Community Based Housing
Loans for the Development of Housing for People with Disabilities

Program Guidelines

Commonwealth of Massachusetts
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Community Based Housing Guidelines

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GUIDELINES FOR THE COMMUNITY BASED HOUSING PROGRAM

These Guidelines, produced by the Department of Community Development (DHCD) in conjunction with the Community Economic Assistance Corporation (CEDAC), clarify and supplement the statutory and regulatory requirements of the Community Based Housing Program (CBH) program. The purpose of the Guidelines is to help affordable housing developers understand the key requirements for the CBH program, the application and award process for securing CBH funds, and the loan closing and post-closing requirements for CBH borrowers. Since the Statute and Regulations are not definitive in all of the ways necessary to implement the CBH program, the Guidelines provide some interpretation of statutory and regulatory requirements. Such interpretations are not intended to have the force and effect of law and regulation, and they are subject to appeal to and waiver by the Director of DHCD.

DHCD has designated the Community Economic Development Assistance Corporation (CEDAC) as the Financial Intermediary for the CBH program. CEDAC underwrites CBH loan applications for DHCD, closes the CBH loans, and holds the CBH notes, loans, and mortgages.

These Guidelines are intended to be helpful to potential CBH borrowers and contain as much information as reasonably possible. If you have a question that is not answered here, please contact CEDAC (617-727-5944) or DHCD (617-573-1100) directly.

I. Introduction and Program Summary

The Community Based Housing Program was created by Chapter 290 of the Acts of 2004 to provide loans to nonprofit agencies for the development of housing for people with disabilities. Chapter 290 established a $25 million loan fund to provide deferred payment loans to non-profit developers for the development and redevelopment of integrated housing for people with disabilities who are in institutions or nursing facilities or at risk of institutionalization. These guidelines implement Section 2E of Chapter 290 of the Acts of 2004, as modified and continued by St. 2008, c. 119, § 2 (budget line item 7004-0030) and § 11 (collectively “CBH II Legislation”), and are effective immediately.

The goals of the CBH program are consistent with those laid out by the Commonwealth’s Olmstead Housing Committee:

- **Integration**: Housing for people with disabilities should be designed to integrate people with disabilities into the community as fully as possible. In the most integrated, least restrictive housing environment, support services should be available when necessary to help ensure a successful tenancy and lease compliance.

- **Maximum Control**: People with disabilities should have the maximum control possible in their housing choices and management. Having and meeting the obligations of a lease or a mortgage in their own name, with or without assistance, is the goal for most people with disabilities.
• **Accessibility**: The Commonwealth will seek to promote maximum visitability in all publicly funded housing. This will better ensure people with disabilities have access to integrated housing in all communities. (see section on visitability in *Eligible Types of Housing*)

Please see *Principles for Developing Integrated Housing in the Community for Individuals with Disabilities*. [http://www.cedac.org/ApplicationForms.html](http://www.cedac.org/ApplicationForms.html)

CBH will provide **permanent, deferred payment loans for a term of 30 years**. Extensions of the loan term may be granted by DHCD for an unlimited number of successive periods, each period not to exceed ten years, upon DHCD’s determination that there continues to be a need for the housing. CBH funds may cover up to 50% of a CBH unit’s Total Development Cost (TDC) up to a maximum of $750,000 per project. However, only projects that provide a high level of the desired features of CBH housing including universal design and visitability are likely to qualify for the maximum amount.

The principles of smart growth and sustainable development should be reflected in the project application, including:

1. Encouraging re-use and rehabilitation of existing infrastructure;
2. Concentrating development to conserve land, integrate uses and foster a sense of place;
3. Restoring and enhancing the environment;
4. Conserving natural resources;
5. Coordinating the provision of housing with jobs, transit and services;
6. Providing transportation choices such as public transport, walking and bicycling;
7. Supporting the growth of new and existing businesses;
8. Supporting the implementation of local and regional plans that are consistent with smart growth principles, including housing that has multi-community benefit.

**Applicants for CBH loans should be aware that these loans come with the following long-term covenants:**

- Loans are provided subject to recorded land-use restrictions requiring the units to serve a CBH eligible population.
- CBH loans may not be pre-paid without the expressed written consent of CEDAC and DHCD, which will only be granted in rare circumstances.
- Refinancing of a CBH project’s first mortgage is only allowed where there is a clear financial benefit to the Commonwealth of Massachusetts from such refinancing.

**II. Eligibility Requirements**

**1. Eligible Uses of CBH Funds**

CBH funds may be used for:
- Acquisition of real property;
- Construction and renovation of residential buildings; and/or
- Soft costs directly related to development of residential units.
Acquisition
CBH funds may be used for the acquisition of property as part of a feasible and ready-to-proceed project to develop CBH-eligible units. The acquisition borrower will be required by the terms and conditions of the CBH loan documents to ensure timely completion of the project and its continued eligibility for CBH funds.

Construction
CBH funds may be used for new construction or rehabilitation, and may be drawn down by the borrower, as required, during the construction period. CEDAC will monitor construction to confirm, prior to disbursement of each loan draw, that the work has been completed as represented. CEDAC may elect to accept the monitoring reports of a senior lender, either private or public. Alternatively, CEDAC may engage its own construction inspector, and charge the cost to the Borrower.

Soft Costs
CBH loans may be used for soft costs, within reasonable limits, associated with the acquisition, rehabilitation and construction of CBH eligible projects. Soft costs may include the types of General Development Costs listed in the “One Stop” Application (Section 3. Sources and Uses of Funds, lines 59-85) as well as capitalized reserves, developer overhead and developer fees. Developer overhead and fees are limited to amounts delineated in the Qualified Allocation Plan (QAP) for Low-Income Housing Tax Credit program, issued annually by DHCD.

2. Eligible Developers of CBH Projects

CBH projects must be developed by:
- A non-profit developer organized under Chapter 180 of Massachusetts General Laws (MGL); or
- A single purpose owner corporation affiliated with and controlled by a non-profit (e.g. a tax credit partnership).
- A For-Profit Organization

The legislation provides that preference for subcontracts shall be given to Non-Profit Corporations.

Developer Capacity
CEDAC will review the capacity of a developer to successfully undertake development, ownership and management of a proposed project. The track record of the developer in completing similar projects, record of service in the community, current financial statements, net worth, and compatibility of mission will be taken into consideration in reviewing the qualifications of the developer.

3. Eligible Populations to be served

In order to be eligible for the particular community-based housing for which he or she applies an applicant shall be a person:
(1) who has a physical or mental impairment that is of a permanent or long and continued duration and that substantially limits one or more major life activities, excepting individuals who are clients of DMH or DDS and therefore eligible for housing developed with FCF funds by those agencies; this exception is required by the legislation. Major life activities include: self care, learning, receptive and expressive language, mobility, cognitive functioning, emotional adjustment and economic self-sufficiency. A determination that a person has such functional limitations can be made with written verification from a professional with appropriate expertise or by verifying the individual is a recipient of SSI or SSDI, and
(2) Who is institutionalized or is at risk of institutionalization in a nursing facility, long term rehabilitation facility or hospital and is either
(3). 18 years of age or older or
(4) A household with a minor child who can qualify under the criteria above.

An applicant for community based housing shall provide a certificate from the Massachusetts Rehabilitation Commission or its designee(s) which reliably establishes the applicant’s eligibility as set out above. An eligible applicant shall also be screened and found “qualified” under the same standards applied to an applicant for state-aided public housing or as otherwise approved by the Department. An application for community based housing shall be made to and processed by a nonprofit housing agency selected by the Department under procedures approved by the Department.

Priority in selection will be given first to applicants who are presently in institutional care and then to applicants who are at risk of institutionalization.

4. Income Requirements and Rent Levels

Tenants occupying units assisted by the CBH program must have incomes at or below 80% of area median income. The large majority of CBH-eligible tenants will have incomes based solely on SSI and therefore will be below 15% of area median income. The rent paid by CBH-eligible tenants residing in housing units assisted financially by CBH shall not exceed 35% of their actual income. To the extent that supplemental rental income is required for the CBH-assisted unit, the developer shall secure a project-based rental subsidy for that unit or provide evidence that the project is structured to meet the rent level and income requirements of the CBH-eligible household.

5. Types of Housing

CBH funds present an opportunity to expand the range of housing options in the community for people with disabilities. The model of the CBH program is that of integrated housing units that meet the housing needs and preferences of people with disabilities and disabled elders and serve to expand the housing choices available to these populations.

Surveys by MRC and other agencies suggest that a large proportion of people with disabilities would prefer to live alone in their own home or apartment, while a smaller proportion would prefer to live with roommates or in shared settings. Surveys also indicate that people with disabilities would prefer to live in settings where people without disabilities live in the majority
of the surrounding housing units. Therefore, projects that expand opportunities for more integrated housing for people with disabilities such as a set-aside of rental or condominium units in larger housing developments will be considered.

For example, a preferred project would be one with 20 to 100 total housing units where no more than 10% of the units would serve CBH eligible individuals. These units would be 1-4 bedroom wheelchair accessible units, and/or 1 bedroom non-accessible units depending on the needs of the intended population to be served. No more than 15% of the units shall be program-related units, that is, they are specifically set-aside for people with disabilities including homeless set-aside units or any units under agreements with other state agencies such as DMH and DDS. A “project” could consist of scattered site units in close geographic proximity.

### Accessible and Adaptable units and Desired Bedroom Sizes

The majority of CBH eligible residents will require a wheelchair accessible 1 or 2 bedroom unit. A small number of larger units for families with a minor child with a disability may be desirable in some locations. Some CBH eligible residents will require only an adaptable unit. Adaptable units should not be larger than 1 bedroom.

Accessible or adaptable enhanced SRO units may be acceptable in some cases but are not preferred. SROs with shared baths and kitchens are not appropriate to serve CBH residents.

Please review the CBH Design Checklist and the publication *Achieving Access and Function in Affordable Housing in Massachusetts. Part One and Part Two* for more information. [http://www.cedac.org/ApplicationForms.html](http://www.cedac.org/ApplicationForms.html). This document also contains information about features of fully accessible units and of adaptable units.

The CBH program will consider other integrated projects which developers can demonstrate will meet the local needs and preferences of people with disabilities. Applicants are encouraged to talk with the agencies about potential projects to determine if relevant data is available.

### Universal Design and Visitability

The Commonwealth seeks to promote maximum universal design and visitability in all units or as many as possible throughout the CBH projects to better ensure that people with a range of disabilities have access to integrated housing and that they will be able to “age in place” in the most integrated, least restrictive housing environment.

A visitable home has the following features:

1) One zero step entrance on an accessible path of travel from the street, sidewalk or driveway. A "zero step" entrance has no step or threshold to block a wheelchair or trip a person with limited mobility. An "accessible path of travel" is a walkway or ramp, 36 inches wide or wider and without steps. Walkways should be no steeper than one foot of rise per 20 feet of length (1:20/5% grade). Ramps should be no steeper than one foot of rise per 12 feet of length (1:12/8.3% grade).

2) Doorways that provide 32 inches clear space throughout the home's main floor and hallways that provide 36 inches of clear width.
3) Basic access to a half or (preferably) full bath on the main floor. A bathroom with "basic access" has sufficient length and width for a person using a wheelchair to enter and close the door.

4) Visual alerting for systems for doorbells or door knockers as well as intercom systems accessible to persons who are deaf or hard of hearing.

Projects that maximize Universal Design and visitability throughout the development will be more likely to qualify for the maximum CBH award.

6. **MRC Agency Review**

Prior to submission of an application, developers should preview projects with the Massachusetts Rehabilitation Commission (MRC) and obtain a Letter of Eligibility for the project. MRC will coordinate a review of the proposed project in conjunction with the Executive Office of Health and Human Services, other state human services agencies, and non-profit human services agencies in the community to determine if it meets the needs of the CBH target populations to be served.

In some cases, MRC may work with sponsors to identify service funds or supports as well as identify appropriate tenants.

### III. Loan Terms

CBH funds are provided as deferred payment loans (DPLs). The loan constitutes a debt that is secured by a note and mortgage on real property. The borrower must also comply with a Development Loan Agreement that delineates various terms and conditions of the loan. Finally, a recorded Land Use Restriction (LUR) ensures the continuing use of the property for the intended public purpose.

1. **Amount of Assistance**

Loans may be made for up to 50% of the Total Development Cost (TDC) of the CBH-eligible portion of a project up to a maximum of $750,000. The TDC may include all hard and soft costs of the project including reasonable developer fees and capitalized reserves.

In underwriting the project, CEDAC will evaluate whether the project is making maximum use of federal and other resources, and will award CBH funds in the least amount necessary to achieve a feasible project. Projects may qualify for up to 50% of the TDC if they demonstrate that there is a financing gap of that amount and that the project exceeds the threshold design criteria for CBH units and projects.

2. **Loan Terms and Repayment**

The term of the loan will be for a period of 30 years. If on the maturity date of the loan, the loan has not been repaid in full, and if the Director of DHCD in consultation with the Executive
Office of Health and Human Services, determines that there still exists a need for such housing, DHCD may extend the term of the loan for additional periods, each period not to extend beyond 10 years. No repayment is due before the loan maturity date unless the development’s gross cash receipts, in any year fiscal year, exceed the gross cash expenditures by 105%. The CBH borrower must provide annual audited financial statements to CEDAC certifying annual cash receipts and expenditures.

3. Interest Rate and Terms

The interest rate on CBH loans will be 0%, except in the event of default in which case interest may accrue at a rate to be determined by DHCD in consultation with the Treasurer of the Commonwealth. In any year that gross cash receipts exceed gross cash expenditures by 105%, the amount by which gross cash receipts exceed 105% of gross cash expenditures must be paid to CEDAC. The payment will be applied to the principal balance.

4. Land Use Restriction

CBH projects are subject to a recorded Land Use Restriction requiring that the land be used for the purpose of providing community-based housing for people with disabilities. The land use restriction has a number of provisions unique to the CBH program. Developers should direct their attorneys to review the form of restriction by requesting a copy of a sample land use restriction from CEDAC. This restriction can be released only under the following circumstances:

- Upon payment in full of all amounts due under the CBH loan.
- Upon recording of a foreclosure deed by the holder of a mortgage senior to the CBH loan.

CBH loans may not be pre-paid, except by waiver of the Director of DHCD. Waivers may be approved if units will be replaced at another site (and an acceptable relocation plan is proposed), units are no longer needed, or loan pre-payment is in the interest of the Commonwealth.

5. Purchase Option and First Refusal Option

As part of the Land Use Restriction, CBH borrowers grant DHCD a purchase and a first refusal option. This option gives DHCD the right to purchase the project at a price equal to its appraised value, based upon its restricted use as specified in the Development Loan Agreement, less the balance of principal, interest and any other charges payable under the CBH loan. The option can be exercised if the owner wishes to sell or otherwise convey the CBH project, upon the expiration of the 30-year term of a CBH loan, or upon default by the borrower. The borrower is required to notify DHCD in writing if sale or transfer is planned, and give DHCD at least 120 days to exercise the purchase and first refusal option. DHCD has the right to assign this option to another CBH-eligible entity.

6. Loan Position

CBH loans are typically subordinate to a senior private commercial- or quasi-public agency loan, sharing a second position with similar (typically public) funding sources. However, a
more junior loan position may be acceptable if it is absolutely necessary in order to provide security for other lenders. A waiver from the Director of DHCD is required for CBH loans in lower than third position.

7. Refinancing CBH Projects

Borrowers must obtain the written approval of CEDAC and DHCD in order to refinance a CBH project. CEDAC and DHCD will approve refinancing only if it is clearly in the interest of the Commonwealth and the residents of the CBH development. Examples of acceptable refinancing proposals include:

- Refinancing to reduce interest or other payments on primary debt, with the added revenue enabling the project to remain solvent, increase contributions to replacement reserve, or reduce costs to a state agency that pays some or all of operating costs.
- Refinancing to reduce interest or other payments, or to permit an increase in debt to make essential improvements such as life-safety systems or accessibility. Such improvements must enhance safety and quality of life for the residents.

Since financial stability is critical to the long-term viability of CBH projects, refinanced debt with a repayment term of at least 15 years duration, at a fixed rate of interest, is preferred. Under no circumstances will DHCD and CEDAC approve the use of a CBH property as collateral for other debt such as an organizational credit line, or for the financing of a non-CBH property.

Borrowers considering refinancing should contact CEDAC, at the earliest opportunity, to discuss the proposal.

8. Waiver for Federally Funded Projects

The CBH legislation contains a provision to avoid having the terms and conditions of the CBH program preclude the use of federal funds on a CBH project. Developers working on federally funded projects should assess how the CBH requirements interact with federal requirements. If there are conflicts, contact DHCD. DHCD may be able to provide assistance in resolving conflicts with federal authorities, and may provide the specific waivers needed to allow the use of federal funds.

IV. Underwriting Standards

Although DHCD has the final authority to make CBH awards, CEDAC carries out an underwriting review of all CBH applications. CEDAC will coordinate its review of applications with other public entities participating in the Community Based Housing Program. CEDAC considers the following factors in underwriting CBH loans:

1. Project Feasibility

The terms of the other financing commitments, the security and length of the income stream and the costs of the project are evaluated. To insure the long-term financial stability of the project,
first mortgage loans should have long term fixed rates. Terms of at least 15 years are preferable. If other public agencies are providing income or funding for critical services, CEDAC investigates the likelihood of ongoing funding, and may require alternate plans in the event that the funding stream is no longer available. Cost estimates are thoroughly reviewed. Professional cost estimates by an estimator with substantial experience in the estimating cost for type of project being proposed, or well-developed bids from a qualified contractor are highly recommended.

2. Site Considerations

The site of a proposed project should meet the following criteria:

- It should be appropriate for the residents and their needs.
- It should be close to public transportation, services, and grocery stores and other retail shopping.
- Developers should verify that there is a market for the location among individuals with disabilities.
- It should be environmentally sound without extraordinary cost for remediation.
- The cost of acquisition should be reasonable based on current market conditions. A recent appraisal may be required. In most cases, appraisals produced for other lenders will be accepted.
- The acquisition must be an arms-length transaction.

3. Development Team Capacity

The development team must have a demonstrated ability to develop the project in all respects, including capacity to complete the CBH firm commitment process in a timely manner, conduct community review and approval processes, resolve permitting and zoning requirements, complete planning, design and engineering activities, oversee bidding and construction management, coordinate loan closing and other legal transactions, and manage the property upon completion and provide relevant supportive services. It is highly recommended that applicants assemble an experienced and capable team, including if needed, an affordable housing development consultant to coordinate development activities, respond to DHCD and CEDAC’s requests for additional information and documentation, and generally ensure that project development stays on the “critical path”.

The following criteria will be considered in evaluating the development team:

- The developer’s track record in developing housing, especially in developing affordable housing.
- The developer’s record of service to the community in which the project is located or to the constituency that the project serves. References may be sought.
- The compatibility of the project with the developer’s mission.
- The financial soundness of the lead development entity. Audited financial statements for at least two previous years must be submitted.
- The demonstrated competence and experience of the project consultants. Consultants should have directly applicable experience.
• The developer’s record of performance and standing in DHCD and other public programs. Developers not in compliance with the requirements of any program funded by DHCD may not be awarded funds until all outstanding issues are resolved.

4. Development Costs

Limits on Costs
The Total Development Costs should include all hard and soft costs including developer fees and capitalized reserves. Projects with total costs in excess of limits established by DHCD for the Low Income Housing Tax Credit program will be considered high cost projects and will be required to justify costs. There are several ways that sponsors can attempt to justify costs:

• Demonstrate specific project features are essential for the resident population.
• Demonstrate that the resident population requires proximity to nearby services or facilities.
• Demonstrate that construction and renovation work has been successfully competitively bid and value-engineered to the extent feasible.

The choice of an inappropriate site requiring extensive reconfiguration to meet program or client needs or a higher than appraised value acquisition will not be considered justification of higher costs. Developers are encouraged to choose sites which are residential in nature and do not require extensive modifications to serve the needs of the target population. DHCD amends cost guidelines from time to time based on updated market analysis.

Developer Fees
Total development fees, defined as the total of developer fee plus developer overhead plus development consulting fees, must meet the following standard:

• Total fees must not exceed 15% of the first $3 million of the TDC (excluding development fees).
• Total fees must not exceed 12.5% of the portion of the TDC (excluding development fees) from $3 million to $5 million.
• Total fees may not exceed 10% of the portion of the TDC (excluding development fees) above $5 million.

For projects with TDCs in excess of $5 million, total development fees may be capped. For all projects, developer’s fees must be demonstrably reasonable. DHCD and CEDAC may request and review a detailed breakdown of developer’s fees showing the scope of the consultant work by task, and the amount of fee attributable to each task.

Development Services Procurement
In procuring and contracting for all housing development services including, but not limited to architectural, engineering, legal, development consulting, and construction, CBH applicants must demonstrate sound business practice and fiduciary responsibility which gain the benefits of the competitive market and achieve a fair value. DHCD reserves the right to require any CBH applicant to conduct a formal bid process, including at least three competitive bids obtained in a free, fair and open process for any development related service. Further, DHCD expects:
• For construction services, bids are based on plans and specifications of sufficient detail that an accurate fixed price could be obtained.
• Transactions to be “at arm's length”.
• Contracted prices to be within standard market parameters. DHCD reserves the right to require re-bidding of high cost projects.
• Proposed providers to be well qualified.
• The bid process to include effective outreach to minority-owned and women-owned businesses.

If formal competitive bids have not been obtained, CEDAC may require other evidence of a fair market value such as a cost estimate by a professional, third party cost estimator. However, in all cases, DHCD reserves the right to require a competitive bidding process.

Rehabilitation\Construction Standards
Projects must be efficiently designed to meet the needs of the residents. They should be safe, attractive, durable and maintainable. The goal should be to design a project that can be readily maintained for its full use throughout the 30-year term of the CBH loan. For most CBH projects, operating budgets are constricted, and reserves do not prove sufficient over time to afford extensive capital replacement. For rehabilitation projects, a full scope of renovation, based on an assessment of capital needs over a 30-year period, is highly recommended. Most projects require substantial rehabilitation to ensure their full use over this extended period without further substantial capital replacement. CBH applicants should:

• Engage highly qualified architects, engineers and contractors with extensive and successful experience in affordable housing design and construction. Applicants must make a substantial outreach effort to recruit such qualified firms.
• Emphasize to consultants the critical importance of adhering to all safety, accessibility, environmental, historical, building code and other regulatory requirements. Until these issues are fully investigated and resolved, the project cannot proceed to firm commitment and closing of a CBH loan.
• Emphasize to consultants the importance of a high quality, durable project. Do not assume that capital funding from CBH or other sources will be available in the future.
• Emphasize to consultants, especially design architects, the importance of universal design and visitability features.

Applicants should expect that the qualifications of their consultants will be carefully reviewed, and DHCD reserves the right to require applicants to hire capable and experienced consultants. Further, consultants should expect an extensive and critical review of plans, specifications, and cost estimates by highly qualified and experienced reviewers hired by DHCD or CEDAC. As a result of design review, consultants may be asked by DHCD or CEDAC to consider alternative designs, materials, and systems. DHCD and CEDAC expect consultants to be highly responsive to design review recommendations, and make a conscientious effort to improve designs as requested.

Operating Costs
In the One Stop application, a 20-year operating budget is required. Applicants should be prepared to verify their operating assumptions and projects based on historical data for similar projects. At a minimum, CEDAC requires projected operating costs to be based on verified prices for various goods and services, and to be comparable to other CBH or similar projects. DHCD reserves the right to require inexperienced operators to be assisted by more experienced management firms for the initial period of the CBH loan.

**Reserves**

In consultation with primary lenders, CBH applicants should determine an appropriate level of capital and operating reserves. Often, a primary lender requires operating or capital reserves. In this matter, DHCD and CEDAC usually defer to the primary lender. In any case, the developer must demonstrate that the reserves are adequate and agree that the reserves will remain available so that the property will be well maintained and upgraded when necessary. Particular attention should be paid to building reserves for replacement of major building systems at the end of useful life.

**5. Affirmative Marketing and Tenant Selection**

The developer must prepare an affirmative marketing and tenant selection plan. This plan must demonstrate how the applicant will conform to all applicable fair housing requirements throughout the term of the CBH loan. Please refer to Appendix A: *Tenant Selection and Occupancy* and the FAQs available at http://www.cedac.org/pdf/CBH-FAQs.pdf for more information. For questions related to tenant selection and occupancy please contact MRC.

**V. Application Process, Loan Closing, & Monitoring**

Applications for the CBH Program can be accepted on a rolling basis. However, if the Sponsor is also requesting other State sources of funding for the project, the application must come in during a State funding round which typically occur twice a year. Sponsors may submit multiple applications at any time. However, the developer’s capacity to undertake multiple projects will be evaluated as part of the application review.

Prior to submission of an application, developers should preview project concepts with CEDAC and with the Massachusetts Rehabilitation Commission (MRC) and obtain a Letter of Eligibility for the project from MRC. MRC will coordinate a review of the proposed project in conjunction with the Executive Office of Health and Human Services and other state human services agencies to determine if it meets the needs of the population to be served.

The application and loan closing process involves three principal steps: (1) Submission of a Pre-Application, including CBH Addendum, to DHCD, with copies to CEDAC and MRC, which triggers preview by CEDAC and MRC and the provision of a Letter of Eligibility (2) Submission of a One Stop Application and Conditional Commitment by DHCD and (3) Request for Firm Commitment and Loan Closing.

**1. Preview by CEDAC and MRC**
To facilitate CEDAC’s and MRC’s preview of a proposed project, a sponsor must complete a DHCD Preliminary Application form, including CBH addendum. This pre-application can be found on DHCD’s website (www.mass.gov/dhcd) prior to rental rounds. To initiate the certification process, complete the full preliminary application form with addendum and submit it to DHCD and CEDAC with a copy to MRC, requesting a Letter of Eligibility. The completed Preliminary Application form should provide basic information on the proposed project’s location, type of development and financing. After preliminary application review and consultation with MRC and the Sponsor, CEDAC may be able to offer technical assistance critical to submission of a successful full application.

2. Application and Conditional Commitment

When CEDAC has previewed the project and a Letter of Eligibility has been obtained from MRC, and once DHCD has approved the pre-application, the sponsor should then prepare and submit a full application. Applications should be submitted using the One-Stop Application format, available on-line at onestopapp.com or from CEDAC and DHCD. If the Sponsor is also submitting an application for another DHCD subsidy program or Low Income Housing Tax Credits, the application must be submitted through the DHCD rental round.

Upon receipt of a full CBH application, CEDAC will undertake a comprehensive review of the application and proposed housing development. CEDAC or DHCD will engage a design review architect to review the plans for compliance with CBH design criteria. Upon completion of its review, CEDAC will make a recommendation to DHCD that the award be granted, partly granted or denied. If in agreement that an award should be made, DHCD will issue a Conditional Commitment letter to the sponsor with the amount awarded. This Conditional Commitment letter contains standard, and, if appropriate, special, conditions which must be satisfied within six months for the Sponsor to request a Firm Commitment and proceed to loan closing.

3. Request for Firm Commitment and Loan Closing

The Request for Firm Commitment may be made once the sponsor has satisfied the conditions outlined in the Conditional Award letter. Such conditions typically include completion of project permitting, architectural plans and specifications in compliance with CBH standards and criteria, financing and the contractor selection process. The firm commitment application material is submitted directly to CEDAC. Upon satisfactory completion of its review, CEDAC will make a recommendation to DHCD that a firm commitment of CBH funds should be issued and that a closing attorney should be assigned. If DHCD concurs, DHCD will issue the Firm Commitment letter to the sponsor, and an attorney will be assigned who will then generate a closing agenda and standard loan documents to be reviewed and executed by the Sponsor / Borrower. Loan closing requires review and negotiation of the mortgage, note, land use restriction, loan agreement and numerous other legal documents. The sponsor must be well represented by legal counsel who must work with CEDAC and a DHCD/CEDAC-appointed legal counsel to resolve all legal documentation. Normal fees for DHCD / CEDAC’s closing attorney will not be charged to the borrower.
Once closing has occurred, CEDAC will monitor the project’s development and disburse the funds in accordance with the terms of the loan.

4. Monitoring

DHCD contracts with an independent firm to monitor CBH projects. Projects that are not monitored through other public programs are prioritized for monitoring. Project owners and management are advised well in advance of monitoring visits and asked to submit current project information prior to an on-site visit. Monitoring focuses on ensuring that the terms and conditions of the Development Loan Agreement are being met, including conditions relating to the income-eligibility of occupancy, rent levels, fair housing, property maintenance, insurance, record keeping and other management functions. For further information on monitoring, contact the Director of the CBH program at DHCD.