



Rental Development Program

Limited Dividend Policy

MassHousing's enabling legislation imposes limits on the amount of cash flow a developer may realize from project operations, otherwise known as Limited Dividend. This Limited Dividend is also referred to as "return on equity" or "distributions to the owner", and is defined as follows:

Limited Dividend represents the maximum annual distribution of project cash flow to the Owner from net operating income after satisfaction of all payments approved by MassHousing to project expenses, debt service, reserves, and Owner's loans to the project. The Limited Dividend will be restricted to 10% of Owner's Equity in the project, where Owner's Equity is the higher amount resulting from the following two calculations:

Method 1 – The total sum of the following, as determined by MassHousing:

- Actual cash contributed by the owner to the project including tax credit equity;
- Developer's Fee Loaned (see MassHousing's [Developer's Fee and Overhead Policy](#)), provided that any payment of such fee from project cash flow is treated as a dividend distribution; and
- Developer's Fee Contributed (see MassHousing's Developer's and Overhead Policy above).

Public equity, such as HOME, CDBG, or other funds, whether structured as a grant or a soft loan, is excluded from Owner's Equity. In terms of the OneStop application, Owner's Equity equals the sum of Lines 81,82,83 and 84, plus any appraised acquisition value in excess of Line 163. Owner's Equity will be initially determined at the time of closing and verified as cost certification. Alternatively, at the election of the borrower, Owner's Equity may be established upon achieving sustaining occupancy.

Method 2 – Appraised value, as determined by an independent appraiser commissioned by MassHousing, less total debt, as determined by MassHousing.

For this method, debt shall be defined as all loans and public subsidy for the development (including HOME, CDBG or similar funds, whether structured as a loan or grant, but excluding tax credit equity or any developer, general partner or similar loans to the development approved by MassHousing).

Lookbacks:

In event that amounts available for distribution in any year exceed the allowable Limited Dividend, the amount of any such excess may be applied to pay the amount, will up to 5% simple interest, by which distributions made in any of the preceding three (3) years were less than the amount permitted. For developments not involving significant levels of public equity or operating subsidies, MassHousing may allow the excess to be applied to earned but undistributed dividends accumulated beyond the preceding three years.

Revaluations of Owner's Equity:

MassHousing may reestablish Owner's Equity not more than once every five years. At the Owner's expense and election, MassHousing will conduct or commission a new appraisal to determine whether there has been an increase in the equity of the project. If the appraisal demonstrates that the market or investment value has increased and, thereby, additional equity is available in the project, the Owner's Equity and 10% Limited dividend will be increased accordingly.

Revised: January 6, 2006