

# Affirmative Fair Housing Marketing (AFHM) and Lottery Training

May 4, 2022

Sponsored by Massachusetts Housing Partnership,  
MassHousing, and the state Department of Housing and  
Community Development

# AGENDA

- 10:00-10:15** Introduction  
*Jessica Malcolm, MassHousing*
- 10:15-10:30** Introduction to 40B and Affordable Housing  
*Margaux LeClair, DHCD*
- 10:30-11:15** Affirmative Fair Housing Marketing Plan and Lottery Administration  
*Elizabeth Rust, Regional Housing Services Office*
- 11:15-11:30** Q and A
- 11:30-11:45** Break
- 11:45-1:00** Lottery Exercise  
*Elizabeth Rust, Regional Housing Services Office*  
*Lara Plaskon, Regional Housing Services Office*  
*Elizabeth Valenta, Regional Housing Services Office*
- 1:00-1:20** Post-Lottery Activities  
*Jessica Malcolm, MassHousing*  
*Rieko Hayashi, DHCD*
- 1:20-1:30** Questions and Final Remarks

## PRESENTERS

### **Elizabeth Rust**

*Regional Housing Services Office*

Elizabeth Rust has 15+ years' experience with Massachusetts affordable housing programs and regulations from many aspects and a current focus on the municipal perspective. She directs the innovative Regional Housing Services Office, an inter-municipal collaborative between Acton, Bedford, Concord, Lexington, Lincoln, Maynard, Sudbury, Wayland and Weston. The RHSO provides administrative housing services to these towns, assisting them with proactive monitoring, project technical support and affordable housing expertise. She is also an approved lottery and monitoring agent, and administers lotteries, qualifies applicants for income eligibility, and performs resale agent services for the Sudbury Housing Trust. Additionally, she assists other municipalities in affordable housing planning and monitoring efforts as an independent contractor.

### **Lara Plaskon**

*Regional Housing Services Office*

Lara Plaskon has worked in the field of affordable housing since 2001. She began working at the RHSO in 2014 where her focus is on resident services and homeownership monitoring, including administering affordable homeownership lotteries, as well as a variety of other projects. Before joining the RHSO, Lara's work in this field had a specific focus on housing for homeless people. She worked for the City of Cambridge as a Planner/Contract Manager for the Cambridge Department of Human Service Programs. Prior to that, she worked at nonprofit agencies in Boston focused on homelessness and affordable housing.

### **Liz Valenta**

*Regional Housing Services Office*

Liz Valenta has worked in the field of affordable housing since 2005. She has been with the RHSO since 2016, providing a wide range of affordable housing services for the nine member communities. Prior to joining the RHSO, Liz was the Housing Programs Manager for the City of Newton and a housing development project manager for the Allston Brighton Community Development Corporation.

### **Margaux LeClair, Esq.**

*Massachusetts Department of Housing & Community Development*

Margaux LeClair is a Counsel and Fair Housing Specialist for the Massachusetts Department of Housing and Community Development ("DHCD"). She provides legal counsel to DHCD staff and guidance to recipients of DHCD assistance relative to compliance with applicable fair housing laws, regulations, and policies. Additionally, Ms. LeClair works on other matters pertaining to M.G.L. Chapter 40B and affordable housing.

**Jessica Malcolm**

*MassHousing*

Jessica Malcolm is Manager of the Planning and Programs Department at MassHousing and oversees the administration of 40B Programs, including the New England Fund Program and MassHousing's Multi-family and Mixed-Income rental programs. Previously, Ms. Malcolm worked for the Department of Housing and Community Development as Program Coordinator for the Local Initiative and Homeownership Program. Ms. Malcolm graduated with a bachelor's degree from the University of Rhode Island and a J.D. from New England Law Boston.

**Rieko Hayashi**

*Department of Housing and Community Development*

Rieko Hayashi is the Local Initiative Program (LIP) Director and oversees the LIP 40B and Local Action Program at the Department of Housing and Community Development. Previously she has worked in the nonprofit, municipal and private sector in the Housing and Planning field. She is a lifelong Massachusetts residence and graduated with a bachelor's from Columbia University and Master's in Urban Planning from the Massachusetts Institute of Technology.



# **Introduction to Affirmative Fair Housing Marketing and Resident Selection Plan Requirements**

**May 2022**



- Federal and Massachusetts housing programs have historically required affirmative fair housing marketing plans for the purpose of promoting and achieving equal housing choice and opportunity and reducing segregation.
- Such plans are also a component of carrying out the U.S. Department of Housing and Urban Development's Affirmatively Furthering Fair Housing mandate under the Fair Housing Act (Title VIII of the Civil Rights of 1968).



## Affirmatively Furthering Fair Housing Framework

- Affirmatively furthering fair housing means:

“[T]aking meaningful actions, in addition to combating discrimination, that overcome patterns of discrimination and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics.”

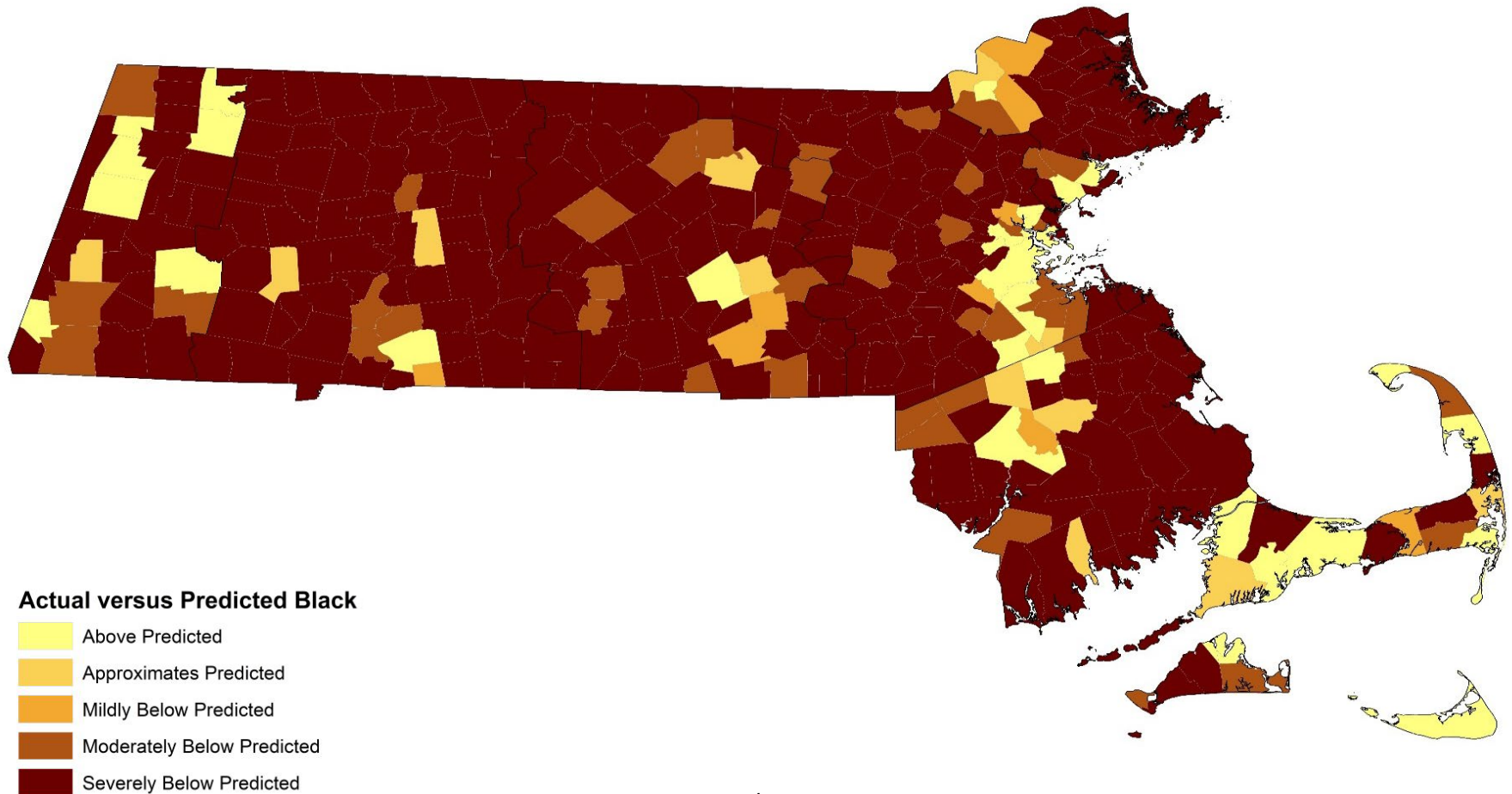
U.S. Department of Housing and Urban Development Interim Final Rule, “Restoring Affirmatively Furthering Fair Housing Definitions and Certifications” (June 10, 2021)

- Residential segregation patterns continue in Massachusetts as illustrated in the following slides.



# Actual Versus Predicted Black or African American

Source: DHCD 2019 Analysis of Impediments to Fair Housing Choice (2016 5-year ACS data)

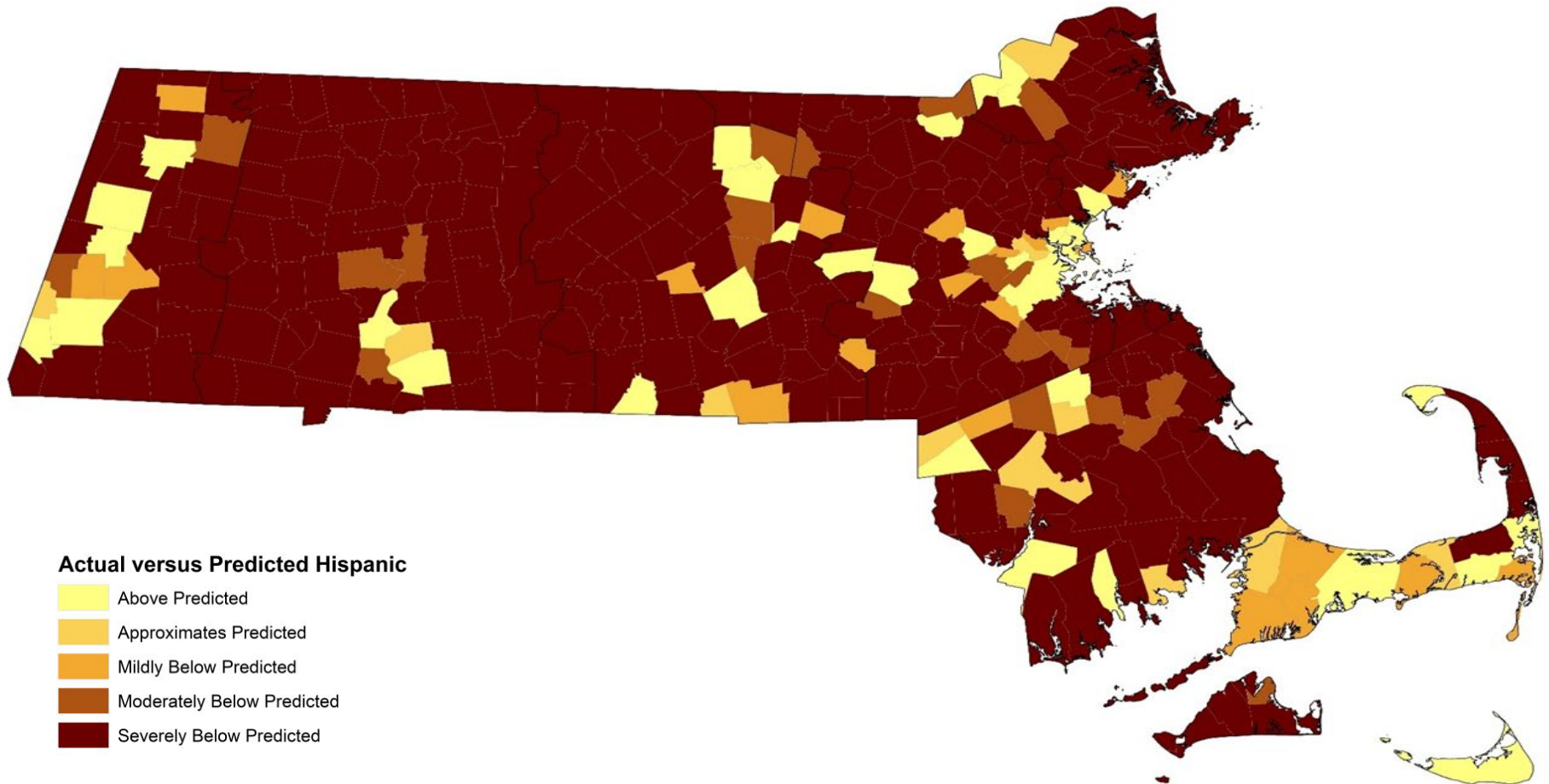






# Actual Versus Predicted Hispanic/Latino

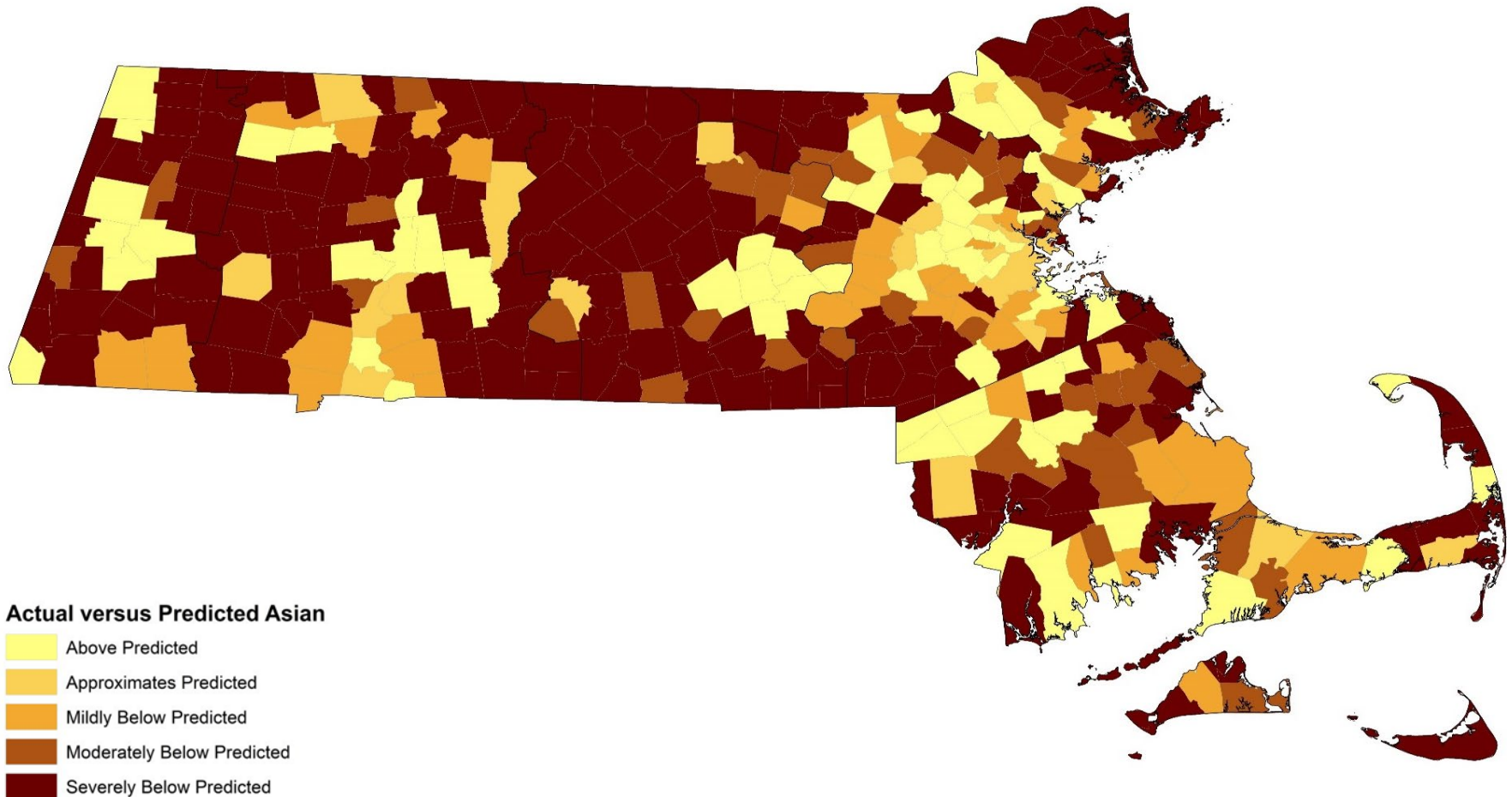
Source: DHCD 2019 Analysis of Impediments to Fair Housing Choice (2016 5-year ACS data)





# Actual Versus Predicted Asian

Source: DHCD 2019 Analysis of Impediments to Fair Housing Choice (2016 5-year ACS data)





- AFMHPs must provide for **affirmative marketing *and* outreach** efforts in the region (i.e., metro area) to attract those less likely to know about and/or apply for the housing, including but not limited to:
  - Racial/ethnic minority groups
  - Persons with limited English proficiency
  - Persons with disabilities
  - Families with children under 18 (exceptions for age-restricted housing)



## Other Key AFHMP components:

- Eligibility and applicable preferences
- Applicant materials and process
- Lottery
- Wait lists
- Certification



## Fair Housing Law Considerations

### ■ Fair Housing Posters:

- MCAD:

<https://www.mass.gov/doc/fair-housing-law-poster/download>

- HUD:

[https://www.hud.gov/sites/documents/FAIR\\_HOUSING\\_POSTER\\_ENG.PDF](https://www.hud.gov/sites/documents/FAIR_HOUSING_POSTER_ENG.PDF)

### ■ Marketing must include equal housing opportunity logo

### ■ Marketing (language as well as imagery and human models) must not indicate any preference or limitation, or otherwise discriminate, based on protected class status.

### ■ Marketing must not indicate an advantage for applicants who submit applications in-person (ads/notices must provide mail option per DHCD's AFMHP Guidelines)



## Fair Housing Law Considerations

- Application and resident selection provisions must provide equal access for protected classes under state and federal fair housing laws.
- Owner/agent may not impose minimum income standards that do not take housing subsidies into account.
- Discriminatory effects or “disparate impact” in violation of fair housing laws may arise if a policy or practice actually or predictably impacts a protected class, even though the policy is neutral on its face and is not intentionally discriminatory.
  - Note: The U.S. Supreme Court and the Supreme Judicial Court of Massachusetts have recognized the disparate impact theory under the federal Fair Housing Act and G.L. c. 151B, respectively. Federal standards for establishing disparate impact liability are evolving. See HUD Proposed Rule “Reinstatement of Discriminatory Effects Standard” (June 25, 2021).



## Protected Classes

### Federal (Fair Housing Act)

- Race
- Color
- National Origin
- Religion
- Sex
- Familial Status
- Disability

### State (M.G.L. c. 151B)

All Federal Bases plus:

- Ancestry
- Age
- Gender Identity
- Genetic Information
- Marital Status
- Public/Rental Assistance Reciprocity
- Sexual Orientation
- Veteran History/Military Status



## Key federal statutes:

- Fair Housing Act (Title VIII of the Civil Rights Act of 1968, as amended)
- Title VI of the Civil Rights Act of 1964, as amended
- Section 504 of the Rehabilitation Act of 1973, as amended
- Americans with Disabilities Act of 1990, as amended

## Key state statutes:

- Massachusetts fair housing law (M.G.L. Chapter 151B)
- Massachusetts public accommodation law (M.G.L. Chapter 272, sections 92A & 98)
- Massachusetts lead paint law (Chapter 111, section 199A)





## AFHMP Guidelines:

- AFHMP must be consistent with the DHCD Affirmative Fair Housing Marketing and Resident Selection Plan Guidelines (“AFHMP Guidelines”):

<https://www.mass.gov/files/documents/2016/07/oj/afhmp.pdf> (May 2013);

<http://www.mass.gov/hed/docs/dhcd/legal/comprehensivepermitguidelines.pdf> (section III of the Comprehensive Permit Guidelines)



## Applicability of AFMHP Guidelines and Additional Program Requirements:

- Private housing with state-administered subsidy and/or housing for inclusion on DHCD's SHI must have an affirmative fair housing marketing and resident selection plan consistent with the AFHMP guidelines.
  - Examples: developments under 40B, 40R, or 40A that are approved and/or financed through DHCD, MHP, MassHousing, or MassDevelopment.
- AFHMP and related documents must also comply with applicable state and federal subsidy program requirements.
  - Note: AFHMPs for projects located in Boston must also be approved by the City of Boston.



## Next up:

- AFMHP details
- Lottery demonstration
- Post-lottery responsibilities

# Massachusetts Housing Partnership



**Workshop on:**

## **Affirmative Fair Marketing & Resident Selection Plans**

**May 4, 2022**

**Regional Housing Services Office**

**Lara Plaskon, Liz Rust, Liz Valenta**

**Sponsored by Mass Housing Partnership, Mass Housing, DHCD**



# RHSO Introduction

## REGIONAL HOUSING SERVICES OFFICE, *ESTABLISHED 2011*



Member Towns receive housing services for an annual fee per Inter- Municipal Agreement:

- 3 Year IMA Term, Renewed Annually
- Specifies Annual Contracted Number of Hours
- Advisory Committee Meets Quarterly
- Shared Cost for Website, Regional Efforts and Administrative Support



RHSO Personnel deliver services through Lead Community.

Membership Fee covers :

- Staffing and Contracting
- Administrative expenses
- Accounting
- Office support
- Technology
- Other

Member Town Statistics (FY21)				
	Housing Units	Restricted/SHI Units	Restricted Ownership	SHI%
Acton	8,475	896	75	10.57%
Bedford	5,322	981	65	18.43%
Concord	6,852	721	71	10.52%
Lexington	11,946	1334	100	11.17%
Lincoln	2,130	298	59	13.99%
Maynard	4,430	419	6	9.46%
Sudbury	5,921	669	37	11.30%
Wayland	4,957	330	57	6.66%
Weston	3,952	331	11	8.38%
	53,985	5,979	481	11.08%



# RHSO Lottery Background

## Experience

- 50 lotteries, 80 resales, 450 units total , ~2000 new residents, 31 developments/~830 units rental monitoring
- New construction, resales, ownership, annual rental
- Many Programs: DHCD LIP 40B/LAU, MassHousing 40B NEF, DHCD 40R, HOME

## Monitoring Agent/Compliance

- MassHousing, DHCD, Town

## Clients

- Towns, Developers, Property Managers



# AFHMP Overview

## Best Practices:

- Approvals from developer, municipality and subsidizing agency are important
- Plan the schedule carefully
- Requires careful attention to the details, mistakes can be costly
- A comprehensive AFHMP plan simplifies process



## Goal of the AFHMP

*The AFHMP consists of actions that provide information, maximum opportunity, and otherwise attract eligible persons protected under state and federal civil rights laws that are less likely to apply*

**The AFHMP demonstrates compliance with this objective, creating a solid applicant pool**





# Overall Requirements

All units that are intended to go onto the ***Subsidized Housing Inventory (“SHI”)*** must be marketed under an approved Affirmation Fair Housing Marketing Plan

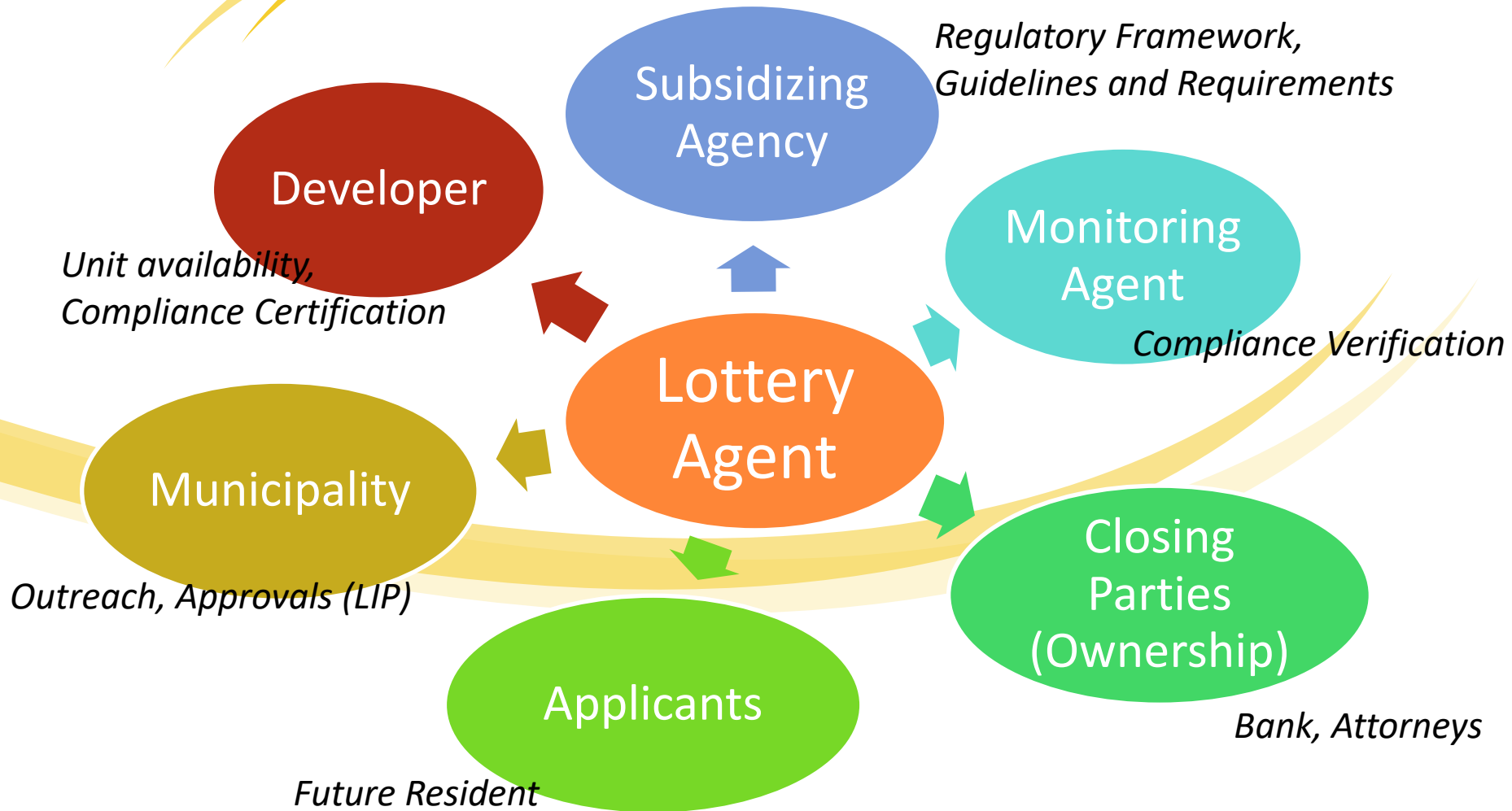
The plan requirements are detailed in the DHCD 40B Guidelines, Section 3.

- <https://www.mass.gov/doc/guidelines-gl-c40b-comprehensive-permit-projects-subsidized-housing-inventory>

These guidelines apply to all activities from outreach and marketing to occupancy and waiting lists.

It is the Developers (and lottery agent) responsibility to follow guidelines.

# Players in the Lottery





# Timeline

Action	When	Duration
<b><i>For a Comprehensive Permit: <u>Draft AFHMP plan with Site Eligibility Application</u></i></b>	<b>At submission of Site Eligibility Application to subsidizing agency</b>	<b>In place until final AFH plan is drafted.</b>
<b><i>All SHI Eligible Units: <u>Final AFHMP plan to Subsidizing Agency or Monitoring Agent</u></i></b>	<b>After issuance of all permits and/or at final certification by subsidizing agency. In no event, less than 90 days before marketing start.</b>	<b>Allow time for approval by Subsidizing Agency and/or Monitoring Agent.</b>
<b><u>Begin advertising affordable housing opportunity/lottery</u></b>	<b>6 month prior to occupancy</b>	<b>60 day minimum requirement for advertising lottery – two times in print media over 60 days</b>
<b><u>Information session(s)</u></b>	<b>Early part of advertising period</b>	<b>At least one during marketing period</b>
<b><u>Lottery</u></b>	<b>When lottery advertising period ends. Applications are reviewed.</b>	<b>~ 15-30 after close of advertising period</b>
<b><u>Update Plan</u></b>	<b>Every 5 years at a minimum</b>	<b>-</b>



# Plan Framework

## Guiding requirements

- DHCD 40B Guidelines, HUD Occupancy Requirements (4350.3), Fair Housing Requirements

## Know your program and subsidizing agency

- Differences between DHCD LIP or 40R, MassHousing 40B, MHP, Mass Development

## Qualifications of Lottery Agent

- Experienced, Proficient, Compliant

## Developer is Responsible for all associated costs

- Preparing plan, advertising, lottery & monitoring.



# Plan Contents

## Required AFHMP Content

- Overview of Marketing Plan & Developer Certification
- General Community Description
- Rents, Sales Prices, Condo Fees & Income Limits
- Reasonable Accommodation Statement
- Non-Discrimination Statement
- Limited English Proficiency (LEP)
- List of sites and papers to advertise
- Eligibility Requirements
- Application process
- Lottery/resident selection
- Preference System Used
- Resident Requirements - Annual Certification

## Required AFHMP Sample Documents

- Applicant Information Materials
- Sample Advertisements and other marketing materials
- Application Form (w/ authorization to consent/release info)
- Affordable Housing Deed Rider/Description (ownership)



# Developer Certification

As authorized representatives of [Developer] and [contractor], respectively, each of us has reviewed this plan and agrees to implement this AFHMP, which shall be made effective as of the approval date.

Further, by signing this form, [Developer] agrees to review and update its AFHMP as necessary in order to comply with all applicable statutes, regulations, executive orders and other binding DHCD requirements pertaining to affirmative fair housing marketing and resident selection plans reasonably related to such statutes, regulations, executive orders, as same may be amended from time to time.

We hereby certify that all the information stated herein, as well as any information provided herewith, is true and accurate.



# Property Description

## Community/Municipality

- Location to transit, schools, retail, services
- Development description
- Development overview / Regulatory framework

## Unit Description

- What is being sold or rented?
  - Specific Unit Numbers, ADA units, unit sizes
- Costs
  - What is rent/sales price?
  - Utilities/fees – other costs in addition to price/rent
- What amenities are included
  - Level of finish, Flooring, Appliances, Parking, Laundry



# Eligibility

## Income Limits – For all projects

- Updated annually

## Homeownership

- Asset Limits: \$75,000 maximum, plus \$200,000 for age-restricted projects
- First Time Home Owner - Definitions and Exceptions

## LIP Rental – Cannot own residential property

## Other Developer Specific eligibility

- Minimum income, credit/leasing standards, criminal check







# Calculating Rents

Gross Rent = 30% of the monthly Income Limits

- MassHousing: # bedrooms \*1.5
- DHCD: # bedrooms +1

Subtract Utility Allowance (from local subsidized housing agency)

- Subtract from rent the amount of utilities that the tenant will pay

Rents for Units Funding by HOME and CPA May Differ

These are not Section 8 Fair Market Rents



# Sales Prices – DHCD Calculator

Condo - 2BR 80%		Fee Simple 3BR 80%	
<b>Housing Cost:</b>		<b>Housing Cost:</b>	
Sales Price	\$279,900	Sales Price	\$329,600
5% Down payment	\$13,995	5% Down payment	\$16,480
Mortgage	\$265,905	Mortgage	\$313,120
Interest rate	5.25%	Interest rate	5.25%
Amortization	30	Amortization	30
Monthly P&I Payments	\$1,468.34	Monthly P&I Payments	\$1,729.06
Tax Rate	\$14.72	Tax Rate	\$14.72
monthly property tax	\$343	monthly property tax	\$404
Hazard insurance	\$93	Hazard insurance	\$110
PMI	\$173	PMI	\$204
Condo/HOA fees (if applicable)	\$125	Condo/HOA fees (if applicable)	
Monthly Housing Cost	\$2,203	Monthly Housing Cost	\$2,447
Necessary Income:	\$88,113	Necessary Income:	\$97,871
<b>Household Income:</b>		<b>Household Income:</b>	
# of Bedrooms	2	# of Bedrooms	3
Sample Household size	3	Sample Household size	4
HUD 80% AMI	\$100,700	HUD 80% AMI	\$111,850
Target Housing Cost (80%AMI)	\$2,518	Target Housing Cost (80%AMI)	\$2,796
10% Window	\$88,113	10% Window	\$97,869
Target Housing Cost (70%AMI)	\$2,203	Target Housing Cost (70%AMI)	\$2,447



# Sample Statements

Applicants with disabilities may request (i) modifications to the apartment or development or, (ii) accommodations to our rules, policies, practices or services, if such modifications and accommodations are necessary to afford an equal opportunity to use and enjoy the housing.

.... will not discriminate in the selection of applicants on the basis of race, color, national origin, disability, age, ancestry, children, familial status, genetic information, marital status, public assistance recipient, religion, sex, sexual orientation, gender identity, veteran/military status, or any other basis prohibited by law.

... encourages applicants with diverse backgrounds to apply for housing at our communities. For those with Limited English Proficiency, the owner will utilize a Language Line Service, which provides translation services in a multitude of languages.

“These income limits are subject to change upon HUD release of updated income limits.”



# Nondiscrimination and Reasonable Accommodations

Hold informational meeting at an accessible location and time

- Evening or weekend, ZOOM preferred, with posted recording

Applications available in hardcopy in after hours locations (ex library), posted on-line and emailed as requested

Advertisements in minority, non-English papers

Advertising should not indicate any preference or limitation



## Background Checks

The plan must indicate whether they are required or not – including CORI, SORI, credit  
Subsidizing Agency must approve this requirement, if applicable

Cannot be a pre-condition for the lottery

CORI Administrator must be trained

Model Policy for reference

<http://www.mass.gov/hed/economic/eohed/dhcd/legal/fair-housing-and-civil-rights-information.html>



# Advertising and Outreach Plan

## AFHMP Lists of where you are placing newspaper (paid) advertising:

- Minority/Foreign Language Newspapers
- Local Newspapers
- Ads must run twice

## And where you are posting/sending notices:

- Housing Navigator – required for public subsidies (example DHCD, MHP)
- MassAccess Housing Registry – required for all units
- Metrolist – required for all units
- MAHA
- Town website
- Local/Regional Housing Organizations
- Local/Regional Employers
- Local Housing Developments
- Faith Based Organizations, Civic Groups



# What to Include

Community Name, location, and availability

Rents, Prices, Income Limits

Contact information

Informational Meeting(s) Details

Application Contact

Lottery Date

Fair Housing, Accessible Logo

Free Translation Services





# Application Package

Include everything an applicant needs

Design with care, be clear, and make easy to complete

Application materials include:

- Property and Unit Information
- Eligibility: Income, Assets, Other
- Preference: Clear description of preferences
- Documentation: Required 2 years taxes, 3 months bank statement, 5 paychecks, mortgage pre-approval (Homeownership), No Income, No Child Support, Minority
- Lottery description and process, timeline
- Non-discrimination, Reasonable Accommodations Statement, Certification and Authorization
- Other leasing/purchasing info: fees, utilities, minimum income
- Lease and Deed Rider information



# Preferences

## Different From Eligibility Requirements

1. Accessible Units
2. Household Size Preference
3. Local Preference – initial occupancy only
  - Use all allowable categories
  - Must be justified – at most 70%
  - Municipality generally responsible to provide justification
  - Minority Balancing (to mitigate disparate impact)

Age Restriction is a project parameter, not a preference or eligibility



# Information Session

## Advertise

Objective is to answer questions and introduce potential applicants to the project

Attendance at a meeting is not mandatory for participation in a lottery

## Review application material

- All materials should also be available on-line



# Lottery Process

Describe the lottery process in detail

- All scenarios

Minority pre-lottery

How units will be awarded, priority of preferences

- Accessible Unit Preference
- Household Size Preference
- Local Preference
- General Pool

Line up the event



# On Going Requirements

## Plan must address on-going process

- Homeownership
  - Resale, ready buyer list, first-come first-served
- Rental
  - Opening waiting lists, re-marketing or continuous marketing
- Yearly Reporting
  - Annual certification of compliance, also as indicated in the Regulatory Agreement



# Summary

Objective is to create a solid applicant pool

Approvals from developer, municipality and subsidizing agency are important

Plan the schedule carefully

Requires careful attention to the details

A comprehensive AFHMP plan simplifies process



# Resources, Q&A

## Regulations are your friend!

- DHCD 40B Guidelines

- <http://www.mass.gov/hed/docs/dhcd/legal/comprehensivepermitguidelines.pdf>

- HUD Occupancy Requirements (4350.3),

- [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/handbooks/hsg/4350.3](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg/4350.3)

- Fair Housing Requirements

- <http://www.mass.gov/hed/community/planning/fair-housing-and-civil-rights-information.html>

# Affordable Housing Lottery Training

May 4, 2022



**Regional Housing Services Office**

**Lara Plaskon, Liz Rust, Liz Valenta**

**Sponsored by Mass Housing Partnership, Mass Housing, DHCD**



# After the Plan....

This session picks up after the Affirmative Fair Housing Marketing Plan has been written and approved

*Key: Clarity in the application materials contributes greatly to success!*



# Getting Started

**Review** Approved Affirmative Fair Housing Marketing & Resident Selection Plan

**Timeline:** Begin marketing 6 months prior to occupancy



# Reaffirm Sales Price/Rents

- Update for new income limits, or other parameters
  - Established at time of initial marketing or Final Approval
- No earlier than 6 months before occupancy
- **Reviewed** by Monitoring Agent (ownership), **approved** by Subsidizing Agency

# Parameters

## Income limits, plus:

- Ownership: interest rate, tax rate, insurance rate, condo fee (*with budget and ownership schedule*)
- Rental: Utility schedule



# Confirm Details

Confirm: Occupancy dates, unit floor plans, amenities, parking, utilities, open house/availability to see units.

Have developer confirm details, and timing

If there is a local preference approved, designate which units will be initially local preference, if not identified in AFHMP.



# Open Application Period

## 1. Set Lottery Schedule

- Information session and lottery: date and location
- Application end date

## 2. Post application on-line

## 3. Execute Outreach Plan

- Place advertisements, web postings, mail flyers – including to required sites (Housing Navigator, MassAccess Housing Registry, Metrolist)
- Place hardcopies in a public place, open after hours

## 4. Distribute applications

- Post, mail, email, fax as requested

## 5. Accept submitted applications

- Respond to inquiries
- In person, by mail, by email (offer secure method)

# After the application period closes....

1. Confirm lottery arrangements
2. Complete review of applications, determine eligibility
3. Determine local pool minority percentage, test with regional percentage, and balance if needed
4. Assign lottery numbers, and notify all applicants (eligible, ineligible)
5. Create lottery pools, with preference indicators
6. Have the lottery, pull all tickets for each pool and record numbers
7. Re-rank Pulled lists based on preferences (HC, HH)
8. Award units
9. Assist through to contract (P&S/Lease)
10. Create the wait list from the open pool

# Confirm Plans for Lottery

- Summarize lottery applicants for developer and town
  - #applied, #eligible in each pool
- Hold in public, accessible place, including zoom





# Review Applications *as they are received*

**“Only applicants who meet the applicable eligibility requirements shall be entered into a lottery”**

DHCD Guidelines 40B Sec. III F(2)(a)(1)

**Preliminary eligibility must be determined prior to admittance to lottery**



# Determine Eligibility

Must meet eligibility of housing program and funding as specified in the AFHMP

- Review program guidelines including income targets
  - HUD Handbook 4350.3, Occupancy Requirements, DHCD guidelines
- Determine household size and corresponding income limit
  - Whose income to count?
- Determine annual income
  - Paychecks, SSI, other: review deposits on bank statements
  - Applicant is eligible for highest income tier based on minimum income levels
- Determine asset values
  - Impute income
  - Compare to limit (ownership)
- Determine first-time homeowner (ownership)
- Mortgage Pre-approval (ownership)
- Monitoring and subsidizing agents can assist

# Assign Preferences – Household Size

- Standards cannot violate fair housing, zoning or other restrictions and laws
  - State Sanitary code at CMR 105 410.400 “ (B) In a dwelling unit, every room occupied for sleeping purposes by one occupant shall contain at least 70 square feet of floor space; every room occupied for sleeping purposes by more than one occupant shall contain at least 50 square feet of floor space for each occupant.
- Household size should be appropriate for the number of bedrooms in a unit.
  - First preference: Households requiring the total number of bedrooms in a unit
  - Second Preference: Households requiring the total number of bedrooms minus one



# Assign Preferences – Household Size

Criteria for determining # of required bedrooms:

1. There is at least one occupant per bedroom
  - Not to exceed State sanitary code CMR 105 410.400

*In a dwelling unit, every room occupied for sleeping purposes by one occupant shall contain at least 70 square feet of floor space; every room occupied for sleeping purposes by more than one occupant shall contain at least 50 square feet of floor space for each occupant.*
2. Married couples, or those in similar living arrangement, shall share a bedroom
3. A person described in (2) above shall not be required to share if medical documentation
4. Children are not required to share a bedroom, but may
5. A household may count an unborn child.
6. If applicant is in process of divorce or separation, verification is needed

***Public Housing occupancy standards may differ***

# Household Size examples

## 2BR Examples:

1. Spouses and 2 children
2. Parent and child
3. Spouses, 1 child
4. Spouses and one disabled
5. Disabled adult and live-in aide
6. Spouses and child at college, returning on recesses
7. Parent and 2 children (50% custody)

# Assign Preferences – Local

- Must be approved by the Subsidizing Agency in the AFHMP
- Maximum of 70%, rounded down

1 unit – 0 local	2 units – 1 local
3 units – 2 local	4 units – 2 local

- Can never have durational requirement
- Acceptable categories:
  - Current resident
  - Employee of the town
  - Employee of a business based in the town
  - Household with children in the school system
- Local pool applicants are also added to the general pool

# Local Preference & Minority Balancing

If Local Preference has been approved by the Subsidizing Agency, the Lottery Agent must determine whether the Local Pool contains **at least** the percentage of minority applicants as the region as a whole.

If not, the minority applicant ballots from the general pool are drawn in a pre-lottery and placed in the local pool until the regional percentage is obtained.

*This is done before the lottery pools are finalized*

# Local Preference & Minority Balancing

The minority percentage by MSA have been updated for 2020:

Barnstable County-----	15.0%
Boston-Cambridge-Quincy MSA-----	33.4%
Pittsfield MSA-----	15.3%
Providence-New Bedford- Fall River--	28.4%
Springfield MSA-----	33.1%
Worcester MSA-----	28.2%
Dukes County-----	21.2%
Nantucket County-----	30.6%



# Assign Lottery Numbers

Qualified applicants are given a lottery number

- **One Method:** assign numbers to indicate household size preference, rent limit target, accessibility need, etc. Example A.A-2-50-A) (2 bedroom, 50% AMI, Accessible)
- Lottery numbers are put in **all** pools that they are eligible for. Example: local preference applicant will be in both local and general pool



# Inform Applicants

Once lottery numbers have been assigned, send a letter to all applicants either:

1. Eligibility Letter: their lottery number/s and time and place of lottery, and preferences (#bedrooms, local) or,
2. Ineligibility Letter: with the reason they did not qualify for the lottery, and timeframe if they want to dispute (if one hasn't been sent earlier)
  - Best to have applicant agree with ineligibility prior to sending letter



# Create Lottery Pools

**The number and type of pools will depend on the project.**

**For projects with approved local preference, there will be two pools: local and general.**

**Local applicants will be placed in both pools.**



# At The Lottery

Once everyone is settled:

- Greet everyone and thank them for coming
- Explain the purpose and procedure of the event
- Introduce participants
- Provide an overview
  - Stress confidentiality

Have two different colored baskets

- One for local and one for general, mix up the tickets

# Pull Tickets, Award Units

- Draw all lottery numbers by pool and list in order
  - Be sure all tickets are entered and drawn. **This step cannot be undone, or redone.**
- Award accessible applicants/units first
- Award largest units next, beginning with the first lottery number needing that size unit for that income level
- Household size takes preference over local preference
  - Example: You are filling a 3BR unit that has been designated as a local preference unit. There are only 2BR local applicants on the list. You offer the unit to a 3BR household from the GENERAL pool first.



# Accessible Units

For projects with mobility accessible and/or communications accessible units or adaptable units, **first preference for those units always goes to households with a member that needs the features of the unit, regardless of local preference.**



# After the Lottery

- Inform applicants of their ranking
- Inform developer, monitoring agent and municipality of results
- Obtain interest level from top applicant
  - Setting up showing as needed
- Provide monitoring agent with applicant materials for approval, within 60 days of contract
- Transition to developer for contract
  - Ownership: P&S, Rental: Lease
- Record Keeping:
  - Secure application materials for five years

# Establish the Wait List

The wait list is established from the open pool lottery draw list

- The local preference is only applicable at the initial lottery drawing.
- List is only maintained for current sale opportunity, not for future resales

If the lottery is undersubscribed (more units than applicants)

- Accept applications in a First Come First Serve model, with revised application materials



# Closing, Leasing

## Ownership

### Obtain buyer information

- Executed P&S
  - Verify price
- Loan Commitment
  - Verify amount and term
- Closing Attorney contact information



### Request closing documents from monitoring agent

- Deed Restriction (DHCD LIP)
- Resale Price Certificate
- Compliance Certificate (resales)
- Non-Financial Mortgage

## Rental

### Leasing Agent offers leases for a specific unit

- Deposits amounts can not exceed the amount of a security deposit.

# Summary

- Review requirements
- Verify eligibility thoroughly
- Communicate explicitly with applicants
- Award units carefully





# Thank you

## Contact Information:

Liz Rust, RHSO

[Liz@RHSOHousing.org](mailto:Liz@RHSOHousing.org)

[www.RHSOHousing.org](http://www.RHSOHousing.org)



# Post-Lottery Responsibilities

# Goal

# COMPLIANCE

1. Setting units up for long-term affordability
  - Units are sold or rented at affordability levels
  - Units are occupied by eligible renters/owners
  - Units are secured with long-term Affordability Restriction
2. Ongoing Compliance
  - Annual Recertification (Rental)
  - Supplemental Monitoring (Homeownership)

# Who's Responsible?

**it depends....**

- Rental or Homeownership?
- Who is the Subsidizing Agency?
- Who is the Monitoring Agent?

# 3 Key Documents

## 1. The Regulatory Agreement

- Identifies the Subsidizing Agency
- Identifies the Developer
- Identifies the Affordability Monitoring Agent
- Describes the Affordability Requirement

## 2. Affordability Monitoring Services Agreement

## 3. Affordable Housing Restriction (Deed Rider)

# 40B Subsidizing Agencies

- DHCD (LIP, HOME, LIHTC)
- MassHousing (MHFA and New England Fund)
- Mass Housing Partnership (MHP)
- Mass Development
- FHLBB (Bank is the Subsidizing Agency)

*Goal is a consistent process, no matter which agency is involved.....*





# 40B Monitoring Agents

## For Rental 40Bs

- Monitoring Agent = Subsidizing Agency
  - For LIP Projects, the Municipality also has some monitoring obligations

## For Homeownership 40Bs

- LIP Projects: Monitoring Agent = DHCD with some monitoring obligations held by the Municipality
- MassHousing 40Bs: Monitoring Agent = 3<sup>rd</sup> Party Agent (i.e. CHAPA, Sudbury Housing Trust, HAC, etc.)

## Older Affordable Units

- Look at the Deed Rider, or contact MassHousing or DHCD

# 40B Rental Monitoring

- **Monitoring Agent = Subsidizing Agency**  
(defined in Regulatory Agreement)
- **Role of Third Parties (Spectrum, Fine Point)**  
(also defined in Regulatory Agreement)

*“The Subsidizing Agency shall have the right to engage a third party (the “Monitoring Agent”) to monitor all or a portion of the ongoing requirements of this agreement...”*

# What's Involved

## 1. Initial Certification (at initial lease-up)

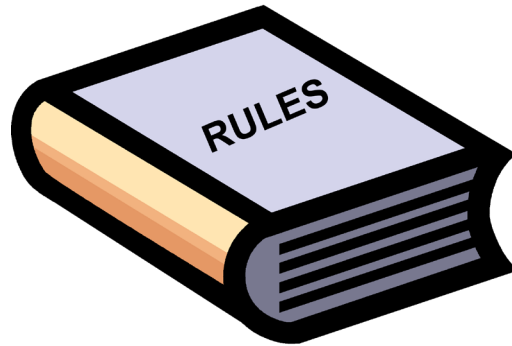
- Confirm information provided by developer or designee

## 2. Annual Recertification (entire affordability term)

- Affordable units are occupied by income/asset eligible tenants
- Rents are affordable
  - Update tenant rents: After HUD issues new income and rent limits and/or new utility allowances are available:
  - Request subsidizing agency approve new rents
- Household size matches unit size
- Current within 60 days of recertification request

# HUD Handbook

- HUD Handbook 4350.3 Chapter 5 is the Standard!



(contact subsidizing agency for specific program guidelines)

# Waitlist and AFHMP

- Annually:
  - Send out a letter to wait list households to verify their status
  - Determine number of expected vacancies
  - If wait list size drops to too few households:
    - Open the wait list
    - Affirmatively mark for a minimum application period of 10 business days
    - Perform a new lottery
    - Newly picked lottery winners are placed after applicants on the existing waitlist (permissible ongoing preferences may apply)
- Update AFHMP every 5 years or before

# 40B Homeownership Monitoring

MassHousing and DHCD are the only Subsidizing Agencies that Administer 40B Homeownership programs



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DHCD  
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**No matter who the monitoring agent is, the goals are the same:**

- Initial sales compliance
- Units lived in as primary residence
- Resale to eligible buyer at affordable price
- Maintains Deed Restriction

# What's Involved

### 1. Initial Sales

- Re-certify buyer eligibility
- Review loan commitment
- Resale Price Certificate  
(from MH or DHCD)
- Review Deed and Deed Rider
- Issue Certificate of Compliance

### 2. Supplemental Monitoring

- Resales
- Refinances
- Capital Improvements
- Foreclosures
- Ongoing contact
- Annual Reporting  
(to MH or DHCD)
- ENFORCMENT



# What's Involved – Supplemental Monitoring

- Resales
- Refinances
- Capital Improvements
- Foreclosures
- Ongoing contact
- Annual Reporting
- ENFORCEMENT

# What's Involved – Supplemental Monitoring

## An Annual Reminder Helps:

- You will keep this home as your primary residence; you must live in this home. It is not permissible to rent it or allow a third party to use it without approval from [Name of Monitoring Agent].
- You cannot refinance the home without prior approval from (Name of Monitoring Agent)
- If you decide to improve your property we strongly suggest that you contact us before getting started. You cannot add the value of improvements to your home without prior approval from [Name of Monitoring Agent].
- If you decide to sell the home, you will notify us of your intention.

# What's Involved – Supplemental Monitoring

## Annual Reporting:

- Monitoring Agent submits Annual Compliance Report to the Subsidizing Agency and the Municipality regarding compliance of the Project with the Affordability Requirement.



# Other Post-Lottery Considerations

# Other Post-Lottery Considerations

- Unsuccessful lotteries
- Ongoing marketing
- Waitlists
- Resident complaints
- Resale price discrepancies
- Tax Assessment challenges
- Old 40Bs, no monitoring agent



**THANK YOU!**



## **Affirmative Fair Housing Marketing and Resident Selection Plan Guidelines**



## **Affirmative Fair Housing Marketing and Resident Selection Plan**

### **A. Introduction**

The Commonwealth of Massachusetts has a compelling interest in creating fair and open access to affordable housing and promoting compliance with state and federal civil rights obligations. Therefore, all privately assisted housing or housing for inclusion on the Subsidized Housing Inventory (SHI) shall have an Affirmative Fair Housing Marketing and Resident Selection Plan (AFHMP). With respect to rental housing and Assisted Living Facilities, *the affordable Use Restriction documents of said housing must require that the AFHMP, subject to the approval of the subsidizing or funding agency, shall be implemented for the term of the affordability restriction.*

Affirmative Fair Housing requirements apply to the full spectrum of activities that culminate with occupancy, including but not limited to means and methods of outreach and marketing through to the qualification and selection of residents. All AFHMP plans must, at a minimum, meet the standards set forth by the Department of Housing and Community Development (DHCD), as may be amended from time to time. In the case of M.G.L. c.40B projects and other projects subsidized by a Subsidizing Agency, the AFHMP must be approved by the Subsidizing Agency.

The developer (Developer) is responsible for resident selection, including but not limited to drafting the resident selection plan, marketing, administering the initial lottery process, and determining the qualification of potential buyers and/or tenants. The Developer is responsible for paying for all of the costs of affirmative fair marketing and administering the lottery and may use in-house staff, provided that such staff meets the qualifications described below. The Developer may contract for such services provided that any such contractor must be experienced and qualified under the following standards.

Note: As used in these AFHMP Guidelines, "Developer" refers to the Project Owner and/or the entity with which the Developer has contracted to carry out any or all of the tasks associated with an AFHMP.

### **B. Developer Staff and Contractor Qualifications**

The entity as well as the individual with primary responsibility for resident selection, whether in-house staff or a third-party contractor, must have substantial, successful prior experience in each component of the AFHMP for which the party will be responsible, e.g. drafting the plan, marketing and outreach activities, administering the lottery process and/or determining eligibility under applicable subsidy programs and/or qualifying buyers with mortgage lenders.

Subsidizing Agencies reserve the right to reject the qualifications of any Developer or contractor. However, generally, Developers or contractors that meet the following criteria *for each component*, as applicable, will be considered to be qualified to carry out the component(s) for which they are responsible:

1. The entity has successfully carried out similar AFHMP responsibilities for a minimum of three (3) projects in Massachusetts *or* the individual with primary responsibility for the resident selection process has successfully carried out similar AFHMP responsibilities for a minimum of five (5) projects in Massachusetts.
  
2. The entity has the capacity to address matters relating to limited English language proficiency. This shall include language access planning and providing reasonable language assistance, at no cost to the applicant, so that applicants with Limited English Proficiency ("LEP") may meaningfully apply and access



the housing opportunity.<sup>1</sup> Marketing informational materials must therefore provide notice of free language assistance to applicants, translated into the languages of LEP populations anticipated to apply.

3. "Successfully" for the purposes of these Guidelines means that, with respect to both the entity and the relevant staff, (a) the prior experience has not required intervention by a Subsidizing Agency to address fair housing complaints or concerns; and (b) that within the past five (5) years, there has not been a finding or final determination against the entity or staff for violation of any state or federal fair housing law.

## **C. Affirmative Fair Housing Marketing Plan**

### 1. Duration

The Developer and contractor, if any, or other delegated entity, shall review and update the AFHMP at least every five years, or more frequently if relevant demographics change, or as otherwise needed in order to ensure compliance with applicable law and DHCD's AFHMP guidelines, as may be amended from time to time (or any successor guidelines or directives).

*(May 2013 Update: Addition of language on duration; no change in policy.)*

### 2. Contents

The Developer shall prepare the following materials which shall comprise an AFHMP:

- a. Informational materials for applicants including a general description of the overall project that provides key information such as the number of market/affordable units, amenities, number of parking/garage spaces per unit, distribution of bedrooms by market and affordable units, accessibility, etc.
- b. A description of the eligibility requirements.
- c. A description of the rules for applying and the order in which applications will be processed.
- d. Lottery and resident selection procedures.
- e. A clear description of the preference system being used (if applicable).
- f. A description of the measures that will be used to ensure affirmative fair marketing will be achieved including a description of the affirmative fair marketing and outreach methods that will be used, sample advertisements to be used, and a list of publications where ads will be placed.
- g. Application materials including:
  - (1) The application form.

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<sup>1</sup> See DHCD's Language Access Plan at <http://www.mass.gov/hed/docs/dhcd/hd/fair/languageaccessplan.pdf> for information about language access planning obligations and requirements.

- (2) A statement regarding the housing provider's<sup>2</sup> obligation not to discriminate in the selection of applicants on the basis of race, color, national origin, disability, age, ancestry, children, familial status, genetic information, marital status, public assistance reciprocity, religion, sex, sexual orientation, gender identity, veteran/military status, or any other basis prohibited by law, and such a statement must also be included in the application materials.
  - (3) Information indicating that persons with disabilities are entitled to request a reasonable accommodation in rules, policies, practices, or services, or to request a reasonable modification in the housing, when such accommodations or modifications may be necessary to afford persons with disabilities an equal opportunity to use and enjoy the housing.<sup>3</sup>
  - (4) An authorization for consent to release information.
- h. For homeownership transactions, a description of the use restriction and/or deed rider.
  - i. The Developer and contractor, if any, shall sign the AFHMP document as follows:

"As authorized representatives of [Developer] and [contractor], respectively, each of us has reviewed this plan and agrees to implement this AFHMP, which shall be made effective as of the approval date. Further, by signing this form, [Developer] agrees to review and update its AFHMP as necessary in order to comply with all applicable statutes, regulations, executive orders and other binding DHCD requirements pertaining to affirmative fair housing marketing and resident selection plans reasonably related to such statutes, regulations, executive orders, as same may be amended from time to time. We hereby certify that all the information stated herein, as well as any information provided herewith, is true and accurate.

Note: The Developer shall *not* utilize the HUD AFHMP form unless required to submit an AFHMP to HUD for review and approval.

### 3. Approval

The Subsidizing Agency must approve the AFHMP before the marketing and application process commences.

### 4. Applicability

Aside from the advertising component of the AFHMP, which applies to all units, the AFHMP shall be applied to affordable units upon availability for the term of affordability and must consist of actions that provide information, maximum opportunity, and otherwise attract eligible persons protected under state and federal civil rights laws that are *less likely to apply*.

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<sup>2</sup> Note: housing providers include owners of accessory apartments and their agents.

<sup>3</sup> It is important to remember that legal obligations with respect to accessibility and modifications in housing extend beyond the Massachusetts Architectural Access Board requirements, including federal requirements imposed by the Fair Housing Act, the Americans with Disabilities Act, and the Rehabilitation Act. Under state law, in the case of publicly assisted housing, multiple dwelling housing consisting of ten or more units, or contiguously located housing consisting of ten or more units (see M.G.L. c. 151B, § 1 for definitions), reasonable modification of existing premises shall *be at the expense of the owner* or other person having the right of ownership if necessary for the person with a disability to fully enjoy the premises. M.G.L. c. 151B, § 4(7A). See also 24 C.F.R. part 8 for Rehabilitation Act requirements of housing providers that receive federal financial assistance.

## 5. Criminal Background Checks

Criminal background checks are not required under these AFMHP guidelines. However, if criminal background inquiries and checks will be utilized during the application process, the use of such inquiries and checks are subject to the approval of the Subsidizing Agency. Criminal background screening shall not be conducted as a precondition for applicant participation in the lottery. For further guidance on criminal background screening, see the Model Policy Regarding Applicant Screening on the Basis of Criminal Records, available at <http://www.mass.gov/hed/economic/eohed/dhcd/legal/fair-housing-and-civil-rights-information.html>

*(May 2013 Update: New requirement for signature/certification of AFHMP submissions; advice on use of HUD form; and new language on CORIs but no change in policy.)*


## 6. Outreach and Marketing

Marketing should attract residents outside the community by extending to the regional statistical area as well as the state and must meet the following requirements:

- a. Advertisements should be placed in local and regional newspapers, and newspapers that serve minority groups and other groups protected under fair housing laws. Notices should also be sent to local fair housing commissions, area churches, local and regional housing agencies, local housing authorities, civic groups, lending institutions, social service agencies, and other non-profit organizations.
- b. Affordable units in the Boston Metropolitan Statistical Area (MSA) must be reported to the Boston Fair Housing Commission's Metrolist (Metropolitan Housing Opportunity Clearing House). Such units shall be reported whenever they become available (including upon turnover).
- c. Accessible<sup>4</sup> units must be listed with MassAccess (see <http://www.chapa.org> or <http://www.massaccesshousingregistry.org>) whenever they become available (including upon turnover).
- d. Affordable rental and affordable ownership units, whether or not they are accessible, must also be listed with MassAccess whenever they become available (including upon turnover). Where applicable, all MassAccess data input fields relating to accessible and adaptable status and accessibility features must be completed. Available affordable ownership units must also be listed with the Massachusetts Affordable Housing Alliance website (see <http://www.mahahome.org> or <http://www.massaffordablehomes.org>).
- e. Marketing should also be included in non-English publications based on the prevalence of particular language groups in the regional area. To determine the prevalence of a particular language by geographical area, see for example [http://www.lep.gov/demog\\_data/demog\\_data.html](http://www.lep.gov/demog_data/demog_data.html).

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<sup>4</sup> Note: The owner or other person having the right of ownership shall, in accordance with M.G.L. c. 151B, §4(7A), give at least fifteen days' notice of the vacancy of a wheelchair accessible unit to the Massachusetts Rehabilitation Commission. Said statute also requires the owner or other person having the right of ownership to give timely notice that a wheelchair accessible unit is vacant or will become vacant to a person who has, within the past 12 months, notified the owner or person or person having the right of ownership that such person is in need of a wheelchair accessible unit.

- f. All marketing should be comparable in terms of the description of the opportunity available, regardless of the marketing type (e.g., local newspaper vs. minority newspaper). The size of the advertisements, including the content of the advertisement, as well as the dates of the advertising unless affirmative advertising occurs first, should be comparable across regional, local, and minority newspapers.
- g. All advertising and marketing materials should indicate resident selection by lottery or other random selection procedure, where applicable.
- h. All advertising should offer reasonable accommodations in the application process.
- i. Advertisements should run a minimum of two times over a sixty day period and be designed to attract attention. Marketing of ownership units should begin approximately six months before the expected date of project occupancy.
- j. Pursuant to fair housing laws,<sup>5</sup> advertising/marketing must not indicate any preference or limitation, or otherwise discriminate based on race, color, disability, religion, sex, familial status, sexual orientation, gender identity, national origin, genetic information, ancestry, children, marital status, or public assistance reciprocity. This prohibition includes phrases such as "active adult community" and "empty nesters". Exceptions may apply if the preference or limitation is pursuant to a lawful eligibility requirement.
- k. All advertising and marketing materials portraying persons should depict members of classes of persons protected under fair housing laws, including majority and minority groups as well as persons with disabilities.
- l. The Fair Housing logo () and slogan ("Equal Housing Opportunity") should be included in all marketing materials. The logo may be obtained at HUD's website at: <http://www.hud.gov/library/bookshelf11/hudgraphics/fheologo.cfm> .

*(May 2013 Update: Clarification on MassAccess requirements; the specific references to examples of prohibited phrases in #8; no change in policy.)*

## 7. Availability of Applications

Advertising and outreach efforts shall identify locations where the application can be obtained. **Applications shall be available at public, wheelchair accessible locations, including one that has some night hours; usually, a public library will meet this need.** The advertisements and other marketing materials shall include a telephone number, as well as the TTY/TTD telephone number, that persons can call to request an application by mail. Advertisements and other marketing materials cannot indicate that applicants must appear in person in order to receive or submit applications or that they will have an advantage over applicants who do not appear in person.

## 8. Informational Meeting

At the time of initial marketing, the lottery administrator must offer one or more informational meetings for potential applicants to educate them about the lottery process and the housing development. These meetings may include local officials, developers, and local bankers. The date, time, and location of these meetings shall be published in ads and flyers that publicize the availability of lottery applications. The

<sup>5</sup> 42 U.S.C. § 3604(c); M.G.L. c. 151B, § 4(7B).

workshops shall be held in a municipal building, school, library, public meeting room or other accessible space. Meetings shall be held in the evening or on weekend days in order to reach as many potential applicants as possible. However, attendance at a meeting shall not be mandatory for participation in a lottery.

The purpose of the meeting is to answer questions that are commonly asked by lottery applicants. Usually a municipal official will welcome the participants and describe the municipality's role in the affordable housing development. The lottery administrator will then explain the information requested on the application and answer questions about the lottery drawing process. The Developer should be present to describe the development and to answer specific questions about the affordable units. It is helpful to have representatives of local banks present to answer questions about qualifications for the financing of affordable units. At the meeting, the lottery administrator should provide complete application materials to potential applicants.

#### 9. Homeownership – Establishing Sales Prices

Sale prices shall be established at the time of the initial marketing of the affordable units. Thereafter, the prices of homes cannot be increased for lottery winners, even if interest rates and HUD income guidelines change.

For large, phased developments maximum sale prices of units sold in subsequent phases will be calculated prior to the start of marketing for each phase, or approximately 6 months prior to expected occupancy of the units. In such cases, each phase will require its own affirmative fair marketing efforts and lottery.

### **D. Local Preferences**

#### 1. Threshold Requirements

##### a. Required Supporting Documentation

If a municipality wishes to implement a local selection preference, it must:

- (1) Demonstrate in the AFHMP the need for the local preference. For instance, a community that has a subsidized rental housing or public housing waiting list with local applicants likely to apply for the project (whether or not the project provides rental assistance will be considered) *may* support a local preference for a rental development.
- (2) Justify the extent of the local preference (the percentage of units proposed to be set aside for local preference). That is, how does the documented local need, in the context of the size of the community, the size of the project and the regional need, justify the proposed size of the local preference for a given project? *Note, however, that in no event may a local preference exceed 70% of the (affordable) units in a Project.*
- (3) Demonstrate that the proposed local preference will not have a disparate impact on protected classes (see e.g., the "Avoiding Potential Discriminatory Effects" section below).

##### b. Failure to Provide Supporting Documentation

A municipality must provide to the Developer the documentation required to support a local preference within 3 months of final issuance of the Comprehensive Permit. Failure to comply with

this requirement shall be deemed to demonstrate that there is not a need for a local preference and a local preference shall not be approved as part of any AFHMP or use restriction.

2. Approval

The Subsidizing Agency, and in the case of LAUs, DHCD as well as the municipality, must approve a local preference scheme as part of the AFHMP. Therefore, the nature and extent of local preferences should be approved by the Subsidizing Agency (or DHCD in the case of LAUs) prior to including such language in any zoning mechanism. Furthermore, a comprehensive permit shall only contain requirements or conditions relating to local preferences to the extent permitted by applicable law and this AFHMP policy.

*(May 2013 Update: Clarification on what is required to establish the local preference set-aside.)*

3. Local Preferences

a. Allowable Preference Categories

- (1) Current residents: A household in which one or more members is living in the city or town at the time of application. Documentation of residency should be provided, such as rent receipts, utility bills, street listing or voter registration listing.
- (2) Municipal Employees: Employees of the municipality, such as teachers, janitors, firefighters, police officers, librarians, or town hall employees.
- (3) Employees of Local Businesses: Employees of businesses located in the municipality.
- (4) Households with children attending the locality's schools, such as METCO students.

b. When determining the preference categories, the geographic boundaries of the local resident preference area may not be smaller than municipal boundaries.

**c. Durational requirements related to local preferences, that is, how long an applicant has lived in or worked in the residency preference area, are not permitted in any case.**

d. Preferences extended to local residents should also be made available not only to applicants who work in the preference area, but also to applicants who have been hired to work in the preference area, applicants who demonstrate that they expect to live in the preference area because of a bona fide offer of employment, and applicant households with children attending the locality's schools, such as METCO students.

e. A preference for households that work in the community must not discriminate (including have a disproportionate effect of exclusion) against persons with disabilities and elderly households in violation of fair housing laws.

**f. Advertising should not have a discouraging effect on eligible applicants. As such, local residency preferences must not be advertised as they may discourage non-local potential applicants.**

#### 4. Avoiding Potential Discriminatory Effects

##### a. General.

The local selection preferences must not disproportionately delay or otherwise deny admission of non-local residents that are protected under state and federal civil rights laws. The AFHMP should demonstrate what efforts will be taken to prevent a disparate impact or discriminatory effect. For example, the community may move minority applicants into the local selection pool to ensure it reflects the racial/ethnic balance of the HUD defined Metropolitan Statistical Area ("MSA") as described below.<sup>6</sup> However, such a protective measure may not be sufficient as it is race/ethnicity specific; the AFHMP must address other classes of persons protected under fair housing laws who may be negatively affected by the local preference. For instance, a preference solely based on employment in the municipality may have a disparate impact on the elderly or some persons with disabilities. In such instance, an applicant residing in the community who is age 62 or older or is a person with a disability must be given the benefit of the employment preference.

##### b. Lottery Process

- (1) To avoid discriminatory effects in violation of applicable fair housing laws, the following procedure should be followed unless an alternative method for avoiding disparate impact (such as lowering the original percentage for local preference as needed to reflect demographic statistics of the MSA) is approved by the Subsidizing Agency. If the project receives HUD financing, HUD standards must be followed.
- (2) A lottery for projects including a local preference should have two applicant pools: a local preference pool and an open pool. After the application deadline has passed, the Developer should determine the number of local resident minority households there are in the municipality and the percentage of minorities in the local preference pool. If the percentage of minority local resident households in the local preference pool is less than the percentage of minorities in the surrounding HUD-defined area, the Developer should make the following adjustments to the local preference pool:
  - (a) The Developer should hold a preliminary lottery comprised of all minority applicants who did not qualify for the local preference pool, and rank the applicants in order of drawing.
  - (b) Minority applicants should then be added to the local preference pool in order of their rankings until the percentage of minority applicants in the local preference pool is equal to the percentage of minorities in the surrounding HUD-defined area.
  - (c) Applicants should be entered into all pools for which they qualify. For example, a local resident should be included in the local preference pool and the open pool.
  - (d) Minorities should be identified in accordance with the classifications established by HUD and the U.S. Census Bureau, which are the racial classifications: Black or African American; Asian; Native American or Alaska Native; Native Hawaiian or Pacific Islander; or other (not White); and the ethnic classification Hispanic or Latino.

#### **E. Household Size Requirements**

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<sup>6</sup> Note: This protective measure may not be dispositive with respect to discriminatory effects. For example, the non-local applicant pool may contain a disproportionately large percentage of minorities, and therefore adjusting the local preference pool to reflect demographics of the regional area may not sufficiently address the discriminatory effect that the local preference has on minority applicants. Therefore, characteristics of the non-local applicant pool should continually be evaluated.

In order to make the best use of limited affordable housing resources, household size should be appropriate for the number of bedrooms in the home. Minimum household standards shall be established and shall conform with the following requirements. A "household" shall mean two or more persons who will live regularly in the unit as their principal residence and who are related by blood, marriage, law or who have otherwise evidenced a stable inter-dependent relationship, or an individual.

1. Preferences.

Lottery drawings shall result in each applicant being given a ranking among other applicants with households receiving preference for units based on the above criteria below.

a. First Preference

Within an applicant pool first preference shall be given to households requiring the total number of bedrooms in the unit based on the following criteria:

- (1) There is at least one occupant per bedroom.<sup>7</sup>
- (2) A husband and wife, or those in a similar living arrangement, shall be required to share a bedroom. Other household members may share but shall not be required to share a bedroom.
- (3) A person described in the first sentence of (b) shall not be required to share a bedroom if a consequence of sharing would be a severe adverse impact on his or her mental or physical health and the lottery agent receives reliable medical documentation as to such impact of sharing.
- (4) A household may count an unborn child as a household member. The household must submit proof of pregnancy with the application.
- (5) If the applicant is in the process of a divorce or separation, the applicant must provide proof that the divorce or separation has begun or has been finalized, as set forth in the application.

b. Second Preference

Within an applicant pool second preference shall be given to households requiring the number of bedrooms in the unit minus one, based on the above criteria.

c. Third Preference

Within an applicant pool third preference shall be given to households requiring the number of bedrooms in the unit minus two, based on the above criteria.

2. Maximum Household Size

Household size shall not exceed, nor may maximum allowable household size be more restrictive than, State Sanitary Code requirements for occupancy of a unit (See 105 CMR 400).<sup>8</sup>

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<sup>7</sup> Households with disabilities must not be excluded from a preference for a larger unit based on household size if such larger unit is needed as a reasonable accommodation.



## A. Lotteries and Application Process

### 1. Lottery Application

#### a. "First Come, First Served"

Resident selection for affordable units must generally be based on a lottery, although in some cases it may be based on another fair and equitable procedure approved by the Subsidizing Agency.<sup>9</sup> A "first-come, first-serve procedure," generally is not permissible as it is likely to disadvantage non-local applicants or may otherwise present an impediment to equal housing opportunity for some applicants, including some applicants with disabilities. However, first-come, first-serve may be permissible in circumstances for which a lottery or other random selection procedure would be unduly burdensome or impracticable, including for individual homeownership units after the initial lottery.

#### b. Application Period.

The application period should be at least 60 days. To ensure the fairness of the application process, applicants must not be required to deliver application materials and instead must be permitted to mail them or submit by alternative means such as fax or e-mail.

#### c. Application Contents and Verification

- (1) The lottery application must address a household's income, assets, size and composition, minority status (optional disclosure by the household), eligibility as a first-time buyer (for ownership units), and eligibility for local preference
- (2) The lottery administrator shall request verification to verify eligibility; e.g., for homeownership units, three prior year tax returns with the W2 form and for rental housing, one year prior tax return with the W2 form; 5 most recent pay stubs for all members of the household who are working, three most recent bank statements and other materials necessary to verify income or assets. **Only applicants who meet the applicable eligibility requirements shall be entered into a lottery.**

*(May 2013 update: clarification that "first come, first serve" generally is not permitted as a selection process.)*

### 2. Lottery Procedure

#### a. General

- (1) Once all required information has been received, qualified applicants should be assigned a registration number. **Only applicants who meet the applicable eligibility requirements shall be entered into a lottery.<sup>10</sup> The lottery shall be conducted after**

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<sup>8</sup> Note, however, that fair housing exceptions may apply: see HUD Fair Housing Enforcement—Occupancy Standards Notice of Statement of Policy, Docket No. FR-4405-N-01 (1998).

<sup>9</sup> In the case of project based Section 8 properties where resident selection is to be performed by the housing authority pursuant to a Section 8 waiting list, a lottery procedure is not required.

<sup>10</sup> Only applicants who are eligible for a local preference, where applicable, shall be entered into a local preference lottery pool.

**any appeals related to the project have been completed and all permits or approvals related to the project have received final action.**

(2) Ballots with the registration number for applicant households are placed in **all** lottery pools for which they qualify. The ballots are randomly drawn and listed in the order drawn, by pool. If a project has units with different numbers of bedrooms, units are then awarded (largest units first) by proceeding down the list to the first household on the list that is of appropriate size for the largest unit available according to the appropriate-unit-size criteria established for the lottery. Once all larger units have been assigned to appropriately sized households in this manner, the lottery administrator returns to the top of the list and selects appropriately sized households for smaller units. This process continues until all available units have been assigned to appropriately sized applicant households.

(3) The lottery should ordinarily be held at a public, wheelchair accessible location.

b. Deposits/Fees

(1) Prohibited - Successful lottery participants cannot be required to pay any fee or deposit to hold a unit pending construction completion nor can applicants be required to pay any form of fee or deposit to be placed on a wait list.

(2) Permitted – The foregoing language shall not prevent an Owner from requiring a deposit from a home buyer upon signing an offer and/or purchase and sales agreement, nor at the time that the Owner is offering to lease a specific rental unit to the applicant household. In the latter instance, the deposit shall not exceed the amount that the Owner would otherwise be permitted to require as a security deposit.

c. Accessible Units/Units with Adaptive Features; Reasonable Accommodations

(1) If the project includes units that are fully accessible, or units that have adaptive features (also commonly referred to as “adaptable” units), for occupancy by persons with mobility impairments or hearing, vision or other sensory impairments, first preference (regardless of applicant pool) for those units shall be given to persons with disabilities who need such units, including single person households, in conformity with state and federal civil rights laws. This preference applies to fully accessible units (e.g., in projects in which 5% of the total units are to be wheelchair accessible and 2% are to be communications accessible in accordance with applicable accessibility standards).<sup>11</sup> In projects that do not have such units but that have units with adaptive features<sup>12</sup> for persons with mobility impairments and/or hearing, vision or other sensory impairments, this preference also applies to the units with adaptive features; however, such a preference is not required to exceed 5% (mobility) or 2% (sensory) of the total units under these guidelines.

(2) Fulfilling the obligation for a providing a first preference, as described above, does not limit an owner’s fair housing obligations with respect to persons with disabilities. When a person with a disability is the next eligible applicant and the development contains available units with adaptive features, the applicant must be made aware of such availability and of the owner’s obligation to adapt the unit as needed.

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<sup>11</sup> e.g., Massachusetts Architectural Access Board (MAAB) (“Group 2 units”), Uniform Federal Accessibility Standards (UFAS), and 2010 ADA Standards.

<sup>12</sup> e.g., in accordance with the Fair Housing Act Guidelines and MAAB (“Group 1 units”) standards.

- (3) The owner also has obligations to make reasonable accommodations such as granting the request for an appropriately sized first floor unit.

d. Wait Lists

- (1) General - The lottery administrator should retain a list of households who are not awarded a unit, in the order that they were drawn from the general (non-local) pool. If any of the initial renters/buyers do not rent/purchase a unit, the unit shall be offered to the highest ranked household on that retained list.
- (2) Units with Adaptive Features - Where a person with a disability is awaiting an accessible unit and a unit with adaptive features becomes available, the owner/management agent must offer to adapt the unit.
- (3) Term of Wait List - The wait list generally may be retained and used to fill units for up to one year. However, other factors such as the number of households remaining on the list, the likelihood of the continuing eligibility of such households, and the demographic diversity of such households may inform the retention time of the list, subject to the approval of the Subsidizing Agency.
- (4) Updating - After the initial lottery, waiting lists should be analyzed, maintained, and updated (through additional marketing) so that they remain consistent with the objectives of the housing program and are adequately representative of the racial, ethnic, and other characteristics of potential applicants in the housing market region.

*(May 2013 Update: Clarification on deposit policy and fair housing requirements with respect to accessible and/or adaptive units; no change in policy.)*

3. Lottery Example

This theoretical lottery has an OPEN pool that includes all applicants and a LOCAL PREFERENCE pool with only applicants from the local area.

- Total applicants in lottery: 100
  - Total minority applicants: 20
  - The community in which the lottery takes place falls within the HUD Boston-Cambridge-Quincy Metropolitan Statistical Area which has a minority population of 27.0%.
- a. Determine the number of applicants who claim a LOCAL preference according to approved criteria.
  - b. Determine the number of minority applicants in the LOCAL preference pool.
  - c. Determine the percentage of minority applicants in the LOCAL preference pool.

Total Applicants in Local Preference Pool	Total Minority Applicants in Local Preference Pool	% Minority Applicants in Local Preference Pool
60	10	16.7%

Since the percentage of minority applicants in the LOCAL preference pool is below the percentage of minority residents in the HUD defined metropolitan statistical area (16.7% as opposed to 27.0%), a preliminary lottery is required.

d. The 10 minority applicants who do not have LOCAL preference are entered into a preliminary drawing and assigned a rank based on the order of their draw. Minority applicants are added to the LOCAL preference pool in order of their rank until the LOCAL preference pool has at least as great a percentage of minority applicants as the larger statistical area. In this example, 9 applicants will be added to the LOCAL preference pool to bring the percentage of minority applicants up to 21.827.5%.

Total Applicants in Supplemented Local Preference Pool	Total Minority Applicants in Supplemented Local Preference Pool	% Minority Applicants in Supplemented Local Preference Pool
69	19	27.5%

e. Draw all ballots from the adjusted LOCAL pool and assign rankings to each household. Preference for appropriately sized households will still apply and all efforts should be made to match the size of the affordable units to the legitimate need for bedrooms of each household.

f. Once all units for LOCAL residents have been allocated, the OPEN pool should proceed in a similar manner. All LOCAL residents should have ballots in both pools, and all minority applicants that were put in the LOCAL pool should remain in the OPEN pool as well.

#### 4. Rental: Opening Waiting Lists, Re-Marketing or Continuous Marketing

Although owner/management agent standards for opening waiting lists or re-marketing to generate sufficient applications after the initial rent-up stage may vary, the following are generally applicable: the waiting list is re-opened when it contains less than the number of applicants anticipated to be placed in the next 12 months, or, if the waiting list has not closed, additional marketing is ~~needed~~ undertaken to generate at least enough applicants as was needed to fill the previous year's vacancies.

##### a. Minimum Application Period

At such or similar points in time, consistent with a Developer or management agent's policies and practices with respect to marketing and wait lists, when a wait list (whether for a project or a particular unit type) is re-opened or units are remarketed, a minimum application period during which applicants may receive and submit applications is required. The appropriate length of the application period may vary depending on the number of units that are or will become available. In some instances 20 or more business days will be appropriate, but in no event shall the application period be less than 10 business days.

##### b. "First Come, First Served"

A "first-come, first-serve" method of generating the waiting list order of new applicants that apply during said application period shall not be permitted as it may present an impediment to equal housing opportunity for some applicants, including some applicants with disabilities. Therefore, a random selection or other fair and equitable procedure for purposes of adding persons to a wait list upon opening the wait list or remarketing the units must be utilized, subject to the approval of the

Subsidizing Agency.<sup>13</sup> This does not require any changes to the wait list as it exists prior to adding the new applicants.

c. Continuous Marketing/Persons with Disabilities

If the wait list is not closed and marketing is ongoing continuously in order to generate sufficient applicants, then, so as to avoid a disparate impact on persons with disabilities who require a reasonable accommodation with the application process, including additional time to receive, complete and/or submit an application, and who therefore may be disadvantaged by wait list placement based upon the date/time of receipt of the application, the application will be date/time stamped prior to being mailed or otherwise provided to such applicants and upon submission of a complete application the household shall be placed on the wait list based upon such date/time stamp, *provided that* the application is returned or postmarked not more than 30 days of such date/time stamp. The ongoing affirmative and general marketing/outreach materials will contain language that explicitly gives notice of the availability of reasonable accommodations with respect to the application process and a telephone number for applicants who may want to request a reasonable accommodation and/or assistance with the application process.

For marketing requirements, see "Outreach and Marketing" and "Availability of Applications" under Sections B.6 and B.7, above.

*(May 2013 Update: Explicit standards for re-opening rental housing waiting lists or re-marketing rental units.)*

**B. Homeownership**

1. Household Eligibility

A Subsidizing Agency housing program may establish eligibility requirements for homebuyers. In the absence of such provisions, the following requirements shall apply.

In addition to meeting the requirements for qualifying a Project or dwelling unit for the SHI (see Section II.A), the household shall not have owned a home within three years preceding the application, with the exception of:

- a. displaced homemakers, where the displaced homemaker (an adult who has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family), while a homemaker, owned a home with his or her partner or resided in a home owned by the partner;
- b. single parents, where the individual owned a home with his or her partner or resided in a home owned by the partner and is a single parent (is unmarried or legally separated from a spouse and either has 1 or more children of whom the individual has custody or joint custody, or is pregnant);
- c. households where at least one household member is 55 or over;
- d. households that owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations; and

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<sup>13</sup> Note: the random selection procedure requirement does not preclude the application of the larger household size and accessible/adaptable preferences described herein.

- e. households that owned a property that was not in compliance with State, local or model building codes and that cannot be brought into compliance for less than the cost of constructing a permanent structure.

**Individuals who have a financial interest in the development and their families shall not be eligible.**

2. Final Qualification and Closing

a. Securing Financing.

- (1) Once the lottery has been completed, applicants selected to purchase units must be given a reasonable pre-specified time period in which they must secure financing.
- (2) The Developer should invite the lottery winners to a loan application workshop.
- (3) The Developer should make prior arrangements with local financial institutions with respect to financing qualified purchasers. Often such institutions will give preliminary approvals of loans, which make the remainder of the process more efficient for all parties. However, **applicants cannot be required to use a specific lender for their pre-approval letter or their mortgage.**
- (4) Applicants should be made aware that they should confirm that their lender accepts the "Universal Deed Rider" employed by the Subsidizing Agencies.
- (5) Non-household members should not be permitted as co-signers of the mortgage.

b. Approval by Subsidizing Agency

Before a Purchase and Sale Agreement is signed, the lottery agent should submit income and asset documentation of the applicant to the Subsidizing Agency. Income verification should include tax returns and W-2s from the past three years, five most recent pay stubs, three months recent bank statements and 401 K reports, reliable documentation as to other sources of income and assets. The Subsidizing Agency will then verify that the household's annual income does not exceed 80% of the area median income, or such lower income limit as may have been established for the particular project. The Subsidizing Agency also will verify that household assets do not exceed the maximum allowed. **Closing of the sale will also be contingent on the Subsidizing Agency's approval of the buyer's financing.**

3. Resales

a. Ongoing AFHMP Requirements

AFHMP requirements apply to the housing for its duration. The AFHMP must include a plan, satisfactory to the Subsidizing Agency, to address AFHMP requirements upon resale. The proposal must, at a minimum, require that units for re-sale to eligible purchasers be listed with CHAPA's MassAccess site and MAHA's homeownership lottery sites as described above and establish minimum public advertising requirements. The proposal cannot impose the AFHMP requirements upon a homeowner other than requiring compliance with requirements of a Use Restriction, reasonable public advertising, and listing with CHAPA and MAHA.

b. "Ready-Buyer" List

A "ready-buyer" list of eligible buyers maintained by the municipality or other local entity is encouraged. This list may be created through local, regional, and statewide lists and resources. As stated above, the list should continually be analyzed, maintained, and updated (through additional marketing) so that it remains consistent with the objectives of the housing program and is adequately representative of the racial, ethnic, and other characteristics of potential applicants in the housing market region.