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CommonWealth Builder Program Guidelines

Across Massachusetts, the demand among moderate-income households for high-quality homes to purchase outpaces the supply. 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. In Massachusetts, the homeownership rate for people of color is approximately half what it is for white residents – a statewide disparity that is currently 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 and for moderate-income households across Massachusetts.

The CommonWealth Builder Program dedicates \$60 million to create new affordable homeownership opportunities for households earning between 70% and 120% of the area median income (AMI)¹. 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.

MassHousing has established the program guidelines set forth below to ensure that program funds are utilized to add to the supply of new workforce homeownership housing units and the long-term availability of those units to eligible moderate-income households.

Although not intended to set forth all the terms and conditions of MassHousing's funding, these guidelines define program eligibility and certain requirements associated with the financing of these units, including compliance with MassHousing's enabling act, Chapter 708 of the Acts of 1966, as amended. Individual projects that are consistent with the program goals may require deviation from these guidelines; these will be reviewed by MassHousing staff on a case-by-case basis and will be subject to approval by the Executive Director or Vice President of Multifamily Programs, in consultation with the Project Advisory Committee (described below).

¹ As published by the U.S. Department of Housing and Urban Development in accordance with 42 U.S.C. 1437a(b)(2), available under the heading for "Access Individual Income Limits Areas" at <https://www.huduser.gov/portal/datasets/il.html>

A. Program Requirements

CommonWealth Builder funds will be made available for eligible homeownership projects in the state located within (1) the City of Boston, (2) Gateway Cities, and/or (3) Qualified Census Tracts (QCTs)². CommonWealth Builder funding may not exceed \$150,000 per each homeownership unit that will be subject to the program restrictions and requirements (each, a “Restricted CWB Unit”), with a per project maximum of \$5 million.

Project funding will generally be provided as a grant to the single-purpose, sole-asset entity undertaking the project (the “Developer”). MassHousing and the Developer will execute a grant agreement, typically at construction closing, which will describe the Developer’s obligations and provide forms of the affordability restriction (the “CWB Restriction”) and related documents that will be required for the Restricted CWB Units. Grant proceeds will be disbursed in installments upon the sale of the Restricted CWB Units to eligible first-time homebuyers.

In certain instances, MassHousing may allow earlier program funding for projects where MassHousing and the local municipality have agreed to coordinate on construction funding and administration; the structure and terms of such funding, including the grant agreement and related documents, will be as established by the Executive Director or the Vice President of Multifamily Programs, in consultation with the Project Advisory Committee.

1. **Project Type.** New construction and/or adaptive re-use. In addition to the Restricted CWB Units, eligible projects may include market homeownership units, restricted and/or market rental units, and/or ancillary commercial units.
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.** In general, eligible projects will be expected to meet minimum unit counts of at least
 - i. **Fifteen (15)** total project units for condominium developments of which the greater of (i) **25%** of the total homeownership units or (ii) **ten (10)** homeownership units must be Restricted CWB Units, or
 - ii. **Seven (7)** total project units for fee simple developments.
5. **Age Restriction.** None allowed for Restricted CWB Units.
6. **Targeted Affordability.** The CommonWealth Builder subsidy will be available for homeownership units restricted for sale to first-time homebuyer households with a household income that does not exceed the specified affordability tier within the range of 70% to 120% of AMI. A project may establish multiple affordability tiers for the Restricted CWB Units.
7. **Affordability Restriction.** The term of the CWB Restriction will be no more than fifteen (15) years.

² As designated by HUD as a qualified census tract pursuant to Section 42(d)(5)(B)(ii) of the Internal Revenue Code, as amended, and published at <https://www.huduser.gov/portal/datasets/qct.html>

NOTE: A Restricted CWB Unit may also be subject to additional affordability restrictions imposed by any other subsidy program supporting the Restricted CWB Unit, provided the other restrictions are not in conflict with the CWB Restriction. Such restrictions may have a longer term than the CWB Restriction, subject to MassHousing's approval.

8. **Maximum Sales Prices for Restricted CWB Units.** Sales prices will be set at levels affordable to first-time homebuyers within the targeted affordability requirements.
9. **Maximum Amount of Developer Overhead/Profit per Project.** 10% and 10%.

NOTE: Where local restrictions are more stringent, those levels will apply.

10. **Affordability Restriction and Other Program Documents.** The Developer's obligations will be set forth in project documents as required by MassHousing. The restriction obligations will be set forth in the CWB Restriction, which will include an affordable housing restriction deed rider and a non-monetary mortgage securing the restriction obligations and other documents.

NOTE: Projects in the City of Boston that are undertaken pursuant to the joint initiative MassHousing has established with the City will utilize a restrictive covenant modeled on the City's Department of Neighborhood Development's ("DND") Affordable Housing Covenant and related documents.

11. **Local Subsidy; Limit on State Resources.** Commitment of a local subsidy and/or other development support in some form from the applicable municipality is required. MassHousing does not anticipate that Restricted CWB Units will rely on any other state subsidies or resources, such as subordinate financing under the Affordable Housing Trust or other Division of Housing and Community Development (DHCD) loan programs.

12. **Project Team.** The project team must meet the following requirements:

- i. Have a history of developing a least one project of similar scale,
- ii. Be in good standing with MassHousing and its quasi-public affiliates,
- iii. Demonstrate financial capacity that meets MassHousing's equity and working capital requirements, and
- iv. Include staff or contractor with substantial and successful experience in managing all AFHMP requirements.

NOTE: Projects in the City of Boston may also need approval from DND.

13. **Design.** Design of the proposed project will be reviewed by MassHousing. Schematic design level drawings and preliminary specifications will be required at application, and permit set will be required prior to execution of the grant agreement.

14. **Preferences.** Preferences for program funding will be given to

- i. mixed-income projects;
- ii. projects that include Restricted CWB Units restricted at 70% AMI;
- iii. projects that request less than \$150,000 per restricted workforce homeownership unit; and

- iv. projects with a design that incorporates creative energy efficiency and sustainability measures.
- 15. **Marketing and Sale Diligence.** The project's affirmative fair housing marketing plan, marketing program, and lottery and waitlist program must be in accordance with the standards established by DHCD and will be subject to MassHousing's review and approval.
- 16. **Cost Savings.** If the actual costs of the project construction and/or rehabilitation set forth in the cost certification approved by MassHousing are less than the estimated costs in the development budget submitted to MassHousing, MassHousing shall reduce (or the Developer shall repay) program funding for the project in an amount mutually agreeable to MassHousing and the Developer.
- 17. **Inclusionary Units.** Units required for inclusionary zoning purposes, or other local ordinances are not eligible for this subsidy.
- 18. **Application Fee.** \$7,500 (non-refundable).
- 19. **Approval of Condominium Documents.** For condominium projects, the condominium documents will be subject to MassHousing's approval.

B. Homebuyer Requirements

Eligible homebuyers must satisfy the applicable affordability requirements and qualify as first-time homebuyers.

First-time homebuyer requirements will be as follows:

1. *First-time homebuyer* means an individual or household, of which no household member has had an ownership interest in a principal residence at any time during the three (3)-year period prior to the date of qualification as an Eligible Purchaser, except that (i) any individual who is a displaced homemaker (as may be defined by DHCD) and (ii) any individual age 55 or over (applying for age 55 or over housing) shall not be excluded from consideration as a First-Time Homebuyer under this definition on the basis that the individual owned a home or had an ownership interest in a principal residence at any time during the three (3)-year period.

(NOTE: As the Program prohibits age restrictions, clause (ii) will not be applicable.)
2. 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.

NOTE: Projects in the City of Boston are subject to first-time homebuyer requirements as established by DND.

C. Application Process

Applications for program resources will be reviewed and funds made available to projects on a rolling basis until such time as the Commonwealth Builder funds are committed.

Applications must include all sections of the CWB Application (available upon request), which includes the following sections of the OneStop application:

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

In addition, applications must also include the following:

- Site Information
- Mass Historic Commission Project Notification Form, listing MassHousing Commonwealth Builder funds
- Environmental Information (including an ESA Phase 1)
- Evidence of Zoning Approval
- Evidence of Site Control
- For condominium projects, a Homeownership Association (HOA) budget and draft condominium documents
- An Affirmative Fair Housing Marketing Plan (AFHMP) per DHCD guidelines, available at <https://www.mass.gov/files/documents/2016/07/oj/afhmp.pdf>
- A description of the process for marketing to individuals and families traditionally excluded from the home purchase market. This may include working with community organizations who provide education and training to potential first-time homebuyers as well as other organizations and community stakeholders to market the opportunity to purchase units to all eligible constituents. This narrative is intended to complement the AFHMP.
- Evidence of municipal support
- Local Preference Justification from the Municipality (if applicable)
- Market study preferred (appraisal from Construction Lender is also acceptable)
- Construction Lender Term Sheet
- Information on the sponsor and Developer's background and prior experience with similar projects
- Evidence of sponsor and Developer financial capacity
- Schematic Design level drawings and preliminary specifications, or permit set if available

D. Program Advisory Committee

A Program Advisory Committee established by MassHousing, which includes MassHousing staff and other qualified persons with demonstrated experience in affordable housing policy and/or advocacy, will provide advice and guidance regarding the program.

E. Project Advisory Committee

A Project Advisory Committee, which includes MassHousing staff, will review applications, including the underwriting analysis and funding recommendations of Agency staff, and recommend the developments that will receive program funding. Final approval of all recipients shall be by the Executive Director or Vice President of Multifamily Programs.

F. Unit Re-Sale and Compliance Monitoring

The re-sale of any Restricted CWB Unit during the affordability term must be in compliance with the terms of the CWB Restriction for such unit.

History:

- October 8, 2019, adopted
- February 11, 2020, revised and adopted
- March 30, 2021, [revised and adopted]