

## **Amendment to the 2017 Qualified Allocation Plan**

### **October 2017 Mini-Competition**

#### **High Readiness Family Projects with Substantial Matching Funds**

The year 2017 has been exceptionally challenging for many Low Income Housing Tax Credit (LIHTC) developers. 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, with potential impacts on corporate tax rates, depreciation schedules, and other factors that could affect investor interest in 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. At mid-year, despite delays, most LIHTC projects with 2016 awards have closed and are in construction. The Department of Housing and Community Development is confident that the remaining delayed LIHTC projects with 2016 awards will close prior to the end of 2017.

The delayed closings and construction starts in the Massachusetts LIHTC pipeline are particularly unwelcome during an ongoing period of great demand for affordable rental housing. While demand is significant for all types of rental housing, the need in Massachusetts remains greatest for units affordable to families across a wide income spectrum. In various Massachusetts markets, there is significant need for families who are considered extremely low-income but also for those who are low to moderate income or who have incomes that make them eligible for workforce rental housing. The projects that have been delayed in the delivery pipeline represent hundreds of units that will not be available on the schedules originally anticipated.

DHCD's next funding competition is scheduled to begin in February 2018. Because the demand for affordable family units is so great, the Department has considered moving the funding competition deadline forward by several months. However, DHCD is constrained by the resource environment – by the availability of federal and state LIHTC as well as state bond funds. Given the status of current rental resources, the Department has concluded that it cannot advance the timetable for the full competition. In accordance with the intended schedule, DHCD will accept full One-Stop+ applications during February 2018.

While resources are not available for a full funding competition, DHCD has identified a limited amount of federal and state LIHTC and state bond funds that could be made available competitively to certain highly ready projects before the end of 2017. Because the need is greatest for family housing, the projects must represent affordable or affordable/mixed-income family housing. Because the need is greatest for new units, the projects must meet the definition of production in the 2017 Qualified Allocation Plan. And,

because the need to spread the state resources is paramount, the projects must be supported by significant levels of local matching funds.

At the conclusion of the winter 2017 funding competition, DHCD noted that several family housing projects that did not receive funding were highly ready to proceed. While denied funding for reasons other than readiness, these projects stood out. They demonstrated greater readiness to proceed than other projects that were denied, and their sponsors had achieved significant commitments of local or private funds. The Department believes that the sponsors of these projects can rapidly address their remaining issues and present fundable One Stop + applications to DHCD. In this time of great need, the Department would prefer not to have these projects wait a full year to potentially receive awards.

Therefore, in view of the great demand for affordable and affordable/mixed-income family rental housing in Massachusetts, and in view of the relative strength of several projects that have been reviewed but not funded, DHCD is amending the 2017 QAP as follows:

### **Mini-Competition: October 2017**

The Department will host a mini-competition on October 31, 2017, and will accept modified One Stop + funding applications from developers whose projects meet the following criteria:

- The projects fall within the production set-aside in the 2017 QAP.
- The projects will result in affordable or affordable/mixed-income family rental housing.
- Although previously denied funding, the projects have been reviewed at least once by DHCD.
- The projects are highly ready to proceed, as demonstrated by the status of zoning, permitting, and architectural materials (drawings and scopes of work).

The criteria listed above are thresholds in addition to the thresholds already described within the 2017 QAP. With the exception of the new criteria described above, the projects are fully subject to the 2017 QAP.

### **Mini-Competition: Resources**

The Department has identified a limited package of DHCD resources to be made available in the October 2017 mini-competition. The resources to be made available are the following:

- 9% Low Income Housing Tax Credits: up to \$3 million
- State Low Income Housing Tax Credits: up to \$8 million
- DHCD Subsidy Funds: up to \$20 million

DHCD will accept pre-applications on September 22, 2017, for sponsors who believe their projects meet the basic criteria identified above. For projects approved at pre-application, DHCD will accept modified OneStop+ funding applications on or before October 31, 2017. The schedule for pre-application and application fees is set forth in the 2017 QAP and applies to the mini-competition. Following a public hearing on September 7, 2017, to amend the 2017 QAP, DHCD will provide interested sponsors with the list of One Stop + sections and exhibits that must be updated for an October 31 submission to the Department.

The Department anticipates selecting four to six projects in the October mini-competition. Sponsors whose projects do not meet the pre-application criteria or who are not selected at the conclusion of the October 2017 mini-competition will be able to submit OneStop+ applications during the full competition in February 2018.

DHCD intends to achieve some degree of geographic distribution in its funding decisions for the high readiness mini-competition. The Department generally intends to approve one or two pre-applications per region. The Department will approve no more than one project application from any one community.

Sponsors who believe that their projects are eligible for the mini-competition must carefully review the criteria indicated above and below and must contact DHCD LIHTC staff at least two weeks before submitting a pre-application.

Sponsors must submit a one-page narrative on the status of the project along with the pre-application and several certifications described in the following section.

### **Mini-Competition: Additional Information**

Sponsors who believe their projects may meet the threshold criteria for the mini-competition as well as all applicable thresholds and scoring criteria within the QAP should note the following requirements.

- Sponsors must be able to demonstrate that the proposed project has received conditional or full funding commitments from all sources other than DHCD.
- Sponsors must be able to demonstrate that the proposed project is fully zoned. At the time of pre-application, the sponsor must provide a narrative to DHCD indicating that the proposed project faces no potential delays related to zoning or permitting or any other material issues.

- The sponsor of the proposed project must provide DHCD with an architect's certification that the construction drawings, as of September 22, 2017, have advanced to at least 70% completion. The certification from the sponsor's architect must be included in the pre-application to DHCD.
- The sponsor also must certify to DHCD that the scope of work is highly-developed and well-coordinated with the construction drawings. This certification also must be included in the pre-application to DHCD.
- The sponsor must have closed financing on any DHCD-assisted projects that received awards during 2016.

Other than the changes noted in this section, the 2017 QAP remains in full effect.

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