



# **Local Initiative Program**

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# What is LIP?

- A program that encourages locally-driven efforts to create affordable housing.
- It falls under Chap. 40B, and was created in response to opposition to 40B and the development of affordable housing projects.
- LIP provides a mechanism to encourage locally supported affordable housing, where the municipality is engaged in the development of the project, prior to any application to DHCD.



# Two Types of LIP Projects

- “Friendly 40B”: Projects permitted with a Comprehensive Permit (LIP 40B)
  - Municipality must support – application signed by Chief Elected Official; other support, e.g., CPA funds
  
- “Local Action Units” (LAU)
  - Municipal action required
  - Municipality submits application

# The Differences: LIP 40B vs. LAU

## LIP 40B

- Comprehensive Permit (ZBA)
- Application signed by municipality
- Application Fee
- Appraisal – “as is”
- Project Eligibility Letter
- Cost Certification after completion

## Local Action Unit

- Special Permit in place (Planning Board)
- Other local action: funds, land donation, etc.
- Application submitted by municipality
- No application fee



# Why LIP is Appealing to Housing Partners

- Eligible units will count on the Subsidized Housing Inventory
- Locally endorsed projects - community has a say in the early stages
- Non-competitive process - is fairly simple, since no state subsidy is allocated
- Comprehensive permit a good vehicle for consolidating waivers, etc.



# Project Requirements

- Market and affordable homeownership units must be indistinguishable from the exterior
- Affordable units must be distributed proportionately throughout the development
- All amenities must be made available to all residents
- Ten percent of total units in a family development must be 3 bedroom and be distributed proportionately throughout the project, both by location and income tier.



# The Subsidized Housing Inventory (SHI)

- **A list of the number of subsidized units in each community and the percentage of all units**
  
- **Generally units count if:**
  - Developed under an eligible state or federal subsidy program
  - Affordable to households at or below 80% of area median income
  - Have long term use restrictions
  - Are subject to an Affirmative Fair Housing Marketing and Resident Selection Plan



## What is Counted on the the SHI?

- **Rental:** If at least 25% of the units are at 80% AMI or below, or at least 20% are at 50% AMI or below, and such units meet LIP criteria, then all units count.
- **Ownership** - only affordable units meeting LIP criteria count.





# When Are Units Counted on the SHI?

Inclusion is not automatic. Municipality has to request that the units be added.

- Rental: when municipality submits request, after projects receive LAU approval or comprehensive permit
- Ownership: when deed is recorded
- Subject to time lapses, as outlined in the *Guidelines*



# LIP is Popular and Growing

- Since its inception in the 1980's, approximately 40,000 units of housing have been approved, of which almost 8,000 are affordable.
- In 2020, 4,295 units were approved under LIP. In 2019, 2,282 units were approved.
  - Of those units, 3,134 were Local Action Units and 1,161 were LIP 40B units.
    - 692 of these units were affordable
- Projects are developed across the State.

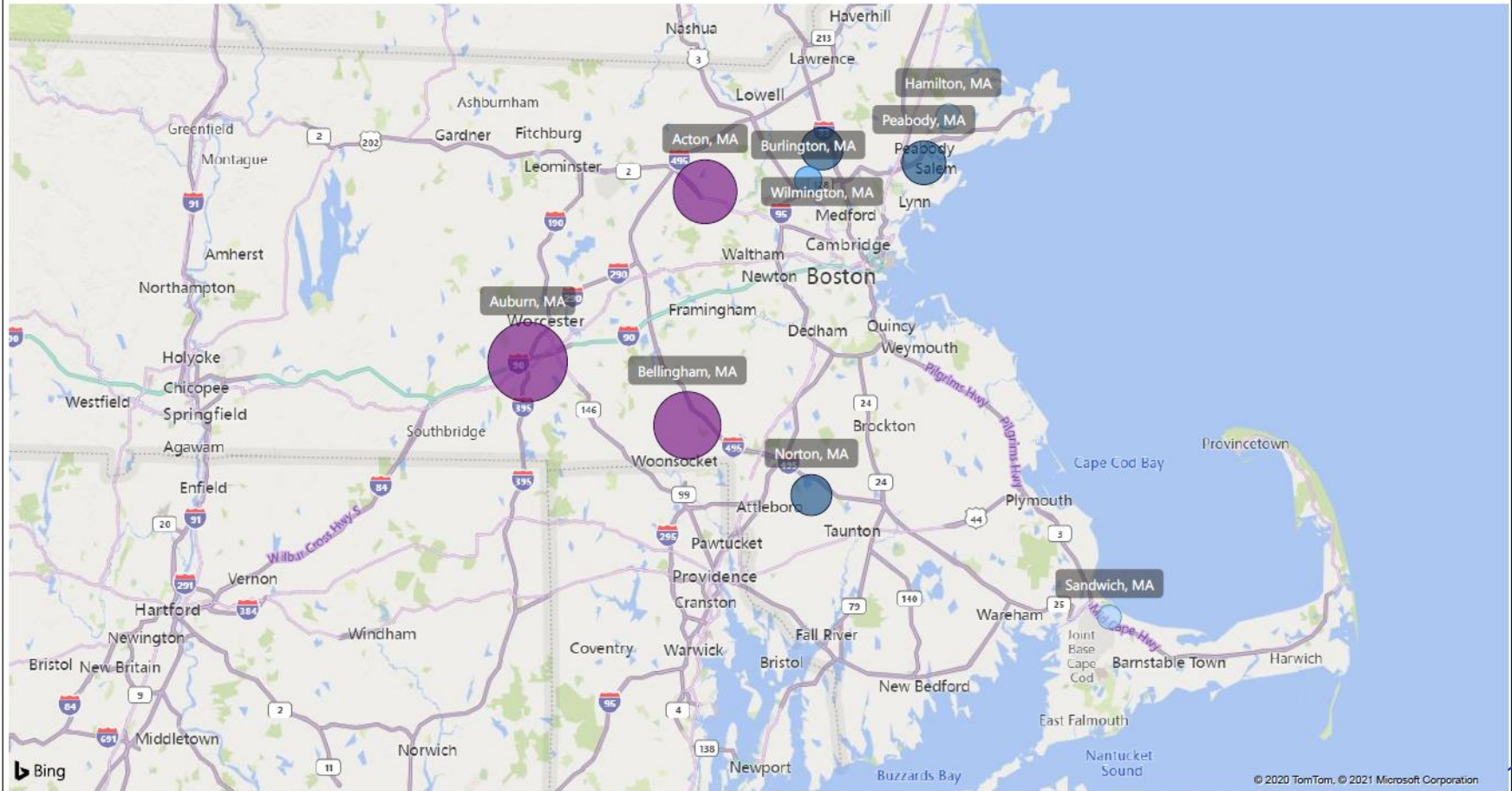




# LIP 40B Units Approved in 2020

LIP 40B: DHCD approved 1,161 "Friendly 40B" Units total in 2020

Units ● 1-20 ● 200+ ● 20-50 ● 50-200





# LIP 40B Application Process

- **Contact DHCD before submitting**
- Requirements - in application
  - Application signed by municipality; submitted by developer along with application fee
  - Return to municipality for 30-day review
  - Appraisal – commissioned by DHCD
  - Site visit with DHCD, sponsor, and local officials
- Issuance of Project Eligibility Letter to obtain Comprehensive Permit



# LIP 40B Application Process (cont'd.)

- PEL to ZBA for comprehensive permit
  - Municipality and developer
- Approval of Affirmative Marketing Plan and Tenant Selection Plan
- Regulatory Agreement
  - Municipality, developer, and DHCD
  - Can take several months – iterative process
  - Serves as the “Final Approval”



# Local Action Unit Application Process

## Key Requirements:

- Application submitted by municipality
- Evidence of Local Action
- Affirmative Marketing Plan and Lottery Agent
- Regulatory Agreement





# LIP/Local Action Units Project Types

- **New construction**
- **Building conversion**
- **Substantial rehabilitation**







# Examples of LIP Projects

- Large and small rental projects
- Homeownership – both single family and condo
- First Time Homebuyer Buydown Programs
- Non-profit sponsored projects



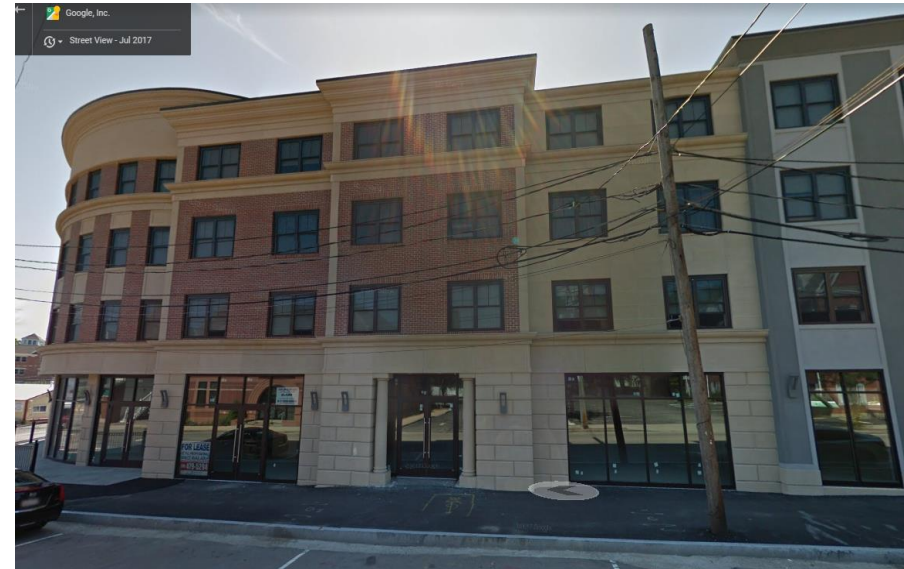
# LIP Project Types

## Reuse/New Construction

- 24 total units, 12 affordable, 2 and 3 bedroom homes
- Town re-zoned land; Housing Trust and HOME funds



## Mixed-Use



- First floor commercial; 60 1 Bedroom apartments on 2<sup>nd</sup> and 3<sup>rd</sup> floor
- Special permit

# LIP Project Types

## Transit Oriented

- 264 units//26 affordable
- 80% of AMI



## Mixed Reuse

Former courthouse, with commercial on first floor





# LIP Project Types

## Habitat /Sweat Equity

- Single Family Homes – Serving 30-60% AMI
- Town CPA Funds



## Housing Trust/Donated Labor



- 3 Bedroom House
- Housing Trust Funds and Local Vocational School built



# Marketing Plan Contents

1. A description of marketing and outreach
2. Sample ads/publications, social media
3. Application materials
4. Informational materials
5. Eligibility requirements
6. Lottery and resident selection procedures
7. If there is a local preference include a clear description of the preference used



# Marketing Timeline

- Marketing process should start about 6 months prior to occupancy of new construction projects.
- Application period has to be at least 60 days.
- Two months prior, start outreach and place advertisements.
- Advertisements must run twice during the application period.
- An information session is required.



# Fair Housing Framework

- **Obligation to affirmatively further fair housing**
  - maximum opportunities for persons protected under fair housing laws through marketing, application process, and selection policies and procedures



# Marketing Must be Affirmative

Required listings of available units with:

- The Boston Fair Housing Commission's Metrolist, for units located in the Boston Metro Area (Boston-Cambridge-Quincy MSA)
- Massachusetts Accessible Housing Registry
- CHAPA and MAHA lottery websites





# Local Preference

- A local preference may be allowed for up to 70% of the units for initial occupancy in a Project IF:
  - Town provides a demonstration of need for local preference.
  - Need to demonstrate how-the proposed preference will not have a discriminatory effect on protected classes.



# After the project is built

- Monitoring – Municipality or Contracted 3<sup>rd</sup> Party
- Resale, Refinance – Contact DHCD & Municipality
- Legal documents/regulations
  - Will provide guidance for you and the homeowner



# Helpful Hints

- **Contact DHCD prior to submitting application for either LIP 40B or LAU**
- Review requirements in 40B guidelines
- Hire an experienced development team, including a lottery agent
- Submit an application that provides a complete picture: site plan, unit locations, rehab specifications, and a clear explanation of the project.



# Contact Information

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## Resources

<https://www.mass.gov/service-details/local-initiative-program>

<https://www.mass.gov/service-details/subsidized-housing-inventory-shi>