



Affordable Housing Trust Fund Application Review Guidance

REVIEW AND APPROVAL PROCESS

The City of Worcester Housing Development Division (HDD) will first establish that an application supports the goal of the AHTF funds as described in Part Two of the *Affordable Housing Trust Fund Request for Development Proposal* (RFP). HDD staff will then evaluate each application in accordance with threshold criteria. Unless an application meets all the threshold criteria set forth in the RFP and below, the AHTF Board of Trustees (Trustees) will not review the application in the competitive scoring categories.

The results and recommendations of the underwriting and review of all applications by HDD staff will be submitted to the Trustees. The Trustees shall consider HDD staff recommendations and determine which projects the Trustees will recommend for funding approval. Based on Trustees' approval, successful applicants will receive a letter of conditional commitment for funding.

THRESHOLD CRITERIA

- 1. Eligible Property:** An eligible project must be a property developed through either new construction or substantial rehabilitation for the purpose of creating new affordable housing units. New affordable housing units include housing units constructed where none had existed previously; vacant, abandoned, or fire-damaged residential units to be returned to residential use; non-residential or non-residentially-zoned property converted to residential use; and rental or ownership housing where the number of affordable units is increased.
- 2. Evidence of Site Control:** Applicant must provide evidence of site control prior to conditional commitment of funding being issued.
- 3. Targeted Affordability:**
 - All AHTF-funded rental units in the project must be affordable to households:
 - Within a Qualified Census Tract¹ - at or below 80% of Area Median Income; OR
 - Outside of a Qualified Census Tract - at or below 60% of Area Median Income.

¹ A Qualified Census Tract is defined as any census tract in which at least 50 percent of households have an income less than 60 percent of the Area Median Income (AMI), or which has a poverty rate of at least 25 percent. See pp. 3-4 of the *Affordable Housing Trust Fund Request for Development Proposal* for additional information.



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- Purchasers of AHTF-funded first-time homebuyer units must have a household income that does not exceed the HUD “moderate” (80%) income limit for the Worcester, MA HUD Metro FMR Area.
4. **Term of Affordability:** The minimum term of affordability for projects receiving AHTF funding is 30 years.
 5. **Accessibility:** A minimum of ten (10) % of project units (no less than one unit) and 100% of the common areas must be fully wheelchair accessible as defined by the Uniform Federal Accessibility Standards.
 6. **Financial Feasibility:** Each project submitted for consideration for funding by the AHTF shall be evaluated with respect to financial feasibility, including underlying assumptions with regard to construction costs, revenues, operating expenses, financing, and reserves. In cases where the developer and the general contractor are affiliated, a qualified but unrelated third party contractor, architect or qualified construction cost consultant must prepare the construction cost pro forma. Related party contractors are subject to the maximum allowable builder's profit and overhead and general requirements at 10%. Projects with a gap in the funding will not be selected for an award.
 7. **Readiness to Proceed:** All funded projects must be able to start construction by December 31, 2024 and completed with occupancy by September 30, 2026. The notice to proceed for a funded project will expire if construction does not commence within 12 months; however, this period may be extended at the discretion of HDD staff and the Trustees if the applicant provides sufficient evidence that progress has been made toward commencing construction. Each project submitted for consideration for funding by the AHTF shall be evaluated with respect to its “readiness to proceed” based on the status of site control, zoning, financing commitments, status of construction drawings, selection of the general contractor, permitting and other commonly used indicators.

COMPETITIVE SCORING CRITERIA

A. PROJECT FEASIBILITY & ALIGNMENT

A1. Financial Feasibility (Maximum score of 15)

The applicant must demonstrate that the proposed project is financially feasible during construction and after completion. The applicant must include in the application solid evidence of financing commitments from construction and permanent lenders. The applicant must include a comprehensive letter of interest from a syndicator or investor if applicable. The applicant must identify sufficient financing sources for all project uses. The operating pro formas included in the application must include trending assumptions and debt service coverage acceptable by current industry standards.



As part of its financial feasibility review, HDD staff will examine all costs for reasonableness, including but not limited to the following: acquisition; pre-development costs including architectural, engineering, and environmental; construction costs; general development costs; syndication costs; builder's profit, overhead, and general requirements; operating revenues, expenses and cash flow. Projects which demonstrate lower total development costs and/or reduced subsidy costs per unit will receive higher points in this category.

Points will be awarded based on the following factors:

1. Development's sources of funds equals the development's uses of funds.
2. Reasonableness of total development costs.
3. Adequate cash flow and debt coverage ratio.
4. Reasonableness of repayment terms including interest rates, total debt and loan terms for all proposed debt in connection with the proposed development.
5. Affordable Housing Trust Funds account for 25% or less of the total development cost.

A2. Applicant Capacity (Maximum score of 15)

Applicant shows successful history of completing similar activities and demonstrates the ability to obligate funds and undertake eligible activities in a timely manner. The intent of this scoring category is to ensure the development team is capable of financing and developing projects and managing the projects successfully after completion and occupancy. The scoring in this category will reflect whether members of the team currently own or manage troubled properties.

Points will be awarded based on the following factors:

1. Applicant provides evidence that key staff members assigned to the project have the abilities and experience to successfully complete the project within the proposed timeframe.
2. Applicant provides evidence that an architect, general contractor and professionals on the team have the experience and capacity to complete the project.
3. *Rental Housing Unit(s)* - Applicant provides evidence that the management team has qualified personnel and the capacity and experience to develop, affirmatively market units, and lease to income-eligible tenants.
4. *1st Time Homebuyer Housing Unit(s)* - Applicant provides evidence that the management team has qualified personnel and the capacity and experience to develop, qualify eligible applicants and transfer ownership to qualified owners.
5. Applicant provides evidence of track record of successful completion of similar size projects (e.g., a portfolio of current affordable housing projects that are financially sound and meeting their established goals).



6. Applicant provides evidence of financial strength, capacity and creditworthiness to complete project.
7. Development team provides evidence of capability in administering ARPA regulatory requirements including but not limited to:
 - o Fair Housing - The Fair Housing Act is the federal law that grants fair housing protections and rights to renters and buyers. The act was originally adopted as part of the Civil Rights Act of 1968, and it was subsequently broadened in 1988 to prohibit discrimination because of a person's protected class when renting or buying a home, getting a mortgage, seeking housing assistance or engaging in other housing-related activities. The narrative should clearly describe the efforts that will be made to ensure affirmative fair marketing and outreach to those households and individuals least likely to apply for the affordable units within a project.
 - o Owner selection process - The applicant should provide evidence of capability of implementing an owner selection process pursuant to applicable federal and state laws.
 - o Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms - Recipients of Federal funds (i.e., AHTF grantees) must take necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible. This requirement is a provision of the Uniform Guidance for Federal Awards (2 CFR §200.321).

A3. Market Need (Maximum score of 10)

Unless a market exists for the proposed project, the project will fail. A market study or needs assessment must provide evidence of market need for the proposed affordable housing. The market study included in the application should address need and demand in the specific housing market, including typical sales prices, rental rates for various types of projects, and vacancy rates, as well as an analysis of why the proposed project will be competitive.

A4. Timeframe (Maximum score of 10)

Projects must be started by December 31, 2024 and completed with occupancy by September 30, 2026. The proposed timeframe (including dates by which commitments will be obtained, the closing will take place, construction start-up, substantial completion, final completion and occupancy) is realistic and achievable. Higher points will be given to those projects that are most likely to be able to commence development in a timely manner upon approval of funding.



A5. Alignment with City Priorities (Maximum score of 10)

Points will be awarded based on the alignment of the project with the City Priorities as identified in the Analysis of Impediments to Fair Housing (see also *Section VII – Applicant's Alignment with City Priorities* in the RFP). Each City Priority shall be weighted equally (2.5 points for alignment with each City Priority):

1. Development of new affordable housing
2. Development of new mixed-income housing
3. Rehabilitation of existing housing stock
4. Development of units for first time homebuyers

A6. Project Long-Term Sustainability (Maximum score of 10)

Points will be awarded based on the soundness of the applicant's proposed plans for carrying the project into the future and the extent to which they will provide long-term benefits as demonstrated by the proposed project's property management, tenant services, unit turnover and replacement reserves.

B. PROJECT DESIGN & IMPACT

B1. Location of Development (Maximum score of 10)

Points will be awarded based on the extent to which the proposed project promotes mixed-income housing and mixed-income neighborhoods – particularly where strong neighborhood amenities are available such as schools, parks and shopping.

B2. Project Design (Maximum score of 15)

Up to 10 points will be awarded to a proposed project that contributes to the character of their neighborhood and adheres to the following general guidelines:

1. The proposed project establishes a building form, scale, massing and rhythm appropriate for the surrounding neighborhood.
2. The proposed project provides a quality design that, where possible, reinforces the public realm of open space, sidewalks and streets through appropriately scaled entries that orient to the street instead of interior blocks or parking lots, and incorporate porches, fenestration, landscaping, and architectural details.
3. The proposed project meets the accessibility requirements of the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973, and provides for universal accessibility to the extent possible.
4. The proposed project provides visual and acoustical privacy between units while maximizing natural light and controlled ventilation within units.



Up to 5 additional points will be awarded to projects that incorporate the following aspects:

1. The site layout and site design adequately address environmental issues (wetlands, impact to wildlife, presence of hazardous materials, etc.); parking needs; stormwater management; appropriate usable open space; and outdoor improvements appropriate for the target population, visitability, etc.
2. The applicant has incorporated material selection consistent with promoting a healthful interior environmental quality.
3. The applicant has incorporated mechanical ventilation measures to provide fresh air and control humidity in order to promote good interior air quality.
4. The applicant has employed effective cost management techniques in the design process, including but not limited to Integrated Project Delivery methods, significant involvement by a contractor or professional cost estimator early in the design process, cost-effective building approaches (such as modular construction, innovative but proven building materials, etc.).
5. Demolition, renovation, and new construction processes that result in waste reduction and conservation of resources are preferred.

B3. Consistency with the City's Green Worcester Sustainability and Resilience Strategic Plan (Maximum score of 10)

One of the goals of the Green Worcester Plan is to coordinate investments in the built and natural environment, give priority to investments that produce co-benefits (those addressing multiple problems at once), and promote sustainability and climate change resilience in order to ensure maximum benefits for Worcester and its residents. Points will be awarded based on the incorporation of the following principles from the [Green Worcester Plan](#):

Sustainability: Energy Efficiency and Carbon Mitigation

1. Project exceeds the most recent City-adopted Building Energy Code requirements related to energy efficient building envelope.
2. Project incorporates a strategy to achieve the net-zero building goal, including high-efficiency and primarily electric heating and cooling systems.
3. Project incorporates renewable energy sources.
4. Project design includes the installation of electric vehicle (EV) charging station(s).
5. Project incorporates sustainable building materials to lower embodied carbon.

Resilience: Climate Change Adaptation

6. Project incorporates building resilience to climate change impacts (extreme storms, flooding, heat).
7. Project incorporates green stormwater infrastructure and/or sustainable landscape practices.



B4. Consistency with the Age Friendly Worcester Goal (Maximum score of 10)

Consistency with the City of Worcester's Age Friendly goal of making Worcester a livable, age-inclusive city for all will be applied as a criteria for projects seeking AHTF funds. Projects that incorporate Universal Design features to increase the functionality of the project to the widest range of residents possible and to allow residents to age in place will receive higher points. A Universal Design feature may be considered as any component of a housing unit that can be used by everyone regardless of the level of ability or disability. Examples of Universal Design features include, but are not limited to, no-step entries, wide doorways for wheelchair access, and easy-grasp lever-style handles in place of door knobs

B5. Community Involvement and Support (Maximum score of 10)

Points will be awarded to applications that provide evidence of community outreach and any support the proposed project has received from local government officials, neighborhood groups or community associations, public agencies, and potential project residents and project neighbors.

B6. Leveraging of Other Funding (Maximum score of 10)

Points will be awarded to projects that further the City of Worcester's stated goal of supporting the capacity of affordable housing developers who can bring in federal and state resources or creatively leverage other resources to increase the supply of affordable housing.

B7. Duration of Affordability Period (Bonus Points) (Maximum score of 5)

Points will be awarded based on the extent to which a project exceeds the 30 year minimum, to a maximum of 5 points for a project that commits to affordability in perpetuity.

B8. Units Restricted to 30% or Less of Area Median Income (Bonus Points)

(Maximum score of 5)

5 additional points may be awarded to projects that include units restricted to 30% or less of the area median income (AMI).

B9. ADA Units over the Minimum Required 10% (Bonus Points) (Maximum score of 5)

Up to 5 additional points will be awarded to projects that include ADA units over the minimum required 10% threshold.