



Entry Form 2017 Annual Awards for Program Excellence

Entry Deadline: Thursday, June 15, 2017, Midnight ET

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email awards@ncsha.org.**

Entry Title: Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

Category:

Subcategory:

Entry Summary: A 15-word (max) summary of the program, project, or practice you are entering.

HFA:

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Visual Aids:

Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF? Yes No

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MassHousing
The Opportunity Fund
Special Achievement

MassHousing has long believed that its financial success can only be measured by the degree to which the Agency's balance sheet supports continued and expanded housing opportunities for low- and moderate-income homebuyers and renters. There can be no greater purpose for the Agency's available resources from its working capital fund and MassHousing continually seeks out new opportunities to make an impact on the larger affordable housing community in Massachusetts.

In December 2013, MassHousing commissioned a risk-based capital adequacy study to determine whether the Agency could dedicate funds to create new programs that support the Commonwealth's housing priorities, while still maintaining the Agency's financial stability. Based on the study's findings and the Agency's strong financial performance in recent years, MassHousing proposed the creation of a revolving fund, to be known as the "Opportunity Fund." This Fund leverages the strength of the Agency's balance sheet (rather than using state tax dollars or the proceeds of bond sales) and allows MassHousing to deploy resources strategically to confront the housing challenges facing the Commonwealth to improve the lives of its people. Through the Opportunity Fund, MassHousing supports a number of mission-driven initiatives and is better positioned to partner with the state's Department of Housing and Community Development (DHCD) which, in turn, strengthens the Commonwealth's efforts to create and preserve affordable multifamily housing.

On March 3, 2016, the MassHousing Board formally approved the creation of the Opportunity Fund. In all, the Board authorized a total cash investment of up to \$160 million, broken down as follows:

- \$100 million for a loan program to subsidize the creation of new multifamily housing developments that include a middle-income tier for residents with incomes between 61% and 120% of AMI.
- \$50 million dedicated to preserving affordability of rental housing developments subsidized through the taxpayer-funded 13A program, which is no longer supported by the Commonwealth. These properties were built 30 years ago and serve some of the lowest income and most vulnerable populations in Massachusetts.
- \$3 million for the "Operation Welcome Home" loan program that subsidizes a zero-interest second mortgage loan of up to 3% of the purchase price to help returning veterans buy a home with no down payment.
- \$1 million for a Construction Contract Financing Program, which assists minority- and women-owned subcontractors in strengthening their capacity and finances so they may work on MassHousing construction projects.
- \$5 million for a Community Scale Housing Initiative, jointly administered and funded by DHCD, to support developments of 20 units or less in cities and towns outside of Boston.

Workforce Housing – Massachusetts Governor Charlie Baker identified the need to create additional housing for the workforce as a priority. Historically, government programs have only subsidized lower income units, with the largest production program targeted to those earning up to 60% of AMI.

MassHousing embraced this challenge by creating its Workforce Housing Program and capitalizing it with \$100 million from the Opportunity Fund. The program will spur the construction of new rental housing where a portion of the units serve a middle-income tier – between 61% and 120% of AMI.

The initiative has been energetically embraced by the developer community. To date, MassHousing has made loan commitments to 14 developments, totaling \$33,500,000 in financing that will have a workforce tier in addition to lower income tiers and market tiers. Those developments have 1,285 total units and 363 units that will have restrictions at workforce tiers. The Workforce Housing initiative is projected to create at least 1,000 workforce housing units, and there is a pipeline of developments seeking workforce housing subsidies in excess of the available \$100 million.

13A – In the 1970s, the Commonwealth created what became known as its 13A Program (named for the chapter of the Massachusetts General Laws where it was created). 13A is a state rental development initiative modeled after the federal 236 Program, which resulted in the creation of more than 5,000 units of affordable housing starting in the late 1970s. The 13A program functions as a debt service subsidy, reducing the interest rate on the mortgage to 1% for the owner. Income-eligible households pay the greater of 30% of adjusted income or the Basic Rent, a MassHousing-approved budget-based figure. From 1994 to 2003, the Commonwealth fully funded 13A at \$8 million per year. Starting in 2004, the Commonwealth began reducing its funding commitment. It completely stopped funding the program in 2009, at which time MassHousing stepped in to make up this funding gap—investing nearly \$80 million. This financial support has protected the 5,000 units that are housing families with an average household income of \$25,739.

However, with affordability terms ending and federal vouchers no longer available to protect existing tenants, the 13A portfolio is the most urgent housing preservation issue confronting the state. Between now and 2020, the affordable housing restrictions governing 40 developments are scheduled to expire, eliminating almost all affordability protections. Families living in the 13A properties are comparable, in terms of incomes and lack of other housing options, with residents living in public housing. Almost all of the households earn below 60% of AMI, and almost 25% earn less than 30% of AMI. Given the vulnerability of these households, protecting the current residents continues to be the Agency’s first priority.

The Opportunity Fund is allowing MassHousing to bring considerable resources to the table, and coupled with resources from DHCD, will allow the Agency to make credible preservation offers to owners of every 13A development. To date, 11 13A developments have closed a refinancing or restructuring, preserving a total of 1,218 units, 995 of which are for low income residents. Staff are actively working on a variety of preservation scenarios for the remaining properties with expiring affordability restrictions in place.

Operation Welcome Home – Like all states, Massachusetts has seen an increase in the number of veterans returning home from conflicts in the Middle East, many of whom want to buy a home. These veterans naturally look to the VA loan program. However, there are some restrictions around the VA program that make it challenging for Massachusetts veterans to use. For example, VA loans are more difficult to obtain when all units of a condominium are not owner-occupied, or when couples who are not married want to buy a home together. Through its work with prospective borrowers, MassHousing saw an opportunity to create a solution for some of the state’s veterans who were unable to achieve their dreams of homeownership. MassHousing wanted to create a program that complimented the VA loan, gave veterans another option and also allowed them to buy a home with no downpayment. As a result, MassHousing committed \$3 million to create a new loan pool to make soft second mortgage loans to cover the 3% downpayment requirement. To date, MassHousing has made 48 Operation Welcome Home loans with a total loan amount of \$11.7 million. The average borrower income on these loans was \$79,932, the average FICO score was 732 and the average loan amount was \$244,093.

Construction Contract Financing – MassHousing has a longstanding commitment to fostering economic opportunities for minority- and women-owned businesses (MBEs and WBEs) dating back to the 1970s. In 2016 alone, \$60 million in economic activity was generated for MBEs and WBEs through MassHousing’s Rental Lending. MassHousing works with the property management companies and developers of the rental housing the Agency finances and cooperatively establishes and achieves goals for utilizing MBE and WBEs for contracts. Despite the success, MassHousing recognized that some qualified MBEs and WBEs missed out on opportunities because of their size and financial capacity.

MassHousing committed \$1 million from the Opportunity Fund to create a Construction Contract Financing Program, an effort to increase the capacity and finances of MBE and WBE subcontractors who often lack the capital to build up their businesses. Through the program, qualifying businesses can access loans of between \$25,000 and \$200,000 to cover advance labor, material and other costs. The objective is to help more MBE and WBE subcontractors to access jobs with general contractors doing work on MassHousing-financed rental housing.

To date, one loan has been made through the Construction Contract Financing program, to Cesar DaSilva and his team at Design Construction Consulting Services (DCCS). They used a \$200,000 CCFP loan to obtain a \$450,000 contract for on the renovation of Madison Park Village III in the Roxbury neighborhood of Boston. Mr. DaSilva used the loan to help cover payroll while his crew was on the job.

Community Scale Housing – Increasing production of affordable housing throughout the Commonwealth is a priority for Governor Baker’s administration. Like many states, Massachusetts faces a serious shortage of affordable housing and yet, over the past decade, 207 of the Commonwealth’s 351 municipalities have not permitted *any* housing with five or more units. In recent years, Massachusetts cities and towns have permitted less new housing than at almost any point since the 1960s. Moreover, while multifamily housing represents about two-thirds of the state’s projected market need, production has been centered in a handful of communities, with half of the multifamily units permitted statewide located in just five cities and towns.

The Community Scale Housing Initiative (CSHI) has been designed by MassHousing and the Department of Housing and Community Development (DHCD) to support the development of affordable rental units at a scale appropriate to smaller communities, in terms of population, geographic size, land availability, and local architecture. CSHI funds will be awarded through a competitive process that will give smaller developments the opportunity to be funded and proceed quickly outside of the DHCD funding competition that larger projects must compete in. The CSHI is being established with a \$5 million investment from MassHousing’s Opportunity Fund and \$5 million from DHCD to provide loans for new rental developments of 20 units or less, in cities and towns outside of the City of Boston, with at least 20% of the units affordable to households earning no more than 80% of area median income. The program is providing an additional tool to help MassHousing and DHCD reach smaller communities and create new housing opportunities for those who live there.

The Opportunity Fund is another innovative tool created by MassHousing to further the delivery of responsible lending products, housing opportunities and services with a focus on the needs of customers and the people and communities the Agency serves.