

Massachusetts Housing Finance Agency Opportunity Fund – Workforce Housing Program

Program Guidelines

Adopted July 12, 2016, Updated October 13, 2017 and May 2, 2019

MassHousing has set aside resources out of the Agency's Opportunity Fund for the provision of subordinate debt to create new workforce housing units. These resources will be available to projects on a rolling basis. Borrowers must be able to demonstrate that the project has local support (as evidenced by local approvals and/or significant financial support); is meeting a market need; and is creating new affordability.

MassHousing has established the program guidelines set forth below to ensure that its funds are utilized to add to the supply of new workforce housing units and ensure their long-term availability to eligible residents. Although not intended to set forth all of the terms and conditions of MassHousing's funding, these guidelines define program eligibility and certain ongoing requirements associated with the financing of these units, including compliance with MassHousing's enabling act, Chapter 708 of the Acts of 1966, as amended (Enabling Act). The scope and nature of these projects may require deviation from these program guidelines, which MassHousing staff will review with the Vice President of Multifamily Programs on a case-by-case basis.

Eligibility

Borrowers: Per MassHousing financing requirements, borrowers must be single-asset, sole-purpose entities. Both for-profit and not-for-profit borrowers are eligible, and will be subject to limited dividend requirements.

Project Type: New construction and adaptive reuse.

MassHousing's strong preference is for production, but staff will consider projects involving acquisition or rehabilitation of an existing development where previously unrestricted units will be restricted as workforce housing units or preservation, if affordability is at risk.

MassHousing Workforce Housing Loan Terms and Conditions

Loan Amount: Up to \$100,000 per workforce unit, with a per project limit of \$3,000,000.

MassHousing does not intend to use workforce housing resources to fund units required to meet any existing local or state inclusionary zoning obligation. However, MassHousing does want to incentivize developers to add units above and beyond the minimum inclusionary zoning requirements. Therefore, in certain markets, and subject to the approval of the Vice President of Multifamily Programs, MassHousing will consider adjusting the amount of workforce housing funds allocated to a project to allow for this increase in the total number of workforce housing units.

Lending Terms: MassHousing expects to lend the workforce housing funds at an interest rate of between 0% and 3%. Repayment of principal (and interest if applicable) will be based on an established amortization schedule or through a cash flow sharing mechanism.

Maturity: 15 - 40 years

Due to MassHousing statutory requirements, no prepayment in whole or in part is permitted without MassHousing consent for the first 15 years of the workforce housing loan term (this prepayment lock-out excludes scheduled repayments).

The workforce housing loan shall be due upon the earlier of:

- Maturity;
- Sale or refinancing of the property; or
- Upon foreclosure or default under the regulatory restrictions.

In certain circumstances, MassHousing may consider alternatives to full repayment at sale or refinancing.

Loan repayment prior to the stated maturity date will not terminate the workforce housing 15-40 year affordability term referenced below.

First Mortgage Requirements: The first mortgage loan for the development will be financed directly by MassHousing or through a lending platform approved by MassHousing.

Affordability Requirements

Income requirement:

In accordance with Section 5(i) of MassHousing's Enabling Act, at least 20% of the units at the development must be affordable to those earning up to 80% of AMI (as defined by HUD), and this will be reflected in a recorded MassHousing Disposition Agreement.

Projects with permanent financing provided through the HUD HFA Risk Share program will be required to have either 20% of the total units in the project affordable to those earning up to 50% of AMI or 40% of the total units in the project affordable to those earning up to 60% of AMI.

Affordability Term: 15-40 years.

Rent and Income Limits:

Units eligible to receive workforce housing funds must have rents at levels that are affordable to households with incomes generally between 60% and 120% of AMI and below market rents where the property is located.

In determining the appropriate income restriction for the development, MassHousing will ensure there is a sufficient marketing window for the workforce housing units. In certain markets, this may result in an income restriction that is higher than the rent restriction.

MassHousing will provide the income and rent limits to be used in workforce housing transactions, which are based on HUD-published AMIs. The income restriction for each transaction will be finalized at the time the workforce housing funds are provided to the project. Please see an example of these AMI tables in [Attachment A](#).

Because some of the workforce housing units will be developed in emerging markets such that market rents may increase during the term of the workforce housing loan, MassHousing will allow a one-time increase of up to 10% in the AMI income limit to reflect this changing market. For example, if the AMI limit was set at 100% of AMI at the time the workforce housing loan was funded and the market has improved during the term of the workforce housing loan such that the market rents are now affordable to households with incomes at 120% of AMI, the income restriction could be adjusted up to 110% of AMI and rents would be set at or below that level. To adjust up to the higher AMI, owners shall provide evidence, in a form that is satisfactory to MassHousing, that the change in market conditions warrant an increase to the higher allowable AMI level.

For purposes of determining household eligibility, owners and management companies should use HUD's definition of what qualifies as income, unless otherwise approved by MassHousing. Irrespective of actual income, recipients of rental assistance (such as Section 8 vouchers, MRVP, or other rental supplements) will be eligible for a workforce housing unit if the rental assistance (plus any additional amount that the household is permitted to pay under the applicable rental assistance program) is sufficient to pay the unit rent. Workforce housing units cannot be occupied by full-time students as defined in IRC §42(i)(3)(D).

Owners should conduct reasonable due diligence to verify income, including obtaining the appropriate income tax documentation, bank statements, and other appropriate documentation; however, third party verification is not required.

Income Certification and Recertification:

Owners will be required to certify that the households living in workforce housing units are eligible for the unit. After initial certification, households living in workforce units will be required to recertify their income every other year.

Owners will also be required to complete an annual affordable unit compliance report (see [Attachment B for an example](#)).

Annual Rental Increases:

During the term of the workforce restriction, annual rent increases may be implemented for workforce housing units up to the MassHousing rent limits (see [Attachment A](#) for an example), which MassHousing will produce for owners annually. When an owner opts for the one-time 10% increase in the AMI limits, the maximum allowable annual rent increase for a household that has resided in the unit at the development during the prior rental year will be not be more than 3%.

In instances where Workforce Housing Program income and rent limits decline, MassHousing will follow a policy developed for affordable housing developments in the Commonwealth of Massachusetts by the

Department of Housing and Community Development. Please find additional information on this “Hold Harmless” income limit policy here: [Memorandum on Commonwealth of Massachusetts Hold Harmless Policy](#).

Occupancy Agreement and Tenant Selection Plan:

Owners may use the same lease for workforce housing units as the one used for its market units, with a MassHousing-provided addendum that covers specific MassHousing requirements.

Owners will be required to have a Tenant Selection Plan that addresses MassHousing’s statutory requirements pursuant to Section 7 of its Enabling Act and MassHousing’s Tenant Selection Regulations, following the format of the existing MassHousing Tenant Selection Plan. Per the Tenant Selection Plan, the owner must hold a lottery for Workforce Housing units in new developments.

Consequences if Household Is “Over Income” During Recertification Process or Household Opts Not to Recertify:

If an owner determines at recertification that the income of a household residing in a workforce housing unit is greater than the workforce housing income limit OR if a household living in a workforce housing unit opts not to recertify its income, then in each case the unit will convert from a workforce housing unit to an unrestricted unit. The property will then employ the “next available unit” rule such that the next vacant unit of the same size will become a workforce housing unit. To the extent there are no units available, the owner will not be in violation of the workforce housing agreement so long as the household remains in the unit and the next available unit rule is applied.

Options if Household’s Income Falls:

If a resident living in a workforce housing unit experiences a decline in income, to the extent that there are units in the development that are more deeply affordable (i.e. restricted to households earning no more than 60% of AMI), and the resident’s income would render them eligible for such unit, the owner can convert the workforce housing unit the household is occupying to such lower income restricted unit, and the property will then employ the “next available unit” rule such that the next vacant deeply affordable unit of the same size would become a workforce housing unit.

MassHousing Asset Management Responsibilities:

Consistent with current practice for MassHousing-financed properties, MassHousing will engage in the following asset management related tasks for workforce housing units:

- Review annual financial audits or tax returns, which shall include information on any cash flow sharing requirements and a calculation of limited distribution;
- Conduct site visits consistent with loan risk, view vacant unit(s) and household-requested units;
- Receive and review the affordable unit compliance report (Attachment B);
- Conduct a file audit every five years;

- Ensure compliance with the limited dividend policy set forth in Section 5(d) of the Enabling Act and MassHousing's Limited Dividend Policy available on MassHousing's website.

Attachment A

Sample MassHousing Income and Rent Limits

2019
BOSTON - Cambridge - Quincy, MA - NH HMFA (HUD Metro FMR Area)
[Not including City of Boston Inclusionary Development Programs*]

MassHousing WORKFORCE HOUSING (Opportunity Fund) PROGRAM

INCOME AND RENT LIMITS

(Effective Date: 04/24/2019 for 2019)

INCOME LIMITS [For HUD's Assisted Housing Programs; Multifamily Tax Subsidy Projects - "MTSP" and MassHousing's Workforce Housing (WFH) Program]

| <i>Percentage Change from 2018:</i> 5.10% | 1 PERSON | 2 PERSON | 3 PERSONS | 4 PERSONS | 5 PERSONS | 6 PERSONS | 7 PERSONS | 8 PERSONS |
|---|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Boston Area MEDIAN: \$113,300 | | | | | | | | |
| STANDARD Adjustment for Family Size: | \$79,310 | \$90,640 | \$101,970 | \$113,300 | \$122,364 | \$131,428 | \$140,492 | \$149,556 |
| Percent of Median: | 70% | 80% | 90% | 100% | 108% | 116% | 124% | 132% |

50% of MEDIAN "VERY LOW INCOME" ¹

| | | | | | | | | |
|------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| HUD-Published Limits: | \$41,500 | \$47,400 | \$53,350 | \$59,250 | \$64,000 | \$68,750 | \$73,500 | \$78,250 |
|------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|

60% of MEDIAN - "MTSP" (Multifamily Tax Subsidy Projects) - LIHTC Limits

| | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| HUD-Published Limits: | \$49,800 | \$56,880 | \$64,020 | \$71,100 | \$76,800 | \$82,500 | \$88,200 | \$93,900 |
| <small>120% of 50% (60%/50%) [Round to \$10.]</small> | | | | | | | | |

65% of MEDIAN "WORKFORCE HOUSING" - MassHousing Program Limits

| | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|-----------|
| Per Program Formula | \$53,950 | \$61,650 | \$69,400 | \$77,050 | \$83,200 | \$89,400 | \$95,550 | \$101,750 |
| <small>130% of 50% (65%/50%) [Roundup to \$50.]</small> | | | | | | | | |

70% of MEDIAN - NEF Ch. 40B

| | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|-----------|-----------|
| <small>Lower of Published 80% or 70% (140% of 50%):</small> | \$58,100 | \$66,360 | \$74,690 | \$82,950 | \$89,600 | \$96,250 | \$102,900 | \$109,550 |
| <small>140% of 50% (70%/50%) [Round to \$10.]</small> | \$58,100 | \$66,360 | \$74,690 | \$82,950 | \$89,600 | \$96,250 | \$102,900 | \$109,550 |
| <small>DHCD Homeownership (70% of 80% Converted to 100%):</small> | \$54,644 | \$62,475 | \$70,263 | \$78,050 | \$84,306 | \$90,563 | \$96,819 | \$103,031 |

70% of MEDIAN "WORKFORCE HOUSING" - MassHousing Program Limits

| | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|-----------|-----------|
| Per Program Formula | \$58,100 | \$66,400 | \$74,700 | \$82,950 | \$89,600 | \$96,250 | \$102,900 | \$109,550 |
| <small>140% of 50% (70%/50%) [Roundup to \$50.]</small> | | | | | | | | |
| <small>Dollar Change from 2018:</small> | | | | \$7,450 | | | | |
| <small>Percentage Change from 2018:⁵</small> | | | | 9.87% | | | | |

80% of MEDIAN "LOW INCOME" ² - (For HUD's Assisted Housing Programs & MassHousing Statutory Minimum)³

| | | | | | | | | |
|--|----------|----------|----------|----------|----------|-----------|-----------|-----------|
| HUD-Published Section 8 Limits: | \$62,450 | \$71,400 | \$80,300 | \$89,200 | \$96,350 | \$103,500 | \$110,650 | \$117,750 |
|--|----------|----------|----------|----------|----------|-----------|-----------|-----------|

80% of MEDIAN "WORKFORCE HOUSING"⁴ - MassHousing Program Limits

| | | | | | | | | |
|--|----------|----------|----------|----------|-----------|-----------|-----------|-----------|
| Greater of HUD Published 80% or Uncapped 80%: | \$66,400 | \$75,850 | \$85,400 | \$94,800 | \$102,400 | \$110,000 | \$117,600 | \$125,200 |
| <small>Uncapped = 160% of 50% (80%/50%) [Roundup to \$50.]</small> | | | | | | | | |
| <small>Dollar Change from 2018:</small> | | | | \$8,550 | | | | |
| <small>Percentage Change from 2018:⁵</small> | | | | 9.91% | | | | |

"WORKFORCE HOUSING" - MassHousing Program Limits⁴

90% of MEDIAN

| | | | | | | | | |
|---|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| <small>180% of 50% (90%/50%) [Roundup to \$50.]</small> | \$74,700 | \$85,350 | \$96,050 | \$106,650 | \$115,200 | \$123,750 | \$132,300 | \$140,850 |
|---|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|

100% of MEDIAN

| | | | | | | | | |
|---|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <small>Lesser of 200% of 50% (100%/50%) or actual 100%: Or Greater of when actual 100% is < 90%/50% [Roundup to \$50.]</small> | \$79,350 | \$90,650 | \$102,000 | \$113,300 | \$122,400 | \$131,450 | \$140,500 | \$149,600 |
|---|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|

110% of MEDIAN

| | | | | | | | | |
|--|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <small>220% of 50% (110%/50%) [Roundup to \$50.]</small> | \$91,300 | \$104,300 | \$117,400 | \$130,350 | \$140,800 | \$151,250 | \$161,700 | \$172,150 |
|--|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

120% of MEDIAN

| | | | | | | | | |
|--|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <small>240% of 50% (120%/50%) [Roundup to \$50.]</small> | \$99,600 | \$113,800 | \$128,050 | \$142,200 | \$153,600 | \$165,000 | \$176,400 | \$187,800 |
|--|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

2019

BOSTON - Cambridge - Quincy, MA - NH HMFA (HUD Metro FMR Area)
[Not including City of Boston Inclusionary Development Programs*]

MassHousing WORKFORCE HOUSING (Opportunity Fund) PROGRAM

INCOME AND RENT LIMITS

(Effective Date: 04/24/2019 for 2019)

* *Developments located in the City of Boston that receive direct funding from the City of Boston (e.g. HOME, CDBG or Linkage), may be subject to separate income & rent limits as published by the City's Planning & Development Agency (BPDA f/k/a the BRA). Contact the BPDA for additional information.*

NOTE 1: **Very Low Income - State Non-Metro Median Family Income Adjustment:** The 4-Person Very Low Income, 50% of area median income limit (VLIL) is adjusted if it would otherwise be lower than 50% of the Massachusetts State Non-Metro Median Family Income (\$91,500 for 2019), except when justified by high housing costs. In 2019, the State Non-Metro adjustment does not apply, but the High Housing Cost adjustment does apply in the **BOSTON - Cambridge - Quincy, MA - NH HMFA**. Where housing costs are unusually high in relation to median income, an area's income limit is increased due to **High Housing Costs** if 85% of the area's annual 2 bedroom FMR is greater than 35% of the US Median Income. [Also see Note 5.]

NOTE 2: **Low Income:** The 4-person, 80% of median Low Income limit nationwide is "capped" at the U.S. median income level (\$75,500 for 2019), except when justified by high housing costs. In 2019, the High Housing Cost exception does apply in the **BOSTON - Cambridge - Quincy HMFA** (See Note 1). For the low-income (80%) limit the adjustment is augmented by 1.6.

NOTE 3: **MassHousing Statutory Requirement:** Applicable for units used to meet MassHousing's statutory affordability requirements. By statute, all developments financed by MassHousing must set aside at least 20% of units for "persons and families whose annual income is equal to or less than the maximum amount which would make them eligible for units owned or leased by the housing authority in the city or town in which the project or the residence for which the mortgage loan is sought is located or, in the event that there is no housing authority, that amount which is established as the maximum for eligibility for low-rent units" by DHCD. Under current DHCD and HUD regulations, the maximum income eligibility for housing authority units is equal to the Section 8/Public Housing Low Income (80%) Limits published by HUD. Also see below statutory rent limit note related to utility allowances.

NOTE 4: **80% AMI MassHousing Workforce Housing Program:** Only applicable for units which are not used to satisfy the MassHousing statutory 20% set-aside requirement (Note 3). MassHousing calculates the 80% AMI income and rent limits for Workforce Housing units that are not used to satisfy the statutory set-aside requirement without regard to the caps and adjustments used by HUD to calculate its Section 8/Public Housing Low Income (80%) Limits.

Per HUD standards, the very low-income limits (usually based on 50 percent of MFI - See Note 1) are the basis for all other income limits including all Workforce Housing limits.

NOTE 5: **5-Percent Rule or Ceilings & Floor Adjustment:** "Beginning with FY 2010 Income Limits [...], HUD eliminated its long standing 'hold harmless' policy but limited all annual decreases to 5 percent and [...] all annual increases to 5 percent or twice the change in the national median family income, whichever is greater." For 2019 the maximum increase is limited to 10.0%, which is twice the change in the national median family income.

When WFH Program income & rent limits decline, existing MassHousing WFH developments, placed in service or receiving funding commitments prior to 4/24/2019, may be subject to the special DHCD "Hold Harmless" Income Limits Policy for developments that do not include federal subsidies (the "DHCD HOLD HARMLESS Policy"). Contact MassHousing for additional information in this regard.

2019
BOSTON - Cambridge - Quincy, MA - NH HMFA (HUD Metro FMR Area)
[Not including City of Boston Inclusionary Development Programs*]

MassHousing **WORKFORCE HOUSING (Opportunity Fund) PROGRAM**

INCOME AND RENT LIMITS

(Effective Date: 04/24/2019 for 2019)

AFFORDABLE RENT LIMITS (Including MTSP)

| Calculation of Rent: (Based on 1.5 Persons / BR) | STUDIO | | | 1 BEDROOM | | 2 BEDROOM | | 3 BEDROOM | | 4 BEDROOM | | 5 BEDROOM | |
|---|---|---|---|---|---|---|---|--|---|---|---|---|---|
| | 1 Person Limit / 12 x 30% - Round Down | 1 Pers.+ 2 Pers. Limit / 2 / 12 x 30% - Round Down | 3 Person Limit / 12 x 30% - Round Down | 4 Pers.+ 5 Pers. Limit / 2 / 12 x 30% - Round Down | 6 Person Limit / 12 x 30% - Round Down | 7 Pers.+ 8 Pers. Limit / 2 / 12 x 30% - Round Down | 8 Pers.+ 9 Pers. Limit / 2 / 12 x 30% - Round Down | 9 Pers.+ 10 Pers. Limit / 2 / 12 x 30% - Round Down | 10 Pers.+ 11 Pers. Limit / 2 / 12 x 30% - Round Down | 11 Pers.+ 12 Pers. Limit / 2 / 12 x 30% - Round Down | 12 Pers.+ 13 Pers. Limit / 2 / 12 x 30% - Round Down | 13 Pers.+ 14 Pers. Limit / 2 / 12 x 30% - Round Down | 14 Pers.+ 15 Pers. Limit / 2 / 12 x 30% - Round Down |
| 30% of 50% of MEDIAN "VERY LOW INCOME" | | | | | | | | | | | | | |
| RENTS (Per Published Limits): | \$1,037 | \$1,111 | \$1,333 | \$1,540 | \$1,718 | \$1,896 | | | | | | | |
| 30% of 60% of MEDIAN - "MTSP" (Multifamily Tax Subsidy Projects) - LIHTC Rent Limits | | | | | | | | | | | | | |
| RENTS (Per Published Limits): | \$1,245 | \$1,333 | \$1,600 | \$1,848 | \$2,062 | \$2,276 | | | | | | | |
| 30% of 65% of MEDIAN "WORKFORCE HOUSING" - MassHousing Program Limits | | | | | | | | | | | | | |
| RENTS (Per Program Formula): Based on 50% Limits | \$1,348 | \$1,445 | \$1,735 | \$2,003 | \$2,235 | \$2,466 | | | | | | | |
| 30% of 70% of MEDIAN "WORKFORCE HOUSING" - MassHousing Program Limits | | | | | | | | | | | | | |
| RENTS (Per Program Formula): Based on 50% Limits | \$1,452 | \$1,556 | \$1,867 | \$2,156 | \$2,406 | \$2,655 | | | | | | | |
| 30% of 80% of MEDIAN "LOW INCOME" - (For HUD's Assisted Housing Programs & MassHousing Statutory Minimum) | | | | | | | | | | | | | |
| RENTS (Per Published Limits): | \$1,561 | \$1,673 | \$2,007 | \$2,319 | \$2,587 | \$2,855 | | | | | | | |
| NOTE: Gross rents shown. By statute, rents payable by tenants occupying units used to satisfy the statutory 20% set-aside requirement must be net of a utility allowance calculated using a method approved by MassHousing. | | | | | | | | | | | | | |
| 30% of 80% of MEDIAN "WORKFORCE HOUSING" - MassHousing Program Limits | | | | | | | | | | | | | |
| RENTS (Per Program Formula): (Greater of HUD Published 80% or Uncapped 80%) | \$1,660 | \$1,778 | \$2,135 | \$2,465 | \$2,750 | \$3,035 | | | | | | | |
| | | <i>Dollar Change from 2018: \$193</i> | <i>Percentage Change from 2018: 9.94%</i> | | | | | | | | | | |
| "WORKFORCE HOUSING" - MassHousing Program Limits | | | | | | | | | | | | | |
| 30% of 90% of MEDIAN: Based on 50% Limits | \$1,867 | \$2,000 | \$2,401 | \$2,773 | \$3,093 | \$3,414 | | | | | | | |
| 30% of 100% of MEDIAN: Based on 50% Limits | \$1,983 | \$2,125 | \$2,550 | \$2,946 | \$3,286 | \$3,626 | | | | | | | |
| 30% of 110% of MEDIAN: Based on 50% Limits | \$2,282 | \$2,445 | \$2,935 | \$3,389 | \$3,781 | \$4,173 | | | | | | | |
| 30% of 120% of MEDIAN: Based on 50% Limits | \$2,490 | \$2,667 | \$3,201 | \$3,697 | \$4,125 | \$4,552 | | | | | | | |

| Provided for Market Rent Tier Comparison Only | STUDIO | 1 BEDROOM | 2 BEDROOM | 3 BEDROOM | 4 BEDROOM | 5 BEDROOM |
|---|---------|-----------|-----------|-----------|-----------|-----------|
| 30% of 130% of MEDIAN: Based on 50% Limits | \$2,697 | \$2,889 | \$3,468 | \$4,005 | \$4,468 | \$4,931 |

FY 2019 SECTION 8 FAIR MARKET RENTS (FMR'S)

Based on new survey data, provided to and reviewed by HUD, revised FMRs (shown here) were published in the Federal Register (Vol. 84, No. 50/Thursday, March 14, 2019) and were effective as of April 15, 2019.

| | | | | | | |
|---|---------|---------|---------|---------|---------|---------|
| Section 8 FMR's (As Published): Effective 4/15/2019 | \$1,608 | \$1,801 | \$2,194 | \$2,749 | \$2,966 | \$3,411 |
|---|---------|---------|---------|---------|---------|---------|

Attachment B

Sample Affordable Compliance Report

