

761 CMR 9.00: NEIGHBORHOOD PRESERVATION AREA PROGRAM

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9.01: Neighborhood Preservation Areas

MHMFA may designate defined sections or neighborhoods within a town or city as Neighborhood Preservation Areas (NPA). Financial institutions originating Mortgage Loans for participation in MHMFA loan programs will reserve an agreed upon amount of mortgage funds for use within the NPA. Therefore, Neighborhood Preservation Area designation will insure that a specific dollar volume of Mortgage Loans is available to residents of an area. Because many structures within a confined area will be improved in a short period of time, there should be a significant impact in terms of improved living conditions and housing market within the area. Also, the commitment from the municipality for improved public facilities and services will increase the impact of the improved housing structures. The availability of financial counseling, technical assistance, and promotion of the loan program should further serve to stabilize the NPA.

Areas selected as Neighborhood Preservation Areas should be relatively small neighborhoods, communities or sub-sections within the town or city in which the residents possess a sense of common identity, purpose or concern. Areas with identifiable natural physical boundaries and/or strong neighborhood organizations representing the residents of the area are good candidates for inclusion in NPA applications.

9.02: Eligible Applicants

MHMFA will encourage and accept preliminary applications from towns and cities, local financial institutions, community and neighborhood groups, and non-profit corporations concerned with housing and community development or other interested institutions and groups. However, every application must contain commitments from the municipality, local financial institutions, and neighborhood organizations. These commitments should be specific as possible. There must be an indication of a willingness to:

- (a) participate in the development of a neighborhood preservation program and
- (b) play a tangible role in the eventual implementation of the Neighborhood Preservation Program.

Therefore, while any interested party may initiate the application process, approval of an application by MHMFA requires the active participation of each essential component -- the neighborhood, the municipality, and the financial institutions.

9.03: Stages in the Designation of a NPA

(1) Preliminary Stage. Once MHMFA receives the application, the staff will review the available data and determine if the neighborhood meets the criteria outlined below. If preliminary approval is given, a site visit and meeting with potential program participants will be arranged. The application will be submitted for review by DCA and approval of the MHMFA Board of Directors.

(2) Negotiation Stage. MHMFA and local participants will negotiate specific roles and timetables for each contributor to the Neighborhood Preservation Area Program. Since the needs of any given neighborhood and the potential roles of participants will vary from one neighborhood to another, there will be no standard format for final agreements. Once mutually acceptable commitments are developed, contracts will be executed and the application approved.

9.04: Role of MHMFA in the Neighborhood Preservation Area

MHMFA will coordinate negotiations and communication between local participants in the Neighborhood Preservation Area. MHMFA will also issue tax-exempt bonds to finance the purchase of Loan Participations in Mortgage Loans originated by local Mortgage Lenders in the Neighborhood Preservation Area. An application to a local Mortgage Lender for a Mortgage Loan on a property within the NPA will be evaluated according to the same criteria established by MHMFA for all Mortgage Loans in which the Agency will purchase Loan Participations.

MHMFA does not currently have the financial resources to provide extensive technical assistance in the development of a Neighborhood Preservation Area nor to fund the implementation of local components of the preservation programs. The NPA program can probably most effectively be used to increase the effectiveness of an existing local program or to stimulate the development and funding from other sources of local neighborhood preservation plans. Programs which could compatibly be used with MHMFA neighborhood preservation programs include:

- (a) the Department of Community Affairs Neighborhood Improvement Program (NIP),
- (b) Urban Reinvestments Task Force, Neighborhood Housing Service Programs, and
- (c) local housing improvement plans funded through Community Development Block Grant funds or federal "312" funds.

Applicants are not limited to the above programs and are encouraged to explore every possible resource available to the local community to develop a program uniquely tailored to the need of the designated neighborhood.

9.05: Neighborhood Preservation Area Requirements

The following requirements must be met before a NPA will be approved by MHMFA:

(1) Local Mortgage Lenders must submit or be willing to submit a commitment application to MHMFA requesting a "set aside" for mortgages originated within the Neighborhood Preservation Area (See MHMFA Commitment Application) in an amount sufficient to improve or stabilize the NPA.

Further, participating Mortgage Lenders must indicate a commitment to make conventional mortgages to all creditworthy loan applicants from within the NPA whose incomes exceed the MHMFA maximum or who are otherwise not eligible for a mortgage in which MHMFA can purchase a Loan Participation.

(2) The municipal government must make specific commitments to:

- (a) enforce the building and housing codes within the NPA;
- (b) provide improved public services or facilities which are significant in relation to the objective of stabilizing or improving the area.

(3) A program must be developed and implemented, which includes the resources and staff to:

- (a) promote participation in the NPA program by local homeowners;
- (b) provide financial counseling to loan applicants, and;
- (c) provide advice and assistance in residential rehabilitation and maintenance.

(4) A process for participation by local residents and/or organizations in the operation and monitoring of the NPA program must be developed and implemented.

MHMFA will periodically review NPA programs to evaluate the implementation of the program outlined in the application. MHMFA may revoke its approval of a NPA program or take such other action as may be stipulated in contracts and agreements if the program for the preservation and stabilization of the neighborhood is not initiated or if tangible activity is not continued.

9.06: MHMFA Evaluation of Applications

MHMFA will utilize the following guidelines in evaluating a proposed NPA:

(1) the degree of blight, decay or deterioration of housing accommodations, or the imminent threat of such blight, decay or deterioration within the area;\*

MHMFA will require that sufficient resources be committed to an NPA program to stabilize and preserve the area. Unless there are specific proposals for reversing serious blight, decay or deterioration, the NPA should be characterized by a preponderance of basically sound housing which may be beginning to show signs of lack of maintenance.

(2) the degree to which conventional financing or refinancing of the purchase, repair, remodeling or rehabilitation of housing within the NPA is available;\*

The designation of an area as a NPA should increase the ability of current residents to obtain financing.

(3) the proportion of residential structures within the area which are owner-occupied;\*

Since only owner-occupants are eligible for mortgages financed through MHMFA, a majority of the structures should be owner-occupied or at least appropriate for owner occupancy (i.e. 1 to 4 unit structures).

(4) the degree to which the income and the financial resources of current residents of the NPA provide reasonable assurances of the economic feasibility of the financing of the purchase, repairs, remodeling or rehabilitation of the housing within the NPA;\*

In order to avoid displacement of current residents, a general guideline of a median income within the NPA equal to at least 80% of the median of the municipality will be utilized. NPA's with lower than 80% of the municipality median income will be considered if it can be demonstrated that residents of the NPA will be able to afford loans for the purchase and rehabilitation of housing within the area.

(5) the proportion of residential structures in the area where rehabilitation work can be done with financing as provided through the NPA without necessitating a substantial increase in carrying costs and rental charges to any owner-occupant or tenant beyond their capacity to absorb, and the extent of suitable vacant housing in such an area.\*

The NPA should contain structures whose typical repair costs will not exceed the ability of current owner-occupants to meet MHMFA loan obligations and present tenants to meet increased rents.

\* St. 1974 c. 846 §5 ¶ 10 (enabling legislation creating MHMFA).

REGULATORY AUTHORITY

761 CMR 9.00: St. 1974 c. 846