



# CommonWealth Builder Program Guidelines

October 8, 2019

Massachusetts is experiencing rapid economic growth and a surging population, and many of its moderate-income households are expressing a demand for high-quality homes to purchase. However, in neighborhoods across the Commonwealth, the market is not producing an adequate supply to meet that demand; this is particularly true in communities of color – including Gateway Cities – where moderate-income households looking to purchase their first home well outnumber the appropriate stock.

Nationwide, the rate of homeownership among white households outpaces rates among households of color by 30 percent. The gap has increased by more than 7 percent in just the past 20 years, erasing the gains made in the second half of the 20<sup>th</sup> century and then some. In Massachusetts, the homeownership rate for people of color is half what it is for white residents – a statewide disparity that is the sixth greatest in the nation.

The lack of moderately-priced inventory in many communities is yet another obstacle that prevents minority homebuyers from investing in a home of their own and may widen the racial homeownership gap further still. Yet absent a market incentive, demand will likely continue to outpace supply in communities of color across Massachusetts.

MassHousing seeks to contribute to the solution through the creation of its CommonWealth Builder Program. The program, based on the Agency's successful Workforce Rental Housing Program, dedicates \$60 million to create new affordable homeownership opportunities for households earning between 70% and 120% of the area median income (AMI). This program will help increase the homeownership opportunities for households of moderate means, and will support vibrant communities, a strong economy and a stable workforce in the Commonwealth.

## A. Program Requirements

CommonWealth Builder funds will be made available for homeownership projects in the Commonwealth located within (1) the City of Boston, (2) Gateway Cities, and (3) Qualified Census Tracts (QCTs). Requests for funding from the Commonwealth Builder Program may not exceed \$150,000 per Workforce unit, with a per project maximum of \$5 million. Preference will be given to projects that request less than \$150,000 per Workforce unit. All projects funded by the City of Boston will comply with applicable program guidelines as may be required by the City.

1. **Project Type.** New construction or adaptive re-use.
2. **Unit Type.** Single-family homes or condominiums with professional management.
3. **Single Site.** The entire project must be on a single site.
4. **Minimum Number of Units/Number of Subsidized Units per Project** – 20/10.
5. **Age Restriction.** None allowed.

6. **Targeted Affordability.** The Commonwealth Builder subsidy will be available for units restricted to households earning from 70% to 120% of AMI. Of the total homeownership units in a project, at least 25% must be units eligible under this subsidy program. There will be a preference for mixed-income projects and projects with units restricted at 70% of AMI.
7. **Affordability Restriction.** In the City of Boston, following the Department of Neighborhood Development's (DND) Long-Term Affordability Policy, affordability terms must be 30 years with a 20-year extension at the City's option.<sup>1</sup> The affordability restriction for developments in the rest of the Commonwealth must be at least 15 years.
8. **Sales Price Differential Between Market and Workforce/Subsidized Units.** In general, the program's intent is to fund projects where the differential is 1.25 to 1, but projects that do not meet this qualification will be considered on a case by case basis.
9. **Maximum Sales Prices for Workforce Units.** Sales prices will be set at levels affordable to first-time homebuyers within the targeted affordability requirements.
10. **Maximum Amount of Developer Overhead/Profit per Project.** City of Boston – 5%/5% and in the rest of the Commonwealth 10%/10%.
11. **Deed Requirements.** In the City of Boston, DND's Affordable Housing Covenant will be in effect. In the rest of the Commonwealth, the Fannie Mae deed rider will be in effect.
12. **Additional Subsidy Commitments.** Commitment of local subsidy in some form from the respective municipality is required; MassHousing does not anticipate that projects will rely on any other state subsidies or subordinate resources (e.g., Affordable Housing Trust).
13. **Project Team.** For projects in the City of Boston, the project team will need approval from DND<sup>2</sup> and all members must be in good standing with MassHousing and its quasi and public affiliates. For projects located in the rest of the Commonwealth, the project team must (1) have a history with at least one development of a similar scale, (2) be in good standing with MassHousing and its quasi and public affiliates, and (3) demonstrate financial capacity including meeting MassHousing's equity and working capital requirements.
14. **Design.** Design will be reviewed by MassHousing and schematic design level drawings will be required at application. Preference will be given to those projects that demonstrate creative energy efficiency and sustainable measures in their design.
15. **Inclusionary Units.** Units required for inclusionary zoning purposes are not eligible for this subsidy.
16. **Subsidy Disbursement.** Proceeds from the Commonwealth Builder subsidy will be disbursed in conjunction with the conveyance of the units to the end-buyers.
17. **Application Fee.** \$7,500
18. **Approval of Condominium Documents.** For condominium projects, MassHousing will review and approve the condominium documents for secondary market requirements.

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<sup>1</sup> Found in 21. Long-Term Affordability Policy (revised July 2018):

<https://drive.google.com/file/d/13IRbWKVL00y9VsVmTZ3rD4uUvZ0lregv/view>

<sup>2</sup> Found in 15. Development Team Selection Policy (revised July 2018):

<https://drive.google.com/file/d/1eSdnub229tKAoR5whV-ih6pRlFwMC4Ca/view>

## B. Homebuyer Requirements

### In the City of Boston

For units in the City of Boston, first time homebuyer requirements will be established by DND.

### In the Rest of the Commonwealth

Applicants must be first-time homebuyers. *First-time homebuyer* is defined as an individual or household, of which no household member has had an ownership interest in a principal residence at any time during the three-year period prior to the date of qualification as an eligible purchaser, except any individual who is a displaced homemaker as defined by the Massachusetts Department of Housing and Community Development (DHCD).

Homebuyers must (1) qualify for a conforming loan at industry-standard interest rates, (2) provide a minimum 3% down payment or qualify for an approved Down Payment Assistance program, (3) pay closing costs, (4) complete homeownership counseling by the time of purchase, and (5) have other assets, excluding qualified retirement plans, of less than \$100,000.

## C. Application Process

These resources will be made available to projects on a rolling basis until such time as the Commonwealth Builder funds are committed. Applications must include the following sections from the OneStop:

- Project Description
- Development Team Summary
- Sources and Use of Funds
- Operating Pro-Forma
- Signature Page

In addition to the OneStop, we will require the following:

- Site Information
- Environmental Information
- Evidence of Zoning Approval
- Evidence of Site Control
- An Affirmative Fair Housing Marketing Plan (AFHMP)
- A description of how the project will meet the market need(s) identified in the opening statement and the process to identify and qualify potential buyers.
- Evidence of municipal support
- Market study

## MassHousing Commonwealth Builder Program Guidelines

- Construction Lender Term Sheet
- Information on the developer's background
- Evidence of developer financial capacity
- Schematic Design level drawings and preliminary specifications

Please contact a MassHousing Rental Business Development Relationship Manager listed below:

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