



Updated: January 2025

## **The Massachusetts Housing Partnership's Workforce Housing Program Term Sheet**

The Workforce Housing Program (the “Program”), funded by the Commonwealth of Massachusetts, is administered by both the Massachusetts Housing Partnership (MHP) and MassHousing. MHP administers its own allocation of Workforce Housing funds as a subcontractor to MassHousing, who is under contract to the Executive Office of Housing and Living Communities to administer the program. MHP’s Program is substantially similar to MassHousing’s Program except for certain changes related to our different enabling statutes. Any deviations or exceptions to this Program term sheet are subject to approval.

The Program provides subordinate debt to create new workforce housing units. These resources will be available to developments on a rolling basis. Borrowers must be able to demonstrate that the development has local support (as evidenced by local approvals and/or significant financial support), is meeting a market need, and is creating new affordability.

The intent of the Program is for the funds to be utilized to add to the supply of new workforce housing units and ensure their long-term availability to eligible residents. This term sheet defines program eligibility and certain ongoing requirements associated with the financing of these units, but it is not intended to set forth all of the terms and conditions of the Program. The scope and nature of these developments may require deviation from this program term sheet, which MHP staff will review on a case-by-case basis.

### **Eligibility**

**Borrowers:** Both for-profit and not-for-profit borrowers are eligible. A single-asset, sole purpose entity will be required in most cases.

**Project Type:** New construction and adaptive reuse. MHP’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.

### **Workforce Housing Loan Terms and Conditions**

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

MHP does not intend to use workforce housing resources to fund units required to meet any existing

local or state inclusionary zoning obligation. However, MHP does want to incentivize developers to add units above and beyond the minimum inclusionary zoning requirements. Therefore, in certain markets, MHP 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.

**Loan Type and Timing:** MHP's workforce loans can be made at construction loan closing and may be advanced during construction.

**First Mortgage Requirements:** The permanent first mortgage loan for the development must be financed directly by MHP.

**Lending Terms:** MHP 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

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

- Maturity date of the MHP first mortgage loan;
- Sale or refinancing of the property; or
- Upon foreclosure or default under the regulatory restrictions.

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

**Prepayment:** No prepayment in whole or in part is permitted without MHP consent for the first 15 years of the workforce housing loan term (this prepayment lockout excludes scheduled repayments), and no prepayment of the workforce loan is permitted as long as MHP's first mortgage loan is still outstanding.

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

### **Affordability Requirements**

#### **Income requirement:**

MHP will fund workforce units for households earning between 70% and 120% of AMI (inclusive, as defined by HUD). At least 20% of the total (workforce and non-workforce) units in the development must be affordable to those earning up to 80% of AMI. These requirements will be reflected in a recorded MassDocs Affordable Housing Restriction or other agreement approved by MHP.

All developments must also meet MHP's first mortgage loan affordability requirements.

**Affordability Term:** 15-40 years, and shall be no shorter than the workforce loan term.

#### **Rent and Income Limits on Workforce Units:**

Units eligible to receive workforce housing funds must have rents at levels that are affordable to households with incomes generally between 70% and 120% of AMI and below market rents where the property is located.

In determining the appropriate income restriction for the development, MHP 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.

MHP 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 of closing of the workforce housing loan. MHP will base the rents for workforce housing on the rent schedule and other terms and conditions of the customary MassDocs Affordable Housing Restriction. 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, MHP 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 MHP, that the change in market conditions warrants 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 MHP. 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 satisfy the eligibility requirements for the unit. After initial certification, households living in workforce units will be required to recertify their incomes as MHP directs, but no more frequently than every 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 MHP rent limits (see [Attachment A](#) for an example), which MHP 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 Program income and rent limits decline, MHP will follow a policy developed for affordable housing developments in the Commonwealth of Massachusetts by the Executive Office of Housing and Livable Communities. 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 an MHP addendum that covers specific MHP requirements.

Owners will be required to have a Tenant Selection Plan that is reviewed and approved by MHP. 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 (e.g. 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.

**MHP’s Asset Management Responsibilities:**

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

- Review annual financial audits or tax returns
- 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

MHP reserves the right to update this term sheet at any time.

**For more information or further inquiries:**

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# **Attachment A**

**Sample Income and Rent Limits**

2024

**BOSTON-CAMBRIDGE-QUINCY, MA (HUD METRO FMR)**

[Not Including City of Boston Inclusionary Development Programs]

Massachusetts Housing Partnership Workforce Housing Program

**INCOME AND RENT LIMITS**

(Effective Date 4/1/2024 for 2024)

<b>INCOME LIMITS<sup>1</sup></b>								
	<b>1 PERSON</b>	<b>2 PERSON</b>	<b>3 PERSON</b>	<b>4 PERSON</b>	<b>5 PERSON</b>	<b>6 PERSON</b>	<b>7 PERSON</b>	<b>8 PERSON</b>
Boston AMI:	<b>\$148,990</b>							
Standard Adjustment for Family Size:	\$104,293	\$119,192	\$134,091	\$148,990	\$160,909	\$172,828	\$184,748	\$196,667
Percent of Median	70%	80%	90%	100%	108%	116%	124%	132%
50% of Median VLI								
HUD Published Limits <sup>2</sup>	\$57,100	\$65,300	\$73,450	\$81,600	\$88,150	\$94,700	\$101,200	\$107,700
70% of Median WFH								
<u>140% of 50%<sup>1</sup></u>	\$79,950	\$91,450	\$102,850	\$114,250	\$123,450	\$132,600	\$141,700	\$150,800
80% of Median WFH								
Greater of HUD Published 80% or Uncapped 80%	\$91,400	\$104,500	\$117,550	\$130,600	\$141,050	\$151,550	\$161,950	\$172,350
<u>Uncapped = 160% of 50%<sup>1</sup></u>								
90% of Median WFH								
<u>180% of 50%<sup>1</sup></u>	\$102,800	\$117,550	\$132,250	\$146,900	\$158,700	\$170,500	\$182,200	\$193,900
100% of Median WFH								
Lesser of 200% of 50% or actual 100%	\$104,300	\$119,200	\$134,100	\$149,000	\$160,950	\$172,850	\$184,750	\$196,700
<u>or Greater of when actual 100% is &lt;90%/50%<sup>1</sup></u>								
110% of Median WFH								
<u>220% of 50%<sup>1</sup></u>	\$125,650	\$143,700	\$161,600	\$179,550	\$193,950	\$208,350	\$222,650	\$236,950
120% of Median WFH								
<u>240% of 50%<sup>1</sup></u>	\$137,050	\$156,750	\$176,300	\$195,850	\$211,600	\$227,300	\$242,900	\$258,500

**RENT LIMITS<sup>2</sup>**

	<b>Studio</b>	<b>1BR</b>	<b>2BR</b>	<b>3BR</b>	<b>4BR</b>
Calculation of Rent (Based on 1.5ppl/BR)	1 Person Limit / 12 x 30% - Round Down	1Pers. + 2Pers. Limit / 2 / 12 x 30% - Round Down	3 Person Limit / 12 x 30% - Round Down	4Pers. + 5Pers. / 2 / 12 x 30% - Round Down	6 Person Limit / 12 x 30% - Round Down
50% of Median VLI	\$1,427	\$1,530	\$1,836	\$2,121	\$2,368
30% of 70% of Median WFH <sup>2</sup>	\$1,998	\$2,142	\$2,571	\$2,970	\$3,315
30% of 80% of Median WFH <sup>2</sup>					
Greater of HUD Published 80% or Uncapped 80%	\$2,284	\$2,448	\$2,938	\$3,395	\$3,788
<u>Uncapped = 160% of 50%</u>					
30% of 90% of Median WFH <sup>2</sup>	\$2,569	\$2,754	\$3,305	\$3,819	\$4,262
30% of 100% of Median WFH <sup>2</sup>	\$2,607	\$2,793	\$3,352	\$3,873	\$4,321
30% of 110% of Median WFH <sup>2</sup>	\$3,140	\$3,366	\$4,040	\$4,668	\$5,209
30% of 120% of Median WFH <sup>2</sup>	\$3,426	\$3,672	\$4,407	\$5,092	\$5,682

<sup>1</sup>All income limits rounded to nearest \$50

<sup>2</sup>Income and Rent Limits are primarily calculated based on HUD Published 50% AMI Very Low-Income (VLI) Limits.

# **Attachment B**

**Sample Affordable Compliance Report**



### MHP Workforce Housing Unit Compliance Report

Development \_\_\_\_\_  
 Location \_\_\_\_\_  
 Loan Number \_\_\_\_\_  
 Date Prepared \_\_\_\_\_  
 Workforce Housing Units #: \_\_\_\_\_  
 Initial AMI Set at Closing \_\_\_\_\_  
 Current Approved AMI \_\_\_\_\_

Unit #	# BRs	Last Name	Household Size	Move-In Date	Income at Initial Certification	AMI at Move-In (Income Limit)	Approved AMI % at Initial Certification (Income Limit)	Date of Last Certification	Income at Last Recertification	Current AMI (Income Limit)	Approved AMI % at Last Recertification (Income Limit)	Tenant Total Charged	Tenant Payment	Rent Subsidy (if any)	Total Collected
Example 1	1	Smith	1	1/1/2024	\$75,000	\$79,950	70%	1/1/2025	\$75,000	\$79,950	70%	\$2,142	\$2,142	N/A	\$2,142

The undersigned certifies that this MHP Workforce Housing Unit Compliance Report is true and correct to the best of the undersigned's knowledge and belief.

\_\_\_\_\_  
 Signature  
  
 \_\_\_\_\_  
 Print Name

\_\_\_\_\_  
 Date