

# **BILD** Bringing Innovation to Lending and Development

## **ABOUT BILD**

MassHousing BILD (Bringing Innovation to Lending and Development) creates financing solutions for market-oriented, mixed-income rental housing construction to catalyze private capital investment.

Through BILD, MassHousing will provide a comprehensive financial solution by offering a competitive senior debt product, the FORGE Loan (Financing Options for Residential Growth and Expansion), coupled with innovative equity financing, Momentum Equity. Rental developers are eligible to apply if their developments are new production, with at least 50 total units, where at least 20% of the units are affordable to residents earning up to 80% of AMI.

Both the FORGE Loan and Momentum Equity are considered eligible subsidized financing sources under Chapter 40B.

## **MASSHOUSING'S IMPETUS FOR LAUNCHING THE BILD STRATEGY**

To address the housing shortage in Massachusetts, there is a need to build all types of housing; MassHousing **recognized an opportunity to support the creation of market-oriented housing.**

Multifamily rental developments account for approximately 7,000 units built annually. Approximately 2,000 of those units are in market-oriented, mixed-income developments, and represents a vital and fast-growing segment of the overall rental housing production volume in Massachusetts. 1,000 of these units are from Chapter 40B. These developments generally have income-restricted units (between 20% and 25%) either because 1) they get their zoning through Chapter 40B or 2) the municipality has inclusionary zoning requirements.

The **state's existing toolkit for market-oriented developments includes limited tools** to ensure this segment of the market continues to function at scale which is necessary to address the housing shortage.

Massachusetts businesses generally agree that housing supply is an issue that impacts their economic advantage, yet there is no clear way they can participate as part of the solution.

MassHousing **sees an opportunity to leverage public capital to mobilize private capital** toward mixed-income rental production in Massachusetts to **ensure we keep our momentum in residential production.**

## MOMENTUM EQUITY

The Momentum Equity is an efficient and predictable source of stable equity financing. While not a subsidy or a grant, it is designed to be flexible compared with other equity available in the commercial market.

Momentum Equity is designed to blend with private equity and revolve to enable MassHousing to continue making investments in housing over time.

### Momentum Fund Features

- MassHousing can finance 25% of total equity for a development through Momentum Equity to blend with private equity, resulting in an overall lower cost of equity.
- Momentum Equity investments will be coterminous with the senior loan.
- Funding enters as takeout financing
- Momentum Equity will be considered an eligible subsidized financing source under Chapter 40B.

### Eligibility Requirements

- Developments that produce net new units (new construction or adaptive re-use) and has at least 50 total units (with a preference for larger developments).
- Developments that are permitted and ready to close will be given priority.
- Developments must have minimum affordability levels of 20% of units restricted to 80% of AMI.

## THE FORGE LOAN

The FORGE Loan is a new MassHousing rental taxable lending product offered in collaboration with Freddie Mac. For each FORGE Loan, MassHousing provides 10% of the debt as a subordinate loan in a first loan loss position. This enables the borrower to access Freddie Mac's most favorable taxable terms, including loan pricing, leverage, and forward rate-lock periods.

The FORGE Loan may be utilized either as a standalone financing solution, or in combination with MassHousing's Momentum Equity investment.

### FORGE Loan Features

- 36-month forward commitment, at a fixed rate
- The FORGE Loan has up to a 15-year loan term, with a 40-year amortization schedule
- Up to 80% LTV, with 1.25x DSCR
- The FORGE Loan will be considered an eligible subsidized financing source under Chapter 40B.

### Eligibility Requirements

- Developments that have at least 50 total units (with a preference for larger developments).
- Developments that are permitted and ready to close will be given priority.
- Developments must have minimum affordability levels of 20% of units, restricted to 80% of AMI.

## CHAPTER 40B

MassHousing's BILD Strategies represents a statewide toolbox for accelerating mixed-income housing growth. Mixed-income developments may be permitted and constructed either under local inclusionary zoning ordinances, or under Chapter 40B. Financing programs under BILD Strategies will lower development costs for projects in and around the Boston core, constructing new affordable homes under strong local inclusionary zoning policies. Outside the Boston core, where Chapter 40B remains a key engine of mixed-income housing growth, BILD Strategies will create new competitively-priced financing options for 40B developers.

### For more information

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