



New Hampshire Department of
**BUSINESS AND
ECONOMIC AFFAIRS**

InvestNH

Capital Grant Program Guidance

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InvestNH Capital Grant Program Guidance

Program Overview	
Subject	Details
Program Goal	The goal of this program is to ameliorate the current crisis in the availability and affordability of workforce housing by providing flexible grants to owners and developers to overcome barriers to the completion of housing units affordable to individuals and families making 80% or less of the area median income (AMI).
Specific Need Addressed	Funding gaps caused by, inter alia, inflationary costs and supply chain issues, present a barrier to the completion of housing construction projects and therefore the availability of new workforce housing units in the state.
Funding	<p>\$50 million in funds provided by the Coronavirus State Fiscal Recovery Fund (SFRF) created under the American Rescue Plan which are designated to compensate for government revenue lost due to the COVID-19 pandemic (expenditure category 6.1).</p> <p>A minimum of \$10 million of program funds will be designated for projects under 15 units and/or projects being developed by non-profit developers.</p>
Administration	This program will be administered by the Department of Business and Economic Affairs (BEA). BEA's responsibilities include establishing program parameters, reviewing applications, awarding funds, monitoring program participants, and reporting to the federal government. All awards are subject to approval by the Executive Council.
Schedule	<p>Applications will be accepted from July 11, 2022, through September 2, 2022. Awards will be announced on September 30, 2022, conditioned on the approval of the Executive Council.</p> <p>At its discretion, the State of New Hampshire may implement an additional application cycle or cycles.</p>
Definitions	<p>Unless otherwise indicated, the following terms are defined as follows for the purpose of this document:</p> <p>Affordable – Affordable to households at 80% of Area Median Income (AMI) as defined in Appendix 1.</p> <p>Affordable Rent – Housing costs (rent + utilities) at or below the maximum affordable gross rent (approximately 30% of 80% of area median income) for the area as determined by the BEA. See Appendix 1.</p> <p>Conditioned Permit – A conditioned permit is a permit that requires specific additional action be taken before the permit can be finally issued. Applicants with conditioned permits are eligible for this program if satisfaction of the condition depends on some expected action being taken by the State of New Hampshire.</p> <p>Property – Unless otherwise indicated, “property” means real property. Real property means land, including land improvements, structures, and appurtenances thereto, but excludes moveable machinery and equipment. “Improvements” to real property include anything that makes the property, or any component thereof, more usable and valuable.</p> <p>Unit – A single-family residence in a multi-family rental housing project which includes a private kitchen and private bathroom. A “new” unit is a unit that increases the total net number of units.</p>

Participant Eligibility Requirements

Subject	Details
Eligible Applicants	<p>Applicants who meet the following criteria are eligible to apply for funding through the Capital Grant Program:</p> <ul style="list-style-type: none"> • The applicant is a responsible project developer and/or owner of a multifamily rental housing project. • The applicant can demonstrate a shortfall in funds necessary to complete those projects. • The completion of the project will result in a net increase in affordable workforce housing in the area. • The applicant must be able to document committed equity or financing in the project equal to or greater than the funds requested. • Construction must be underway, or the project must have all the necessary permits in place and be ready to build. Conditioned permits are allowed if the conditions are solely related to pending action by the State of New Hampshire. • The applicant can show that the required number of units developed by the project were intended to be affordable despite the availability of this funding.
Project Completion Deadline	The project must be substantially completed and the units ready for occupancy within 18 months of notice of approval of the award by the Executive Council.
Nature of Construction	Program funds may only be used to construct new units, resulting in a net increase in the number of affordable units in the municipality.
Eligible Uses	<p>Hard costs such as:</p> <ul style="list-style-type: none"> • Infrastructure upgrades necessary for the project, including those needed to bring units up to code. • Environmental remediation. • Construction. • Americans with Disabilities Act (ADA) required upgrades. • Lead and asbestos remediation.
Ineligible Uses	<p>Costs not directly related to the construction of new housing units such as:</p> <ul style="list-style-type: none"> • Soft costs such as permitting costs, engineering, legal, or architecture. • Land acquisition. • Landscaping. • Financing costs. • Developer fees. • Operating subsidies or other expenses incurred after the completion of the project.
Additional Requirements for Projects over \$3 Million or 15 units.	<p>Applicants with projects with total development costs over \$3 million or creating more than 15 new units must disclose all sources of financing in capital stack.</p> <p>Project funding must include other grants, loans, or tax credits that impose a requirement that units be available for rent by individuals or families with incomes at or below 80% of AMI.</p>

Application Process & Requirements

Subject	Details
Application Period	Applications will open on July 11, 2022. All applications must be submitted on or before September 2, 2022.
Essential Project Information	<p>As part of the application process, applicants will be required to provide the following information:</p> <ol style="list-style-type: none"> 1. Project name. 2. Project address. 3. Developer name. 4. Developer contact information. 5. Contractor/builder name (if different than developer). 6. Contractor/builder contact information. 7. Total number of units in project. 8. Breakdown of market rate vs. affordable units. 9. Breakdown of units by number of bedrooms (Studio, 1 BR, 2 BR, 3 BR, 4+ BR). 10. Breakdown of market rate rents by unit type (if applicable). 11. Whether units will be general occupancy or will be subject to population restrictions (e.g., age restricted). 12. Size of property (acres). 13. Site layout – buildings, stories, units per building. Applicants should include the site plan if available. 14. Does the project include ADA accessible units and/or incorporate principles of universal design? 15. Is the applicant aware of any environmental issues or constraints (e.g., brownfield or other contaminated site)? 16. Has an environment site assessment been conducted? 17. Type of construction (e.g., new construction, mill conversion, single family home conversion). 18. Is the project on municipal water/sewer? 19. Fuel source(s) for heating, hot water, and cooking. 20. Projected or actual construction start date. 21. Projected construction completion date. 22. Projected occupancy date. 23. Whether the project fits into a local or regional plan (e.g., the municipal master plan, the regional Comprehensive Economic Development Strategy (CEDS)). If so, the applicant should cite the name of the plan, relevant section, and page number.
Essential Affordability Information	<p>As part of the application process, applicants will be required to provide the following information:</p> <ol style="list-style-type: none"> 1. AMI level of affordable units if less than 80% of AMI, with a floor of 50% of AMI for eligibility. 2. Period of affordability/deed restriction if more than 5 years. If there is an existing deed restriction, provide documentation of that restriction. 3. If tenants will be income certified. (The program does not require income certification and answering “yes” does not impact eligibility.) 4. Gross rents for affordable units. 5. Are utilities included in rent? 6. Utility allowance projections for each type of planned unit per <u>NHHFA Utility Allowance Schedule</u>. 7. Projected monthly water/sewer cost to tenant. 8. County or Municipal Fair Market Rent (FMR) Area where the project is located.

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Application Process & Requirements

Subject	Details
Application Period	<p>In support of their application, applicants will be required to provide the following documentation:</p> <ol style="list-style-type: none"> 1. Evidence of site control. 2. Certification that the project is not located in a Special Flood Hazard Area (SFHA). 3. Evidence of financing commitment. 4. Evidence of matching equity in project. 5. Evidence of state and local permits in hand. <ol style="list-style-type: none"> A. Local Permits <ul style="list-style-type: none"> • Building permit • If the municipality does not enforce the state building code: Certificate of Zoning Compliance and/or Driveway Permit. • If the municipality does not enforce the state building code and does not have zoning: Building Notification Form. • If applicable, documentation of any municipal affordability requirements (e.g., the project was permitted under the Workforce Housing Statute requiring units to be available at 60% of AMI). B. State Permits <ul style="list-style-type: none"> • Department of Environmental Services (DES) (if applicable): Alteration of Terrain Permit, Septic System/Subdivision Approval, Shoreland Permit, Community Well Siting Approval, Wetlands Permit. • Department of Transportation (DOT): Driveway permit off a state road. • Fish and Game: presence of Rare and Endangered Species Habitat, Natural Heritage Bureau (NHB) DataCheck. • State Historic Review has been completed 6. If any state permits have not been issued, include date of submission of application for permit. 7. Evidence of a need for housing in this area: <ul style="list-style-type: none"> • Market study (if completed); or • One page letter demonstrating a need for the project based on area income and showing rents are achievable. This requirement can be satisfied with a Rent Comparability Grid. 8. History of projects completed by the developer. 9. List of references.
Financial Details	<p>As part of the application process, the applicant will be required to provide the following information:</p> <ol style="list-style-type: none"> 1. Total development cost. 2. Per unit development cost. 3. Breakdown of construction costs. 4. Total debt or financing secured or committed. 5. Total equity. 6. Unfunded gap amount. 7. Requested total Capital Grant Program funding. 8. Requested per unit Capital Grant Program funding. 9. If the applicant's financial need is based on an unexpected budget shortfall, the applicant must explain those increased costs (e.g., increase in materials/labor costs during permitting process, change in Net Operating Income (NOI) due to change in achievable rents due to the market, change in acquisition costs, unexpected environmental constraints, and other regulatory requirements (e.g., brownfield site remediation), lack of competitive bids for construction). 10. The applicant must provide documentation of failure to obtain or ineligibility for financing from other sources (bank, equity investor, grant/subsidy from government). 11. Initial budget estimates and any subsequent budget estimates, including current estimate.

Application Process & Requirements

Subject	Details
Attestation Regarding Finish Quality & Costs	<p>If the demonstrated need is based on increased costs for the project, the applicant must attest that the increase in cost between the initial cost estimate and the current cost estimate of the project is not due to a change in the finish quality of the units.</p> <p>If some or all of the increase in estimated costs is due to finish quality, the applicant must provide documentation that the project could not practically be completed as planned and that the substitution was necessary due to supply shortages or other unforeseen problems. For example, an applicant may provide a copy of an email notification of a product backlog to justify the use of a more expensive but readily available substitute.</p>
Financial Review	<p>All project costs are subject to review and must be reasonable based on current market rates.</p> <p>To the extent practicable, program funds are not to be used as a substitute for any other available financial support.</p>

Affordability Requirements

Subject	Details
Unit Affordability Standards	<p>Rent for affordable units constructed in whole or in part with program funds must not exceed maximum affordable gross rent for the area as determined by the Department of Business and Economic Affairs (BEA). See Appendix 1.</p> <p>BEA will publish updated affordability guidelines annually based on that year's affordability thresholds set by the U.S. Department of Housing and Urban Development.</p>
Lease Requirements	<p>Units constructed in whole or in part using program funds and subject to program affordability requirements must be subject to a written lease.</p> <p>The written lease for each unit must contain a condition that the unit is the occupant's residence as defined by RSA 21:6-a.</p> <p>The written lease for each unit must contain a condition that the unit may not be sublet.</p>
Rental Price Restriction Period	<p>The rent associated with any committed affordable unit constructed or improved with program funds must not exceed the maximum affordable rent for the area as determined annually by the BEA for a minimum of 5 years, beginning the day the unit first becomes available for rent.</p> <p>A committed affordable unit may be taken off the market for up to 180 days out of any 18 months without extending the rent restriction period if the unit is undergoing necessary repairs or upgrades that make occupation impossible or impracticable. If the unit is unavailable for rental for more than 180 days, the rent restriction tolls, adding 1 day to the rent restriction period for every day over 180 it remains unavailable.</p> <ul style="list-style-type: none"> For example, if the rent restriction period on a unit is originally expected to expire on January 1, 2033, but during the 5-year restriction period that unit is off the market and unavailable for occupancy for a single 190-day period, the restriction period would be adjusted to end on January 11, 2033.

Affordability Requirements

Requirements Based on Number of Units	<p>For any projects, for-profit or non-profit, that create 15 or fewer new units or have a total development cost of \$3 million or less, all units constructed or improved in whole or in part with program funds must comply with program affordability requirements. This includes any units that have been modified to allow for the creation of additional housing units or that benefit from building-wide improvements paid for with program funds (e.g., sprinkler system installation).</p> <p>For any projects, for-profit or non-profit, that create more than 15 units or have a total development cost over \$3 million, a minimum of 15 units or 20% (rounded up) of the units, whichever is higher, must be affordable as defined by this program. The unit mix for the affordable units must be proportionate (within a 10% margin) to that of the market rate units.</p>
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Award Determination

Subject	Details
Maximum Award	<p>Grants under this program will be capped at \$3 million per project.</p> <p>Participants must demonstrate a dollar-for-dollar matching investment (equity and/or financing) of the requested award. This requirement can be satisfied with the purchase of real property (based on the current fair market value of the property).</p>
Award Structure	<p>Award determinations will be based on a scoring matrix. The State of New Hampshire reserves the right to modify or augment the considerations for award determination as appropriate.</p> <p>There will be a scoring floor below which projects will not be funded, but no scoring ceiling that guarantees funding.</p> <p>Scoring will be based on regional planning geography and county geography with the goal of approving a minimum of 1 application per planning region and per county. A single project will satisfy this goal for both the regional planning geography and the county when accounting for boundary overlap.</p> <p>Considerations for award determination:</p> <ol style="list-style-type: none"> 1. Number of affordable units. 2. Proportion of affordable units to market rate units. 3. Units with an affordability commitment more stringent than that required by the program (i.e., affordable to less than 80% AMI but not lower than 50% AMI). 4. Units with an affordability commitment greater than 5 years. 5. Project includes ADA accessible units and/or incorporate principles of universal design. 6. Project is in progress or ready to proceed/shovel ready - able to start construction in 2023 construction season (Spring/Summer 2023) or sooner. 7. Units are for general occupancy (not age-restricted or for specific populations). 8. Total development cost (TDC) per unit is below a maximum cost per unit of \$330,000 unweighted/\$280,000 weighted. TDC per unit is weighted based on: 9. Number of bedrooms using NHHFA formula. 10. Region. 11. Developer has experience completing similar projects. 12. Developer fee for nonprofit projects is below 15% of total project cost.

Award Determination

Distribution of Funds	<p>Funds will be issued on a reimbursement basis.</p> <p>Grant funds will be awarded in the form of a forgivable loan at 0% interest for 18 months. The loan will be forgiven in full upon the completion of the project and availability for rent of all units subject to the affordability requirements of the program.</p> <p>The program participant will be required to repay the loan, with back interest, if and only if the program participant fails to comply with the conditions of the award. Waivers may be granted for incidental deviations from program requirements that do not substantially alter the original terms of the grant.</p> <p>Prior to initial distribution of program funds, participants must provide documentation of a recorded declaration of covenants or deed containing all required deed restrictions</p>
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Accountability and Reporting Requirements

Subject	Details
Expenditure Reports During Grant Period	<p>All expenditures of program funds must be reported to BEA monthly until the project is completed.</p> <p>Additional annual reporting will be required to validate ongoing compliance with affordability and other program and regulatory requirements</p>
Grant Recipient Qualification	<p>Grant recipients may not be debarred or suspended from programs and activities involving federal financial and non-financial assistance or benefits.</p> <p>Grant recipients must be in good standing with the New Hampshire Department of Revenue, and with any other New Hampshire COVID-19 relief programs through which they have received funding.</p> <p>All grant recipients must affirm their awareness and understanding of all tax implications and any applicable federal requirements.</p> <p>All grant recipients will be subject to a risk assessment and must comply with monitoring processes as recommended based on that assessment.</p> <p>Grant recipients must comply with any other monitoring requirements imposed by the terms of the award.</p>

Procurement & Contracts

Subject	Details
In General	<p>Grant recipients may not enter into contracts with related or affiliated contractors for materials, labor, or services without demonstrating that the terms of those contracts are fair and competitive.</p> <p>Grant recipients must comply with any other procurement requirements imposed as conditions of the grant.</p>

Disposition of Property

Subject	Details
Deed Restriction – Generally	<p>Any property constructed or improved with program funds will be subject to a deed restriction which binds the program participant and any successors, heirs, or assigns to the program affordability requirements and other program conditions. This deed restriction will survive sale, inheritance, bankruptcy, foreclosure, and any other form or means of transferring interest or title.</p> <p>Before a participant can receive program funds, they must provide proof that a modified deed or declaration of covenants containing the required restrictions has been properly recorded.</p>
Sale	Before entering into an agreement to sell or otherwise transfer title to or interest in the property subject to these deed restrictions, the owner must disclose the terms of the deed restriction to any and all potential recipients.
Bankruptcy	The deed restriction must be disclosed at the earliest opportunity in any bankruptcy proceedings.
Foreclosure	In the event of foreclosure, all successors in interest remain bound by the terms of this program and the deed restriction required by this program. If compliance with the deed restrictions becomes impossible or impracticable, the person(s) or organization holding title to the property must seek disposition instructions from the BEA and comply with those instructions.

Deed Restrictions

Subject	Details
Deed Restrictions – Filing	Prior to the distribution of any program funds, participants must show proof that they have recorded a modified deed or declaration of covenants containing the required provisions.
Deed Restrictions – Terms	<p>The deed for each property constructed or improved in whole or in part with program funds will be subject to the following restrictions:</p> <ul style="list-style-type: none"> • Affordability Requirements – Program participants will be required to offer the promised number of units at or below maximum affordable gross rent for the area as determined by the BEA. This requirement will last for 5 years from the date the unit becomes available for rent, plus any time tolled because of the unit’s prolonged unavailability during the restricted period. • Before entering into an agreement to sell or otherwise transfer title to or interest in the property subject to these deed restrictions, the owner must disclose the terms of the deed restriction to all potential buyers/successors in interest. • Reporting to the BEA – The owner must comply with any reporting requirements imposed by the BEA. • Other Program Requirements – Any other requirement imposed by the program that is intended to persist until the 5-year affordability requirement period has passed will be included in the deed restriction.

Appendix 1: 50% & 80% AMI Gross Rents* (June, 2022)

To determine the Fair Market Rent Area for your community/project, consult [NHHFA's list of New Hampshire Municipalities by Fair Market Rent Area](#).

HUD Metropolitan Fair Market Rent Areas	AMI Rent Limit	Studio	1BR	2BR	3BR	4BR	5BR
Boston-Cambridge-Quincy	50%	\$1,227	\$1,315	\$1,577	\$1,823	\$2,033	\$2,243
	80%	\$1,957	\$2,097	\$2,517	\$2,908	\$3,243	\$3,579
Lawrence, MA – NH	50%	\$1,007	\$1,079	\$1,295	\$1,496	\$1,670	\$1,842
	80%	\$1,565	\$1,676	\$2,012	\$2,325	\$2,593	\$2,861
Portsmouth – Rochester, NH	50%	\$1,018	\$1,091	\$1,310	\$1,513	\$1,688	\$1,863
	80%	\$1,565	\$1,676	\$2,012	\$2,325	\$2,593	\$2,861
Western Rockingham Co.	50%	\$1,106	\$1,185	\$1,422	\$1,643	\$1,833	\$2,023
	80%	\$1,565	\$1,676	\$2,012	\$2,325	\$2,593	\$2,861
Manchester, NH	50%	\$875	\$937	\$1,125	\$1,298	\$1,448	\$1,598
	80%	\$1,398	\$1,498	\$1,798	\$2,077	\$2,317	\$2,557
Nashua, NH	50%	\$1,071	\$1,248	\$1,377	\$1,591	\$1,775	\$1,958
	80%	\$1,565	\$1,676	\$2,012	\$2,325	\$2,593	\$2,861
Hillsborough Co., NH (Part)	50%	\$958	\$1,026	\$1,232	\$1,423	\$1,588	\$1,752
	80%	\$1,533	\$1,643	\$1,971	\$2,278	\$2,541	\$2,803

County Fair Market Rent Areas (non-Metro)	AMI Rent Limit	Studio	1BR	2BR	3BR	4BR	5BR
Belknap County	50%	\$832	\$891	\$1,070	\$1,236	\$1,380	\$1,522
	80%	\$1,332	\$1,427	\$1,427	\$1,978	\$2,207	\$2,436
Carroll County	50%	\$827	\$886	\$1,063	\$1,228	\$1,371	\$1,512
	80%	\$1,323	\$1,418	\$1,701	\$1,965	\$2,192	\$2,419
Cheshire County	50%	\$827	\$886	\$1,063	\$1,228	\$1,371	\$1,512
	80%	\$1,323	\$1,418	\$1,701	\$1,965	\$2,192	\$2,419
Coos County	50%	\$827	\$886	\$1,063	\$1,228	\$1,371	\$1,512
	80%	\$1,323	\$1,418	\$1,701	\$1,965	\$2,192	\$2,419
Grafton County	50%	\$827	\$886	\$1,063	\$1,228	\$1,371	\$1,512
	80%	\$1,323	\$1,418	\$1,701	\$1,965	\$2,192	\$2,419
Merrimack County	50%	\$916	\$981	\$1,178	\$1,361	\$1,518	\$1,676
	80%	\$1,466	\$1,570	\$1,885	\$2,177	\$2,428	\$2,680
Sullivan County	50%	\$827	\$886	\$1,063	\$1,228	\$1,371	\$1,512
	80%	\$1,323	\$1,418	\$1,701	\$1,965	\$2,192	\$2,419

* Based on FY2022 Housing and Urban Development (HUD) income limits.
Maximum gross monthly rent is rent + utilities equal to 30% of income.