Groveland
Housing Development Program Overview
Prepared by Abacus Architects by consultant Charleen Regan
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The Groveland Affordable Housing Committee, in implementing an affordable housing production plan, is considering the development potential of a site on River Pines Drive for affordable rental housing to serve low and moderate income residents. The site has been prioritized in the study as a prime site to construct affordable rental housing to serve the town.

In connection with this, the town has requested a preliminary feasibility review of development options for the River Pines Drive site in order to position the town to maximize the site's potential. Development of this site for affordable rental housing will help Groveland to move closer to their state's MGL Chapter 40B 10% affordable housing goal. The following resource review and analysis will assist the town in determining the best development option for site.

The Department of Housing and Community Development (DHCD) is the state allocator of affordable housing subsidy resources. DHCD has strict criteria, eligibility requirements and priorities for the state bond funds and federally allocated resources under its control. It will be important to understand these requirements in order to be in the most competitive position to attract state subsidy resources.

Groveland is a Community Preservation Act (CPA) community which will be an important asset in attracting state subsidy resources for the River Pines Drive site. DHCD considers local support and leverage when awarding state resources and is particularly eager to encourage CPA efforts.

The following resources are the chief ones available to fund affordable rental housing. I have listed them with their award funding caps to provide a sense of the scale of resources that may be sought for the River Pines Drive site. The resources may be combined in a project as long the residents qualify for the resource either by income or disability status. No project may receive more than $100,000 per unit in state subsidy exclusive of the low income housing tax credits.

Resource	Funding Available	Comments
Low Income Housing Tax Credits	$1 M per project in LIHTC	This amount can equal up to $10M when the credits are sold to investors. Caps on eligible basis apply. Priorities for this funding are detailed below. Generally projects need to have a certain scale to qualify for LIHTC. 24 units would be about the minimum.
State Low Income Housing Tax Credits	$400K for projects under 40 units	This could translate to about $1.5 M in subsidy
HOME	$750K-1M per project cap or $65,000 per affordable unit in non-entitlement communities	Must have local support to qualify
Housing Stabilization Fund (HSF)	$750K-$1M per project cap or	State bond funded

Resource	Funding Available	Comments
	$65,000 per affordable unit in non-entitlement communities	
Housing Innovation Fund	$500K maximum	Primarily for service enriched housing for homeless individuals or families
Categorical Funds—Community Based Housing or Facilities Consolidation Fund	$750K per project and up to 50% of the TDC of qualifying units	For households with persons with disabilities or mental illness or developmental disabilities
Affordable Housing Trust Fund	$1M per project or $50K per affordable unit	State bond funded

DHCD Categories for application[1]

There are four (4) categories developers can apply in for the DHCD funding rounds. Funding rounds are held one or twice a year; recently they have averaged a funding round every 8 months. Projects must meet one of these thresholds to be eligible to apply for funding.

1. **Housing for extremely low-income (ELI) individuals, 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 strong likelihood of catalyzing private investment, improving housing quality, and promoting occupancy at a range of household incomes. 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 (matrix). To be eligible to apply for 9 percent tax credits, a sponsor must demonstrate that the project is infeasible with 4 percent 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 percent of the units in a project must be 2 BR or larger and at least 10 percent must be 3 BR, unless that percentage of 2 BR or 3 BR 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.

The two possible categories for Groveland to qualify are **1. Housing for ELI households**, where at least 20% of the units serve extremely low income families or seniors and **4. Production of larger unit family** housing in areas of opportunity. Qualifying factors include high MCAS scores and proximity to jobs and

[1] From the DHCD 2015 Qualified Allocation Plan (QAP)

transportation. Location in areas of opportunity for families can also add up to 14 points in the scoring which helps makes projects competitive for funding. To be eligible to qualify 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. Groveland is a low poverty area, but may not qualify as a 'high opportunity" location for purposes of qualifying in terms of proximity to jobs and transportation. MCAS scores are also considered for qualifying points.

Additional considerations in project design are detailed in the 2015 QAP:

In addition, during 2015, the Department encourages developers to structure projects with 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 May 2007 ten sustainable development principles, including "green" design principles, etc.*
4) *projects that are part of comprehensive neighborhood improvement plans or initiatives, including HOPE VI projects with approved federal grants*
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 more units than required for persons with disabilities and place emphasis on visitability*
8) *projects with acceptable per-unit costs*
9) *Projects located in communities or neighborhoods with expanding social and/or educational opportunities, increasing employment opportunities or significant revitalization and investment activity.*

Costs

DHCD has adopted a strict policy to restrict the rising costs of providing affordable housing. In this regard they will fund only projects with total development costs (TDC) below $400,000 per unit. This is the highest end of the range and DHCD would prefer to see units in the high $200's and low $300's.

In the Qualified Allocation Plan (QAP), DHCD sets a cap for the TDC of assisted units for projects outside of the Boston Metro area. The chart below details this by unit type.

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

*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.

Target Population

It would be useful to have a discussion with the Affordable Housing Committee about the target population. Senior housing has been a lower priority for DHCD in the last few years but a case may be made based on need, particularly if the housing includes at least 20% of the units for extremely low income (ELI) elderly residents. In recognition of demographic trends that show an aging population with high housing needs, DHCD has become more flexible about funding senior housing.

Family housing may also be eligible if at least 20% of family units are for ELI families. Extremely low income means an income below 30% of the Area Median Income (AMI). The following chart details the AMI income levels for Groveland.

HUD 2014 Income Limits Summary

Persons	1	2	3	4	5	6
Income						
30% of AMI	18,550	21,200	23,850	26,450	28,600	31, 970
50% of AMI	30,850	35,250	39,650	44, 050	47, 600	51,100
80% of AMI	44,750	51,150	57,550	63,900	69,050	74,150

In any case, whether promoting senior or family housing, Groveland should consider utilizing rental assistance subsidies to insure that 20% of the units serve ELI households. This would be a minimum requirement to compete in the DHCD subsidy rounds given that Groveland is unlikely to qualify in the other priority categories. Rental subsidies, such as Section 8 Project-based Housing Choice Vouchers or Mass Rental Voucher Program (MRVP) can serve very low income residents while still providing the project with a fair market rent. Rental subsidies, up to 8 units, can be awarded as part of a DHCD award of capital subsidies through the same DHCD funding round. Vouchers can also be obtained through a local housing authority.

The Committee's interest in including a senior services building will have to be evaluated in terms of the scale of the development (smaller scale means less funding available to support the construction of a free standing building) and the ability to raise other funding to construct it. The cost restrictions on housing construction would likely not be able to support construction of a separate senior services building within the housing budget. However, additional CPA funds beyond what is needed to fill the housing gap alone, could help.

Program Considerations

Low Income Housing Tax Credits (LIHTC) are an important driver of production of affordable housing. LIHTCs can cover about 60-70% of the cost of production. However, in order to qualify for LIHTCs, a project should be of sufficient scale to justify the transaction costs of utilizing the credits. Many practitioners estimate about 24 units is the minimum necessary.

The sweet spot for projects to utilize LIHTCs and to maximize the state's other subsidies which cap out at $100,000 per unit with project caps of between $750-$1M for most programs, is about 30-35 units.

Projects above that amount usually split the project into two phases to maximize access to the resources.

Small Scale Project Program

There has been increasing demand in smaller Massachusetts communities for a housing program to address non-metro communities' need for smaller scale housing that responds to town housing needs and density requirements. These projects, because of their small size, are not a good fit for the LIHTC program.

Recently, the Massachusetts Housing Partnership (MHP) has been working with DHCD to develop a small scale production program for communities. The small scale production program would specifically allow senior housing as an eligible use.

This program, if adopted, would provide a deeper level of resources to small scale projects that do not use LITHCs. These projects would qualify for up to $150,000 per unit in state support. Generally, projects that can leverage some debt by having a few higher income (up to 80% of AMI) units and have a gap filler like the Community Preservation Act funding (CPA) would be in the best position to utilize such a program. It has not been finalized yet, but the town should consider follow this closely as you weigh the merits of small scale versus larger LIHTC project.

Summary

Several options emerge from an analysis of the resource environment. Each option may include some smaller units for seniors even if the housing is predominantly family. The two small scale production options depend on the new MHP program being finalized and adopted by DHCD.

1. Small scale senior housing of under 20 units with a mix of incomes including some 80% AMI units and some 30% AMI units.
2. Small scale family production of under 20 units utilizing the new small scale production program including a range of income from 30% AMI to 80% AMI.
3. Larger scale senior housing of 24-35 units utilizing LIHTCs with at least 20% of units for ELI seniors. This would probably be the least competitive as LIHTCs are generally more heavily weighted toward family housing. All LIHTC units must serve households below 60% of AMI.
4. 30-35 units of family housing, with at least 65% 2 bedrooms, using LIHTCs and a minimum of 20% of units for ELI families. Without a designation of 'high opportunity" area, however, this may be less competitive in the DHCD funding rounds.

The next steps are to complete a site capacity study to determine the optimum number of units for the site, evaluate the costs of construction and determine the target population. We can then provide a detailed proforma to evaluate the financial feasibility of a more refined set of options.