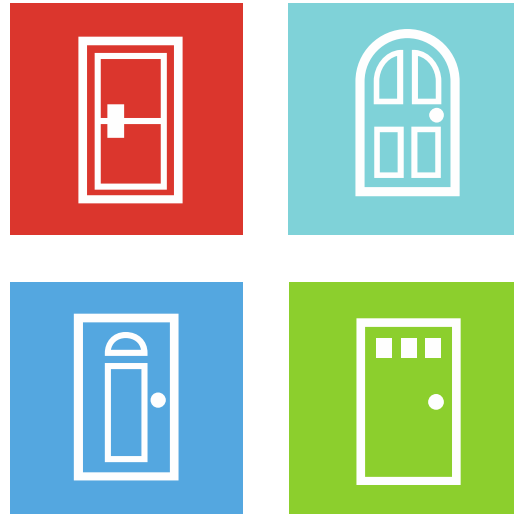
10. Install boilers or furnaces that exceed 90% efficiency. Size heating systems to take into account air sealing and insulation. Do not oversize equipment.	Include in outline specification.		
11. Install Energy Star labeled appliances.	Include in outline specification.		
12. Install only fluorescent or LED light fixtures within units. Install all LED emergency exit signs.	Include in outline specification.		
13. Install multi-speed bathroom fans at each bathroom with energy efficient motor rated for continuous duty with a minimum rating of 50 cfm. Control fan with occupancy sensor and timer.	Include in outline specification.		
14. Use no-VOC interior paints. Use low VOC carpets, flooring, and adhesives.	Include in outline specification.		
15. Provide mandatory CO detector system	Include in outline specification.		
16. Install non-paper-faced mold-resistant wallboard or cement board at areas susceptible to moisture, including kitchens, bathrooms, and laundry rooms.	Include in outline specification.		
17. Install ceramic tile or water-impervious sheet flooring with all edges sealed to the baseboard, tub, and threshold to form a water-tight floor in bathrooms.	Include in outline specification.		
18. Install FSC Certified wood for at least 60% of total wood used.	Include in outline specification.		
19. Install passive and active systems to harness renewable energy.	Submit outline specification as well as statement of expected energy saved and funding strategy.		
20. Specify that demolition procedures recycle at least 25% of all removed materials by volume, including site materials, appliances, structure, and finishes.	Include in outline specification.		
21. Specify that construction procedures use materials efficiently, and that at least 75% of construction waste be recycled. Recycle all cardboard and foam packaging materials.	Include in outline specification.		

22. Ventilate new or renovated wood construction fully after exposure to water so that wood dries completely (10 days). Also ventilate the interior spaces after substantial completion and before occupancy to dry construction and remove any accumulated VOCs.	Include in outline specification.		
<b>Building Management and Operations:</b>			
23. Provide designated spaces for recycling containers for use by residents. Include recycling instructions to resident households. Provide management-monitored recycling program and weekly collections.	Indicate space on floor plan(s). Include in management plan.		
24. Provide tenants with educational materials about recycling procedures, and efficient building systems operations and maintenance.	Include in management plan.		
25. Have all building systems inspected by a qualified independent commissioning agent immediately after construction, including verification that the systems achieve the efficiencies specified.	Include in outline specification.		

**Appendix K. Fair Housing Principles and Affirmative Fair Marketing Plan  
Guidelines**

## Appendix K. Fair Housing Principles and Affirmative Fair Marketing Plan Guidelines

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.



**MSHDA**

MICHIGAN STATE HOUSING  
DEVELOPMENT AUTHORITY

## Low-Income Housing Tax Credit Program

2019 - 2020 Qualified Allocation Plan

[www.michigan.gov/mshda](http://www.michigan.gov/mshda)

2019-2020 QUALIFIED ALLOCATION PLAN

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## 2019-2020 QUALIFIED ALLOCATION PLAN

### STATE OF MICHIGAN LOW-INCOME HOUSING TAX CREDIT PROGRAM

#### I. INTRODUCTION

The Low-Income Housing Tax Credit (LIHTC) program offers a financial incentive to construct, rehabilitate, and operate rental housing for low-income tenants. Under federal law, LIHTC is required to be allocated according to a Qualified Allocation Plan (QAP). The QAP is required to set forth selection criteria used to determine housing priorities appropriate to local conditions in Michigan.

#### II. TAX-EXEMPT FINANCED PROJECTS NOT SUBJECT TO HOUSING CREDIT CEILING

In accordance with Section 42 of the Internal Revenue Code (IRC), tax-exempt bond financed projects are required to satisfy certain basic requirements for allocation of LIHTC and are subject to the QAP. These projects are not, however, subject to the LIHTC allocation limits, other QAP requirements from which they are expressly excepted, or as determined by the Michigan State Housing Development Authority (MSHDA) (see [Tab W – Policy Bulletin #6](#)).

#### III. APPROVAL AND MODIFICATION OF THE QUALIFIED ALLOCATION PLAN

##### A. QAP APPROVAL

Pursuant to federal and state law, the QAP (including the LIHTC Scoring Criteria) shall be prepared by MSHDA, submitted to the legislature, and approved by the Governor after notice to the public and public hearing. Notice of the public hearing will be published on MSHDA's website and in newspapers of general circulation throughout the state at least fourteen (14) days prior to the public hearing. MSHDA will hold one informational hearing prior to publication of proposed changes to the QAP. After proposed changes have been published, MSHDA will conduct at least three public hearings, held at such time and place as determined by MSHDA; however, MSHDA shall give priority to locations that provide the greatest opportunity for public comment. Comments received shall be taken into consideration, and a written summary of such comments shall be provided to the Governor together with the request for approval of the QAP. The QAP, once approved, is valid until it is changed by MSHDA.

##### B. QAP MODIFICATION

To the extent necessary to facilitate the award of LIHTCs that would not otherwise be awarded, the QAP may be modified by MSHDA from time to time pursuant to State law. This modification process will follow the approval process delineated above unless specifically stated otherwise in this document.

#### IV. AUTHORITY DISCLAIMER AND ANTI DISCRIMINATION OBLIGATION

MSHDA shall administer the QAP and the allocation of LIHTC in a manner consistent with both federal housing policy governing non-discrimination and MSHDA's statutory non-discrimination requirements. The allocation of LIHTCs is made at the sole discretion of MSHDA. MSHDA and its board members, directors, employees, and agents shall not be liable for any matters arising out of or in relation to the allocation or administration of LIHTC.

MSHDA may waive any requirements and/or conditions that are not mandated by Section 42 of the IRC on a case-by-case basis, including project-specific deadlines, as deemed necessary to facilitate the administration of the LIHTC Program, to address unforeseen circumstances, and that it determines are in the best interest of the State of Michigan. In the event a waiver is granted under any of these or other circumstances, a fee may be charged. Additionally, MSHDA may make adjustments to standard policies/procedures, if needed, to resolve any administrative errors made in the evaluation of an application brought to MSHDA's attention following conclusion of a funding round. Potential remedies may include, but are not limited to making an allocation of credit from a future funding round to a project that would have otherwise received an award of credit. To the extent that anything contained in this QAP does not meet the minimum requirements of federal law or regulation, or state law or regulation, such law or regulation shall take precedence over the QAP.

#### V. FUNDING ROUND AND PRIORITIES

##### A. FUNDING ROUNDS

The Authority intends to hold two competitive funding rounds for both 2019 LIHTC and for 2020 LIHTC, both of which, will be publicized on the Authority's website ([www.michigan.gov/mshda](http://www.michigan.gov/mshda)).

Prior to each funding round, the following items must be completed:

- (1) Permanent Supportive Housing projects must have their initial meeting with the Continuum of Care (CoC)
- (2) All applicants will be required to submit a request for market study in accordance with the requirements found in Exhibit I.VI. attached hereto and the guidelines found in Tab C of MSHDA's Combined Application for Rental Housing Programs,
- (3) Preservation projects will be required to submit documentation prior to the funding round deadline to determine if the project is competitive under the MSHDA Gap Financing Program (please see Section B.1. for further information on this process)
- (4) Developments that are proposing the complete a 4%/9% Mixed Transaction will be required to submit documentation to MSHDA prior to the funding round deadline
- (5) Any projects requesting a waiver of any QAP provisions as part of an application for a competitive funding round must submit their request in writing prior to the funding round deadline

- (6) Permanent Supportive Housing projects that are applying for the first time will be required to meet with the Addendum III Review Team prior to the deadline highlighted below
- (7) Affordable Assisted Living (AAL) projects must submit a review packet to the AAL Steering Committee for review and approval prior to the funding round deadline.
- (8) Projects applying for Section 811 assistance must submit a Section 811 application by the deadline shown below.

A timeline of applicable deadlines leading up to and including each funding round is included below:

STAGE OF PROCESS	DUE DATE
<b>Fall 2018 Funding Round</b>	
Initial Meeting with CoC Deadline (PSH Only)	Friday, July 16, 2018
Market Study Request Due Date	Monday, July 16, 2018
Waiver Request Due Date	Wednesday, August 1, 2018
Preservation Level 1 Review Due Date	Wednesday, August 15, 2018
4%/9% Mixed Transaction Level 1 Review Due Date	Wednesday, August 15, 2018
Addendum III Initial Concept Letter Due Date (PSH Only)	Wednesday, August 15, 2018
Affordable Assisted Living Steering Committee Review Packet Due Date	Wednesday, August 15, 2018
Section 811 Application Deadline	Friday, September 21, 2018
Funding Round Due Date	Monday, October 1, 2018
Expected Award Notification Date	January of 2019
<b>Spring 2019 Funding Round</b>	
Initial Meeting with CoC Deadline (PSH Only)	Monday, December 3, 2018
Market Study Request Due Date	Tuesday, January 15, 2019
Waiver Request Due Date	Friday, February 1, 2019
Preservation Level 1 Review Due Date	Friday, February 15, 2019
4%/9% Mixed Transaction Level 1 Review Due Date	Friday, February 15, 2019
Addendum III Initial Concept Letter Due Date (PSH Only)	Friday, February 15, 2019
Affordable Assisted Living Steering Committee Review Packet Due Date	Friday, February 15, 2019
Section 811 Application Deadline	Friday, March 22, 2019
Funding Round Due Date	Monday, April 1, 2019
Expected Award Notification Date	July of 2019
<b>Fall 2019 Funding Round</b>	
Initial Meeting with CoC Deadline (PSH Only)	Monday, June 3, 2019
Market Study Request Due Date	Monday, July 15, 2019
Waiver Request Due Date	Thursday, August 1, 2019
Preservation Level 1 Review Due Date	Thursday, August 15, 2019
4%/9% Mixed Transaction Level 1 Review Due Date	Thursday, August 15, 2019
Addendum III Initial Concept Letter Due Date (PSH Only)	Thursday, August 15, 2019
Affordable Assisted Living Steering Committee Review Packet Due Date	Thursday, August 15, 2019
Section 811 Application Deadline	Friday, September 20, 2019
Funding Round Due Date	Tuesday, October 1, 2019
Expected Award Notification Date	January of 2020
<b>Spring 2020 Funding Round</b>	
Initial Meeting with CoC Deadline (PSH Only)	Monday, December 2, 2019
Market Study Request Due Date	Wednesday, January 15, 2020
Waiver Request Due Date	Monday, February 3, 2020
Preservation Level 1 Review Due Date	Tuesday, February 18, 2020
4%/9% Mixed Transaction Level 1 Review Due Date	Tuesday, February 18, 2020
Addendum III Initial Concept Letter Due Date (PSH Only)	Tuesday, February 18, 2020
Affordable Assisted Living Steering Committee Review Packet Due Date	Tuesday, February 18, 2020
Section 811 Application Deadline	Friday, March 20, 2020
Funding Round Due Date	Wednesday, April 1, 2020
Expected Award Notification Date	July of 2020

Applications must be received in either MSHDA's Lansing office or MSHDA's Detroit office no later than 5:00 pm on the applicable application due date shown above. Applications may be sent via delivery service (e.g., post, overnight, and courier) or personal hand-delivered service. Applications received after the due date and time will not be processed. No waiver of the delivery time will be granted.

**B. FUNDING PRIORITIES**

MSHDA will award LIHTCs to different Categories of housing, as well as to meet Statutory Set-Asides (as further defined below) of the state's total credit ceiling.

Funding Priorities	Percentage
Categories	
Preservation Category	25%
Permanent Supportive Housing (PSH) Category	25%
Open Category	25%
Strategic Investment Category	10%
Undesignated	15%

**1. PRESERVATION CATEGORY**

Allocated to Preservation projects meeting the requirements found in [Section VII.B.](#), [Exhibit II](#) attached hereto, and that follow the process outlined below:

For a preservation project to be eligible to apply for 9% LIHTC, it must first be submitted to MSHDA in order to evaluate whether the project is likely to be competitive under the MSHDA Gap Financing Program. Please note that existing United States Department of Agriculture Rural Development (“USDA RD”) financed preservation projects that are composed of 49 units or less will not be required to submit to MSHDA under the process outlined below before applying under the 9% Preservation Category. The Gap Financing Program makes available a certain amount of gap financing to be used in combination with MSHDA tax-exempt bond financing. To perform its evaluation, MSHDA will consider the following:

1. The financial viability of a project based on the pro-forma analysis, site, and preliminary market analysis;

2. The overall capacity and experience of the development team; and
3. The likelihood that the project will be competitive and be able to proceed with the funds available in the Gap Financing Program. To determine how competitive a project is likely to be, MSHDA will primarily evaluate a project's soft to hard debt ratio, which is used to rank the proposals in the Gap Financing Program, to determine if the project appears to be competitive as compared to the current or most recent Gap Financing Program funding round. Applicants are encouraged to view rankings of recent Gap Financing rounds on MSHDA's website to determine with more certainty whether or not their project has a competitive soft to hard debt ratio. All Preservation projects (with the exception of existing Rural Development financed preservation projects that are composed of 49 units less) will be required to submit under the MSHDA Gap Financing Program regardless of their soft to hard debt ratio. Applicants should note that MSHDA is now allowing all developments that have a low soft debt to hard debt ratio (the number will be updated by MSHDA from time to time) to submit for MSHDA Tax Exempt Bond/4% Credit/Gap Funding at any time, without being required to submit as part of the competitive Gap Financing Round.

Following the analysis above, if, based on MSHDA's determination, a project appears to be a strong candidate for the Gap Financing Program, the project will need to be completed using the Gap Financing Program and will be ineligible for 9% LIHTC. However, if, based on MSHDA's determination, a preservation project is unlikely to be competitive in the Gap Financing Program; the project will be eligible to submit for consideration as part of a 9% funding round under the Preservation Category. Additionally, following an evaluation based on the process outlined above, preservation projects that do compete under the Gap Financing Program, but that cannot move forward using gap financing with a MSHDA tax-exempt loan (as determined by MSHDA as part of the Gap Financing Program) will be able to submit an application for credit as part of Preservation Category for 9% LIHTC in a future round. An applicant will not be able to submit a preservation project for 9% credit unless the project has been submitted to MSHDA, reviewed based on the criteria above, and MSHDA has determined that the project is unlikely to be competitive using the available gap funding paired with a tax-exempt bond loan.

The Preservation Category will be made available in both the October and April 9% LIHTC funding rounds of each year. Because of this timeline, an applicant may be evaluated by MSHDA at any time as long as the submission of the required documentation takes place at least 45 days in advance of the 9% funding round in which the applicant intends to apply. In order to complete the review outlined above, the applicant must submit the LIHTC Application and the documents listed under the Preliminary Project Assessment portion of MSHDA's [Addendum IV Exhibit Checklist](#). MSHDA's determination of the project as it relates to this assessment and the project's eligibility for 9% LIHTC will be good for a period of one year provided that there are no changes made to the project that would cause it to be materially different from what was originally reviewed under the determination. After one year or in the case where there are material differences in the application, another assessment would need to be made by MSHDA to determine a project's eligibility for future 9% LIHTC funding rounds. For further clarity, "material differences" generally includes, but is not limited to, any differences in land and building costs, site work



and hard construction costs, soft costs, income projections, operating expense projections, replacement reserve projections, equity pricing, soft sources, seller financing, and any other funding sources from interim operations or transfers of existing escrows. MSHDA is aware that there are programmatic differences between the 9% LIHTC Program and MSHDA Gap Financing Program regarding developer fee calculations, financing fees, and capitalized reserve requirements and will generally not consider differences in these areas to be material differences if they are solely a result of the project taking advantage of differing program requirements.

Projects that are ultimately eligible to be submitted in the 9% Preservation Category portion of the funding round will be evaluated and awarded based on the scoring criteria, requirements, and process outlined in this Qualified Allocation Plan.

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## 2. PERMANENT SUPPORTIVE HOUSING (PSH) CATEGORY

Allocated to projects setting aside at least 35% of the units in the development for new tenants that are PSH-eligible or that are preserving an existing PSH project for which the project will remain a PSH project; and that also meet the requirements of [Addendum III](#). A project that has more than 75 PSH units is not eligible to be submitted unless a waiver is granted by MSHDA. Projects meeting the definition of a PSH project, according to the Addendum III, must be submitted in this Category.

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## 3. OPEN CATEGORY

Allocated to projects not meeting the requirements for either the Preservation Category or the PSH Category.

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## 4. STRATEGIC INVESTMENT CATEGORY

Projects applying in any of the three Categories above can also apply in this Strategic Investment Category by submitting the documentation necessary to satisfy the requirements outlined in [Exhibit III](#) attached hereto. Projects funded under this Strategic Investment Category will not be subject to the standard Scoring Criteria and will be evaluated solely based on the sufficiency of the proposal based on [Exhibit III](#) attached hereto and the usual threshold requirements. If MSHDA determines that not all of the credit under this Strategic Investment Category will be used, the credit will be moved to the “Undesignated Credit” below for the funding rounds in which the Undesignated Category is applicable. It is anticipated that very few, if any, projects will meet the requirements to be funded under this Category.

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## 5. UNDESIGNATED CREDIT

The Undesignated Credit in the April 2019 and 2020 funding rounds will be awarded in the following order:

- a. MSHDA will use its discretion to place projects awarded from the Categories (including the Strategic Investment Category) in both the October and April funding rounds into the [Statutory Set-Asides](#), with the only goal being to fill the Statutory Set-Asides from the projects already

awarded. If any Statutory Set-Asides remain unmet, Undesignated Credit will be used to fill the remaining Statutory Set-Asides. Following the conclusion of each funding round, MSHDA will post a list of awards, which will include an indication regarding which Statutory Set-Aside each project was awarded from.

- b. After all Statutory Set-Asides have been met, any remaining Undesignated Credit will be allocated to the highest scoring unfunded projects in the round.

In performing its analysis of credit to be awarded in the Undesignated Category, MSHDA will not take into consideration any points for Permanent Supportive Housing awarded in Section F of the LIHTC Scoring Criteria. All other criteria outlined in the LIHTC Scoring Criteria will apply. PSH projects awarded from the Undesignated Credit will not be eligible to reduce the number of PSH units in the development or make changes to areas of the project for which points under the PSH section of the scoring criteria were awarded.

### C. STATUTORY SET-ASIDES

- **Nonprofits, 10%** - Qualified nonprofit organizations as required by Section 42 of the IRC and that meet the requirements outlined in Addendum I.
- **Rural Housing, 10%** - Proposed or existing housing projects that fall into one or more of the following categories: a) financed by a loan guaranteed by Rural Housing Services or a successor agency; b) funded by a federal program for the development of rural housing; or c) is located in an area other than a metropolitan area. A list of non-eligible rural communities can be found on MSHDA's website: [Rural Communities List](#)
- **Elderly, 10%** - Projects in which 100% of the units serve tenants that conform to the federal agency(s) definition of elderly or the MSHDA definition of elderly under the MSHDA Act.
- **Eligible Distressed Areas, 30%** - Housing projects in eligible distressed areas, which include proposed or existing housing projects in distressed areas pursuant to MCL 125.1411(u). A list of Eligible Distressed Areas can be found on MSHDA's website at [Eligible Distressed Areas List](#)

*With the exception of the nonprofit set-aside, if the LIHTC allocated falls below the set-aside threshold by October 1 of the year in which that credit amount is authorized, MSHDA may reapportion unallocated LIHTC amounts thereafter.*

### D. LIHTC ALLOCATION LIMITS

- |   |             |
|---|-------------|
| 1. Maximum award per project:                           | \$1,500,000 |
| 2. Maximum award per Principal (annual credit ceiling): | \$3,000,000 |

*Co-developers will be allocated tax credits against the per-Principal limit based upon the percentage of interest in the cash-paid (non-deferred) portion of the development fee, including any costs or other fees that would typically be included in and paid from the developer fee as described in [Section X](#) below. For example, if co-developers retain a fifty percent (50%) interest each in the cash-paid (non-deferred) portion of the developer fee, fifty percent (50%) of the tax credits will be counted against each of the developer's per-Principal caps. Parties that have an identity of interest may be treated as a single developer (or Principal) for purposes of the cap if MSHDA concludes, based on the relevant*

*facts and circumstances, that the submission of an application by one or more of the applicants is intended, in whole or in part, as a means of circumventing the annual credit ceiling per-Principal cap. If a Principal has not exceeded its annual cap, and there is enough credit under the per Principal cap limits to fund 80% of the proposed project, then MSHDA, in its discretion, may consider 1) fully funding that project; 2) awarding an amount less than the amount requested, but that still makes the project feasible; or 3) awarding only the remaining 80% if it is enough credit to make the project financially viable.*

*For this purpose, a Principal is defined as any person or entity receiving a portion of the development fee, which shall also be reflected in the Development Team Information portion of the Low-Income Housing Tax Credit Program Application.*

3. If the credit remaining in a Category is sufficient to fund 80% of the credit amount approved for the next highest scoring project in the corresponding Category, MSHDA may 1) consider fully funding that project by taking the remaining credit from the 15% Undesignated Credit described above; 2) awarding an amount less than the amount requested, but that still makes the project feasible; or 3) award only the remaining amount of credit to a project if it is shown to be financially viable. Otherwise, MSHDA will either skip the project to fund the next highest scoring project that is financially viable with lesser credit or move the balance of the credit to the Undesignated Credit or the following funding round as applicable, at its sole discretion.

## E. WAIVER REQUESTS

Applicants requesting a waiver of any QAP provisions as part of an application for a competitive funding round must submit their request in writing at least 60 days in advance of all competitive funding rounds. Any waiver request not submitted within these timeframes will not be considered. While it is not anticipated that many requests will be granted, MSHDA will endeavor to provide responses to all waiver requests no later than 30 days in advance of all funding rounds. **NOTE:** This waiver request process does not apply to projects seeking the use of alternative underwriting standards other than those published by MSHDA. Requests for the use of alternative underwriting standards may be made as part of a funding round submission.

## VI. LIHTC FUNDING ROUND PROCESS

MSHDA will hold two funding rounds for both 2019 credit and 2020 credit as outlined below. In each of the funding rounds, allocations will be made to the highest scoring projects in each of the Categories; regardless of which Statutory Set-Aside(s) a project otherwise qualifies for. Any credit that is not utilized in any of the Categories from the October Funding Round will be moved to the April Funding Round for each respective year. Amounts below are based on an estimated annual credit ceiling of \$26 million.

### A. FUNDING ROUND #1: OCTOBER 2018 & 2019 (APPRX 45% OF ANNUAL CREDIT CEILING)

- Preservation Category - \$3,900,000 (approx. 15%)
- Permanent Supportive Housing Category – \$3,900,000 (approx. 15%)
- Open Category – \$3,900,000 (approx. 15%)

**B. FUNDING ROUND #2: APRIL 2019 & 2020 (APPRX 45% OF ANNUAL CREDIT CEILING)**

- Preservation Category – \$2,600,000 (approx. 10%)
- Permanent Supportive Housing Category – \$2,600,000 (approx. 10%)
- Open Category – \$2,600,000 (approx. 10%)
- Undesignated – \$3,900,000 (approx. 15%)

**C. STRATEGIC INVESTMENT CATEGORY - (APPROX. 10% OF ANNUAL CREDIT CEILING)**

The Strategic Investment Category may be used to fund qualifying developments from any competitive funding round at any time at MSHDA's discretion. If MSHDA determines that not all of the credit under this Strategic Investment Category will be used, the credit will be moved to the "Undesignated Credit" in the April Funding Round of the corresponding year.

**VII. ELIGIBILITY REQUIREMENTS**

Certain threshold requirements must be met for all projects, unless otherwise stated in any Addenda or Policy Bulletins, or waived. Proposals not meeting threshold requirements will not be processed further.

**A. GENERAL THRESHOLD REQUIREMENTS**

The following Threshold requirements, described in greater detail in [Exhibit I](#) attached hereto, will apply to all projects:

1. [Application Completeness](#)
2. [Project Narrative](#)
3. [Site Control](#)
4. [Zoning](#)
5. [Utilities](#)
6. [Market Study](#)
7. [Environmental](#)
8. [Title Insurance Commitment](#)
9. [Financing](#)
10. [Acquisition Transfer](#)
11. [Equity Investor Letter](#)
12. [Green Policy](#)
13. [Development Team Capacity](#)
14. [Affirmative Fair Housing Marketing Plan](#)
15. [Ownership Formation](#)
16. [Waiver of Qualified Contract](#)
17. [Vouchers and Public Housing](#)
18. [MSHDA Financing Signage](#)

19. [Minimum Hard Construction Costs](#)
20. [Maximum Total Development Cost Per Unit Limit](#)
21. [Michigan Products](#)
22. [Phased Developments in the same building](#)

## B. THRESHOLD REQUIREMENTS – PRESERVATION PROJECTS

'Preservation' applies to the acquisition and renovation of existing affordable properties, which are currently subject to a low income use restriction. For purposes of determining which category to apply under, adaptive reuse projects, entirely vacant residential buildings, and projects requiring demolition will be ineligible to apply under the Preservation category, regardless of whether or not project-based rental subsidies are being preserved. Only Preservation projects that meet this definition and the threshold requirements outlined in [Exhibit II](#) attached hereto, in addition to the General Threshold Requirements may receive points for Preservation and apply under the Preservation Category.

## VIII. SELECTION CRITERIA

MSHDA will evaluate applications for LIHTC in accordance with the requirements of federal and state law and the QAP (including any related Policy Bulletins and Addenda) based on the Scoring Criteria. The Scoring Criteria is incorporated herein as though it were a part of the body of this QAP. The general areas where projects can receive points in the Scoring Criteria include, but are not limited to: project location, project financing, project characteristics, and development team characteristics. For further information on the scoring criteria and specific point values, please refer to the [Scoring Criteria](#). Under no circumstances will any application subject to a competitive scoring process give rise to an entitlement or legal right to an allocation of LIHTCs. The allocation of LIHTCs shall be entirely at the discretion of MSHDA.

### A. HOUSING IN AREAS OF OPPORTUNITY & OTHER NOTES

As is outlined in greater detail throughout this QAP, the Scoring Criteria, and other applicable policy documents, many of the policies that are in place within the 2019-2020 QAP are designed with the intent of ensuring that affordable housing is available in areas of high opportunity. To accomplish this, the 2019-2020 QAP places a great amount of emphasis on the strength of a project's location by considering many factors as further highlighted below. It is the intention of these policies to develop and revitalize housing in areas that have a significant quantity of community amenities, offer tenants access to mobility and jobs, and that will be a focal point for further future investment.

The following are key criteria within the QAP and other related policies that have a direct correlation to creating and/or preserving affordable housing and allowing lower income residents to live in areas of greater opportunity:

1. Proximity to Transportation
2. Proximity to Amenities

3. Education, Health and Well-Being, Economic Security, and Jobs, Goods, and Services
4. Developments located within an Opportunity Zone
5. Developments near Downtowns/Corridors
6. Developments near an Employment Center
7. Neighborhood Investment Activity Areas
8. Affordable/Market Rent Differential
9. Mixed Income Development
10. Rural Set-Aside

The QAP has a heavy emphasis on location because strong locations have significant benefits for residents. Among these benefits are the potential for enhanced quality of life, proximity to employment, and reduced transportation costs associated with living in walkable areas. Residents desire to live and work in locations where there is a high quality of life and where there are a multitude of opportunities to continue to better their current situation. Residents that are in need of affordable housing are no different in what they desire and affordable housing should be no different in what it offers them. It is for these reasons that the QAP intentionally focuses on areas of opportunity.

Additionally, On March 7, 2013, the Violence Against Women Reauthorization Act (VAWA) of 2013 was signed into law. The reauthorization contained several updates to the housing provisions including a number of legal obligations for owners and managers of rental properties funded by LIHTC. The Authority is committed to working closely with property owners to ensure onsite compliance and enforcement when necessary.

## **B. TIEBREAKERS**

If, after evaluating projects based on the Scoring Criteria, two projects have identical scores, MSHDA will select between them according to this order of priority: lowest actual amount of credit per unit; highest sum total score under Section A. Opportunity Criteria of the Scoring Criteria; lowest total development cost per unit.

## **C. RE-EVALUATION PROCESS**

Following completion of a competitive funding round, if an applicant believes there was an error made during the review process or that an application was not evaluated correctly, an applicant may contact MSHDA to have a specific portion of the application that was submitted re-evaluated. Any such request must be made to MSHDA in writing within 7 days of MSHDA making the awards public by posting a list of awards to the MSHDA website. For purposes of this re-evaluation, MSHDA will not consider any additional documentation that was not provided with the application, but may consider information provided by an applicant intended to clarify portions of the application. MSHDA, in its sole discretion, will determine whether or not the re-evaluation of an application submission should warrant an award of LIHTC.

## IX. UNDERWRITING STANDARDS & APPLICATION OF BASIS BOOST

In making its determination of the LIHTC dollar amount necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the initial credit period, MSHDA will consider the sources and uses of funds and the total financing planned for the project, and any proceeds or receipts expected to be generated by reason of tax benefits. HOWEVER, SUCH A DETERMINATION OF FEASIBILITY BY MSHDA SHALL NOT BE CONSTRUED TO BE A REPRESENTATION OR WARRANTY AS TO THE FEASIBILITY OR VIABILITY OF THE PROJECT. Please see [Exhibit IV](#) attached hereto for further information on the underwriting process and standards to be used.

### A. APPLICATION OF BASIS BOOST

The “basis boost” has historically been applied to projects in two ways:

- i. Buildings located in a difficult to develop area (DDA) or in a qualified census tract (QCT)
- ii. Section 42(d)(5) provides that state housing credit agencies may award up to a 30 percent “basis boost” to buildings that States determine need the boost to be economically feasible, effective for buildings placed in service after July 30, 2008. This additional increase is not available to buildings located in a Qualified Census Tract, HUD-designated Difficult Development Areas, or tax-exempt bond financed projects; and it must be awarded prior to the issuance of 8609s, subject to tax credit ceiling being available.

The Protecting Americans from Tax Hikes (PATH) Act of 2015 made permanent the fixed 9% credit rate. As a result of that change, in an effort to ensure the efficient allocation of the LIHTC resource, the QAP is limiting the maximum allowable basis boost that any project can receive to 20% based on the criteria outlined in Exhibit V.

Properties meeting any of the criteria found in [Exhibit V](#) attached hereto are eligible for a basis boost up to the percentages listed therein, although they are still subject to the usual evaluation of minimum credits needed to achieve feasibility.

## X. FEE LIMITS

### A. DEVELOPMENT FEES

The total amount of any (i) developer fees, (ii) developer guaranty fees, and (iii) consulting fees (excluding fees to a third party, non-related construction manager included and paid from the construction contract), will be no more than the maximum development fee allowed to a project as outlined below.

#### 1. DEVELOPMENT FEE - TAX-EXEMPT BOND FINANCED PROJECTS

For projects financed with tax-exempt bonds eligible for 4% credit, the maximum development fee shall be calculated as follows:

- a. For projects of 49 units or fewer, the development fee will be the sum of the following:
  - i. 7.5% of acquisition costs
  - ii. 7.5% of project reserves
  - iii. 20% of all other development costs, excluding developer fee, developer overhead, and developer consulting fee.
- b. For projects of 50 units or more, the development fee will be the sum of the following:
  - i. 7.5% of acquisition costs
  - ii. 7.5% of project reserves
  - iii. 15% of all other development costs, excluding developer fee, developer overhead, and developer consulting fee.

NOTE: Tax-exempt bond financed projects seeking gap financing from MSHDA will be eligible to receive a maximum developer fee based on the calculations above. However, please note that for purposes of sizing the amount of gap financing that the project is eligible to receive, the maximum developer fee will be based on the lesser of the applicable calculation outlined above or \$2,100,000.

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## 2. DEVELOPMENT FEE – 9% LIHTC PROJECTS

For all projects eligible for 9% LIHTC, the maximum development fee shall be the lesser of \$1,500,000 or the sum of the following:

- a. 7.5% of acquisition costs
- b. 7.5% of project reserves
- c. 15% of all other development costs, excluding developer fee, developer overhead, and developer consulting fee.

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## 3. DEVELOPMENT FEE – OTHER CONSIDERATIONS

In addition to the fee limits outlined above, the following considerations must also be given with regard to the development fee:

- If either 1) a new building or physical structure is split into two or more phases, or (2) an existing project, building, or physical structure is split into two or more phases, the aggregate development fee for all phases shall not exceed the limitations stated above.
- For projects involving acquisition and rehabilitation, an amount equal to at least 5% of the acquisition cost of the land and building(s) must be allocated to the acquisition of the property (and the acquisition eligible basis, if applicable) for purposes of attribution to the development fee.



- Up to 50% of the total development fee can be deferred to cover a gap in funding sources as long as the entire amount will be paid within fifteen (15) years. If the proforma in the application indicates that cash flow is insufficient to repay the deferred development fee within 15 years, the Applicant must provide an explanation in the narrative as to how the deferred development fee will be repaid.

#### **B. CONSTRUCTION CONTRACT ITEMS**

- General Requirements - 6% of construction costs, exclusive of builder profit, builder overhead and general requirements.
- Builder Overhead - 2% of construction costs, exclusive of builder profit and builder overhead.
- Builder Profit - 6% of construction costs, exclusive of builder profit.

#### **C. CONSTRUCTION MANAGEMENT**

If a construction manager or a consultant serving a similar capacity (as determined by MSHDA) is not included in the construction contract, then any construction management or consulting fee must be included in and paid from the developer's fee. If a construction management or consultant fee (paid to a related or unrelated third party) is included in the construction contract, it must be included in and subject to the above fee limits relating to General Requirements, Builder Overhead, and Builder Profit. Excess fees will be deducted from total development costs when performing the gap calculation.

#### **D. IDENTITY OF INTEREST FEES**

If an identity of interest exists between the Applicant and the General Contractor, incentive fees may only be paid to the extent that they are included in the above mentioned fee limitations. A general contractor may act as a subcontractor and may be entitled to additional overhead and profit otherwise payable to an independent subcontractor as long as the overhead and profit is determined to be within industry standards at the sole discretion of MSHDA. However, the general contractor's overhead, profit, and general requirements that may be included as allowable project costs are limited to the percentages noted above.

#### **XI. FIRST EVALUATION AND AWARD OF RESERVATIONS**

Project applications that include all required information and documentation in a form and manner acceptable to MSHDA, and that meet or exceed the QAP's threshold requirements and underwriting standards will be eligible to be evaluated for receipt of a Reservation and Carryover Allocation of LIHTC. However, applications will only be evaluated if MSHDA determines that the application is in a position to be competitive for an award of credit.

Following the award of credit, projects are expected to move forward with closing on financing sources and commencement of construction in a timely manner. While a project will not need to demonstrate closing and commencement of construction until the 10% Certification deadline shown below, to allow MSHDA to monitor the progression of projects, owners will be required to submit progress reports to MSHDA regularly during this period of time. Failure to submit accurate progress reports on a timely basis may result in negative points on future projects or a loss of credit to the project.

## XII. SECOND EVALUATION

All projects receiving an allocation of 9% LIHTC must provide evidence, acceptable to MSHDA and in accordance with any applicable federal regulations, from a Certified Public Accountant that more than 10% of the taxpayer's reasonably anticipated basis in the project (as of the close of the second calendar year following the calendar year of the allocation) is incurred within 12 months of the allocation date. Additionally, a second financial review of the project based on updated project sources and uses as well as updated project income and expenses will be conducted at the time this certification is submitted in accordance with the procedures described in [Exhibit IV](#) attached hereto.

In conjunction with the submission of the above items to satisfy the federal 10% Certification requirements, all Applicants, including those with projects with only 4% credits, must submit to MSHDA acceptable evidence of the following items which can be found in the [10% Certification Exhibit Checklist](#) on MSHDA's website. Failure to provide such documentation may result in the allocation being rescinded. The items required to be submitted are:

- Partnership Agreement or Operating Agreement.
- Documentation of the equity price to be paid to the owner, if not identified in the Partnership Agreement or Operating Agreement.
- For all projects that are relying on tax abatement for financial feasibility, a copy of the project-specific resolution, if not provided at the time of application.
- Record of the disbursement of the equity or construction loan.
- Recorded notice of commencement (or evidence that the notice has been received for recording) unless on tribal land.
- Recorded deed to the property (or evidence that the deed has been received for recording) or long-term lease on tribal land.
- All building permits necessary to begin construction, or a letter from the municipality stating that the permits will be issued upon payment of fees.
- Appraisal for all projects having an acquisition cost as a part of the total project costs, consistent with [Policy Bulletin #8](#) to ensure the most effective and efficient use of LIHTC. For scattered site

projects, this requirement will be evaluated on a case-by-case basis.

- Capital Needs Assessment dated within 1 year of the 10% Test application due date. All Capital Needs Assessments must be completed in accordance with [Exhibit II](#) attached hereto, and [Tab Z](#) of MSHDA's Combined Application.
- Updated project schedule, pro-forma financial information, and sources and uses statement.
- Fully executed copy of the [MSHDA Green Policy Certification](#) and, if required by MSHDA Green Policy, proof of project registration with either Enterprise Green Community Partners or U.S Green Building Council.
- An Independent Accountant's Report on Applying Agreed-Upon Procedures, certifying that 10% of the project's costs will have been incurred by the due date. (Not applicable to projects financed with tax-exempt bonds utilizing 4% credits not subject to the annual housing credit ceiling)

### XIII. FINAL EVALUATION

MSHDA will further evaluate the project following the date all of the buildings in a project are placed in service, including a site visit if deemed necessary by MSHDA, to ensure that all program requirements have been met and to review the project prior to issuance of IRS Form 8609. To begin this process, a request for a LIHTC Regulatory Agreement must be submitted to MSHDA no later than November 1st of the year a project places in service.

In addition to the issuance of the LIHTC Regulatory Agreement, when the project/building is placed in service and prior to the issuance of a Form 8609, the owner must submit to MSHDA acceptable evidence of the items listed below. The placed in service application must be submitted to MSHDA on or before February 1st of the year after the project is placed in service. Applicants are also encouraged to refer to the [LIHTC Placed in Service Exhibit Checklist](#), which can be found on MSHDA's website for further detail regarding these requirements. The documentation required is as follows:

1. Copy of executed and recorded deed to property showing partnership as owner (or long-term lease showing partnership as lessee if on tribal land), including correct property description.
2. Copy of updated ownership entity formation records approved by the Department of Licensing and Regulatory Affairs's Corporations Division
3. [First Year Credit Statement](#)
4. Updated [application](#).
5. Independent, third party final owner's and contractor's cost certifications for all projects.

6. Certificates of occupancy (or their equivalent for rehabilitation work). Additionally, owners must also submit a copy of the same to MSHDA Compliance for each building in the development within five (5) business days after each certificate becomes available.
7. Final executed limited partnership agreement or operating agreement and all attachments.
8. Copy of executed and recorded permanent mortgage and other permanent financing sources.
9. Color photograph of project.
10. [Form 8821](#), Tax Information Authorization naming MSHDA as the appointee to receive tax information.
11. A check for Compliance Monitoring Fees.
12. Assignment or transfer agreement of the rental subsidy that has been approved by the appropriate agency, if applicable.
13. A copy of the project's latest financial audit (if available).
14. Fully executed copy of the **MSHDA Green Policy Certification** and, if required by MSHDA Green Policy, proof of project Certification with either Enterprise Green Community Partners or U.S Green Building Council.
15. Updated Environmental and/or Marketing documentation, if applicable.
16. Fully executed Michigan Based Product certification, VISIBLE Units Certification, Barrier Free Units Certification, Total Project Square Footage Certification, and as-built drawings of the accessible community space.
17. Subsidy Layering Review application and HUD 2880 form (if applicable).

#### **XIV. HOUSING CHOICE VOUCHERS**

This QAP awards LIHTC through a competitive process that can also serve as a form of competitive selection for purposes of applications for project-based vouchers and other forms of assistance. In particular, MSHDA will continue to make project-based vouchers available on a case-by-case basis to projects that agree to set-aside at least five units for Permanent Supportive Housing.

#### **XV. PROJECT OR DEVELOPMENT TEAM CHANGES**

Owners will not be allowed to make changes to a project that would result in a change to any of the specific items for which points were awarded, unless extraordinary and well-documented circumstances would warrant it. Any such changes to a project that require a re-scoring or re-evaluation which causes the project's position to fall below its original position may cause the allocation of LIHTC to be rescinded or an assessment of negative points on future applications.

Additionally, Reservations, and/or Carryover Allocations are non-transferable either to another entity or within the same entity where there is a change in control or general partner interests, except with the express written consent of MSHDA, it being the explicit intention of the QAP to prevent one party from obtaining such a Reservation and/or Carryover Allocation in order to sell or broker its interest in the proposal (except for syndication purposes). Because all representations made with respect to the owner, applicant, developer or related party or entity, or any member of the development team, their experience and previous participation are material to the evaluation made by MSHDA, it is not expected that MSHDA's consent will be granted for such transfers unless a new application is submitted and scores no less than the original application, and the transfer is a benefit for the project.

## **XVI. EXCHANGE OF CREDIT**

In certain unusual circumstances, delays may occur which will prevent the project from being placed in service at the end of the second calendar year after the date of the Carryover Allocation. In extremely unusual circumstances that are beyond the control of the developer, MSHDA may allow the credit to be returned and may issue a Carryover Allocation in the year in which the credit is returned without the necessity of competing for funding provided certain conditions are met. Such a request will be evaluated as a facts and circumstances test. Exchanges of credit may be applied for at any time. However, if the project for which an exchange of credit is being requested is not at least 50% complete with construction at the time the request is made, the Applicant will not be allowed to apply for LIHTC for any future developments in the next two funding rounds in order to focus their attention on finishing the project for which the exchange is being requested. Please note that Applicants will not be allowed to apply for 4% LIHTC/Tax-Exempt Bond funding during the same period of time that they are prohibited from applying for 9% credits as referenced above.

At no time will any project be allowed more than three calendar years from the date of initial allocation to project completion unless approved by MSHDA.

## **XVII. FEES**

All applications must be accompanied by a check or money order in an amount equal to \$45 for each proposed low-income unit, with a \$2,500 maximum limit. This fee is non-refundable and must be paid in each funding round in which a project is seeking to be scored and/or evaluated. A fee of \$100 will be assessed each time a check is returned to MSHDA for non-sufficient funds.

For any project that receives an award of credit, MSHDA will charge a fee equal to 6% of the annual LIHTC dollar amount reserved for a project. A sum equal to 3% of the annual LIHTC dollar amount shall be submitted to MSHDA at the time of Reservation. The remaining 3% shall be paid at the time of the 10% Certification, which is one year following the issuance of the Reservation.

In addition to the fees listed above, MSHDA may establish such other fees as may be necessary to effectively administer the program. Such fees may include, but are not limited to, charges to process

waiver requests, changes in ownership, and site visits. MSHDA shall publish a schedule of such fees 60 days prior to implementation (see [Fee Schedule Policy Bulletin](#)).

Compliance monitoring fees will be charged for the credit period as follows:

- All units for which an allocation of credit was received on or after January 1, 2012 must pay the sum of \$475 per low income unit, which amount will cover the initial 15 year compliance monitoring period and is payable prior to issuance of Form 8609. Also, a fee of \$25 per LIHTC unit will be charged annually during the extended use period.
- All units for which an allocation of credit was received on or after January 1, 2011, but before January 1, 2012 must pay the sum of \$450 per low income unit, which amount will cover the initial 15 year compliance monitoring period and is payable prior to issuance of Form 8609. Also, a fee of \$20 per LIHTC unit will be charged annually during the extended use period.
- All units for which an allocation of credit was received on or after January 2008, but before January 1, 2011 must pay the sum of \$450 per low income unit, which amount will cover the entire 15 year compliance monitoring period and the extended use period and is payable prior to issuance of Form 8609.
- All units for which an allocation of credit was received on or after January 1, 2001 but before January 1, 2008 must pay the sum of \$300 per low income unit, which amount will cover the entire monitoring period and is payable prior to issuance of Form 8609.
- All units that received an allocation of credit prior to January 1, 1993, and all projects financed by MSHDA that received an allocation of credit before January 1, 1997, may elect to submit a sum equal to \$15 per low income unit on an annual basis for the remainder of the compliance period, or may opt to make one payment similar to that described above.
- With the exception of projects financed by Rural Development, all projects that received an allocation of credit prior to January 1, 2001 must pay an additional inspection fee of \$30 for each unit to be inspected once every three years. Projects financed by Rural Development must pay an additional fee of \$20 per each unit to be inspected once every three years. This fee shall be paid at the time of submission of the annual owner certifications.

#### Noncompliance Fees

- MSHDA will assess a fee of \$100 if an owner fails to have a representative present for a scheduled tenant file audit and/or physical inspection which results in the inability to conduct the file audit and/or physical inspection.
- MSHDA will assess a fee of \$50 per unit for significant and repeated noncompliance issues.

Failure to submit any compliance or inspection fee will be considered non-compliance.

Compliance monitoring fees are subject to change based on changes in costs associated with administration of the compliance monitoring function by MSHDA and other changes in MSHDA and/or IRS mandated monitoring requirements.

#### **XVIII. COMPLIANCE MONITORING**

Owners receiving an allocation of LIHTC shall be required to meet minimum compliance requirements and to follow the requirements outlined in MSHDA's [LIHTC Compliance Manual](#), which is available on MSHDA's website. Please see [Exhibit VI](#) attached hereto for further compliance monitoring requirements.

#### **XIX. COMBINED APPLICATION, POLICY BULLETINS AND ADDENDA**

Additional program requirements are set forth in the Policy Bulletins, MSHDA's Combined Application, and the applicable Addenda. MSHDA reserves the right to modify the Combined Application, Policy Bulletins, and Addenda at its discretion following notice to the public.

## EXHIBIT I – GENERAL THRESHOLD REQUIREMENTS

### I. APPLICATION COMPLETENESS

Submission of a complete and consistent application. This includes, but is not limited to, a fully completed LIHTC Excel Application prepared in accordance with application instructions, submission of the required application fee, and submission of all applicable exhibits. MSHDA will reject applications with multiple material errors in documentation, incomplete information, and/or general inconsistencies found within the entire application submission. Decisions for rejection under this threshold requirement are intentionally made on a subjective basis and are entirely under MSHDA's discretion.

### II. PROJECT NARRATIVE

A detailed and complete narrative description of the project which includes, at a minimum, the type of project; location; prior LIHTC status, if any; type of financing; tenants served; bedroom mix; local, federal or state subsidies, if any; number of jobs created, including an explanation/analysis for how this number was determined; tenant relocation strategy and budget, if applicable; and any other relevant descriptive information. Additionally, applicants should submit a map and site plan detailing the proposed project site. Applicants are encouraged to provide as much additional detail and background information about the proposed project as possible; particularly for describing areas in the application involving unusual or complex elements.

### III. SITE CONTROL

Evidence of site control by the Applicant, as evidenced by an option to purchase, land contract, offer to purchase, purchase agreement, long-term lease or other appropriate documentation, and ability to keep same for 120 days from the date of application due date, with the ability to provide additional extensions as necessary to accommodate application processing timelines. If site control is vested in an entity other than the anticipated owner, the control must be unilaterally assignable to the proposed owner. Site control documents must clearly identify the physical location of the property (i.e. property address, full legal description or plat map identifying street names) and be consistent with the rest of the development information provided in the application including the title insurance commitment. If the site control documentation does not clearly identify a detailed breakdown of the components of the purchase price to be paid to the seller, a written narrative from the applicant providing additional detail may be submitted to accompany the site control documentation.

### IV. ZONING

Evidence from the municipality of the property's current zoning designation and what, if any, steps are in process to obtain proper zoning for the proposed development, if it is not already properly zoned.



## V. UTILITIES

Evidence from the municipality and/or utility companies regarding the availability of all utilities and confirming they will have the capacity to serve the property – electricity, gas, water and sewer.

## VI. MARKET STUDY

A market study completed in accordance with MSHDA's guidelines (see [Tab C](#) of MSHDA's Combined Application) that indicates the housing needs of low-income individuals in the area to be served. A completed market study must be submitted with the application and dated within six months of the application deadline. It is anticipated that it will take approximately 5 weeks from the time the market study is ordered through MSHDA's process to receive a completed study. Potential applicants should be aware of this timing when planning to submit an application as part of a competitive funding round.

## VII. ENVIRONMENTAL

Submission of an environmental review in accordance with the current MSHDA Environmental Review Standards (see [Tab D](#) of MSHDA's Combined Application) together with a remediation plan, if necessary, with estimated costs outlined in detail and accounted for in the Sources and Uses Statement. Projects may be rejected if the environmental review and/or supporting documentation do not meet MSHDA's standards or if MSHDA determines additional testing or modifications to a remediation plan are necessary. Environmental studies must be dated within six months of the application deadline.

## VIII. TITLE INSURANCE COMMITMENT

All projects will be required to submit a title insurance commitment, dated within six months of the application due date, at the time the application is submitted. For projects located on federally recognized American Indian reservations, MSHDA may accept, in lieu of the title insurance commitment, an attorney's opinion letter describing chain of title and land control.

Applicants must assure that the name of the entity that owns the property matches with the site control documents, that the entity to be insured is correct, and that all parcels of property under land control exactly match up, are properly identified, and agree with the application that was submitted. The title insurance commitment must contain an original signature of the authorized title insurance company agent or employee, must indicate the availability of a title insurance underwriter, and must otherwise be complete and without defect.

NOTE: For proposed projects that contain multiple sites, Applicants must submit the Property Identification form found in the [LIHTC Application](#) to accompany the title insurance documentation. The title insurance documentation submitted must be organized in the same order as shown on this form.

## IX. FINANCING

All projects will be required to leverage a reasonable amount of financing sources, in addition to the LIHTC being requested, based on what each project can support. Applicants should not plan on using solely LIHTC equity financing. If MSHDA determines that a project is not appropriately leveraging available sources of financing, the project may be (1) rejected for not meeting threshold requirements, (2) required to secure a reasonable amount of financing before the project is eligible to proceed, and/or (3) subject to a reduction in the amount of credit that the project is awarded.

All projects are required to submit evidence of submission of application(s) to a mortgage lender(s) stating the amount of the loan, terms, interest rate, and guarantors for all sources of financing. In the case of a Rural Housing Service (RHS) project, an original letter signed by an official of RHS; in the case of conventional financing, original documentation from the lender(s) stating that a formal application for construction and permanent financing has been submitted and is under serious consideration; in the case of Federal Historic tax credit, documentation indicating that Part I of the required application has been made; and in the case of an Authority financed project, evidence that the project has passed initial determination.

The Authority understands that due to differing schedules of funding rounds for various government financing sources, including but not limited to AHP or HOME funds, limited documentation or confirmation of funding awards may be available at the time of LIHTC application. Because of the unique timing of these types of sources of funding, the Authority is committed to being as flexible as possible. Accordingly, MSHDA will accept and process LIHTC applications that are proposing to apply for funding sources that are only available as part of a funding round held by another entity. If, at the time LIHTC awards are made, it cannot be determined that the specific funding source has been applied for and that there is a strong likelihood of funding availability, the funding source will not be considered, which may result in the disqualification of the application. Applications submitted that are planning on the use of these types of competitive funding in this way should also identify a contingency plan as a part of the submission to demonstrate how the project will proceed in the event the competitive funding is not received. Contingency plans may include the deferral of developer fee if the deferral is within the limits outlined in the 2019-2020 QAP. In this way, applicants are encouraged to take note of this flexibility, but are also cautioned to list only those funding sources in their initial application that they are confident will meet the requirements noted above prior to the LIHTC award.

## X. ACQUISITION TRANSFER

For acquisition/rehabilitation involving properties currently regulated by another government body (including HUD, RHS, or MSHDA), statement from the Applicant of the requirements for such approval and how the Applicant intends to meet them consistent with the LIHTC timetables.

## XI. EQUITY INVESTOR LETTER

At the time of application, the applicant must submit an equity investor letter from the proposed syndicator or investor that includes all of the following:

- The amount, price, and terms of the investment.
- The planned equity pay-in schedule.
- Investment underwriting and financial forecast pages compiled by investor (sources and uses of funds, development budget, draw schedules, rental income and operating expenses, cash flow analysis, lease-up schedule, tax credit analysis, capital account analysis, etc.).
- Certification that investor has conducted financial review of development team, including identification of which entities and/or individuals will be providing guarantees.
- Clear statement of any conditions for investment that need to be met.

Failure to provide sufficient and thorough documentation from the equity investor as outlined above may result in disqualification of the application.

## XII. GREEN POLICY

All projects applying for and receiving LIHTC will be required to incorporate one of three available green standards referenced in the Green Policy which can be found in [Tab M](#) of the Combined Application.

## XIII. DEVELOPMENT TEAM CAPACITY

Each Applicant shall submit information regarding its entire Development Team. The Development Team is defined as any of the following (without limitation): (i) the Applicant entity, (ii) the proposed owner, (iii) principal(s) of the owner or Applicant, (iv) the developer, (v) the general contractor, (vi) the property management company, (vii) any third party development consultant, (viii) any related party(ies) or entity(ies) in the seller of any land or property. For this purpose, a related party or entity is considered to be related if one party or entity directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

The Development Team must demonstrate professional and financial capacity to plan, build, market, and operate the proposed development. The performance record of the Applicant, consultant, architect, management agent and contractor will be measured by the quality and quantity of previous development(s); design, construction and property management efforts; and affirmative action records. Each team member is expected to demonstrate satisfactory prior experience on projects of similar scale and complexity; to have satisfactory professional references; and to devote sufficient staffing and resources, including financial resources, to complete the proposed development. To demonstrate capacity, the Development Team will be evaluated based on the following:

- Applicants will be required to submit a certification regarding their previous experience in the development and ownership of affordable housing, which includes at a minimum: (a) a list of all affordable housing developments the Development Team has participated in during the three (3) years preceding the application, and (b) a statement concerning any felony criminal convictions, indictments, and pending criminal investigations of all Development Team members, and details of each circumstance, unless otherwise prohibited by court order, statute or regulation.
- The Applicant and contractor will be evaluated for creditworthiness and financial capacity. Specifically, financial statements will need to be submitted for the Applicant and contractor that meet the requirements of [MSHDA Policy Bulletin #7](#) and demonstrates adequate professional and financial capacity.

If a Development Team member does not have satisfactory prior experience or adequate financial capacity, a written plan must be submitted for review by MSHDA to outline how these deficiencies in experience and financial capacity will be rectified.

Proposals submitted wherein any member of the Development Team (v) has failed to pay any fee or expense due to the Authority in connection with any Authority-sponsored program (w) has been determined to be in default or in major non-compliance with LIHTC or any other MSHDA program, (x) has been debarred or suspended from any MSHDA, HUD, or Rural Housing programs, (y) is in foreclosure or been foreclosed, or (z) is under felony investigation, indicted or been convicted of a felony, will automatically be disqualified until the event or events of default, debarment, suspension, foreclosure, non-compliance, or other legal action are corrected or resolved. To assist in its evaluation of these criteria, MSHDA may contact other local, state, and/or federal housing agencies to solicit feedback related to a specific development team member.

MSHDA has the sole and absolute discretion to determine those parties ineligible for LIHTC due to lack of capacity, non-compliance, or disqualification status.

#### XIV. AFFIRMATIVE FAIR HOUSING MARKETING PLAN

Submission of an Affirmative Fair Housing Marketing Plan consistent with MSHDA requirements (see [Tab P](#) of MSHDA's Combined Application).

#### XV. OWNERSHIP FORMATION DOCUMENT

Copy of the most recent version of the certificate of limited partnership (or limited liability company) and any amendments on file with the Department of Licensing and Regulatory Affairs, Corporations Division, which accurately reflects the entities involved in the project ownership shown in the application. Out-of-state entities must submit a copy of an endorsed application for certificate of authority to transact business or conduct affairs in Michigan, along with the supporting documentation submitted with the application.

## XVI. WAIVER OF QUALIFIED CONTRACT

By submitting an application for LIHTCs, all Applicants waive the right to request a qualified contract under Section 42(h)(6)(E)(i) of the Internal Revenue Code. Thus, MSHDA's required extended use commitment shall not terminate at the end of the compliance period, but is instead a minimum of 30 years.

## XVII. VOUCHERS AND PUBLIC HOUSING

A written statement signed by the Applicant stating:

- it will give priority to persons whose names are on appropriate Public Housing or Housing Choice Voucher waiting lists maintained by a Public Housing Commission (PHC) or Public Housing Authority (PHA) in the area in which the project is located, and
- it will make ongoing efforts to request that the PHC and/or the PHA make referrals to the project, or place the relevant project information on any listing the PHC or PHA makes available to persons on their waiting lists.

A copy of the written statement and documentation of ongoing efforts as evidenced by a referral agreement or other appropriate memorandum of commitment must be kept on file at the development's office and available for compliance inspection and review at all times.

## XVIII. MSHDA FINANCING SIGNAGE

A statement of certification that if the Applicant is awarded LIHTC it shall post signage at the project construction site listing MSHDA as a financing source.

## XIX. MINIMUM HARD CONSTRUCTION COSTS

All applications for 9% credit must indicate a need for at least \$20,000 per unit in hard rehab or construction costs (including both building and site costs, but excluding allowable amounts for General Requirements, Builder Overhead, Builder Profit, contingencies, etc.) and must include this amount in the construction budget. Projects seeking 4% credit to be used in conjunction with tax-exempt bond financing will only need to meet the minimum requirements found in Section 42 of the Internal Revenue Code.

## XX. MAXIMUM TOTAL DEVELOPMENT COST PER UNIT LIMIT

All projects will be subject to a maximum Total Development Cost per unit that cannot be exceeded. The Maximum Total Development Cost per unit limit is determined by multiplying the average of the Construction Cost Index for 2017 by a conversion factor of 33. Applicants seeking more information or clarification on this calculation are encouraged to view the Cost Reasonableness with Credit Efficiency

section of the Scoring Criteria where projects will be evaluated to determine whether they meet this test based on the information entered in the form.

#### XXI. MICHIGAN PRODUCTS

All projects must demonstrate the use of products and goods that are manufactured by Michigan-based corporations and incorporate them into the proposed development. (Submit certification from architect; [See Tab HH](#))

#### XXII. PHASED PROJECTS IN THE SAME BUILDING

Developments that are proposing multiple 9% LIHTC phases within the same building will be required to present a plan of financing in the event that only one of the phases is in a position to be funded in the 9% LIHTC funding round. Developments will be required to show a solid plan to avoid the situation where 9% credits are allocated to a phase of a building that cannot begin construction until other financing is secured or a 9% credit award can be obtained on the other phase(s) of the building. If the plan is dependent on all phases receiving 9% LIHTC funding in the same funding round, then singular phases will only be eligible for 9% LIHTC if all phases are in a position to be funded in the funding round. The plan cannot be dependent on any phases receiving a 9% LIHTC award in future funding rounds. If, in MSHDA's sole discretion, a solid and realistic plan is not presented, the development will not be eligible for a 9% LIHTC award. Please note that this section only pertains to phased projects that are located in the same building and does not pertain to phased developments that are spread out over a particular site.

## EXHIBIT II – PRESERVATION THRESHOLD REQUIREMENTS

### I. ELIGIBLE PRESERVATION PROJECTS

Eligible Preservation projects include those with any of the following elements:

- a. *Government financing* from HUD (including Section 236, Section 8, and Section 202), USDA Rural Development (including 515), or MSHDA;
- b. *Other below-market financing*, defined as a below market federal loan as defined in Section 42 of the IRC;
- c. *Rehabilitation of existing public housing* provided the project will involve rehabilitation of existing units, and not demolition and construction of new units; or
- d. *Year 15 LIHTCs*.

Projects with federal assistance must retain the assistance. Prepayment of a HUD loan and conversion to enhanced vouchers may qualify as retainer of assistance if the applicant demonstrates to MSHDA's satisfaction that such conversion is necessary to enhance the property's long-term affordability and if the property will remain viable even after normal attrition of enhanced vouchers.

### II. MSHDA GAP FINANCING PROGRAM SUBMISSION

As outlined in Section [V.B.1](#) of the QAP, an applicant will not be able to submit a preservation project for 9% credit unless the project has first been submitted to MSHDA in order to evaluate whether the project is likely to be competitive under the MSHDA Gap Financing Program, using the available gap funding paired with a tax-exempt bond loan. Based on MSHDA's determination, if a preservation project is unlikely to be competitive in the Gap Financing Program, the project will be eligible to submit for consideration as part of a 9% competitive funding round under the Preservation Category. Additionally, applications for preservation projects that are ultimately eligible to be submitted for the Preservation Category may not materially differ from the same project application that was submitted as part of the Gap Financing Program; otherwise MSHDA, in its sole discretion, may determine the project to be ineligible for an award of 9% LIHTC.

### III. PROJECT MUST BE 'AT RISK'

Projects must either:

- a. Be within five years of any permitted prepayment or equivalent loss of low income use restrictions; or
- b. Preserve occupied and restricted low income units provided the rehabilitation will repair or replace components that are:

- i. In immediate need of repair or replacement; or
- ii. Either substantially functionally obsolete or being improved to provide modifications or betterments consistent with new building code requirements and MSHDA's Design Requirements.

#### IV. PROPERTIES INELIGIBLE FOR PRESERVATION

Preservation projects are ineligible if they:

- a. Are deteriorated to the point of requiring demolition, or
- b. Have completed a full debt restructuring under the Mark to Market process within the last five (5) years.



### EXHIBIT III – STRATEGIC INVESTMENT CATEGORY REQUIREMENTS

There may be extraordinary circumstances where the evaluation of an application by the standard review process outlined in the Qualified Allocation Plan does not necessarily take into consideration the contribution that a development would make to the state's overall economic and community development strategy. These situations may include, but are not limited to, applications that demonstrate transformative neighborhood revitalization, and/or unique financial funding and leveraging opportunities, and/or the opportunity to promote significant job growth in proximity to such housing. The Strategic Investment Category has been created to attempt to address these circumstances.

As part of its review for projects submitting an application for the Strategic Investment Category, MSHDA will give consideration to the following:

- Level of community impact, including economic and social impact
- Unique financing opportunities
- Job growth
- Coordination with other site amenities to enhance the overall neighborhood
- Coordination with an overall community revitalization effort

In addition to the usual threshold requirements, at a minimum, to qualify for this Category, the application must include:

- Evidence of a Neighborhood Plan adopted by the municipality that delineates target properties (new construction, rehabilitation, demolition, for example) and that explains how housing related amenities such as transportation and community services are or will be incorporated
- Evidence of significant municipal and/or state funding commitment(s) - not including housing tax credits – and any other unique sources of financing.
- Evidence of substantial outside private investment, within the past two years and/or planned and committed in the following two years - not including investment in housing tax credits
- Demonstration of proximity to job growth/new sources of employment

Projects applying in any of the three Categories outlined in the QAP can also apply in this Strategic Investment Category. MSHDA, in its sole discretion, will make the determination of which, if any, applications shall receive an award from this Category. It is anticipated that very few applications will meet the criteria to apply in this Category, and that there may, in fact, be none in a given funding round.

## EXHIBIT IV – UNDERWRITING STANDARDS

## I. PROJECT FEASIBILITY

In determining the feasibility of a project over the compliance period, MSHDA has established minimum standards for operating expenses, vacancy rates, increases in operating costs and expenses, project income, debt service coverage ratio, operating reserves, and replacement reserves. Requests for use of alternative standards other than those established by MSHDA must be supported by written explanation and appropriate documentation. For developments seeking only competitively allocated 9% credits without financing from MSHDA, applicants may request waivers from these standards based on the submission of written documentation indicating that the alternative underwriting standards have been reviewed and approved in advance by both the debt and equity providers for the project. The use of the MSHDA minimum standards or any alternative standards for determining financial feasibility of a project is at the sole discretion of MSHDA. If MSHDA determines that the project is not financially feasible using MSHDA's minimum standards or the alternative standards at the time of initial application review, the project will not be eligible for an allocation of LIHTC.

In addition to reviewing a project to assess its feasibility, MSHDA will also evaluate each project to ensure there is no over-subsidization and that the appropriate amount of resources are being used, in particular the amount of LIHTC being allocated. In conducting this analysis, MSHDA will consider the amounts and terms of other funding sources being planned for the project and the amount of cash flow generated by the project, among other things. MSHDA, in its sole discretion, may allocate fewer credits if the determination is made that the project could be completed by adjusting one or more of the other components of the underwriting (e.g. more hard debt could be supported resulting in fewer credits needed for feasibility).

MSHDA will review a project's feasibility over the 15 year compliance period at three different stages as required by Section 42 of the Internal Revenue Code: 1) prior to making an award of credit, 2) at 10% Certification, and 3) at Placed in Service. The following is a breakdown of how this provision will apply to each of the underwriting stages in the allocation process and what this provision will mean in practice:

- **Initial Application/Prior to LIHTC Award** – In order to receive an initial award of credit, the project must be financially feasible for the 15-year compliance period utilizing the underwriting standards as applied to the proforma.
- **10% Certification** – MSHDA will review the sources and uses of funds and the total financing planned for the project to ensure that the amount of credit being allocated to the project does not exceed the amount necessary for the project to be financially feasible during the entire initial 15-year compliance period. MSHDA will continue to monitor a project's income and expenses during this phase of the allocation process, but will not hold up the issuance of Carryover documentation because of this portion of the review.

- **Placed in Service/Issuance of 8609** – MSHDA will review the sources and uses of funds and the total financing planned for the project to ensure that the amount of credit being allocated to the project does not exceed the amount necessary for the project to be financially feasible for the 15-year compliance period. MSHDA will continue to monitor a project’s income and expenses during this phase of the allocation process, but will not hold up the issuance of 8609s to a project because of this portion of the review.

For projects relying upon project-based rental assistance for financial feasibility – If the project-based rental assistance ends due to events outside the owner’s control, any rent and income restrictions on the property, that the owner agreed to for points as part of a competitive funding round, will revert to the 50% or 60% AMI level as selected by the owner.

The amount of credit awarded to a project will be that for which the value is the lesser of 1) the equity gap calculation; 2) the amount of credit calculated based on using a 3.4% credit rate (used for acquisition costs and for tax-exempt bond financing) or a 9%<sup>1</sup> credit rate (used for rehabilitation or new construction costs), the credit pricing identified in the Equity Investor Letter, and on its qualified basis; or 3) the amount of LIHTC requested by the Applicant. If MSHDA, in its sole discretion, determines that the equity pricing shown in the application and the Equity Investor Letter is unreasonable based on current market conditions, MSHDA may use an alternative equity pricing that is more indicative of current market conditions.

Applicants should note that the tax credit rates outlined above may not be the exact monthly rate in effect and that the actual tax credit rate may differ from this. The rates shown above are intended to allow for some flexibility due to fluctuating monthly rates, while not allocating more credit to the project than is needed for feasibility.

## II. RENT INCREASES

Rent increases on the tenant-paid portion of rent, for occupied units will be limited to no more than 5% per year for the first three years. This limitation does not apply to occupied units protected by project-based rental assistance or enhanced vouchers.

<sup>1</sup> MSHDA will use the greater of the credit rates shown or the floating monthly credit rate published as of the time of application submission in its determination of the amount of credit to award.

**EXHIBIT V – STATE-DESIGNATED BASIS BOOST CRITERIA**

Pursuant to [Section IX.A](#), MSHDA will use the following criteria in awarding the basis boost.

**For projects financed with tax-exempt bonds eligible for 4% credit, the following basis boost will be available:**

1. Projects located in a QCT or DDA will be eligible for up to a 30% basis boost

**For projects eligible for 9% LIHTC, the following basis boost will be available:**

**Up to 20% Basis Boost:**

2. Projects located in a QCT or DDA
3. Permanent Supportive Housing projects
4. Deep income targeting – Projects restricting 20% of the total units to 30% AMI or less (in order to be eligible for the boost under this criteria, the 30% AMI units must not also have project based rental assistance associated with them)
5. Projects that receive points under the Developments near Downtowns or Corridors section of the Scoring Criteria
6. Rural set-aside projects
7. Historic Projects – Projects that are completing a certified rehabilitation of an existing certified historic property listed, either individually or as part of a district, on the National or State Historic Register; or that the State Historic Preservation Office expects to be listed on the National or State Historic Register. Project must also incorporate the use of the Historic Credit.
8. Affordable Assisted Living developments that qualify for the Affordable Assisted Living points in the Scoring Criteria
9. Projects that are located within an Opportunity Zone as enacted under the 2017 Tax Cuts and Jobs Act.

Please note that MSHDA reserves the right to modify the State-Designated Basis Boost Policy on an as-needed basis, should market conditions dictate the necessity for a revision. Should a revision be necessary, MSHDA will work with stakeholders to come up with potential changes, with the objective of ensuring the criteria allow for feasible transactions in the current market, and will post a notice of the revision on its website in advance of the revision becoming active. This streamlined approach will allow for a quicker response to market forces and the changes to be effectuated in a timely manner.

**EXHIBIT VI – COMPLIANCE MONITORING & NOTIFICATION OF NONCOMPLIANCE**

Owners (Applicants) receiving a LIHTC allocation shall be required to follow the requirements outlined in MSHDA's [LIHTC Compliance Manual](#) (Compliance Manual or Manual) (available on MSHDA's website).

**1. OWNER RESPONSIBILITIES**

Within thirty (30) days of completion of Part II of the Form 8609 and filing of the form with the Internal Revenue Service, a completed copy must be sent to MSHDA for its records. Failure to send a copy of the completed form to MSHDA within the required timeframe shall be deemed as noncompliance.

The records for the first year of the credit period must be kept for six years after the due date (with extensions) for filing the federal income tax return for the last year of the compliance period (a total of 21 years). Owners must keep subsequent records on file for six years after the due date (with extensions) for filing the federal income tax return for that year. These records must include:

- The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each unit);
- The percentage of residential rental units in the building that are low-income units;
- The rent charged and utility allowance for each residential rental unit in the building;
- The number of occupants in each low-income unit;
- The low-income unit vacancies in the building and information that shows when and to whom the next available units were rented;
- Income certifications of each low-income tenant and the documentation to support the certification;
- The eligible basis and qualified basis of the building at the end of the first year of the credit period;
- The character and use of the nonresidential portion of any building included in the project's eligible basis; and
- Documentation regarding calculation of utility allowances.

Owners must submit to MSHDA Compliance on an annual basis the following:

- An Owner Certification of Continuing Program Compliance (Owner Certification) Form certifying that for the preceding twelve month period the project met conditions outlined in Section 42;
- The original local health, safety or building code violation reports or notices that are issued by the state or local government unit. Copies of these reports or notices must also be kept on-site at

the development for review by MSHDA during the physical inspection. These reports may be destroyed following a MSHDA inspection and the owner's notification to MSHDA that the violations have been corrected. Code violation reports must be retained for uncorrected violations.

Owners must submit to MSHDA electronically, on an on-going basis, data stating the number of qualifying units, number of bedrooms in each unit, information on each low-income tenant household (including income, rent amount, utility allowance, number of occupants, AMI % designation, etc.), and any other information as set forth on the MSHDA website and in the Manual. The tenant income and rent information must be provided in the format required by MSHDA, which includes electronic submission via a web-based reporting system.

Owners must submit to MSHDA in writing, responses to the physical inspections and tenant file audits conducted, unless no inspection or file audit noncompliance findings are identified.

Owners must notify MSHDA in writing (Notice of Change in Management form) within five (5) business days of any changes in the management of the project, including changes in the company managing the project or in the address, telephone number or email address of the management agent company and/or contact person.

Owners must notify MSHDA in writing (Notice of Change in Ownership form) within five (5) business days of any changes in the ownership of the project, including a foreclosure, deed in lieu of foreclosure, or any other sale or disposition of the project or any portion of the project and any changes in the ownership entity, including any changes in the name of the entity, address and telephone number of the entity, percent of ownership changes, and changes in the principals comprising the ownership entity.

Owners must notify MSHDA immediately in writing (Notice of Building Casualty Loss or Damage form) of any unit(s) or building(s) in the project that are anticipated to be unavailable for occupancy either permanently or temporarily for a period of time anticipated to exceed 30 calendar days due to casualty loss, damage, or any other reason.

## 2. MSHDA RESPONSIBILITIES

MSHDA will review the Owner Certification Forms and tenant data and income and rent reporting for compliance with program requirements.

MSHDA, or its authorized agent, will conduct a physical inspection of all buildings, common areas, and at least 20% of the low-income units in a project. MSHDA, or its authorized agent, will conduct tenant file audits consisting of a review of the low-income certification, the documentation the owner has received to support that certification, and the rent record for 20% of the low income units.

Physical inspections and tenant file audits of LIHTC projects will commence no later than the end of the second calendar year following the year the last building in the project is placed in service and will be conducted at least once every 3 years thereafter throughout the initial 15 year compliance period.

MSHDA will continue to conduct physical inspections and file audits throughout the extended use period. MSHDA retains the right to perform an on-site inspection and/or file audit of any low-income building at any time or frequency during the initial compliance period and the remainder of the extended use period.

MSHDA will retain records of noncompliance or failure to certify for a minimum of six years after the filing of a Form 8823. MSHDA will retain all certifications and records for not less than three years from the end of the calendar year in which they are received.

### 3. NOTIFICATION OF NONCOMPLIANCE

If any of the submissions required in Section I, are not submitted in a timely fashion, or should there be omissions, MSHDA shall request such information from the owner. If the owner fails to provide the required documentation within the specified time period, MSHDA shall notify the Internal Revenue Service of the owner's failure to provide the required information.

Should MSHDA discover, as a result of an inspection or audit, or in any other manner, that the project is not in compliance with Section 42, or that credit has been claimed or will be claimed for units that are ineligible, MSHDA will notify the owner. The owner shall have a minimum of 30 days from the date of notification to cure the noncompliance. In extraordinary circumstances, and only if MSHDA determines that there is good cause, an extension of up to six months to complete a cure for noncompliance may be granted.

MSHDA will notify the Internal Revenue Service, utilizing Form 8823, no later than 45 days after the end of the correction period, and no earlier than the end of the correction period, of the nature of the noncompliance and will indicate to the Service whether or not the owner has made appropriate corrections.

While MSHDA will notify the owner of compliance issues, neither a finding of noncompliance nor a determination that noncompliance has been cured is binding on the Internal Revenue Service. Owners who have received a notification from MSHDA that a project is in compliance may still be subject to an IRS audit and the possibility of loss or recapture of Housing Credits. Refer to the Internal Revenue Code for additional information about federal compliance issues.

The absence of a notice of noncompliance should not be relied upon by any owners or their investors as a warranty or representation by MSHDA that the project is in compliance with application requirements.



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# Supportive Housing Guideline

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## 2019

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**As Administered by the  
State of Connecticut  
Interagency Council on  
Supportive Housing and  
Homelessness**

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This Guideline is written for owners and developers of affordable multifamily housing with funding and/or tax credit awards from the Connecticut Housing Finance Authority (CHFA) and/or the State of Connecticut Department of Housing (DOH). The intent is to provide such owners and developers with the information necessary to include supportive housing units in their developments for (1) persons experiencing homelessness, including chronic homelessness, or (2) persons with an intellectual disability as identified by the Department of Developmental Services (DDS) or (3) Families with active involvement in the child welfare system as identified and referred by the Department of Children and Families (DCF), either directly or through the Coordinated Access Network.

Any applicant seeking financing through a CHFA and/or DOH program that intends to include supportive housing units in its development must submit documentation that provides assurance that supportive housing will be provided. This documentation must include:

1. Service Plan from a Qualified Service Provider (following the Outline below);
2. Evidence of funding sources for the services to be provided; along with
3. Detailed budget for such services; and
4. Specification of the special needs population to be served.

Applicants may consider partnering with a Qualified Service Provider either at the time of application or at the time the project owner secures a Low-Income Housing Tax Credit (LIHTC) award and/or funding. The Qualified Service Provider may charge a fee to draft the Service Plan and budget if an MOU is not finalized until post-award. For purposes of the LIHTC application, “evidence of funding” means a plan to obtain self-sourced or third-party funding as reflected in the operating budget, service reserve or by a firm commitment. The commitment of service funding along with the signed MOU (as applicable) for the provision of services must be in place as a condition of the carryover allocation agreement.

Applicants are further advised to refer to the program-specific requirements in the current version of the CHFA/DOH Consolidated Application (ConApp) for complete requirements, which may vary by program and/or funding source. Documentation will be reviewed for acceptability by CHFA and/or its designee(s) and the Interagency Council on Supportive Housing and Homelessness (IACSH).

Additionally, applicants seeking an allocation of tax credits are advised that in accordance with the LIHTC Qualified Allocation Plan (QAP), each applicant will be required to “affirm its commitment, by certifying in writing to give preference in its tenant selection plan to eligible households on waiting lists of the public housing authority(ies) (PHA) in the local market area unless HUD regulations prohibit such preference...”. **However, please note the following exceptions for applicants proposing to include units of supportive housing.**

**An applicant may include a preference of higher priority in the tenant selection plan for the proposed development’s supportive housing units. For these units, an applicant shall affirm its commitment, by certifying in writing to give preference in its tenant selection plan for its supportive housing units to eligible households**

- 1. on waiting lists of the Coordinated Access Network (CAN) in the local market area unless HUD regulations prohibit such preference, or**
- 2. comprised of individuals determined eligible by DDS on waiting lists to receive services, or currently receiving services, from DDS, or**

**3. comprised of families currently receiving services, or determined to be eligible to receive services, by DCF.**

Connecticut is a “Housing First” state and utilizes a system of eight regional CANs to prioritize housing the most vulnerable individuals and families experiencing homelessness. Developers proposing to include supportive housing units in their development for persons experiencing homelessness are required to adopt the Housing First concept and accept tenants only through the regional CAN for those units. There are two exceptions to the CAN utilization requirement:

Developers proposing to include supportive housing units in their development for persons with an intellectual disability are required to accept tenants referred by DDS; and

Developers proposing to include supportive housing units in their development for families with special needs may accept tenants referred by DCF.

If a proposed development applicant has been awarded funding or tax credits through a competitive process, the development applicant is advised that it must adhere to the commitments it made for the development, including that made relative to supportive housing, at the time of application. Prior approval must be obtained from CHFA and/or DOH if any change from the original proposal is contemplated. All applicants receiving financing or LIHTC awards from CHFA for developments proposing to include supportive housing units in their unit mix will be subject to Quality Assurance Monitoring. Failure to honor a commitment made for supportive housing for which points were awarded will result in an event of non-compliance.

The Corporation for Supportive Housing can provide technical assistance and training to applicants prior to submission of a funding or tax credit application, during the development process, ongoing during housing operations and through Quality Assurance Monitoring. Please contact:

Corporation for Supportive Housing  
 75 Charter Oak Avenue, 1-201  
 Hartford, CT 06106  
 (860) 560-0744 x 2703

**I. DEFINITIONS:**

**Adults with special needs** - means an individual or head of household (age 18 or older) who has an income at or below 50% of the Area Median Income (AMI) as defined by the United States Department of Housing and Urban Development (HUD) at the time of entering the housing; and:

1. has severe and prolonged mental illness and/or chronic chemical dependency (the head or heads of household, in the case of families); and
2. is experiencing homelessness at the time of application for housing; OR
3. has been determined to be eligible by DDS. DDS eligibility requires an intellectual disability as defined in Connecticut General Statutes 1-1g or a medical diagnosis of Prader-Willi Syndrome.

**Chronic chemical dependence** - means a substantial history of at least one year of psychological dependence upon mood altering chemicals, with or without prior treatment episodes, to the extent that the dependence interferes with

social, emotional, economic and/or physical functioning, and includes evidence of substantial life losses because of substance abuse.

**Chronically homeless** - means the experience of:

1. A “homeless individual with a disability” who: Lives in a place not meant for human habitation, a safe haven, or in an emergency shelter; and who has been homeless (as defined herein) continuously for at least 12 months or on at least 4 separate occasions in the last 3 years where the combined occasions must total at least 12 months. Occasions of homelessness must have been separated by a break of at least seven nights. Stays in an institution of fewer than 90 days do not constitute a break; or
2. An individual who has been residing in an institutional care facility for fewer than 90 days and met all of the criteria in paragraph 1. of this definition, before entering that facility; or
3. A family with an adult head of household (or if there is no adult in the family, a minor head of household) who meets all of the criteria in paragraphs 1. or 2. of this definition, including a family whose composition has fluctuated while the head of household has been homeless.

**Coordinated Access Network (CAN)** - means a single access point, standardized assessment and referral process for community resources within a geographic region for people experiencing a housing crisis and/or homelessness.

**Disability, in the context of chronic homelessness** - means a diagnosable substance use disorder, serious mental illness, developmental disability, post-traumatic stress disorder, cognitive impairments resulting from a brain injury, or chronic physical illness or disability, including the co-occurrence of two or more of those conditions.

**Episode of Homelessness** - means “a separate, distinct, and sustained stay on the streets and/or in a homeless emergency shelter.” HUD requires that “a chronically homeless person must be unaccompanied and disabled during each episode.”

**Family with special needs** - means one or more adults with at least one dependent child aged eighteen (18) or younger, and that has income(s) at or below 50% of AMI at the time of entering housing, and:

1. one or more adults has been determined to be eligible by DDS or DCF; OR
2. is homeless; and currently meets at least one of the following conditions:
  - a. Experiencing one or more barriers to housing stability (e.g., head of household with cognitive limitations, history of trauma, mental illness and/or chemical dependency);
  - b. Presently involved in the child-welfare system, including children who have been placed in out-of-home care;
  - c. Meets the eligibility criteria under the Federal Temporary Assistance for Needy Families (TANF) Program but has become ineligible or are at risk of ineligibility for TANF cash assistance due to time limits;
  - d. Is a parent re-entering the community from jail or prison; or
  - e. Has a child with serious mental health or emotional disturbance/disability.

**Homeless** - means that a person or family resides in one of the following places or circumstances:

1. Places not meant for human habitation such as cars, parks, sidewalks, and abandoned buildings;
2. Emergency shelters;
3. Transitional or rapid re-housing for homeless persons or families who originally came from the streets or otherwise outdoors or an emergency shelter and who lacks the resources to be able to sustain a rental unit once the rapid rehousing rental assistance terminates;
4. Any of the above places but is spending a short period of time, up to ninety (90) consecutive days, in a hospital or other institution;
5. Is being evicted within one week from a private dwelling and no subsequent residence has been secured and the person lacks the resources and support networks needed to obtain housing; or
6. Is being discharged within one week from an institution in which the person has been resident for no more than ninety (90) consecutive days and no subsequent residence has been secured and the person lacks the resources and support networks needed to obtain housing.
7. In the case of families, the term “homeless” refers to DCF involved families including those families living doubled up with other families in accordance with The McKinney-Vento Homeless Assistance Act Subtitle B-Education for Homeless Children and Youth, which defines “homeless children and youth” as “children and youths who are sharing the housing of other persons due to loss of housing, economic hardship or a similar reason.”
8. In the case of individuals with intellectual disabilities, the term “homeless” refers to DDS involved individuals living in a situation such as a group home or institutional setting, or in a setting that does not permit the greatest level of independence attainable, and that upon release, discharge, or exit from that setting the individual would have no safe place to go in the community.

**Housing First** - means an approach to ending homelessness that centers on providing people experiencing homelessness with housing as quickly as possible, and then providing services as needed. Housing First is a proven method of ending all types of homelessness and is the most effective approach to ending chronic homelessness. Housing First offers individuals and families experiencing homelessness immediate access to affordable or supportive housing options without clinical prerequisites like completion of a course of treatment or evidence of sobriety. With a low-threshold for entry, Housing First yields higher housing retention rates, lower returns to homelessness, and significant reductions in the use of crisis services and institutions.

**Intellectually Disabled (ID)** - means an individual has met the criteria in Connecticut General Statutes Section 1-1g, which defines intellectual disability as a significant limitation in intellectual functioning and deficits in adaptive behavior that originated during the developmental period before 18 years of age. DDS partners with individuals with intellectual disabilities and their families to support lifelong planning, and to create and promote meaningful opportunities to fully participate as valued members of their communities.

**Supportive housing** - means housing that is not time-limited and that has as its primary purpose assisting the individual or family to live independently in the community and meet the obligations of tenancy. Supportive housing combines decent, safe and affordable housing with individualized support services. All tenants of this housing must have access to flexible, individualized services for as long as they are needed in order to achieve and

retain permanent housing, increase their life skills and income, and achieve greater self-determination. The following are criteria of supportive housing:

1. Tenants have individual apartment units;
2. Tenants hold leases;
3. The length of stay is not limited and is determined by the individual or family tenant as long as the tenant is in lease compliance;
4. The tenant's use of services or programs is not a condition of tenancy;
5. The tenant has access to a flexible array of comprehensive services, which may include medical and wellness, mental health, substance abuse management and recovery, vocational and employment, money management, coordinated support (case management), life skills, household establishment and tenant advocacy;
6. There is a working partnership that includes ongoing communication between the supportive services provider, property owner, and property management entity; and
7. Permanent Supportive Housing additionally has the following elements:
  - a. **Affordability** - Units set aside for supportive housing should be affordable to households with incomes less than 50% AMI if a rental subsidy is available. This can be achieved through rental subsidies through a local housing authority or other subsidy provider, internal subsidies from cash flow on units which yield higher income, capitalized operating reserves, federal or state rental assistance, or any other sustainable means. If no rental subsidy is available, the units should be affordable to households with incomes less than 25% AMI. It is anticipated that such household would pay no more than 30% of the current Supplemental Security Income (SSI) benefits it may receive. See the fact sheet at the [Social Security Administration](#) for more information and for the current SSI rates for underwriting purposes.
  - b. **Services** -The developer must demonstrate a clear plan to provide services to individuals and families in supportive housing. Elements of this plan are included herein but should include, at a minimum, an executed contract with a Qualified Service Provider, a clear description of the services to be provided and documentation of adequate funding for the provision of services.
  - c. **Tenant Selection** - Applicants for funding should include a tenant selection plan that describes how applicants will be identified and assisted in renting the supportive housing units utilizing the CAN or DDS referral as appropriate.
  - d. **Integration** - Projects should include both individuals and families with special needs and individuals and families without such needs.

**Project sponsor** - means an entity that materially participates or has a defined role that is essential to the development and operations of the property.

**Qualified Service Provider** - means a community-based service provider organization experienced in the provision of supportive housing and tenancy sustaining services that has received extensive DMHAS, DCF or DDS training

and is currently receiving funds from DMHAS, DCF or DDS under contract in good standing. A list of Qualified Service Providers, qualified at the time of this publication, is available at the end of this Guideline. Applicants are advised to verify that an entity on the list herein is a Qualified Service Provider prior to application by contacting CSH.

**Severe and prolonged mental illness** - means that the individual or head of household (in the case of families) has a substantial history of a serious psychiatric disorder that has required:

1. recent hospitalization; or
2. multiple or lengthy psychiatric hospitalizations in the past; or
3. extensive community treatment and support services over a sustained period of time; or
4. the person exhibits signs and symptoms of a psychiatric disorder of sufficient severity to cause a current disturbance in several areas of role performance.

**Young adult with special needs** - means an individual who has income at or below 50% AMI at the time of entering housing and who is:

1. aged 18-24 and homeless or transitioning from youth systems such as foster care or DCF residential programs and is at imminent risk of homelessness; and
2. would not be able to retain stable housing without tightly linked support services.

## II. SERVICE PLAN:

The Service Plan must be prepared by a Qualified Service Provider (as defined herein) and be designed to meet the needs of the specific population to be served to ensure access by the tenants to the non-clinical and clinical services they need and choose to achieve and retain permanent housing, increase their skills and/or income, and achieve greater self-determination. The Service Plan, which must be written, should be clear and concise, not longer than 15 pages, and updated at least annually. The Service Plan shall:

- a. Reflect the importance and value of connecting tenants with mainstream resources, including employment and training programs, federal and state entitlement programs, and healthcare programs. The Service Plan should describe existing and planned linkages with vocational, educational and healthcare providers within the locality or region to be serviced;
- b. Incorporate natural supports (family, peers, faith communities, etc.);
- c. Articulate and describe strategies for relapse prevention and management, and linkages to treatment that will be developed to support these (for the DMHAS targeted homeless population only);
- d. Ensure that services are available for as long as is needed by the individual; and
- e. Articulate under what circumstances, if any, an individual would be "discharged" from supportive services.

### III. SERVICE PLAN OUTLINE:

#### 1. The Project Summary

Provide a brief overview of your proposed project (housing and services) in one paragraph.

#### 2. The Population(s) to be Served

Who will be served by the proposed housing? Identify the following:

- a. Their characteristics.
- b. Where they live and why are they considered eligible for tenancy in the development.
- c. Their needs within the locality or region for the types of housing and services proposed.
- d. Do you propose to serve Adults with special needs? (See definition). If so, do you propose to serve individuals experiencing chronic homelessness or individuals with Intellectual Disabilities? If yes, describe who they are and their circumstances.
- e. Do you propose to serve Young adults with special needs? (See definition). If yes, describe how you propose to offer:
  - i. An individual plan of services for each young adult to assist with maintaining supportive housing;
  - ii. Training regarding life skills and living expenses, educational services, employment retention, health care services, nutrition and meal planning, shopping, housekeeping; and
  - iii. Services that promote safe and stable family relationships.
- f. Do you propose to serve Families with special needs? (See definition). If so, do you propose to serve families that have income(s) at or below 50% of AMI at the time of entering housing; and:
  - i. one or more adults has been determined to be eligible by DDS; OR
  - ii. that is homeless and currently meets at least one of the following conditions:
    1. have one or more barriers to housing stability (e.g., head of household with cognitive limitations, history of trauma, mental illness and/or chemical dependency); or
    2. is presently involved in the child-welfare system, including children who have been placed in out-of-home care; or
    3. meets the eligibility criteria under the TANF Program but has become ineligible or are at risk of ineligibility for TANF cash assistance due to time limits;
    4. is a parent re-entering the community from incarceration; or
    5. has a child with serious mental health or emotional disturbance/disability.

- g. Describe your plans for outreach and referral to be used to reach the targeted population(s).
- h. Describe approaches that are being used, or will be used, to maximize participation by consumers reflective of the target population(s) to be served in the design and development of the housing and service approach and, to the extent possible, in the operation of the housing.

3. Housing Plan

- a. Describe the housing where the target population(s) will reside:
  - i. The total number of housing units;
  - ii. The number of proposed apartments that will serve Adults with special needs, if any;
  - iii. The number of proposed apartments that will serve Young adults with special needs, if any;
  - iv. The number of proposed apartments that will serve Families with special needs, if any;
  - v. Sizes of apartments set aside for the target population(s) (efficiency, 1 bedroom, 2 bedroom, etc.);
  - vi. Configuration of the housing units (units will be widely scattered throughout an area, or clusters of units will be scattered throughout an area, or all units will be located in a single building, or other configuration);
  - vii. Scale: if housing units will be grouped in clusters or all units will be located in a single building, how many units targeted to Adults and/or Families with special needs do you anticipate will be located in each cluster or building?;
  - viii. Will the housing be integrated to include units serving the targeted population(s) mixed with units serving people without special needs? If yes, how so?; and
  - ix. If the proposed housing location is tenanted, how do you propose to include supportive housing units set aside for Adults and/or Families with special needs? Describe process and time line.
- b. Describe strategies you will undertake to ensure:
  - i. Safety of the tenants;
  - ii. Access by tenants to transportation, education, employment opportunities and community amenities; and
  - iii. Housing quality (i.e., apartments that meet HUD quality standards, building and fire codes).
- c. Access to and selection for the housing:
  - i. How will the target population gain access to the development project? Will access be region-wide or over several locales? If so, how will this be accomplished?
  - ii. How will the targeted population(s) apply for and be evaluated for the housing? What conditions, if any, will be placed on their entry into the housing?



- d. Tenancy conditions: Given that tenants must hold leases, what will be the term of the leases (length of time)? What terms or conditions, if any, will be placed on the tenant's occupancy in the housing? Will acceptance of services be a condition of tenancy?
- e. Consumer preference: How does the housing as described above fit the needs and preferences of the targeted population(s)?
- f. Community Engagement:
  - i. Describe approaches used or that will be used to engage the local community in the planning and creation of the housing and services.
  - ii. Do the proposed housing and services currently reflect community priorities for affordable or supportive housing? If so, in what way(s)? If not, what measures will be taken to influence these priorities?

#### 4. Support Services

- a. Describe the support services the tenants will receive:
  - i. Describe the goals of the supportive services to be provided, and how the services are designed to meet the needs and preferences of the targeted population(s) and the individual needs and preferences of the persons and families to be served.
  - ii. Describe the services that will be made available to target population. In your description, address the following components:
    - a) What services will be provided and by whom?
    - b) Service structure: describe staff positions, staff/service recipient ratios, staff hours, after-hours access, and minimum staff qualifications.
    - c) Will the service team have offices on-site (at the housing) or off-site (at a nearby location)?
    - d) How the service team will be internally coordinated – lines of communication, supervision and accountability.
    - e) How services will link with available community and regional resources, including existing case management systems and treatment systems.
    - f) How services will reflect the importance and value of employment and the strategies that will be used for making employment and continued employment possible. Identify the existing linkages with employment and educational resources within the region, or describe your agency's plans to establish such connections.
    - g) How services will incorporate natural supports (family, peers, faith communities, etc.).
    - h) Strategies fully described that will be used for relapse-prevention and management (for the DMHAS targeted homeless population only).

- i) Any additional strategies fully described that will be taken to ensure the service program's consistency with the service Guideline contained herein.
- b. Provide the anticipated budget for the services to be provided and the source of funding.
- c. Describe how the targeted population(s) will access the services, including:
  - i. How they will be able to access tenancy support services where they live (how will services come to the tenant)?
  - ii. Any terms or conditions that will be placed on their receipt of services.
  - iii. How long they will be able to access the services.
  - iv. Under what circumstances (if any) a tenant would be "discharged" from permanent supportive housing services.
- d. For single-building housing projects where tenancy will be mixed, will all tenants be eligible to utilize on-site services regardless of whether or not they have an identified special need? How will this be accomplished?

#### **IV. SUPPORTIVE HOUSING QUALITY INITIATIVE PROGRAM**

- A. The Supportive Housing Quality Initiative ("SHQI") applies to all supportive housing projects and supportive housing units in affordable developments funded by CHFA and/or the State. Compliance with the SHQI standards will be monitored through periodic site visits during which the monitoring agency will review charts, interview staff and meet with tenants to assess compliance since the last site visit. Though each site visit may assess compliance with only a portion of these domains, providers are required to implement all domains:
  - Domain 1: Facilitated Access to Housing and Services
  - Domain 2: Tenants Rights, Inputs, and Leadership
  - Domain 3: Housing Quality and Safety
  - Domain 4: Support Service Design and Delivery: Person Focused/Person Centered Services and Tenant Engagement
  - Domain 5: Support Service Design and Delivery: Services that Promote Recovery, Wellness, and Community Integration
  - Domain 6: Focus on Housing Stability
  - Domain 7: Building Internal Quality Assurance Practices, Key Staffing and Coordination

DDS service recipients will also receive a Quality Service Review. The Quality Service Review (QSR) is the DDS quality review system that measures personal outcomes and provider support expectations across all service delivery settings. The QSR evaluates the quality of supports delivered by Qualified Providers and assesses the individual's satisfaction with services and supports. The QSR includes seven focus areas:

1. Planning and Personal Achievement
2. Relationships and Community Inclusion
3. Choice and Control
4. Rights, Respect, and Dignity
5. Safety
6. Health and Wellness
7. Satisfaction

## **V. SERVICE FUNDING**

**Funding Source:** Funding for services can be demonstrated through a federal or state agency funding commitment, other resources guaranteed by a service provider, operating funds generated through the project, a capitalized service reserve, documented commitment by the development owner or developer, or a combination of any or all of the above. Service funding through development operations or capitalized reserves must be guaranteed by the developer for the entire compliance period, or a minimum of fifteen (15) years.

1. **Service Budget:** The amount of funding expected for the supportive units/occupants must be estimated in a detailed service program budget submitted for review and acceptance. The anticipated cost of services should reflect the level and kinds of services to be provided. Both the Service Plan and the detailed service program budget are subject to approval. The amount of funding typically budgeted for services is \$7,500 per person or head of household per year (for the DMHAS targeted homeless population only).
2. Pending funding availability, DDS agrees to provide service funding to individuals referred by DDS and selected for tenancy in the units supported by the approved service provider. Funding will be based upon the individual Level of Need (LON) funding and Planning Team identified services. The service funding will be paid directly to the approved service provider for such services. Ongoing tenancy is not contingent upon acceptance of services and individuals have the right to choose an alternative service provider once in residence should they wish to exercise that right.

## **VI. QUALIFIED SERVICE PROVIDERS**

### **1. DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES**

The below agencies, having received extensive, applicable training, are the only agencies acceptable to provide supportive services for the homeless populations.

ACCESS Agency, Inc. (Killingly and Putnam)

Alpha Community Services, Inc. (Bridgeport)

Beth-El Center, Inc. (Milford)

BH Care, Inc. (Ansonia, Derby, Shelton, Branford and East Haven)

Catholic Charities of Fairfield County, Inc. (Bridgeport and Danbury)

Catholic Charities of Hartford, Inc. (Hartford)

Center for Human Development, Inc. (Danbury, Torrington and Waterbury)

Chemical Abuse Services Agency, Inc. (CASA) (Bridgeport)

Chrysalis Center, Inc. (Hartford and suburbs)

Columbus House, Inc. (New Haven and suburbs)

Community Health Resources, Inc. (Enfield and Manchester)

Community Mental Health Affiliates, Inc. (New Britain)

Community Renewal Team, Inc. (Hartford)

Connection, Inc. (Groton, Middlesex County, New Haven and Torrington)

Continuum of Care, Inc. (New Haven)

Family and Children's Agency, Inc. (Norwalk)

Fellowship, Inc. (New Haven)

Friendship Center, Inc. (New Britain)

Hall-Brooke, Inc. (Bridgeport and Norwalk)

Hands on Hartford, Inc. (Hartford)

Homes with Hope, Inc. (Norwalk and Westport)

ImmaCare, Inc. (Hartford)

Inspirica, Inc. (Stamford)

Laurel House, Inc. (Stamford)

Leeway, Inc. (Hamden and New Haven)

Liberty Community Services, Inc. (New Haven)

McCall Foundation, Inc. (Torrington)

Mental Health Association of CT, Inc. (Torrington)

Mercy Shelter and Housing, Inc. (Hartford and Middletown)

Midwestern Connecticut Council on Alcoholism, Inc. (MCCA) (Danbury)

My Sister's Place, Inc. (Hartford)

New Reach, Inc. (New Haven and Suburbs)

New London Homeless Hospitality Center (New London)

Open Door Shelter (Norwalk)

Operation Hope, Inc. (Fairfield)

Pacific House (Stamford)

Reliance House, Inc. (Norwich)

Rushford, Inc. (Meriden)

Safe Futures (Groton and New London)

Sound Community Services, Inc. (New London)

St. Vincent de Paul (Middletown)

St Vincent de Paul Place (Waterbury)

Thames River Community Service, Inc. (New London and Norwich)

Thames Valley Council for Community Action, Inc. (TVCCA) (New London, Norwich and Willimantic)

United Services, Inc. (Willimantic)

## **2. DEPARTMENT OF DEVELOPMENTAL SERVICES**

The below Purchase of Service (POS) contract agencies have been qualified as In Home Support Providers for individuals and families referred by DDS.

Abilis, Inc. (formerly Greenwich ARC)

Abilities Without Boundaries, Inc.

Ability Beyond Disability, Inc.

ACES

Adelbrook Community Services, Inc.

Adult Vocational Programs, Inc.

All Pointe Care LLC (formerly Alliance Staffing of CT)

Alliance Healthcare Solutions, LLC

Allied Rehabilitation Centers, Inc.

Alternative Services - Connecticut, Inc.

Alternatives, Inc.

ARC of Litchfield County, Inc. (formerly LARC)

Arc of New London County, Inc. The

ARC of Quinebaug Valley Inc. The

ARC of Southington, Inc. The

ARC of The Farmington Valley, Inc. The

ARI of Connecticut, Inc.

Ascension Habilitative Support Services, LLC

Association for Community Organizations and Resource Development Inc. (ACORD)

Baroco Corporation The

Behavioral Management, LLC

Benhaven, Inc.

Brian House, Inc.

Bristol Adult Resource Center, Inc.

Buckingham Community Services of C.T., Inc.

Capital Region Education Council Foundation, Inc.(CREC)

Caring Community of Connecticut, Inc. The

Catholic Charities, Inc. - Archdiocese of Hartford

CCARC Foundation, Inc.

Cerebral Palsy of Westchester, Inc.

Chapel Haven Schleifer Center, Inc.

Chez Nous, Inc.

CLASP Homes, Inc.

Community Residences, Inc.

Community Social Integration LLC

Community Systems Inc. (CSI)

Community Vocational Services Incorporated (CVS)

Connecticut Institute for the Blind, Inc. dba Oak Hill Industries, Inc.

Continuum of Care, Inc.

Corporation for Public Management

CT Behavioral Health, LLC

CW Resources, Inc.

Disability Resource Network, Inc.

Dungarvin Connecticut, Inc

Easter Seal Rehab Center of Greater Waterbury, Inc.

Eastern Community Development Corporation

EdAdvance

Employment Options, LLC

Family Options, Inc.

Family Partnerships of Connecticut, LLC

Family Support Team, LLC

Friends of New Milford, Inc.

Futures, Incorporated

G.I.L. Foundation, Inc. (Grounded in Love)

Good Life Residential, LLC

Goodwill of Western and Northern Connecticut, Inc.

Guide Inc.

HARC, Inc.

HART United Inc

Helping People Excel, Inc.

Hispanic Coalition of Greater Waterbury, Inc.

Horizons Programs, Inc.

Humanidad, Inc.

ICES, Inc.

Inclusion First L.L.C.

Institute of Professional Practice, Inc. (The)

Jewish Association for Community Living, Inc. (JCL)

Journey Found, Inc.

KenCrest Services, Inc.

Kennedy Center, Inc. The

Key Human Services, Inc.

Kuhn Employment Opportunities, Inc.

Living Innovations Support Services, Inc.

MARC Community Resources, LTD

MARC, Inc. of Manchester

March, Inc. of Manchester

Marrakech Housing Options, Inc.

Midstate ARC, Inc. (formerly ARC of Meriden-Wallingford, Inc.)

Mosaic of Connecticut Inc.

Network, Inc.

New Beginnings for Life, LLC

New England Residential Services, Inc.

New Foundations, Inc.

New Seasons, Inc.

North American Family Institute, Inc. (NAFI)

Northeast Placement Services, Inc.

Opportunity House, Inc.

Options Unlimited, Inc.



PrimeCare, Inc.  
Reliance Health, Inc.  
Resources for Human Development Inc.  
RMS Development, Inc.  
Robin's Nest Intergenerational Daycare, LLC  
S I S T E R S, LLC  
SARAH Seneca Residential Services, Inc.  
SARAH Tuxis Residential and Community Resources, Inc.  
SARAH, Inc.  
Sharp Training, Inc.  
St. Vincent's Special Needs Center, Inc.  
STAR, Inc., Lighting The Way  
Sunrise Northeast, Inc.  
Transitional Employment Unlimited, Inc.  
Turning Leaf Agency, Corp.  
United Cerebral Palsy Association of Eastern Connecticut, Inc.  
Vantage Group, Inc. The  
Viability, Inc.  
Vinfen Corporation of Connecticut, Inc.  
Vista Life Innovations, Inc.  
Waterbury ARC, Inc.  
West Haven Community House Association, Incorporated The  
Whole Life, Inc.  
Windsor Independent Living Association

### **3. DEPARTMENT OF CHILDREN AND FAMILIES**

Connection, Inc. (Groton, Middlesex County, New Haven and Torrington)

# **Department of Housing and Community Development Supportive Housing for Vulnerable Populations**

## **Notice of Funding Availability**

### **National Housing Trust Fund (HTF)**

#### **August 2019**

The Baker Polito Administration is committed to increasing the supply of housing throughout the Commonwealth for individuals and families with various income levels and various needs. One of the Administration's priority housing goals is the creation of more affordable rental units for vulnerable populations, who often need support services in order to access and maintain stable housing. To help achieve this goal, the Massachusetts Department of Housing and Community Development (DHCD) will make certain funds available through a competition to be held in December 2019. In particular, DHCD will make available the National Housing Trust Fund (HTF) and Massachusetts Rental Assistance Vouchers (MRVPs) to help finance rental projects with support services. The National Housing Trust Fund (HTF) is a federal program to support the development of affordable housing for low-income individuals and households. Working with the Community Economic Development Assistance Corporation (CEDAC), DHCD will make HTF and MRVP available to qualified and experienced sponsors whose projects are highly ready to proceed. Support service funds will be attached to the MRVP vouchers. The populations to be targeted for HTF/MRVP assistance include, but are not limited to, homeless families, homeless individuals, military veterans, unaccompanied homeless youth, frail seniors with service needs, and individuals in recovery from substance abuse. Projects intended to serve homeless families will have the highest priority during the December 2019 funding competition.

DHCD will make up to \$7 million in HTF capital funds available during the December 2019 competition. Approximately 100 project-based MRVPs also will be available, with the potential of \$1,500 per unit per year in service funding attached to each MRVP. Sponsors also may seek additional DHCD capital sources – primarily the Housing Innovations Fund (HIF) -- to complete their financing packages. Sponsors who intend to seek additional DHCD capital funds should contact Department staff before preparing a pre-application, since not all DHCD capital resources will be available during this competition. Low Income Housing Tax Credits generally will not be available in this competition. All sponsors should note that they may seek both HTF and MRVP or either source on its own.

Sponsors interested in participating in the December 2019 funding competition must submit a pre-application to the Department through the on-line Mass OneStop+ system on or before

October 10, 2019. Based on the information contained in the pre-application, DHCD will determine whether the sponsor has the demonstrated capacity to develop the housing and provide the necessary services and is in good standing with the Department. Sponsors who lack experience in supportive housing will not be eligible for the December funding competition. At the pre-application stage, DHCD also will determine whether the proposed project is highly ready to proceed. The Department will evaluate the status of necessary zoning and permitting approvals, the status of architectural documents, and the status of other funding commitments as part of its readiness determination. Sponsors whose projects receive preliminary approval from DHCD during the pre-application process will be invited to submit full funding applications. Preliminary approval is not a commitment of funding. Full funding applications must be submitted through the on-line Mass OneStop+ system, on or before December 5, 2019. No funding applications will be accepted after December 5, 2019.

### **National Housing Trust Fund (HTF) -- Background:**

The National Housing Trust Fund (HTF) is a federal program to support the development of affordable housing for low-income individuals and households. The HTF is funded annually with certain proceeds available from two government-sponsored entities – the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). The U.S. Department of Housing and Urban Development (HUD) administers the HTF at the federal level and distributes trust funds to participating states in accordance with an established formula. In the Commonwealth of Massachusetts, Governor Charles D. Baker has identified the Department of Housing and Community Development (DHCD) as the allocating agency for the HTF.

The Massachusetts FFY 19 HUD Action Plan, attached to this document, states that HTF units must be occupied by individuals or households who can benefit from the availability of support services, and who earn no more than 30% of area median income. In addition, it states that HTF and other capital sources will support development costs. However, project sponsors will be responsible for identifying appropriate funding sources to cover the cost of support services for qualified tenants.

### **HTF -- General Criteria:**

HTF projects must be structured as sound real estate investments as well as appropriate housing settings for low-income tenants who need support services. Sponsors who wish to seek DHCD capital resources other than HTF must contact the Department to determine which resources may be made available through this funding application process. HTF sponsors must ensure that their applications meet all existing requirements of any other DHCD resources to be sought. Sponsors also should note that HTF applications must meet DHCD's limits on development and operating costs per unit for

supportive housing, which are included in the 2018-2019 Tax Credit Qualified Allocation Plan (QAP), <https://www.mass.gov/files/documents/2018/08/31/20182019QAP.pdf>. In addition, all rehabilitation projects must meet the DHCD HTF Rehabilitation Standards Guidelines. [https://www.mass.gov/files/documents/2017/11/15/htfrehabilitationstandards\\_0.pdf](https://www.mass.gov/files/documents/2017/11/15/htfrehabilitationstandards_0.pdf)

To be eligible for the HTF competition, sponsors either must be non-profit entities or partnered with non-profit entities that receive support service funds from federal sources, from private foundations or sources, from the Massachusetts Executive Office of Health and Human Services, and/or from the Massachusetts Executive Office of Elder Affairs. Eligible sponsors will have the opportunity to apply for HTF, as well as certain state bond funds and MRVPs. DHCD will provide limited service funds to projects that are awarded MRVPs. Sponsors may choose to identify particular units within a larger project as supportive housing (SH) units eligible for funds under this NOFA.

### **HTF -- Eligible Tenant Populations:**

Sponsors may seek HTF funds to serve many income-eligible constituencies, including but not limited to homeless families, seniors and other individuals, persons with disabilities, military veterans, homeless individuals, and persons with other special needs. The populations to be served must be able to benefit from housing support services, and the source of service funding must be identified in the application to DHCD for HTF resources. If a sponsor requests and receives state rental assistance MRVPs for the project, the Department will make available up to \$1500 per unit per year for support services. The sponsor must identify funding sources to cover any additional cost of services.

Sponsors of HTF applications must include a description of how the project responds to the need for affordable supportive housing in Massachusetts as well as a tenant selection plan and affirmative fair housing marketing plan.

### **HTF -- Support Services:**

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 in outreach to and engagement with the population to be served. As part of the full application for HTF 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 SH units for individuals or families who face multiple barriers to securing and/or maintaining permanent housing. Barriers may include, but are not limited to, poor credit, prior evictions, poor rental history, multiple emergency shelter placements, and/or disability.

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:

- maintaining a successful tenancy;
- securing quality childcare, education, healthcare and recreational activities for any children in the household,
- securing or improving adult educational attainment and employment;
- improving and maintaining behavioral and physical health;
- improving financial and asset management skills; and
- increasing 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 HTF, the provider and the owner should have a successful record of previous collaboration and should provide DHCD with documentation (such as an MOU) of their previous work together.

No occupant of an HTF housing unit may be required to accept supportive services as a condition of his or her tenancy.

**HTF – Program Restrictions and Funding Limits:**

In accordance with HUD guidance, the funds available through HTF can only be used to directly support housing units for the target income groups (ELI individuals or households). HTF units can be included in projects that also serve higher income tenants, but the HTF monies can only support the HTF-designated units. All HTF-assisted rental housing must carry at minimum a 30-year affordability period.

In accordance with HUD guidance, HTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction and/or rehabilitation of non-luxury housing with suitable amenities. HTF cannot be used to refinance multifamily debt. All HTF applications must include a description of the eligible activities to be conducted with HTF funds. Funds may be used to support:

- Real property acquisition
- Site improvements and development hard costs
- Related soft costs
- Demolition
- Financing costs
- Relocation assistance

HUD requires that each sponsor of an HTF-assisted project certify the number of units by income group. In addition, sponsors must certify that:

- All tenants in HTF-assisted units meet the income limits as required by program guidelines
- The ownership entity will comply with rent limits, which must be no more than 30% of 30% of area median income for the tenant share of the rent

In general, DHCD will cap all HTF awards at approximately \$100,000 per unit, depending on project characteristics, and at \$1,000,000 per project. DHCD reserves the right to increase the per-unit and/or per-project cap if circumstances merit such an increase. HTF will be made available as zero-interest soft loans and closed through the MassDocs process.

**Availability of Other DHCD Resources:**

Sponsors who are invited to submit One-Stop applications for HTF and/or MRVP during the December 2019 competition may be able to apply for certain other DHCD capital resources, including, but not necessarily limited to The Housing Innovations Fund (HIF), but should contact Department staff before preparing a pre-application. Not all DHCD resources will be available in

this competition. Sponsors can obtain information about HIF on the DHCD website at <http://www.mass.gov/hed/housing/affordable-rent/housing-innovations-fund-hif.html> and also can contact Sara Barcan of the Community Economic Development Assistance Corporation (CEDAC) at 617-727-5944.

### **December 2019 Competition -- Readiness Standards:**

As indicated, the Department intends to make HTF and/or MRVP awards only to projects that are highly ready to proceed. At the time of full application, the project should have secured all necessary permits and public approvals, including zoning. The sponsor must have architectural design plans that are advanced to a degree acceptable to DHCD. The sponsor must have identified any environmental issues related to the project site and must have an acceptable plan to address any such issues. The sponsor is expected to have most or all funding commitments, other than DHCD's resources, in place. 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 a 2020 construction start.

### **December 2019 Competition -- Application Process:**

Sponsors who intend to seek HTF and/or MRVP and other DHCD subsidies during the December 2019 competition must follow a two-step process:

- The sponsor must prepare a pre-application for funds. All pre-applications must be submitted through DHCD's online Mass OneStop+ system by **October 10, 2019**.
- If approved through the pre-application process, the sponsor must prepare a One-Stop+ funding application for submission to DHCD no later than December 5, 2019. DHCD will provide sponsors who are invited to submit full applications with instructions on accessing DHCD's online system. All full applications must be submitted through the online system, and no applications will be accepted after the close of business on **December 5, 2019**.

The Department anticipates making funding recommendations on HTF applications in March or April, 2020.

The pre-application fee for the December 2019 HTF competition is \$500. Sponsors should refer to DHCD's NOFA for its winter 2019 rental funding round to determine the application fee for any sources other than HTF. The application fee for HTF will be \$1,000.

For further information, please contact Catherine Racer at 617-573-1322 or Bronia Clifton at 617-573-1305 in DHCD's Division of Housing Development.

## 2019-2020 ADDENDUM III

MICHIGAN'S LOW-INCOME HOUSING TAX CREDIT PROGRAM

PERMANENT SUPPORTIVE HOUSING CATEGORY



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## ADDENDUM III THRESHOLD REQUIREMENTS

### INTRODUCTION AND ADDENDUM III SECTION NOTES:

Applicants are strongly encouraged to have a Michigan State Housing Development Authority (“MSHDA”) staff member visit the project site prior to application submission.

Applicants should note that the development team must meet with the local Continuum of Care (CoC) housing planning body at least 120 days prior to the funding round deadline to begin preliminary discussions in order to ensure the stability of tenants, to ensure that the project is integrated in the community, and to ensure that there are strong social support networks available to meet the needs of the supportive housing tenants. The intent of the initial meeting with the CoC is to inform them of the general project concept. It is not intended that this meeting will be used to seek approval from the CoC. Please see item M. under Permanent Supportive Housing Threshold Requirements. The deadline by which initial meetings with the CoC must take place is listed in the timeline below.

MSHDA will appoint an Addendum III review committee to meet with and review any permanent supportive housing development submissions that have not previously been reviewed by the Addendum III review committee or have made significant changes to the Addendum III since they last met with the Addendum III review committee. The Addendum III review committee will reserve the right to meet more than once with a particular development team, if it is determined necessary. These meetings will take place prior to the funding round and are not intended to provide Addendum III approval but to provide feedback on key components that can help with the Addendum III submission. This committee will consist of MSHDA Low-Income Housing Tax Credits (“LIHTC”) and Homeless Assistance staff, along with representatives from Michigan Department of Health and Human Services and other State of Michigan agencies as deemed necessary and appropriate by MSHDA. All members of the review committee will be independent of the projects they review.

Applicants that have not previously been reviewed by the Addendum III review committee or that have had significant changes in their Addendum III structure will need to submit an initial concept packet for review and discussion prior to submitting an application in a funding round. This packet should include, at a minimum, a narrative outlining the development team, service providers, location of the project, number and breakdown of units, populations served, services provided, and service funding sources. It may also include drafts of a map of the proposed development and site, Memorandum of Understanding, Tenant Selection Plan, Addendum III Funding Analysis, and local municipality Data Match outline, but should not include a full Addendum III submission. This provides an opportunity for the Applicant and his/her team to receive technical assistance in conceptualizing the project and assuring that key components are included. The timeline below highlights the date by which applicants that are required to meet with the Addendum III review committee must submit their initial concept packet.

The Addendum III must be complete and submitted as part of the complete LIHTC Application on the LIHTC Funding Round Due Date as shown in the 2019-2020 Qualified Allocation Plan (“QAP”). The Addendum III review committee will review and score the submission as part of the funding round and will not meet with development teams during the funding round review process.

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**OTHER MSHDA PROGRAMS:**

- 1) HOME/Direct Lending: Proposals using MSHDA HOME or other MSHDA funding are required to follow MSHDA's Direct Lending program underwriting parameters. Projects seeking MSHDA funding will be required to submit a Preliminary Assessment application to MSHDA's Direct Lending department at least 45 days prior to the LIHTC funding round deadline.
- 2) PBV/811: Proposals receiving a LIHTC Reservation may apply for MSHDA Project Based Vouchers (PBV) or Section 811 Assistance for Supportive Housing Units. The proposal will be required to meet the PBV and/or Section 811 processing requirements. Applications for PBV assistance must contain a minimum of 5 units per development and a maximum of 100% of the development's (PSH) units. Applications for Section 811 assistance must contain a minimum of 5 units and a maximum of 25% of the development's units. Partial unit calculations will be rounded down for the Section 811 program (for example, a property with 30 total units may have no more than 7 units with Section 811 assistance). Applicants applying for Section 811 Assistance must submit a Section 811 Application to MSHDA prior to the funding round by the deadlines below in order to be considered.

The chart below outlines the various deadlines that applicants should be aware of leading up to a funding round:

STAGE OF PROCESS	DUE DATE
<b>Fall 2018 Funding Round</b>	
Initial Meeting with CoC Deadline (PSH Only)	Friday, July 16, 2018
Market Study Request Due Date	Monday, July 16, 2018
Waiver Request Due Date	Wednesday, August 1, 2018
Preservation Level 1 Review Due Date	Wednesday, August 15, 2018
4%/9% Mixed Transaction Level 1 Review Due Date	Wednesday, August 15, 2018
Addendum III Initial Concept Letter Due Date (PSH Only)	Wednesday, August 15, 2018
Affordable Assisted Living Steering Committee Review Packet Due Date	Wednesday, August 15, 2018
Section 811 Application Deadline	Friday, September 21, 2018
Funding Round Due Date	Monday, October 1, 2018
Expected Award Notification Date	January of 2019
<b>Spring 2019 Funding Round</b>	
Initial Meeting with CoC Deadline (PSH Only)	Monday, December 3, 2018
Market Study Request Due Date	Tuesday, January 15, 2019
Waiver Request Due Date	Friday, February 1, 2019
Preservation Level 1 Review Due Date	Friday, February 15, 2019
4%/9% Mixed Transaction Level 1 Review Due Date	Friday, February 15, 2019
Addendum III Initial Concept Letter Due Date (PSH Only)	Friday, February 15, 2019
Affordable Assisted Living Steering Committee Review Packet Due Date	Friday, February 15, 2019
Section 811 Application Deadline	Friday, March 22, 2019
Funding Round Due Date	Monday, April 1, 2019
Expected Award Notification Date	July of 2019
<b>Fall 2019 Funding Round</b>	
Initial Meeting with CoC Deadline (PSH Only)	Monday, June 3, 2019
Market Study Request Due Date	Monday, July 15, 2019
Waiver Request Due Date	Thursday, August 1, 2019
Preservation Level 1 Review Due Date	Thursday, August 15, 2019
4%/9% Mixed Transaction Level 1 Review Due Date	Thursday, August 15, 2019
Addendum III Initial Concept Letter Due Date (PSH Only)	Thursday, August 15, 2019
Affordable Assisted Living Steering Committee Review Packet Due Date	Thursday, August 15, 2019
Section 811 Application Deadline	Friday, September 20, 2019
Funding Round Due Date	Tuesday, October 1, 2019
Expected Award Notification Date	January of 2020
<b>Spring 2020 Funding Round</b>	
Initial Meeting with CoC Deadline (PSH Only)	Monday, December 2, 2019
Market Study Request Due Date	Wednesday, January 15, 2020
Waiver Request Due Date	Monday, February 3, 2020
Preservation Level 1 Review Due Date	Tuesday, February 18, 2020
4%/9% Mixed Transaction Level 1 Review Due Date	Tuesday, February 18, 2020
Addendum III Initial Concept Letter Due Date (PSH Only)	Tuesday, February 18, 2020
Affordable Assisted Living Steering Committee Review Packet Due Date	Tuesday, February 18, 2020
Section 811 Application Deadline	Friday, March 20, 2020
Funding Round Due Date	Wednesday, April 1, 2020
Expected Award Notification Date	July of 2020

**PERMANENT SUPPORTIVE HOUSING THRESHOLD REQUIREMENTS:**

The following Threshold Requirements will apply to all projects submitted under the Permanent Supportive Housing Category:

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**A. QAP THRESHOLDS AND UNDERWRITING REQUIREMENTS:**

All minimum threshold requirements outlined in the Qualified Allocation Plan and the Addendum I must be followed. Project operating costs cannot significantly differ from MSHDA standards unless a waiver is granted by MSHDA. Supportive Services cannot be funded through the property's operating budget.

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**B. COMPLETE ADDENDUM III SUBMISSION:**

The Addendum III submission must be complete. This includes, but is not limited to, a fully completed Addendum III Excel application prepared in accordance with application instructions and submission of all applicable exhibits. MSHDA will reject applications with multiple material errors in documentation, incomplete information, and/or general inconsistencies found within the Addendum III submission. Decisions for rejection under this threshold requirement are intentionally made on a subjective basis and are entirely under MSHDA's discretion. In addition to paper copies, applicants must include the submission of a Compact Disc or Flash Drive containing all Addendum III documents in digital form.

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**C. 35% THRESHOLD:**

Projects must have at least the greater of 15 units or 35% of the total units in the development targeted to people who meet the definitions outlined in Attachment A. HUD Category 1 (Literally Homeless) must be included as a target population for all PSH developments.

**Note:** If 35% of the units is not a whole number, the development must round up to the next whole unit to meet this criteria. For example, if there are 50 units, there must be at least 18 permanent supportive housing units in the development ( $35\% \times 50 = 17.5$ , rounded up to 18). Manager units do not count towards either the total number of units or the supportive housing units in the development. If there are not enough units set aside for permanent supportive housing tenants, the project will not meet threshold and will not be eligible for credit.

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**D. PROJECT NARRATIVE:**

A detailed and complete narrative description of the project should be provided; this includes, at a minimum, the development team, service providers, number and breakdown of units, populations served, services provided, type of unit, income targeting, and proposed rent schedule.

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**E. SITE SELECTION:**

The project location must meet MSHDA's Supportive Housing Site Selection Criteria. See Attachment B.

In addition to the MSHDA Supportive Housing Site Selection Guidelines and definitions, any project that receives a LIHTC award and which will be applying for Project Based Vouchers (PBVs) must ensure the site

meets the federal program requirements of HUD regulations (Title 24 Housing and Urban Development 983 Project Based Voucher (PBV) Program).

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#### **F. TENANT SELECTION CRITERIA:**

Include the property's tenant selection plan and describe how permanent supportive housing tenants will be served. This description should include any screening processes that will be utilized, along with criminal and credit screening processes and details of any appeal process and eviction diversion plans for the permanent supportive housing tenants.

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#### **G. INCOME ELIGIBILITY:**

Tenant incomes must be at or below 30% AMI to be eligible for targeted Supportive Housing units.

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#### **H. ELDERLY POPULATIONS:**

Elderly-only populations are excluded from the Permanent Supportive Housing Category. The entire project must be open to all ages.

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#### **I. HOUSING FIRST MODEL:**

Developments are required to demonstrate the use of assessment tools that identify and prioritize the referrals to serve the most vulnerable. Include a description of referral process and centralized intake assessment that prioritizes the referrals for the waiting list that will be utilized at this development. The model must support moving persons quickly into housing without preconditions of treatment acceptance or compliance. Sobriety, medication compliance, and lesser or distant past criminal history are examples of what cannot be an entrance requirement.

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#### **J. SERVICE COORDINATION PLAN AND COORDINATION:**

On-site service coordination must be available to all supportive housing tenants. There should be one specific and comprehensive service plan submitted, regardless of the nature of the tenants targeted for the supportive housing units.

The service coordination plan must describe how the project will meet the supportive service needs of the targeted tenants. Include how many hours of on-site services will be provided and include documentation in the Addendum III submission of a funding commitment from the agency(s) that will provide staff for these services. The funding commitment must be detailed in a letter signed by the executive director of the agency providing the services. All letters of support must be dated within six (6) months of the funding round deadline. Additionally, all funding agencies must provide a copy of their most recent annual audited financial statements to demonstrate a history of reliable service funding sources through adequate amounts under supportive services line items and supportive services staff. The services cannot be funded through the operations of the development. The on-site services may be provided through partnership with the local service organizations. The following schedule serves as a minimum standard number of hours of on-site service that must be provided. Additional on-site services

may be needed depending on the population served by the supportive housing project. Please note that the intent of the on-site services is to provide convenient options for residents to receive any services that they choose. Tenants may choose to receive services off-site at a different location, through a different service provider of their choosing, or they may choose to decline the services completely. With the exception of certain federal programs, tenants cannot be mandated to participate in any of the offered or available services, nor can non-participation itself be a factor in their lease or rental history. Tenants are not required to participate in the offered services or may choose to participate in these or similar services off-site.

# of PSH units in development	Minimum # of hours required
25 or fewer PSH units	10 hours per week
26 – 50 PSH units	20 hours per week
51 – 75 PSH units	30 hours per week
75+ PSH units	40 hours plus 10 hours for every 25 additional units

**Note:** PSH Developments are restricted to 75 units or less. However, if a waiver is granted of this requirement and the development has more than 75 units, the minimum required service hours calculation would be:  $40 + (10 * ([\# \text{ of PSH units} - 75] / 25))$ . If the result is not a round number, you must round up.

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**K. SERVICE ORGANIZATION COLLABORATION:**

The Housing Assistance and Resource Agency (HARA) must be included as a referral source for Permanent Supportive Housing Units.

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**L. SCREENING TOOLS:**

The HARA must use the Statewide approved assessment tool when assessing applicants for Permanent Supportive Housing.

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**M. FUNDING:**

A completed Addendum III Supportive Services Budget must be completed for the project that clearly breaks out all supportive services funding and projected expenses for the 15 year compliance period.

The Addendum III submission must include supporting documentation for all the funding sources included in the Supportive Services Chart. The letters of support must be from the Executive Director of all funding agencies and outline the amount of funding provided, the number of years, and any other relevant information. Projects will be required to show documented evidence of service funding to support the projected expenses for a minimum of the initial 1-year with renewals available and a detailed description of future funding sources. Additionally, all funding agencies must provide a letter detailing the history of

their past service funding in order to demonstrate a history of reliable service funding sources in amounts that are sufficient to support their share of yearly project service expenses.

All letters of support must be dated within six (6) months of the funding round deadline.

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#### **N. CONTINUUM OF CARE:**

The development team must meet with the local Continuum of Care (CoC) housing planning body at least 120 days prior to the funding round deadline. Please see the timeline in the Introduction and Addendum III Section notes of this document for specific deadline dates. The intent of this meeting should be to just begin discussions about preliminary project concepts in order to serve as notice to the CoC that a project in the area is being pursued and to allow the opportunity for the CoC to provide input. Continuing discussions with the CoC should ensure the stability of tenants, ensure that the project is integrated in the community, and ensure that there are strong social support networks available to meet the needs of the supportive housing tenants. The CoC form, a letter of support from the CoC, and meeting minutes from the initial planning meeting must be included with the application submission. The CoC letter of support should include the total number of units, the number of PSH units, the targeted population, a description of the housing units, bedroom mix of the PSH units, location of the development, the proposed services and amenities, and identification of the development team.

The CoC letter of support must be dated within one year from the funding round deadline. If necessary, a waiver of the Initial Meeting with the CoC Deadline can be requested for the October 1, 2018 funding round; however, as noted in the timeline, consideration has already been given to accommodate for the potential timing constraints associated with the October 2018 Funding Round.

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#### **O. MEMORANDUM OF UNDERSTANDING:**

The development team must submit written documentation between the developer, management company, and service provider(s) that outlines mutual roles and responsibilities in the development. The Memorandum of Understanding (“MOU”) should incorporate the service coordination plan agreed to by the parties, and provide:

- a) Letter of commitment by the service provider, including signature of the Executive Director;
- b) A letter of support from the primary funder of the case management and/or service coordination agency;
- c) Demonstration of an ongoing commitment by the developer and/or landlord to assure sustained availability of supportive services; and
- d) Inclusion of the Housing Assessment Resource Agency (HARA) within the MOU. The HARA’s role may include referrals or services. They do not have to be the lead agency; however, their role should be defined within the MOU. If there is a different lead agency, the MOU must define their role in the development and be signed by their executive director. In all cases, the MOU must be signed by the HARA.

The MOU will include:



- a) A commitment from the local lead agency to provide, coordinate, and/or act as a referral agent to assure that supportive services will be available to the targeted tenants;
- b) A description of the referral and screening process that will be used to refer tenants to the project, which follows the acceptable guidelines and uses assessment tools such as the SPDAT as required by MSHDA and other State or Federal service funding agencies, and a willingness of all parties to negotiate reasonable accommodations to facilitate the admittance of persons with disabilities into the development;
- c) A communication plan between the management company and the lead agency that will accommodate staff turnover and assuring continuing linkages between the development and lead agency for the duration of the compliance period;
- d) Acknowledgment of the property's rent structure and a description of how supportive housing tenants may access rental assistance, should they require it, to afford the apartment rents;
- e) Certification that participation in supportive services will not be a condition of tenancy unless otherwise required by a Federal subsidy;
- f) Agreement to affirmatively market to persons with disabilities;
- g) Agreement to include a section on reasonable accommodation in the property management's application for tenancy;
- h) Agreement to accept Section 8 vouchers or other rental assistance for eligible tenants and not require total income for persons with rental assistance beyond that which is reasonably available to supportive housing tenants; and
- i) A description of how the project will make the targeted units affordable to supportive housing tenants with very low incomes.

The MOU must be dated within six (6) months of the funding round date.

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#### P. UTILITIES:

Developers must include all utility costs for the permanent supportive housing units in the project expenses.

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#### Q. ACCESSIBLE COMMUNITY SPACE:

To meet minimum PSH requirements, projects are required to provide accessible community or supportive service space to all projects. The accessible community space is envisioned as one room or contiguous space that may be used for activities such as dining, crafts, exercise, medical clinic, socializing, birthday parties, holiday gatherings, study areas and/or other activities for individuals with children, or any other activity or use that may benefit tenants; and does not include common space such as hallways, offices, lobbies, bathrooms laundry rooms, etc. To meet threshold, the accessible community space must, at a minimum be sized according to the grid below AND have at least one additional, separate private meeting space or office of at least 100 square feet for every 20 PSH units. The separate private meeting space must be in addition to the square footage of community space detailed in the grid below. The space must be located within a reasonable proximity to the proposed project, if the space is provided in a separate building. If an accessible community space being shared by multiple phases of the same project is proposed, it must meet the minimum square footage requirement for all of the units in all of the phases

of the project that will share the accessible community space. Additionally, in the case of multiple phases, an easement agreement must be executed to allow the phases to have equal access to the accessible community space. A certification signed by the project Architect, Applicant, and Contractor must be submitted to demonstrate that the project will contain the minimum required amount of Accessible Community Space. A certification as well as an as-built drawing of the community space will also be required after construction completion to demonstrate that the requirements have been met.

<b>Number of units</b>	<b>Minimum Square Feet</b>
<b>1 to 50 units</b>	<b>500</b>
<b>51 to 100 units</b>	<b>1,000</b>
<b>101 + units</b>	<b>1,500</b>

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**R. PROJECT SIZE:**

Projects that exceed 75 units of Permanent Supportive Housing require a waiver granted by MSHDA.

## ATTACHMENT A: DEFINITIONS

Please review the following definitions before completing a service plan for Supportive Housing Tenants. This is relevant when applying for any MSHDA program, including HOME or Low-Income Housing Tax Credits. ***To be eligible for funding, the entire housing development must be open and available to adult persons of all ages.***

#### A) Eligible Supportive Housing Tenants

Under the Low-Income Housing Tax Credit program eligible supportive housing tenants must meet one of the following definitions:

##### Homeless Categories

The Homeless Category definitions are aligned with the HUD definitions approved by Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009. HUD published the final rule in the December 5, 2011 *Federal Register*.

- (1) **HUD Category 1 (Literally Homeless). An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:**
  - (i) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;
  - (ii) An individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs for low-income individuals); or
  - (iii) An individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;
  
- (2) **HUD Category 4 (Fleeing/Attempting to Flee Domestic Violence). Any individual or family who:**
  - (i) Is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual's or family's primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence;
  - (ii) Has no other residence; and
  - (iii) Lacks the resources or support networks, e.g., family, friends, and faith-based or other social networks, to obtain other permanent housing.

##### Domestic violence (target population definition)

In addition to Category 4 of the Homeless definition, "Domestic Violence" means the occurrence of any of the following acts by a person that is not an act of self-defense:

- Causing or attempting to cause physical or mental harm to an intimate partner;
- Placing an intimate partner in fear of physical or mental harm;
- Causing or attempting to cause an intimate partner to engage in involuntary sexual activity by force, threat of force, or duress;
- Engaging in activity toward an intimate partner that would cause a reasonable person to feel terrorized, frightened, intimidated, threatened, harassed, or molested.

### **Chronically Homeless**

A “chronically homeless” individual is defined to mean a homeless individual with a disability who lives either in a place not meant for human habitation, a safe haven, or in an emergency shelter, or in an institutional care facility if the individual has been living in the facility for fewer than 90 days and had been living in a place not meant for human habitation, a safe haven, or in an emergency shelter immediately before entering the institutional care facility. In order to meet the “chronically homeless” definition, the individual also must have been living as described above continuously for at least 12 months, or on at least four separate occasions in the last 3 years, where the combined occasions total a length of time of at least 12 months. Each period separating the occasions must include at least 7 nights of living in a situation other than a place not meant for human habitation, in an emergency shelter, or in a safe haven.

Chronically homeless families are families with adult heads of household who meet the definition of a chronically homeless individual. If there is no adult in the family, the family would still be considered chronically homeless if a minor head of household meets all the criteria of a chronically homeless individual. A chronically homeless family includes those whose composition has fluctuated while the head of household has been homeless.

### **Special Need**

**The Special Need population will use the criteria established by the HUD Continuum of Care program for persons with disabilities. If serving Veterans, a VA disability rating may also qualify.**

**Disability** means: (1) A condition that: (i) Is expected to be long-continuing or of indefinite duration; (ii) Substantially impedes the individual’s ability to live independently; (iii) Could be improved by the provision of more suitable housing conditions; and (iv) Is a physical, mental, or emotional impairment, including an impairment caused by alcohol or drug abuse, posttraumatic stress disorder, or brain injury; (2) A developmental disability, as defined in this section; or (3) The disease of acquired immunodeficiency syndrome (AIDS) or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome, including infection with the human immunodeficiency virus (HIV)

**Developmental disability** means, as defined in section 102 of the Developmental Disabilities Assistance and Bill of Rights Act of 2000 (42 U.S.C. 15002): (1) A severe, chronic disability of an individual that— (i) Is attributable to a mental or physical impairment or combination of mental and physical impairments; (ii) Is manifested before the individual attains age 22; (iii) Is likely to continue indefinitely; (iv) Results in substantial functional limitations in three or more of the following areas of major life activity: (A) Self-care; (B) Receptive and expressive language; (C) Learning; (D) Mobility; (E) Self-direction; (F) Capacity for independent living; (G) Economic self-sufficiency; and (v) Reflects the individual’s need for a combination and sequence of special, interdisciplinary, or generic services, individualized supports, or other forms of assistance that are of lifelong or extended duration and are individually planned and coordinated. (2) An individual from birth to age 9, inclusive, who has a

substantial developmental delay or specific congenital or acquired condition, may be considered to have a developmental disability without meeting three or more of the criteria described in paragraphs (1)(i) through (v) of the definition of “developmental disability” in this section if the individual, without services and supports, has a high probability of meeting those criteria later in life.

**Documenting Disability:**

(c) Disability.— Acceptable evidence of the disability includes: (1) Written verification of the disability from a professional licensed by the state to diagnose and treat the disability and his or her certification that the disability is expected to be long continuing or of indefinite duration and substantially impedes the individual’s ability to live independently; (2) Written verification from the Social Security Administration; (3) The receipt of a disability check (e.g., Social Security Disability Insurance check or Veteran Disability Compensation); (4) Other documentation approved by HUD; or (5) Intake staff-recorded observation of disability that, no later than 45 days of the application for assistance, is confirmed and accompanied by evidence in paragraph (c)(1), (2), (3), or (4) of this section.

**B) Supportive Services Plan**

For a project to be eligible for tax credit supportive housing points or HOME funds, the proposal must include a plan for the provision of a *substantial level of services targeted* to the supportive housing units. The services must include those that are essential for supportive housing tenants to *sustain* themselves in permanent housing.

The project must be an on-going active collaboration between the owner, Management Company, and identified supportive service provider(s). The formulation of this relationship, along with a commitment to sustain the agreed upon services over a period of time, must be agreed to *by the collaborators and incorporated into a written “Memorandum of Understanding.”*

The supportive services plan should outline and specify the following:

- Conditions which would qualify the proposed tenant(s) for the supportive housing units;
- Expected life-skills areas for which supportive services are likely to be required;
- The supportive services to be provided. **Participation in supportive services must be voluntary unless required by a Federal rental subsidy.**
- How service coordination will be provided.

Tenants’ must have the option to receive service coordination on-site. For the purpose of meeting this requirement, *service coordination* shall be available in a form that contains the following elements:

- a) An individual assessment of service needs and life goals will be completed with the full participation of each tenant and others of their choosing.
- b) A plan will be developed in response to each tenant’s assessment, which will include long and short-range goals, with specific steps to achieve them. Principles of person centered planning and self-determination will be incorporated into the planning process.
- c) Service coordination will include advocacy, brokering, linking and monitoring of support services detailed in each tenant’s plan.
- d) Service coordinators will help tenants gain access to entitlements, financial assistance programs, and

legal representation, in accordance with the tenant's plan.

- e) A re-assessment, and revision of each tenant's plan, will be completed on at least an annual basis. Copies of that plan and annual update will be placed in each tenant's file.
- f) Tenants shall have a designated individual or team responsible for the coordination of services.
- g) Emphasis shall be placed on tenant empowerment and the development of natural/community supports.

**C) Single Room Occupancy (SRO)**

An SRO is defined as a residential property that includes multiple efficiency dwelling units. Each unit is for occupancy by a single eligible individual. The dwelling unit must contain private sanitary facilities and an appropriate food preparation area which includes sink, microwave, refrigerator, and counter for food preparation.

**ATTACHMENT B: MSHDA SUPPORTIVE HOUSING SITE SELECTION GUIDELINES**

The following is provided as guidance in site selection for supportive housing projects. All applicants should also review Tab C: MSHDA Guidelines for Market Studies and Tab CC: Site Selection Criteria and ensure their sites meet all applicable guidelines.

Along with meeting the MSHDA Site Selection Criteria, Permanent Supportive Housing Projects should also meet the following:

**RESIDENTIAL CHARACTER:**

Sites must be appropriate for residential use. Surrounding residential property values should be stable or increasing, unless the site is part of a local community effort for improvement or rehabilitation. Areas impacted by high concentrations of very low-income housing that is deteriorating or in jeopardy of deterioration should be avoided. Areas already impacted by high concentrations of housing for people with special needs should also be avoided.

The site must offer a wide variety of social, commercial and health facilities that are similar to those found in a neighborhood of primarily unassisted housing of a similar nature. Sites should allow for a visually proud orientation of the housing to the street and neighborhood. Easy and safe ingress and egress should be available by vehicle and by foot or wheelchair. Good signage, lighting and landscaping features should be incorporated to establish a pleasing and noticeable residential presence. Surrounding uses when viewed from the site itself should be well maintained and aesthetically pleasing.

**FRONTAGE:**

Sites should have frontage on a paved public street and provide good accessibility. Public improvements should be available including paved roads, sidewalks, curbs and gutters, street lighting, storm drains and fire hydrants. In situations involving private drives, shared roads, grounds or utility access, maintenance agreements must be in place for equitable sharing of the cost of mowing, plowing, maintaining and replacing shared facilities. Sites should have easy and safe ingress and egress. The surrounding area should have sidewalks or similar infrastructure that allow use and passage of wheelchairs and other mobility assistive devices.

**PUBLIC TRANSPORTATION AND COMMUNITY RESOURCES:**

Good access should be available to public transportation and community resources such as grocery shopping, pharmacy, bank, employment, religious and education institutions as well as medical and social services and community parks or recreational activities the proposed occupants will be most likely to use. Access routes by foot, bicycle or wheelchair should be available or developed wherever possible. Where public transportation or accessible routes are not available, the proposal should include site based transportation services or provide bus passes at no charge to residents.

**REASONABLE SIZE AND CONFIGURATION:**

Shape, size, soil conditions and contours of the site should allow for flexibility in building location and orientation and permit professional site planning, circulation, parking, and open space. Sites should neither be too small nor

include excessive acreage. Property should be appropriate in size depending on the number of units proposed. Existing ground contours should not require excessive grade or fill to accommodate ramping (preferably without the need for handrails) and the use of wheelchairs. Space must be available for fire safety equipment, waste removal and bus or van access where applicable. The proposed development should be proportionate to current and proposed adjacent land uses. Soil conditions must be suitable to support the proposed improvements and allow for appropriate drainage.

#### PBV SITE SELECTION:

In addition to the MSHDA Supportive Housing Site Selection Guidelines and definitions above, if the proposal receives a LIHTC award and will be applying for Project Based Vouchers (PBVs) the site and proposal must meet the federal program requirements of HUD regulations (Title 24 Housing and Urban Development Part 983 Project Based Voucher (PBV) Program). Below is a link to further guidance of this program:

[http://www.michigan.gov/mshda/0,4641,7-141-5555\\_60730---,00.html](http://www.michigan.gov/mshda/0,4641,7-141-5555_60730---,00.html).

#### OTHER SITE CONSIDERATIONS

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##### NO NEGATIVE ENVIRONMENTAL ISSUES

Sites should exhibit no obvious negative environmental influences, which cannot be corrected or acceptably mitigated. Environmental impacts include, but are not limited to: excessive noise or physical hazard from railroad, vehicular, or air traffic; high tension power lines or high pressure natural gas transmission lines; sanitary landfills or salvage yards; sewage treatment plants; stored hazardous materials on or near the sites; buried or spilled hazardous wastes; operating oil wells; mine shafts; gravel pits; wetland designation; and prime agricultural soils classification.

The Authority will not finance projects to be located in a 100-year flood plain unless all necessary governmental approvals are obtained and all buildings, parking areas, and pedestrian and vehicular ingress and egress will be elevated at least one foot above the flood plain elevation when the project is finished.

Other environmental factors to consider include wetlands, Great Lakes, wild and scenic rivers, prime agricultural soils, historic districts, and lead based paint. Environmental clearance procedures vary depending upon whether the proposal involves new construction or rehabilitation, the use of federal funds, and occupancy by children. Before selecting a site, please contact MSHDA environmental staff. See Tab D and Tab T of the Combined Application for Rental Housing, and/or refer to MSHDA's Phase I requirements at [www.michigan.gov/mshda](http://www.michigan.gov/mshda).

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##### SITE UTILITIES:

Site utilities, adequate water, sewer, storm drainage, electricity, telephone, and natural gas services, should be considered. Underground utility service is preferable. Parcels requiring extension of off-site utility lines may be considered.

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##### RELOCATION COSTS:



Proposals involving federal funds for occupied sites should involve no permanent relocation. Funding for relocation cost is generally not available from MSHDA, although proposals involving temporary relocation with minimal cost may be considered on a case-by-case basis. Please consult with MSHDA staff before proposing a site involving relocation and before signing an option or offer to purchase a proposed site.



## **SUPPORTIVE HOUSING TENANT SCREENING CRITERIA**

Template (December 2017)

**Property Name** uses a Housing First Model as well as Harm Reduction and Trauma-informed approaches in its Project-Based Voucher (PBV) Permanent Supportive Housing (PSH) Housing Development. Housing First embraces the idea that people participating in a PSH program should be given housing even if they are struggling with issues of chemical dependency, mental health, and/or other barriers to housing that might render them ineligible under more traditional models of housing.

Tenants of the PSH units are expected to meet the following criteria:

- Have Multiple Barriers to Obtaining or Maintaining Housing. These could include chronic and/or persistent mental illness, alcohol and/or substance abuse, and/or health issues.

### **Core Elements of Housing First Include:**

- Acceptance of applicants regardless of their sobriety, any past or current use of substances, any completion of rehabilitation or treatment, or participation in any other supportive services.
- Applicants are seldom rejected solely on the basis of poor credit or financial history, poor or absent rental history, criminal convictions, or any other behaviors that are generally held to indicate a lack of “housing readiness.”
- Supportive services emphasize engagement and problem-solving over therapeutic goals. Services plans are highly tenant-driven without standardized or predetermined goals, and client choice is key.
- Use of alcohol or drugs in and of itself (without other lease violations) is not considered a reason for eviction.

### **1. Property Name Waiting List Preferences**

**Property Name** is designed for individuals who have a history of homelessness and will benefit from the comprehensive supportive services being offered. In general, preference will be given to homeless, long-term homeless, chronically homeless, or households with special needs and at risk of homelessness.

**Tenant selection process:** This section will be different for each development. Please speak to any property preferences, such as: duration/ chronicity of homelessness, vulnerability, or high utilization of crisis services.

- a. **Examples of property preferences:**
- Households will originate from the Coordinated Assessment System or another DOH approved system and meet the following criteria XXXX
  - Households will be referred directly from the Department of Corrections.
  - Households will consist of youth between the ages of 18-24 and be referred from the Department of Human Services.

## 2. **Property Name Application Procedure**

- a. Anyone who wishes to be considered for a PBV unit at **Property Name** must complete a Division of Housing (DOH) application.
- b. An applicant must submit a completed DOH application to be considered for residency. Incomplete applications will be returned to the applicant to complete.
- c. Once the completed application is received, it will be forwarded to the DOH contract agency that is providing voucher administration services for **Property Name**.
- d. All applications must be entered in DOH's Elite system by the DOH contract agency.
- e. All complete applications that meet one or more of the property preference(s) will be added to the waitlist.
- f. Placement on the waiting list does not automatically guarantee eligibility for an apartment. Further screening as described in the eligibility screening criteria section will be completed at the time an apartment becomes available and the applicant comes to the top of the waiting list.
- g. Once the site manager is aware that a unit will be coming available, they will contact the DOH contract agency to let them know of the vacancy.
- h. The DOH contract agency will pull the next available applicant off of the waiting list, and arrange a time to meet, and verify the information provided on the application.
- i. Once verified, the DOH contract agency will notify the **Property Name** that they may begin their screening process.
- j. If the applicant is deemed ineligible, **Property Name** must supply a copy of the written denial to the DOH contract agency.
- k. If the applicant is deemed eligible by both the property and DOH, the DOH contract agency will contact the applicant and conduct a Project-Based Voucher briefing.

### 3. Eligibility Screening Criteria

#### DOH Project-Based Voucher Eligibility Screening:

- a. Meets one or more waiting list preferences.
- b. Citizenship Requirements – To occupy a HUD assisted PBV unit, applicants must be U. S. citizens or be an eligible non-citizen.
- c. Social Security Number Requirements – To occupy a HUD assisted PBV unit, all household members must disclose and document Social Security numbers.
- d. Income Limits – To occupy a HUD assisted PBV unit, an applicant must meet income eligibility requirements as outlined by HUD.
- e. Student Eligibility – If a single applicant or all members of an applicant household are full time students, the application will be rejected unless one of the following criteria is met;
  - the applicant is married and files a joint tax return;
  - the applicant is receiving assistance under Title IV of the Social Security Act;
  - the applicant is enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar Federal, State or local laws;
  - the applicant is a single parent with children and such parent and children are not dependents of another individual.

#### DOH Criminal History Screening Criteria: **(The criteria below may vary if your project is awarded state housing vouchers)**

- a. If any household member has ever been convicted of drug-related criminal activity for the production or manufacture of methamphetamine in any location, not just federally assisted housing, the family will be denied admission.
- b. If any household member is a lifetime registered sex offender under any State registration requirement.
- c. Felony assault within the past one year.
- d. 5 or more assaults of any kind within the past 5 years.
- e. Sex assault within the past 10 years
- f. Arson or homicide within the past 10 years.

#### **Property Name Eligibility Screening**

Use this section to include any special tenant screening requirement of the facility or dictated by your funding streams.

**Property Name Criminal History Screening Criteria:**

Use this section to include any additional criminal history screening criteria.

**4. Notification of Denial**

Once applicant screening has been completed and all materials have been verified and evaluated, any application not meeting the above criteria will be denied. **Property Name** must give an applicant prompt notice of a decision denying assistance. The notice must contain a brief statement of the reason for the denial and must also state that the applicant may request an informal review of the decision. A copy of this denial must also be sent to the DOH contract agency.

**5. Appeal Process**

The applicant shall have 10 business days from the date of the letter to request, in writing, an informal review of the decision for denial. **Property Name** must schedule and send written notice of the informal review within 10 business days of the family's request. The informal review must be conducted by a person other than the one who made or approved the decision under review, or a subordinate of this person. **Property Name** will notify the applicant of the final decision, including a statement explaining the reason(s) for the decision. The notice will be mailed within 10 business days of the informal review to the applicant and his or her representative, if any, along with proof of mailing.

If the decision to deny is overturned as a result of the informal review, processing for admission will resume.

If the family fails to appear for their informal review, the denial of admission will stand and the family will be notified.

**6. Consideration of Circumstances/Reasonable Accommodations**

**Property Name's** decision concerning denial of admission is subject to consideration of circumstances and reasonable accommodations. The policy of **Property Name** is to consider all requests by individuals with a disability for reasonable accommodation both in policies and procedures that assist in providing an equal opportunity to use and enjoy

the programs under which the project is funded.

**Property Name** will consider all relevant circumstances when deciding whether to deny assistance based on a family's past history. Examples include: seriousness of the case, the extent of participation or culpability of individual family members, the length of time since the violation occurred, whether the culpable household member is participating in or has successfully completed rehabilitation program or has otherwise been rehabilitated successfully.

#### **7. Availability of Plan**

This Tenant Selection Plan is available to the public upon request. It can be requested at the rental office during normal office hours.

#### **8. Modification of Plan**

**Property Name** Apartment will review this Tenant Selection Plan at least once annually to ensure that it reflects current operating practices, program priorities. If **Property Name** Apartment feels the plan needs to be modified in any way, a notice of such modification will be provided by mail to applicants on the waiting list. For this reason the current Tenant Selection Plan in place at **Property Name** apartment will always be dated.

### **Connecticut Supportive Housing Service Plan Guidelines:**

The Service Plan must be prepared by a Qualified Service Provider (as defined herein) and be designed to meet the needs of the specific population to be served to ensure access by the tenants to the non-clinical and clinical services they need and choose to achieve and retain permanent housing, increase their skills and/or income, and achieve greater self-determination. The Service Plan, which must be written, should be clear and concise, not longer than 15 pages, and updated at least annually. The Service Plan shall:

- Reflect the importance and value of connecting tenants with mainstream resources, including employment and training programs, federal and state entitlement programs, and healthcare programs. The Service Plan should describe existing and planned linkages with vocational, educational and healthcare providers within the locality or region to be serviced;
- Incorporate natural supports (family, peers, faith communities, etc.);
- Articulate and describe strategies for relapse prevention and management, and linkages to treatment that will be developed to support these;
- Ensure that services are available for as long as is needed by the individual client; and
- Articulate under what circumstances, if any, a client would be "discharged" from supportive services.

### **SERVICE PLAN OUTLINE:**

1. The Project Summary

Provide a brief overview of your proposed project (housing and services) in one paragraph.

2. The Population(s) to be Served

Who will be served by the proposed housing? Identify the following:

- a. Their characteristics.
- b. Where they live and why are they considered homeless.
- c. Their needs within the locality or region for the types of housing and services proposed.
- d. Do you propose to serve Adults with special needs? (See definition). If so, do you propose to serve individuals experiencing chronic homelessness? If yes, describe who they are and their circumstances.
- e. Do you propose to serve Young adults with special needs? (See definition). If yes, describe how you propose to offer:
  - i. An individual plan of services for each young adult to assist with maintaining supportive housing;
  - ii. Training regarding living expenses, educational services, employment

retention, health care services, nutrition and meal planning, shopping, housekeeping; and

- iii. Services that promote safe and stable family relationships.
- f. Do you propose to serve Families with special needs? (See definition). If so, do you propose to serve families that:
- i. have one or more barriers to housing stability (e.g., head of household with cognitive limitations, history of trauma, mental illness and/or chemical dependency); or
  - ii. may be presently involved in the child-welfare system, including children who have been placed in out-of-home care; or
  - iii. meet the eligibility criteria under the Federal Temporary Assistance for Needy Families (“TANF”) Program but have become ineligible or are at risk of ineligibility for TANF cash assistance due to time limits;
  - iv. may be a parent re-entering the community from jail or prison; or
  - v. have a child with serious mental health or emotional disturbance/disability.
- g. Describe your plans for outreach and referral to be used to reach the targeted population(s), particularly persons and families experiencing chronic or repeated homelessness.
- h. Describe approaches that are being used, or will be used, to maximize participation by consumers reflective of the target population(s) to be served in the design and development of the housing and service approach and, to the extent possible, in the operation of the housing.

### 3. Housing Plan

- a. Describe the housing where targeted population(s) will reside:
- i. The total number of housing units.
  - ii. The number of proposed apartments that will serve Adults with special needs, if any.
  - iii. The number of proposed apartments that will serve Young adults with special needs, if any.
  - iv. The number of proposed apartments that will serve Families with special needs, if any.
  - v. Sizes of apartments targeted (efficiency, 1 bedroom, 2 bedroom, etc.).
  - vi. Configuration of the housing units (units will be widely scattered throughout an area, or clusters of units will be scattered throughout an area,



or all units will be located in a single building, or other configuration).

- vii. Scale: if housing units will be grouped in clusters or all units will be located in a single building, how many units targeted to Adults and/or Families with special needs do you anticipate will be located in each cluster or building?
  - viii. Will the housing be integrated to include units serving the targeted population(s) mixed with units serving people without special needs? If yes, how so?
  - ix. If the proposed housing location is tenanted, how do you propose to include permanent supportive housing units set aside for Adults and/or Families with special needs? Describe process and time line.
- b. Describe strategies you will undertake to ensure:
- i. Safety of the tenants.
  - ii. Access by tenants to transportation, education, employment opportunities and community amenities.
  - iii. Housing quality (i.e., apartments that meet HUD quality standards, building and fire codes).
- c. Access to and selection for the housing:
- i. How will the target population gain access to the development project? Will access be region-wide or over several locales? If so, how will this be accomplished?
  - ii. How will the targeted population(s) apply for and be evaluated for the housing? What conditions, if any, will be placed on their entry into the housing?
- d. Tenancy conditions: Given that tenants must hold leases, what will be the term of the leases (length of time)? What terms or conditions, if any, will be placed on the tenant's occupancy in the housing? Will acceptance of services be a condition of tenancy?
- e. Consumer preference: How does the housing as described above fit the needs and preferences of the targeted population(s)?
- f. Community Engagement:
- i. Describe approaches used or that will be used to engage the local community in the planning and creation of the housing and services.
  - ii. Do the proposed housing and services currently reflect community priorities for affordable or supportive housing? If so, in what way(s)? If not, what measures will be taken to influence these priorities?

4. Support Services

- a. Describe the support services the tenants will receive:
  - i. Describe the goals of the supportive services to be provided, and how the services are designed to meet the needs and preferences of the targeted population(s) and the individual needs and preferences of the persons and families to be served.
  - ii. Describe the services that will be made available to target population. In your description, address the following components:
    - a) What services will be provided and by whom?
    - b) Service structure: describe staff positions, staff/client ratios, staff hours, after-hours access, and minimum staff qualifications.
    - c) Will the service team have offices on-site (at the housing) or off-site (at a nearby location)?
    - d) How the service team will be internally coordinated – lines of communication, supervision and accountability.
    - e) How services will link with available community and regional resources, including existing case management systems and treatment systems.
    - f) How services will reflect the importance and value of employment and the strategies that will be used for making employment and continued employment possible. Identify the existing linkages with employment and educational resources within our region, or describe your agency's plans to establish such connections.
    - g) How services will incorporate natural supports (family, peers, faith communities, etc.).
    - h) Strategies fully described that will be used for relapse-prevention and management.
    - i) Any additional strategies fully described that will be taken to ensure the service program's consistency with the service Guideline contained herein.
- b. Provide the anticipated budget for the services to be provided and the source of funding.
- c. Describe how the targeted population(s) will access the services, including:
  - i. How they will be able to access case management services where they live (how will services come to the client)?
  - ii. Any terms or conditions that will be placed on their receipt of services.

- iii. How long they will be able to access the services.
  - iv. Under what circumstances (if any) would a client be “discharged” from permanent supportive housing services?
- d. For single-building housing projects where tenancy will be mixed, will all tenants be eligible to utilize on-site services regardless of whether or not they have an identified special need? How will this be accomplished?

EXHIBIT F

Supportive Housing

This form is mandatory for all developments that contain supportive housing units. If your development does not contain supportive housing units, leave the questions blank.

Total number of supportive housing units: \_\_\_\_\_

Yes No There is an active Memorandum of Understanding (MOU) between the Development and a supportive services provider describing the nature and delivery of supportive services provided to households in supportive housing units. Please upload a copy of the MOU.

Yes No Data for supportive housing households, including move-ins and move-outs, are being recorded using IHCD's Homeless Management Information System (HMIS).

If no, is the data being recorded in another HMIS? Yes No

Please provide the following information effective as of December 31st of the reporting year.

**Vacancy rate of supportive housing units (%):** \_\_\_\_\_

A vacancy is a supportive housing unit that is not currently occupied. Please provide a percentage by taking the number of vacant units ÷ total number of supportive housing units. If vacancy rate exceeds 7%, please upload explanation and efforts to decrease vacancy.

**Rate of service engagement (%):** \_\_\_\_\_

Households regularly receiving case management or other services from the supportive services provider at least monthly are considered engaged in services. Please provide a percentage by taking the number of households in supportive housing units who are engaged in services ÷ total number of households in supportive housing units.

**Number of evictions or early exits from supportive housing:** \_\_\_\_\_

The number of formal evictions of households residing in supportive housing units in the reporting year, plus the number of households in supportive housing units who left the property due to early lease cancellation or termination to avoid eviction during the reporting year.

Please indicate whether the Development needs any technical assistance or training to more successfully operate the supportive housing component:

**SUPPORTIVE SERVICES ACCESS PLAN (SSAP)  
Annual Update**

<i>INSERT PROJECT NAME</i>	
<i>INSERT PROJECT ADDRESS</i>	

Date: (MM/DD/YYYY)

Contact Information			
	Owner	Management Agent	Services Coordinator/Provider
Organization			
Primary Contact			
Phone			
Email			
Street Address			
City, State, Zip			

**A. Type of Housing**

**Transitional Housing**

	Total number of dwelling units
	Total number of bedrooms
	Total number of beds

**Emergency Housing: Domestic Violence \_\_\_\_\_ Homeless \_\_\_\_\_**

	Number of dwelling units
	Number of bedrooms
	Number of beds

**Permanent Housing**

	Number of dwelling units
	Number of bedrooms
	Number of beds

**Hospice**

	Number of bedrooms
	Number of bedrooms
	Number of bedrooms
	Number of beds

Describe type of living situation for residents:

*Single Family House \_\_\_\_\_, Single Family Apartment \_\_\_\_\_,  
Single Room Occupancy (SRO) \_\_\_\_\_, Shared Bedroom \_\_\_\_\_,  
Non-Shared Bedroom \_\_\_\_\_, Dormitory \_\_\_\_\_, or Other (describe)*

**B. Target Population**

Identify below the type(s) of population(s) that will be residents of the project (e.g. homeless, domestic violence survivors, disabled children, children in foster care, mentally ill, substance abuse recovery, HIV/AIDS, re-entry from prisons, etc.).

**D285**

Has target population served changed since last review? \_\_\_\_\_

If yes, what is new population or additional population served? \_\_\_\_\_

Did you get approval from NCHFA? \_\_\_\_\_ (if not – ask them to submit a letter to the Supportive Housing Development Team)

**C. Type of Facility**

Is this a licensed facility?		Yes		No
License Type:				
License Number:				
Is this a licensed Group Home?		Yes		No
License Type:				
License Number:				
Licensed Renewed:		Yes		No

Is project limited by funding source or license only to house this population?

	Yes		No
Has funding remained stable or increased/decreased?	Increased	Decreased	Stable

If funding has changed summarize why it has changed and the affect on services provided:

\_\_\_\_\_

**D. Residents Access to Support and Services**

Has supports and services to residents, including the project’s referral and tenant selection policies, significantly changed (i.e. new population – new type services) \_\_\_\_\_ If yes, summarize new services and supports provided. How are residents’ needs for services identified? How are individual services’ plans developed and implemented?

Please attach copies of any resident/tenant handbook or guidelines, as well as any printed material about religious activities or required program activities.

If there has been a significant change in type, quantity, and quality of services that is provided they will need to submit an updated SSAP to Gwen Belcredi for NCHFA approval.

**COMPLETE SECTIONS E & F ONLY IF SERVICE PROVIDER IS NOT THE PROPERTY MANAGER.**

**E. Referral, Screening and Communication Plan**

Is referral process working and effective? \_\_\_\_Yes \_\_\_\_No If no, please summarize issues and what steps have been taken to improve by either partner. If assistance is needed to resolve issues refer them to the Supportive Housing Development Team.

Is communication between the Services Coordinator/Provider and the property manager effective to accommodate staff turnover?  
\_\_\_ Yes \_\_\_ No. If no, please summarize issues and what steps have been taken to improve by either partner. If assistance is needed to resolve issues refer them to the Supportive Housing Development Team.

**F. Access to Supportive Services**

Are other local service providers collaborating with the Service Coordinator/ Provider in the referring process and providing residents' access to services and supports? \_\_\_ Yes \_\_\_ No. If no, please summarize issues and what steps have been taken to improve by either partner. If assistance is needed to resolve issues refer them to the Supportive Housing Development Team.

**G. Facility Security Plan**

If your project has an existing Facility Security Plan, please attach an **updated** copy if applicable. This generally will only be available for Domestic Violence Shelters that have funding from the Governor's Crime Commission.

**H. Emergency Plan/Disaster Plan**

All projects should have a written emergency/disaster plan in place. It should provide owner/management contacts for afterhours emergencies and give residents instructions in the event of fire, flood, snow or other natural disasters.

**I. Other Monitoring Agencies**

What other agencies monitors your project on a regular basis? Please provide name of agency, how often they monitor e.g. yearly, type of monitoring, e.g. file, physical, financial.

**J. ACTION PLAN REQUIRED BY OWNER/AGENT:**

- None
- Update plan to reflect current program & submit for approval
- Modify plan & program to target your current resident mix. Submit proposal to Manager of Supportive Housing for approval.
- Implement the plan submitted with the development application.
- Develop a facility or emergency/disaster plan & incorporate into resident handbook and/or distribute to the residents.

\_\_\_\_\_  
Owner/Representative Signature

\_\_\_\_\_  
Date



## CEDAC Data Collection Tool

### Background

**CEDAC and DHCD are working to learn more about tenant outcomes in Supportive Housing projects funded over the past several years. Specifically, we are looking at the cohort of projects funded through the four Supportive Housing for Vulnerable Populations competitions in which DHCD awarded capital sources along with MRVPs that include service stipends. This information will be collected annually via an online survey.**

**In order to complete the survey, you may need to collect information from multiple sources including some or all of your Supportive Housing Partners. Typical Supportive Housing Partners may include: Project Owner/Developer, Supportive Housing Service Provider, and Property Management.**

**If you have not already, it may be beneficial for you to look through the PDF of survey questions provided via e-mail and be sure you have the data you need before completing the survey online.**

**Please answer each question to the best of your ability. If you have any questions about the survey, please do not hesitate to contact us at CEDAC.**

**To begin the survey please click on the "Next" below.**





## CEDAC Data Collection Tool

## Demographic Information

Please answer each question to the best of your ability. If you have any questions about the survey, please do not hesitate to contact us at CEDAC.

\* 1. Please share your contact information with us

Name of person  
completing the survey

Company or Agency  
Name

Role or job title of  
person completing the  
survey

Address

City/Town

State/Province

ZIP/Postal Code

Country

Email Address

Phone Number

\* 2. Permanent Supportive Housing Project Name

\* 3. What date did this project achieve occupancy?

Date / Time

MM/DD/YYYY

\* 4. How many total units are in this project?

\* 5. How many of these units are designated for Permanent Supportive Housing?

\* 6. How many units have project-based Mass Rental Voucher Program (MRVP) subsidies with service stipends? (note: this could be the same number as Question 4 if 100% of the PSH units have the MRVP service stipend).

\* 7. When did your project achieve occupancy?

12 months ago or more

Less than 12 months ago

This project has not achieved occupancy yet.



## CEDAC Data Collection Tool

## Supportive Housing Household Outcomes

**CEDAC is looking to understand how its investments in Supportive Housing produce positive outcomes for the entire community.**

**Please answer each question to the best of your ability. If you have any questions about the survey, please do not hesitate to contact us at CEDAC.**

8. What percent of current and exited Supportive Housing tenants remained in this Supportive Housing project for at least 12 months?

0% 50% 100%

A horizontal progress bar with a circular slider on the left and a square checkbox on the right. The bar is currently empty, indicating 0% completion. The labels "0%", "50%", and "100%" are positioned above the bar at their respective percentage points.

9. How many households in Supportive Housing, who have been in Supportive Housing for at least 12 months, have increased their income or maintained their existing entitlement benefits (such as Supplemental Security Income) since entering supportive housing?

10. How many Supportive Housing households, who have been in Supportive Housing for at least 12 months, have a member of the household employed in a part-time, full-time or transitional job?



CEDAC Data Collection Tool

Supportive Housing Household Outcomes (continued)

**Please answer each question to the best of your ability. If you have any questions about the survey, please do not hesitate to contact us at CEDAC.**

\* 11. Were any Supportive Housing applicants denied in the past 12 months?

Yes

No

12. Of those denied, what percent of Supportive Housing applicants appealed?

0%

1-24%

25-49%

50-74%

75-100%

13. Please share about your appeals process in the text box below, including what percent of appeals were accepted in the last 12 months.

\* 14. In the past 12 months, did any Supportive Housing tenants exit this project?

Yes

No

15. If Supportive Housing tenants exited this project in the past 12 months, enter in the number of exits next to the location they exited to.

Other permanent housing

Relocation out of state

Nursing care facility

Returned to homelessness

Unknown

Other

16. Of those who exited this project, how many were evicted? Please list the number of evictions and reasons for eviction in the text box below.

Number of evictions in the last 12 months:

Reasons for eviction:



## CEDAC Data Collection Tool

### Supportive Housing Services

**Please answer each question to the best of your ability. If you have any questions about the survey, please do not hesitate to contact us at CEDAC.**

**The next few questions will help us to better understand the difference service models used in supportive housing projects.**

17. How many Supportive Housing tenant households have voluntarily utilized at least one supportive service in the last year?

\* 18. What entity provides the Supportive Housing services to Supportive Housing tenants in this project?

Resident Services Coordinator from a property management firm

Third party partner agency that is a service provider in the community

Project sponsor provides services

Each supportive housing tenant arrives with their own services from other community providers. There is no one partner provider selected for the project.

Other (please specify)

\* 19. Do tenants work with staff to review and update their individualized service plan? If yes, how often do these updates occur?

Tenants do not have individualized service plans.

Updates to individualized service plans aren't required but can be updated whenever the tenant desires.

Can be updated whenever tenant desires and must reviewed at minimum every 180 days.

Can be updated whenever tenant desires and must reviewed at minimum every 365 days.

Other (please specify)

\* 20. Do supportive services staff provide services to residents other than those living in the Supportive Housing units?

Yes

No, supportive services are only available to the supportive housing tenants

21. If yes, are the same services available to all residents (Supportive Housing and non-supportive housing)? Please elaborate.

\* 22. On average, How often do Supportive Housing tenants access community services to support their tenancy (either onsite or offsite)? For example: mental health services, job training, or other supports. (Please select an average)

A few times a week

About once a week

A few times a month

Once a month

Less than once a month

We do not currently track this

Other (please specify)

\* 23. On average, how often do Supportive Housing tenants access Supportive Housing services (either onsite or offsite)? For example: services from a resident service coordinator, housing case manager or tenancy support specialist. (Please select an average)

A few times a week

About once a week

A few times a month

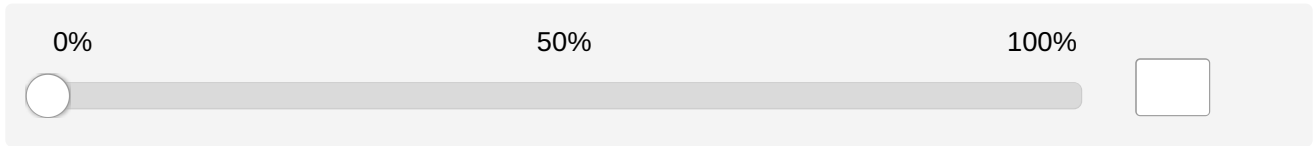
Once a month

Less than once a month

We do not currently track this

Other (please specify)

24. What percent of Supportive Housing tenant households have met face to face with service staff at least once in the past 3 months?



\* 25. What is the ratio of services staff (full-time employees) to Supportive Housing tenant households in this project?

We strive for between 1:30 and 1:49 ratio of services staff to Supportive Housing households

We strive for between 1:20 and 1:29 ratio of services staff to Supportive Housing households

We strive for between 1:15 and 1:20 ratio of services staff to Supportive Housing households

We strive for less than 1:15 ratio of services staff to Supportive Housing households

This project does not have a full time employee for services. We have a part-time service staff member.

Other (please specify)

\* 26. Does the Property Management or Supportive Service provider track emergency service utilization (calls to 911, fire, police, EMS or hospitalizations) for tenants in Supportive Housing?

Yes

No

Other (please specify)

\* 27. What is your annual services budget for this project?

\* 28. What is your annual services budget per unit of Supportive Housing in this project?



\* 29. Please list the percentage of your service funding that comes from the following sources. (Only enter the number. For example for 50%, list 50 next to the corresponding source).

MRVP Service Stipend

CSPECH

Dedicated line item in operating budget

Public contract

Private fundraising

Other



CEDAC Data Collection Tool

Interest in Tenant and Staff Data Collection Tools

\* 30. If CEDAC were to provide you with questions for a tenant survey, would you be interested in administering a tenant survey?

Yes

No

Other (please specify)

\* 31. If CEDAC were to provide you with resources to host a tenant focus group to learn more about tenant outcomes, would you be interested in hosting a tenant focus group?

Yes

No

Other (please specify)

\* 32. If CEDAC were to provide you with resources to host a staff focus group to learn more about tenant outcomes, would you be interested in hosting a staff focus group?

Yes

No

Other (please specify)



CEDAC Data Collection Tool

Your Feedback

**Please share with us your feedback on the questions asked in the comment box below. You can include any thoughts on the nature of the questions asked, your assessment of how easy/difficult it was to come by the data that was asked for, and other feedback you would like us to take into account.**

\* 33. Do you already track these outcomes for other funders?

Yes, all of them

Yes, some of them

No, we don't currently track these outcomes for other funders

If yes, what funders do you track some or all of these outcomes for?

34. Please share any other feedback or comments you have for us (both on this survey and/or on your project)?



**DMHAS Supportive Housing Quality Initiative  
Review Domains, Scoring and Inputs**

**January 28, 2019**

Domain 1: Facilitated Access to Housing and Services

Domain 2: Tenant Involvement

Domain 3: Housing Quality & Safety

Domain 4: Client-Centered Services and Tenant Engagement

Domain 5: Services that Promote Recovery, Wellness and Community Integration

Domain 6: Focus on Housing Stability

Domain 7: Building Internal Quality Assurance Practices, Key Staffing and Coordination

## CONNECTICUT SUPPORTIVE HOUSING QUALITY INITIATIVE REVIEW

## Domain 1: Facilitated Access to Housing and Services

Domain 1 Components	Measures	Score					
		0	1	2	3	4	5
1.1 Housing Resource Utilization	1.1.1 Program Service slot Occupancy Rate during the year <b>Inputs:</b> Pre-Review and DDaP Program Roster report	59% or less of vacancies were filled in less than 2 months.	60% 69% of vacancies were filled in less than 2 months.	70%-79% of vacancies were filled in less than 2 months.	80%-89% of vacancies were filled in less than 2 months.	90%-99% of vacancies were filled in less than 2 months.	All vacancies were filled in less than 2 months.
1.2 Application Process	1.2.1 The agency participates in their Coordinated Access Network (CAN) <b>Inputs:</b> Pre-Review Policy Review: Tenant Application Section, Case Management and Supervisor Interviews				0	4	5
	1.2.2 There is evidence that the agency has issued, to the tenant, a formal notice of admission that includes the date services start <b>Inputs:</b> Intake Charts: Copy of Letter in Chart				Less than 100%	N/A	100%
	1.2.3 There is evidence that the agency staff meet the new tenant within 10 business days of the tenant being admitted to the program <b>Inputs:</b> Intake Charts: Progress Notes and Admission Letter				Less than 75%	75-99%	100%
1.3 Housing First Principles	1.3.1 There is evidence that it has been communicated to tenants at intake that service participation is not a condition of receiving housing <b>Inputs:</b> Intake Charts/Tenant Focus Group/Tenant Guide				Less than 100%	N/A	100%
	1.3.2 There is evidence that eligibility does not include requirements beyond housing/chronic homeless status, disability status and income below poverty level <b>Inputs:</b> Pre-Review Policy Review				Less than 100%	N/A	100%
	1.3.3 Coordinated Access Network (CAN) or other approved referral source is included in the chart and contains the date of referral and name of the referral source. <b>Inputs:</b> Intake Charts: CAN Referral/Intake forms; other evidence provided by agency of referral from the CAN				Less than 100%	N/A	100%
	1.3.4 There is evidence that there is nothing contradictory to Housing First principles <b>Inputs:</b> Intake and Active Charts/Tenant Focus Group/Pre-Review Policy Review: Tenant Guide				Less than 100%	N/A	100%
1.4 Tenant Eligibility	1.4.1 The agency is serving individuals or heads of household who are chronically homeless and have a mental illness, substance use disorder and/or other disabling or chronic health conditions <b>Inputs:</b> Intake Charts: Disability and Chronic Homelessness Verification Forms				Verification of homeless and disability status not present and/or could not validated	Verification of homeless and disability status present and validated in ≥75% of files	Verification of homeless and disability status present and validated in 100% of files

**D301**

**CONNECTICUT SUPPORTIVE HOUSING QUALITY INITIATIVE REVIEW**

**Domain 2: Tenant Involvement**

Domain 2 Components	Measures	Score		
		0	4	5
2.1 Tenant Lease	2.1.1 There is a current copy of the lease (or original lease with current addendum) in the charts, signed by the tenants, and the leases conform to Housing First principles <b>Inputs:</b> Active and Intake Charts: Copy of the Lease	Less than 80%	80-99%	100%
2.2 Tenant Guide	2.2.1 The most current tenant guide includes but is not limited to: program rules and guidelines, information on grievances, tenant rights, and emergency and after hours contact including building maintenance (for single site), community resources, transportation, how to get legal representation for eviction issues, and that services are voluntary <b>Inputs:</b> Pre-Review Policy Review: Tenant Guide	No	N/A	Yes
	2.2.2 Tenants have received the Tenant Guide and it has been reviewed and signed annually. <b>Inputs:</b> Active and Intake Charts	Less than 80%	80-99%	100%
2.3 Tenant Input	2.3.1 Tenant Groups and individuals have regular opportunities to provide input into program operations and rules, and to voice complaints <b>Inputs:</b> Pre-Review Policy Review/Tenant and Staff Focus Groups	Less than 100%	N/A	100%
	2.3.2 The agency's grievance procedures include agency review, disposition and decision to be completed within 30 days of the receipt of grievance. An additional 15 days for disposition may be warranted, if approved by the agency director and provided the tenant is notified. <b>Inputs:</b> Pre-Review Policy Review/Grievances	Less than 100%	N/A	100%
2.4 Tenant Rights	2.4.1 Tenant files and charts are securely maintained to ensure protection of confidential information <b>Inputs:</b> Pre-Review Policy Review/Observation of how charts are stored	Less than 100%	N/A	100%
	2.4.2 Service staff and property management understand the expectations regarding tenant rights and confidentiality. <b>Inputs:</b> Pre-Review: Memorandum of Understanding	Less than 100%	N/A	100%
	2.4.3 Case managers educate tenants on lease terms and violations. <b>Inputs:</b> Intake Charts: Progress notes	Less than 80%	80-99%	100%

**D302**

**CONNECTICUT SUPPORTIVE HOUSING QUALITY INITIATIVE REVIEW**

**Domain 3: Housing Quality and Safety**

Domain 3 Components	Measure	Score		
		0	4	5
<b>3.1 Single and Scattered Site Environment</b>	3.1.1 Supportive service files and property management files are kept in separate secure storage <b>Inputs:</b> Tour of property	No	N/A	Yes
	3.1.2 Staff ensures that tenants have information and resources to access transportation options. <b>Inputs:</b> Tenant and Staff Focus Groups/ Tenant Guide	No	N/A	Yes
	3.1.3 There is private space available for meetings between staff and tenants <b>Inputs:</b> Tour of property	No	N/A	Yes
	3.1.4 Common areas are clean and well maintained <b>Inputs:</b> Tour of property	No	N/A	Yes
<b>3.2 Assessment of Housing</b>	3.2.1 Staff meets with tenants in their apartments at least every six months to assess the maintenance and safety of the unit <b>Inputs:</b> Active Charts: Progress Notes and Apartment Inspection Forms (HUD HQS, DMHAS General Health and Safety Checklist)	Less than 80%	80-99%	100%
<b>3.3 Emergencies and Critical Incidents</b>	3.3.1 Critical incidents are verbally reported to management within 3 hours of incident discovery followed by a written report within 1 business day, with formal management review within 30 to 60 days after verbal report. Housing condition emergencies are addressed within 24 hours of discovery. <b>Inputs:</b> Pre Review/Staff Focus Groups/Active Charts if applicable	Less than 100%	N/A	100%
	3.3.2 Critical incidents are reviewed internally. <b>Inputs:</b> Pre Review Policy Review/Documentation of Internal Review	No	N/A	Yes
	3.3.3 There is a plan for tenants to be able to address emergencies outside regular business hours. <b>Inputs:</b> Tenant Guide/Tenant Focus Group	No	N/A	Yes
<b>3.4 Child Abuse and Neglect</b>	3.4.1 Suspected child abuse/neglect is reported by the provider or collaborating provider via an oral report to DCF as soon as practical but no longer than 12 hours after suspected abuse with a written follow-up report to DCF no longer than 48 hours after the oral report and incident is reviewed by management. <b>Inputs:</b> Pre Review Policy Review / Active Charts if applicable/ Staff Focus Groups	No	N/A	Yes
	3.4.2 Staff are aware of mandated reporting requirements (DMHAS & DCF) as evidenced by employee handbook <b>Inputs:</b> Pre Review Policy Review: Employee Handbook/ Staff Focus Groups	No	N/A	Yes

**CONNECTICUT SUPPORTIVE HOUSING QUALITY INITIATIVE REVIEW**  
**Domain 4: Client-Centered Services and Tenant Engagement**

Domain 4 Components	Measures	Score		
4.1 Tenant Education and Engagement	4.1.1 Percent of tenants who agree or strongly agree with the statement, "I like the services that I received here." From the DMHAS Consumer Satisfaction Survey <b>Inputs:</b> DMHAS Consumer Satisfaction Survey Question, Tenant Focus Group (alternate)	0	4	5
		Less than 80%	80-99%	100%
4.2 Assessment/Acuity Index	4.2.1 All sections of the most recent Assessment/Acuity are fully completed. If the tenant is unavailable, there is evidence that continuing attempts are made to review it with the tenant <b>Inputs:</b> Active Chart Review: Assessment/Acuity	Less than 80%	80-99%	100%
4.3 Service Plan	4.3.1 Service plan goals are based on the results of the most recent Assessment/Acuity Index <b>Inputs:</b> Active and Intake Charts: Assessment/Acuity and Service Plan	Less than 80%	80-99%	100%
	4.3.2 Service plans are updated or amended at least every six months <b>Inputs:</b> Active Chart Review	Less than 80%	80-99%	100%
	4.3.3 Deferred elements in the Acuity Index were revisited before the next service plan <b>Inputs:</b> Active and Intake Charts: Assessment/Acuity, Service Plan, and Progress Notes	Less than 80%	80-99%	100%
4.4 Service Provision	4.4.1 Case manager contacts tenants at least 2 times per month (including at least one face-to-face) or for tenants with less intensive needs and alternate plan of contact approved by a supervisor is implemented. <b>Inputs:</b> Active Charts: Progress Notes/ Tenant and Staff Focus Groups	Less than 80%	80-99%	100%
	4.4.2 Case managers are flexible in their response to tenant meeting times/locations and services provided <b>Inputs:</b> Tenant and Staff Focus Groups	Less than 80%	80-99%	100%
	4.4.3 Tenants who decline services are regularly engaged using a variety of contact methods <b>Inputs:</b> Active and Intake Charts: Progress Notes/ Tenant and Staff Focus Groups	Less than 80%	80-99%	100%
	4.4.4 Case managers understand the difference between their role and property management. <b>Inputs:</b> Staff Focus Groups	Less than 80%	80-99%	100%



**CONNECTICUT SUPPORTIVE HOUSING QUALITY INITIATIVE REVIEW**  
**Domain 5: Services That Promote Recovery, Wellness, and Community Integration**

Domain 5 Components	Measures	Score		
		0	4	5
<b>5.1 Connection to Benefits and Income</b>	5.1.1 Percent of tenants who increased their earned income. <b>Inputs:</b> Pre Review, HMIS, DDaP	Less than 15%	15-24%	≥25%
	5.1.2 Percent of tenants with non-cash benefits (SNAP, WIC, TANF, etc.). <b>Inputs:</b> Pre Review, HMIS, DDaP	Less than 75%	75-94%	≥95%
	5.1.3 Percent of tenants who have health insurance. <b>Inputs:</b> Pre Review, HMIS, DDaP	Less than 75%	75-94%	≥95%
	5.1.4 Percent of tenants who increased other income (non-earned). <b>Inputs:</b> Pre Review, HMIS, DDaP	Less than 14%	14-34%	≥35%
<b>5.2 Connection to Primary Health Care</b>	5.2.1 Percent of tenants who have a connection to a primary healthcare provider <b>Inputs:</b> Pre Review	Less than 80%	80-99%	100%
	5.2.2 There is documented evidence that the case manager has an awareness of the tenants' medical issues, needs and care, including documented appropriate follow-up <b>Inputs:</b> Active Charts: Progress Notes, Service Plan, Assessment/Acuity	Less than 80%	80-99%	100%
<b>5.3 Service Coordination and Connection to Resources</b>	5.3.1 Case managers assist tenants in identifying and accessing community providers and resources. <b>Inputs:</b> Active Charts: Progress Notes, Service Plan	Less than 80%	80-99%	100%
	5.3.2 Referrals are documented and tracked in a defined process <b>Inputs:</b> Active Charts: Progress Notes, Service Plans, Formal Referral Tracking Sheet	Less than 80%	80-99%	100%
	5.3.3 Case manager has provided appropriate and well-timed interventions and attempted to collaborate with other service providers to address known issues affecting the tenant's quality of life <b>Inputs:</b> Active Charts: Progress Notes	Less than 80%	80-99%	100%
<b>5.4 Evaluating Service Plan</b>	5.4.1 Progress notes relate to the service plan and explain steps taken to assist tenants in moving forward with goals/objectives <b>Inputs:</b> Active Charts: Progress Notes, Service Plan	Less than 80%	80-99%	100%
	5.4.2 For tenants who have consistent and stable scores on the Acuity portion of the Assessment/Acuity Index, progress notes document planning/conversations around moving on <b>Inputs:</b> Active Charts: Progress Notes, Assessment/Acuity	Less than 80%	80-99%	100%

**CONNECTICUT SUPPORTIVE HOUSING QUALITY INITIATIVE REVIEW**  
**Domain 6: Focus on Housing Stability**

Domain 6 Components	Measures	Score		
		0	4	5
6.1 Tenant Retention	6.1.1 Percent of tenants who remained in permanent housing or experienced a discharge to permanent housing. <b>Inputs:</b> Pre Review and HMIS or DDAP	Less than 95%	N/A	≥95%
	6.2.1 Discharged tenants are given information regarding discharge grievance procedure in advance of discharge from services. <b>Inputs:</b> Discharge Charts: Discharge Summary or Policy/Progress Notes	Less than 100%	N/A	100%
6.2 Discharge Practices	6.2.2 Discharge grievance reviews, dispositions and decisions are completed within 30 days of the receipt of the grievance with an additional 15 days, if approved by the agency director, provided the former tenant is notified <b>Inputs:</b> Pre Review/ Discharge Charts: Progress Notes	Less than 100%	N/A	100%
	6.2.3 If removal from housing occurs, tenants are legally evicted. <b>Inputs:</b> Discharge Charts: Discharge Summary /Progress Notes	Less than 100%	N/A	100%
	6.2.4 Tenants are not discharged from services due to refusal to participate in services. <b>Inputs:</b> Discharge Charts: Discharge Summary /Progress Notes	Less than 100%	N/A	100%
	6.2.5 If eviction occurs, there is evidence of communication between service provider, property manager/landlord, and CAN including evidence of prevention efforts. <b>Inputs:</b> Discharge Charts: Discharge Summary /Progress Notes	Less than 100%	N/A	100%
	6.3.1 The discharge summary includes identification of new and/or current providers continuing services, reason for discharge, location of new residence, assessment of ongoing needs, and ability to maintain housing. <b>Inputs:</b> Discharge Charts: Discharge Summary /Progress Notes/Acuity Index	Less than 80%	80-99%	100%
6.3 Continuity of Support	6.3.2 Tenant discharge planning occurs at least 3 months in advance of discharge date where possible <b>Inputs:</b> Discharge Charts: Discharge Summary /Progress Notes	Less than 80%	80-99%	100%
	6.3.3 There is at least one attempted contact per month for 3 months for follow-up after discharge <b>Inputs:</b> Discharge Charts: Discharge Summary /Progress Notes	Less than 80%	80-99%	100%
6.4 Housing Stability	6.4.1 For tenants with issues relating to lease compliance or housing stability, including rent payment, the progress notes and service plan describe strategies to address <b>Inputs:</b> Active and Discharge Charts: Service Plan/Progress Notes	Less than 80%	80-99%	100%
	6.4.2 There is evidence of regular communication between the service provider and property management/landlord including evidence of advocacy and eviction prevention efforts if warranted <b>Inputs:</b> Active Charts: Progress Notes	Less than 80%	80-99%	100%

Domain 7: Building Internal Quality Assurance Practices, Key Staffing and Coordination

Domain 7 Components	Measures	Score		
		0	4	5
7.1 Documentation Quality	7.1.1 Assessment/Acuity index signed and dated by case manager and supervisor <b>Inputs:</b> Active and Intake Charts: Assessment/Acuity	Less than 80%	80-99%	100%
	7.1.2 Discharge summaries signed and dated by case manager and supervisor <b>Inputs:</b> Discharge Charts: Discharge Summary	Less than 80%	80-99%	100%
	7.1.3 Service plans signed and dated by tenant, case manager, and supervisor <b>Inputs:</b> Active and Intake Charts: Service Plan	Less than 80%	80-99%	100%
	7.1.4 Evidence that progress notes are entered within one week of service delivery <b>Inputs:</b> Active and Intake Charts: Progress Notes	Less than 80%	80-99%	100%
	7.1.5 Progress notes include date of service, type of contact, date of note, & person entering note <b>Inputs:</b> Active and Intake Charts: Progress Notes	Less than 80%	80-99%	100%
7.2 Standards for planning and documenting services	7.2.1 Service plan goals are measurable (including time frames and specific action) <b>Inputs:</b> Active Charts: Service Plan	Less than 80%	80-99%	100%
	7.2.2 Service plans are tenant driven and person-centered <b>Inputs:</b> Active Charts: Service Plan/ Progress Notes/ Tenant and Staff Focus Groups	Less than 80%	80-99%	100%
	7.2.3 There is a collaborative relationship between case managers and landlords/property management including documented formal communication and advocacy regarding tenants' rights when necessary. <b>Inputs:</b> Active Charts/Pre Review: MOU, redacted property management and service provider meeting minutes/ Tenant and Staff Focus Groups	No	N/A	Yes
7.3 Timeliness of service provision	7.3.1 Initial Assessment/Acuity indices are completed within 30 days of move-in <b>Inputs:</b> Intake Charts: Assessment/Acuity	Less than 80%	80-99%	100%
	7.3.2 Assessment/Acuity indices are repeated at least every 6 months <b>Inputs:</b> Active Charts: Assessment/Acuity	Less than 80%	80-99%	100%
	7.3.3 The service plan is developed within 60 days of move-in <b>Inputs:</b> Intake Charts: Assessment/Acuity	Less than 80%	80-99%	100%
	7.3.4 Case manager documents progress toward meeting each service plan goal at least 2 times per month <b>Inputs:</b> Active Charts: Service Plan/ Progress Notes	Less than 80%	80-99%	100%
	7.3.5 Service plans are updated or amended at least every six months <b>Inputs:</b> Active Charts: Service Plans	Less than 80%	80-99%	100%

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Domain 7	Measures	Score		
<b>7.4 Staffing</b>	7.4.1 Case managers receive individual supervision at least monthly <b>Inputs:</b> Pre Review: Redacted Supervision Notes/ Staff Focus Group	Less than 100%	N/A	100%
	7.4.2 All direct care staff complete at least 12 hours of training per year <b>Inputs:</b> Pre Review: Self-report from agency	Less than 100%	N/A	100%
	7.4.3 Coverage hours are clearly defined and include a way for direct care staff to contact supervisors outside regular hours of operation <b>Inputs:</b> Pre Review Policy Review/Employee Handbook	Less than 100%	N/A	100%
	7.4.4 Case manager and program supervisor job descriptions and qualifications are standardized and contain clearly defined roles and responsibilities <b>Inputs:</b> Pre Review Policy Review/Employee Handbook	Less than 100%	N/A	100%
	7.4.5 There is a clear and ongoing evaluation of employee performance conducted at least yearly <b>Inputs:</b> Pre Review Policy Review/Employee Handbook	Less than 100%	N/A	100%

**CONNECTICUT SUPPORTIVE HOUSING QUALITY INITIATIVE REVIEW**  
**Review Score**

Domain	Available Points	Stronger Focus on Quality Needed (Less than 16 points)	(16-17.99 points)	High Quality (18-20 points)
1: Facilitated Access to Housing and Services	20	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2: Tenant Involvement	20	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3: Housing Quality & Safety	20	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4: Client-Centered Services and Tenant Engagement	20	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5: Services that Promote Recovery, Wellness and Community Integration	20	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6: Focus on Housing Stability	20	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7: Building Internal Quality Assurance Practices, Key Staffing and Coordination	20	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**TOTAL SCORE:**

- High Quality: Total Score of 126 – 140 with no domains needing stronger focus (90% or higher)
- Meets Quality: Total Score of 112 – 125 with no more than 1 domain needing stronger focus (80-89%)
- Needs Stronger Quality Focus: Score of 111 or below and/or 2 or more domains needing stronger focus (79% or lower)