

NSP SUBSTANTIAL AMENDMENT

Jurisdiction(s): Commonwealth of Massachusetts, Department of Housing and Community Development Jurisdiction Web Address: www.mass.gov/dhcd <i>(URL where NSP Substantial Amendment materials are posted)</i>	NSP Contact Person: Mark Siegenthaler, Community Development Manager Address: 100 Cambridge St, Suite 300 Boston, MA 02114 Telephone: (617) 573-1426 Fax: (617) 573-1460 Email: mark.siegenthaler@state.ma.us
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A. AREAS OF GREATEST NEED

Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.

HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult [this data](#), in developing this section of the Substantial Amendment.

Response:

The MA Department of Housing and Community Development (DHCD) has analyzed HUD-provided data and local foreclosure statistics provided by the Massachusetts Housing Partnership (MHP) to develop the universe of communities, and block groups within them, most in need of assistance through the Neighborhood Stabilization Program (NSP). DHCD's comprehensive plan contains a combination of centralized resources (a statewide loan fund for acquisition, receivership assistance program, mortgage product support, etc) and targeted responses to specific high-priority geographic areas who request state assistance. Communities who are not prioritized by the HUD and DHCD formulas will be supported via other DHCD resources to the best of our ability.

Table 1 illustrates the statistics used by the Department in making this determination for one community example. FY 2008 foreclosure auction figures were used to establish the initial need measure. These auction figures indicate the number of auctions occurring within specific block groups within the past fiscal year. HUD-provided measures of subprime loan activity, risk of future foreclosure, and residential vacancy rates were also evaluated. It is important to remember that NSP provides emergency funding to address the effects of foreclosure and abandonment in communities and cannot address foreclosure prevention. Measures that best indicate the actual occurrence of foreclosure will target areas already affected and the areas of the Commonwealth with the highest share of the statewide problem.

DHCD has accepted HUD's determination of direct NSP recipient communities as the four highest need locations in the Commonwealth (Boston, Brockton, Springfield and

Worcester). Data related to need within these four communities may be found within their respective NSP plans as well as their current Consolidated Plans and are incorporated here by reference.

Boston links:

http://www.cityofboston.gov/dnd/Consolidated_Plan.asp
<http://www.cityofboston.gov/dnd/pdfs/NSPDraftSubstantialAmendment.pdf>

Brockton links:

<http://www.ci.brockton.ma.us/News/NewsDetail.aspx?NewsId=334>
http://www.ci.brockton.ma.us/News/Uploads/NSP_Substantial_Amendment.pdf

Springfield links:

http://www.springfieldcityhall.com/planning/index.php?id=dept_cd
http://www.springfieldcityhall.com/planning/fileadmin/community_dev/NSP_Substantial_Amendment_Draft.pdf

Worcester links:

<http://www.ci.worcester.ma.us/>
<http://www.ci.worcester.ma.us/ocm/neighborhood/pdf/DraftNSP.pdf>

The remaining universe of communities eligible for assistance was defined by use of several threshold criteria to screen the basic need data into a focused list of eligible block groups in the communities with the highest need and facing the greatest risk. Table 1 lists the eligible locations in communities that contain at least .5% of the foreclosure activity within the Commonwealth. Within those communities, assistance is targeted to:

- block groups that had foreclosure auctions equal to or greater than the average number of auctions per block group in all eligible communities (at least 5 foreclosure auctions per block group in the last fiscal year),
- block groups with a HUD risk score of 8 or more regardless of auction incidence.

Based on the analysis described above, the 39 communities with the highest need are:

Boston	Framingham	Quincy	Dracut
Springfield	Barnstable	Milford	Somerville
Worcester	Plymouth	Randolph	Chelsea
Brockton	Marlborough	Attleborough	Peabody
Lowell	Revere	Yarmouth	Taunton
Lawrence	Everett	Wareham	Holyoke
New Bedford	Methuen	Salem	Stoughton
Lynn	Weymouth	Billerica	Falmouth
Haverhill	Chicopee	Fall River	Marshfield
Fitchburg	Leominster	Saugus	

These communities and the block groups identified, account for 67% of the foreclosure auction activity in the Commonwealth for FY 2008.

Attachment 1 contains the data for all 39 highest need communities, including the block groups eligible for assistance. Summary statistics for the remainder of the state's cities and towns are contained in Attachment 2.

The Department will continue to monitor foreclosure statistics and may modify the list of eligible communities based on updated figures. It is important to note however, that strict distribution requirements for NSP funds may require DHCD to obligate funds prior to receiving and analyzing the most recent statistics.

TABLE 1 - EXAMPLE DATA

	Community	Census Tract	Block Group	LMMI %	# LMMI Persons	Total Persons	Total # Foreclosure Auctions FY08	# FY08 Foreclosure Auctions per Block Group (=> 5, unless Risk Score => 8)	% of Foreclosure Auctions in MA (>.50%)	Estimated Foreclosure Abandonment Risk Score	Total # Block Groups
1	Boston						2081		11.36%		585
2	Springfield						1221		6.93%		138
3	Worcester						1219		6.92%		168
4	Brockton						720		4.09%		93
5	Lowell			79.2%	83259	105167	553		3.14%		84
	1	311200	3	87.4%	1488	1703		21		10	
	2	311200	1	95.5%	1595	1671		18		10	
	3	310700	1	88.8%	1600	1802		15		8	
	4	310800	2	84.5%	670	793		15		10	
	5	312200	1	83.3%	1576	1891		14		5	
	6	310700	2	84.1%	1261	1499		12		8	
	7	310200	3	89.8%	1396	1555		11		6	
	8	310400	3	95.5%	1339	1402		10		7	
	9	310602	5	74.3%	978	1317		10		6	
	10	311500	2	69.7%	909	1304		9		6	
	11	311700	2	92.5%	991	1071		9		8	
	12	312200	3	81.0%	729	900		9		5	
	13	312300	3	81.3%	1350	1661		9		5	
	14	311800	3	95.3%	1775	1862		8		8	
	15	311800	4	87.1%	1441	1654		8		8	
	16	311900	2	95.3%	790	829		8		7	
	17	312501	1	52.6%	1014	1929		8		4	
	18	310100	2	89.6%	1275	1423		7		5	

B. DISTRIBUTION AND USES OF FUNDS

Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. *Note: The grantee's narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.*

Response:

The Commonwealth will make NSP funds available through several simultaneous mechanisms in order to address needs related to the highest percentage of foreclosures, highest percentage of subprime mortgage activities and areas likely to face a significant rise in the rate of foreclosure. The mechanisms range from direct grants to the highest need communities to support for existing programs operated by public, quasi-public and non-profit agencies, and in support of private development interests. Municipal governments and nonprofit organizations have multiple ways in which they may seek access to funds.

Chart 1 – Neighborhood Stabilization Program: Proposed Uses and Eligible Locations indicates the mechanisms for distributing NSP funds, the initial allocation of funds to those activities, eligible recipients and the communities in which the activities may occur. DHCD will evaluate the progress of each of the identified activity areas in four month intervals. NSP funds may be rescinded and/or re-allocated by DHCD among the activity areas in response to unacceptable progress in accomplishing the stated goals and commitment of funds in compliance with NSP requirements. DHCD may identify additional activities, consistent with the needs analysis and eligible uses, and may amend the Program to incorporate such activities if funds can be obligated within the time required.

NSP funds may be distributed in support of activities occurring in the communities that appear in DHCD's Attachment 1, NSP Assistance Communities, either through direct municipal grants or through program activities conducted in those communities. Not including Boston, Brockton, Springfield and Worcester; 699 block groups in 35 communities are eligible for assistance (the Commonwealth has over 5,000 block groups in total).

Further, grants or programmatic assistance must target the identified block groups in the communities as identified in Attachment 1 and be consistent with a neighborhood revitalization strategy that includes the identified block groups. On a case by case basis, communities may be allowed to provide limited assistance to areas (block groups) other than those identified in DHCD's need analysis. Verifiable evidence of need in those areas must be provided in support of such requests and measurable impacts must still result for the originally identified block group(s).

The Department has identified some opportunities to commit funds as part of this Plan. DHCD intends to distribute approximately \$8.6 million in direct grants to the cities of Boston, Worcester, Brockton and Springfield. An additional \$6.4 million is anticipated in direct grants to other high need communities.

Approximately \$15.4 million is expected to be distributed through existing programs in support of acquisition and rehabilitation of foreclosed or abandoned properties through programs operated by the Massachusetts Housing Investment Corporation, the Massachusetts Housing Partnership and MassHousing, the state's housing finance agency. In addition, up to three Landbanking pilot projects are anticipated, one of which is expected to be conducted in the city of New Bedford.

DHCD will encourage proposals consistent with its additional goal of serving populations less than 30% of area median (extremely low income households). It is DHCD's intent to review all activities in light of our adopted Fair Housing Principles that have been included in Appendix B.

More detail regarding individual activities and DHCD's intention regarding further distribution of those funds is described in detail, following Chart 1 and Sections C., D., E. and F.

Chart 1 - Neighborhood Stabilization Program: Proposed Uses and Eligible Locations

Activity	NSP Eligibility	Funding	Recipients	Funding Vehicle	Eligible Locations: Targeted, High-Need Block Groups within the Listed Community
Direct Assistance to HUD NSP-funded Communities	(A), (B), (C), (D), (E)	\$ 8,620,000 + \$430,000 (5% admin)	Municipal government	DHCD	Boston, Brockton, Springfield, Worcester
Direct NSP Assistance to Communities	(A), (B), (C), (D), (E)	\$ 6,380,000 + \$415,000 (6.5% admin)	Municipal government	DHCD	Fitchburg, Haverhill, Lawrence, Lowell, Lynn, New Bedford, Framingham, Barnstable, Plymouth, Marlborough
Acquisition and Rehabilitation Assistance - Neighborhood Stabilization Loan Fund (NSLF) assistance – rehab grants; Homebuyer Assistance, Soft Second loans w/rehab grants	(A), (B)	\$15,380,000	For profit and non profit developers, non profit organizations, households	MHIC MHP, MassHousing	<i>Direct Assistance communities above, plus</i> - Revere, Everett, Methuen, Weymouth, Chicopee, Leominster, Quincy, Milford, Randolph, Attleborough, Yarmouth, Wareham, Salem, Billerica, Fall River, Saugus, Dracut, Somerville, Chelsea, Peabody, Taunton, Holyoke, Stoughton, Falmouth, Marshfield
Housing Development Assistance - primarily rental to serve extremely low income (eli) households	(E)	\$ 6,000,000	For profit, non profit organizations & developers	DHCD	<i>Direct Assistance communities above, plus</i> - Revere, Everett, Methuen, Weymouth, Chicopee, Leominster, Quincy, Milford, Randolph, Attleborough, Yarmouth, Wareham, Salem, Billerica, Fall River, Saugus, Dracut, Somerville, Chelsea, Peabody, Taunton, Holyoke, Stoughton, Falmouth, Marshfield
Strategic Demolition Grants	(D)	\$ 1,750,000	Municipal government	DHCD	All eligible communities except Boston, Brockton, Springfield, Worcester
Land Banking Assistance - pilot program(s)	(C)	\$ 1,000,000	Municipal government, nonprofit	DHCD	Direct Assistance communities
Administration and Technical Assistance		\$ 3,491,030		DHCD	e.g. DHCD staffing and administration, sub-recipient administration, reverse auctions feasibility, statewide clearinghouse, receivership assistance

NSP Eligible Uses:

- (A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers;
- (B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;
- (C) Establish land banks for homes that have been foreclosed upon;
- (D) Demolish blighted structures; and
- (E) Redevelop demolished or vacant properties

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of “blighted structure” in context of state or local law.

Response:

Massachusetts General Laws (MGL) 121A and 121B provide guidance regarding the definition of blighted structures. Consistent with those statutes, DHCD defines blighted structures for purposes of NSP as a building that by reasonable determination displays physical deterioration that renders the building unfit for human habitation, obsolete or in need of major maintenance or repair or lacks ventilation, light or sanitation facilities contributing to a condition that is detrimental to safety, health or morals.

(2) Definition of “affordable rents.” *Note: Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.*

Response:

“Affordable” generally means that (1) maximum rents, less an allowance for tenant-paid utilities, will not exceed the lesser of (a) “High Home Rent”, thirty percent (30%) of the monthly income of a household earning sixty-five percent (65%) of area median income adjusted for the number of bedrooms in the unit, or (b) the HUD Fair Market Rent; (2) selling prices in ownership projects will not exceed the guidelines in effect for DHCD’s Local Initiative Program.

In the case of units serving households at or below 50% of area median income “affordable” means rents or selling prices that do not exceed 30% of 50% of area median income or the applicable targeted income range. In the case of units serving households at or below 120% of area median income “affordable” means rents or selling prices that do not exceed 30% of 120% of area median income or the applicable targeted income range.

The Department will continue to work with other housing-related agencies to ensure that the definitions of affordability are consistent with all NSP requirements and provide the maximum flexibility to effectively serve the intended households in light of local and regional housing market conditions.

(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.

Response:

NSP-assisted housing must meet the affordability requirements for not less than the applicable period specified in the chart below, beginning upon project completion. The HOME affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. They must be imposed by deed restrictions, covenants running with the land, or other mechanisms approved by DHCD.

Rental Housing Activity	Minimum period of affordability in years
Rehabilitation or acquisition of existing housing per unit amount of NSP funds: Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000 or rehabilitation involving refinancing	15
New Construction or acquisition of newly constructed housing	20
Homeownership assistance NSP amount per-unit	Minimum period of affordability in years
Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000	15

Recipients of NSP funds must ensure continued affordability as above or recapture all or substantially all of the NSP funds used to assist housing units consistent with the minimum standards contained the HOME program.

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

Response:

NSP-funded housing rehabilitation must bring substandard housing units into compliance with Article II of the Massachusetts Sanitary Code, which sets minimum habitability standards for residential dwellings.

Housing projects are required to use Energy Star building performance standards. Massachusetts distinguishes between light to moderate rehabilitation and gut rehabilitation for energy standards. In light to moderate rehabilitation, Energy Star compliant components – windows, doors, appliances, heating systems – must be used when replacing existing components. In full, gut rehabilitation the entire unit must be brought to full, Energy Star building standards. These standards may be found at www.energystar.gov.

D. LOW INCOME TARGETING

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income: \$4,346,6000.

Note: At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.

Response:

Development proposals to construct housing that provide a significant number of units for populations below 50% of area median income are expected through the Housing Development component. DHCD will encourage proposals consistent with its additional goal of serving populations less than 30% of area median (extremely low income households).

Homebuyer Assistance, Purchase/ Rehabilitation Assistance, Soft Second loans, Rehabilitation Grants provided through several quasi-public and nonprofit programs will also be required to contribute to this requirement. In addition, any direct assistance to communities will require a commitment by the community to identify the percentage of households below 50% of area median that will be served through NSP supported activities.

DHCD will carefully monitor the progress of all disbursements to ensure that at least 25% of the Commonwealth's NSP funds assist households at or below 50% of area median income.

E. ACQUISITIONS & RELOCATION

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., $\leq 80\%$ of area median income).

If so, include:

- **The number of low- and moderate-income dwelling units—i.e., $\leq 80\%$ of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.**
- **The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., $\leq 120\%$ of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).**
- **The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.**

Response:

DHCD intends to allocate up to \$1,750,000 for strategic demolition of blighted properties in the highest need communities.

- It is expected that approximately 50 blighted residential units will be demolished.
- Approximately 475 units will be made available to persons/households earning below 120% of area median income through the other NSP-funded program components.
- In addition, approximately 75 units will be made available to persons/households earning below 50% of area median income through the other NSP-funded program components.

In addition, foreclosed properties acquired with NSP funds, will be acquired at the minimum 5-15% discounts from market value, consistent NSP requirements.

F. PUBLIC COMMENT

Provide a summary of public comments received to the proposed NSP Substantial Amendment.

Response:

The draft NSP plan was posted on DHCD's website for 15 days beginning November 3, 2008 and ending November 19, 2008. The availability of the draft and the two public forums were also advertised widely by nonprofit organizations, email transmissions and press coverage. Hard copies of the draft plan were distributed, including at public comment meetings. Interested parties submitted comments, in writing or via email, directly to DHCD prior to the end of the comment period.

DHCD held public information sessions on November 6 and November 13, 2008 in order to provide opportunity for public comment and discussion on the draft amendment. The sessions were held in Boston and Worcester. Approximately 135 people attended the two forums.

Appendix A contains a description of the meetings, a summary of the comments received and DHCD's responses.

ADDENDUM

During its review, the Department of Housing and Urban Development (HUD) requested responses to the bulleted comments below. DHCD's responses are hereby included as part of the Massachusetts Neighborhood Stabilization Program.

RESPONSE TO COMMENTS

- Highest percentage of homes financed by a subprime mortgage related loan and areas identified by the grantee as likely to face a significant rise in the rate of home foreclosures are not addressed in the area of greatest need. (Reference - HERA Sec.2301(c)(2) and NSP Notice II.B.2.a.i - *A narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. The grantee's narrative must address the three need categories in the NSP statute, but the grantee may also consider other need categories;*)

The Commonwealth's NSP Amendment identifies the areas most in need of assistance through an analysis of foreclosure activity and use of HUD's risk score. HUD's score, by definition, includes the percentages of homes financed by subprime loans and factors which identify the risk of future foreclosure.

According to DHCD's NSP plan, within the identified communities, assistance is targeted to:

- block groups that had foreclosure auctions equal to or greater than the average number of auctions per block group in all eligible communities (at least 5 foreclosure auctions per block group in the last fiscal year),
- block groups with a HUD risk score of 8 or more regardless of auction incidence.

The identified areas must have minimum foreclosure activity within the block groups and a minimum risk score. As such, the identified areas are the result of an analysis that includes the required *“greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures.”*

- Slight discrepancy between the dollar amount allotted for administration. \$3,491,030 is stated on Chart 1, page 7, but on the Activity Worksheet, the budget for administration is \$3,495,000. Including the additional administration amounts allotted to the Direct Assistance to Communities on Chart 1 (\$845,000), using either figure, the total target for administration is still less than 10% of grant (\$4,346,603).

The correct figure that will be allocated to administration is \$3,501,603 and will be corrected in Chart 1 and the Activity Worksheet. When added to the correct figures for Direct Assistance to Communities, this will correctly total \$4,346,603.

- Direct Assistance to Communities (Activity #1) - this activity will be for people below 50% of AMI, with an additional goal of less than 30% AMI, but the State does not address how they will meet this requirement under Performance Measures. Activity not identified.

In both components, it is DHCD's expectation that assisted communities will use a portion of their funds to satisfy the requirement for serving households at or below 50% of median. Until submissions are received from communities, the detail of their methods for achieving this goal is unknown. The Commonwealth will comply with the programmatic requirement that all NSP funds serve households at or below 120% of area median and that 25% serve households at or below 50% of area median.

- Range of interest rates, tenure of beneficiaries, duration or term of assistance and continued affordability are not provided for any of the activities.

The minimum standards are identified in Sections C, D and E and each Activity is required to comply with these standards. Foreclosed properties acquired with NSP funds, will be acquired at the minimum 5-15% discounts from market value, consistent with NSP requirements. Some assistance may be in the form of grants – with no repayments or interest rates. In other cases, interest rates may range from 0-6%.

Until programmatic agreements and other submissions are received from communities and other NSP funding recipients, the detail of their methods for achieving specific goals for tenure of beneficiaries and specific interest rates, is unknown. All activities will comply with the requirements set forth in the statute and NSP Notice.

- Housing Development Assistance (Activity #3) – on Chart 1 this activity is identified to serve extremely low income households. The activity worksheet does not address this and does not give performance measures to show how this will benefit households below 50% of AMI.

Activity 3 indicates that the Department will encourage proposals consistent with its additional goal of serving populations less than 30% of area median (extremely low income households). Until submissions are received from eligible development parties, the detail of their methods for achieving this goal is unknown. A significant number of units serving populations below 50% of area median income are expected through this program component.

- State does not provide performance measures, or show how they will meet the statutory requirement of 25% NSP funds (\$10,866,508) for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50% of area median income

The Commonwealth will use several of the Activities identified to accomplish this requirement. Until submissions are received from eligible development parties however, the detail of their methods for achieving this goal is unknown. The Commonwealth will comply with the programmatic requirement that all NSP funds serve households at or below 120% of area median and that 25% serve households at or below 50% of area median.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: #1. Direct Assistance to Communities

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

Sec. 2301 (c) (3) (A): Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.

24 CFR 570.202 (b): Types of assistance. CDBG funds may be used to finance the following types of rehabilitation activities, and related costs, either singly, or in combination, through the use of grants, loans, loan guarantees, interest supplements, or other means for buildings and improvements described in paragraph (a) of this section, except that rehabilitation of commercial or industrial buildings is limited as described in paragraph (a)(3).

(1) Assistance to private individuals and entities, including profit making and nonprofit organizations, to acquire for the purpose of rehabilitation, and to rehabilitate properties, for use or resale for residential purposes;

(2) Labor, materials, and other costs of rehabilitation of properties, including repair directed toward an accumulation of deferred maintenance, replacement of principal fixtures and components of existing structures, installation of security devices, including smoke detectors and dead bolt locks, and renovation through alterations, additions to, or enhancement of existing structures and improvements, abatement of asbestos hazards (and other contaminants) in buildings and improvements that may be undertaken singly, or in combination;

Sec. 2301(c)(3)(B): Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.

24 CFR 570.202: Eligible rehabilitation and preservation activities for homes and other residential properties.

Sec. 2301(c)(3)(C): Establish land banks for homes that have been foreclosed upon.

24 CFR 570.201 (a) Acquisition, (b) Disposition

Sec. 2301(c)(3)(D): Demolish blighted structures

24 CFR 570.201 (d): Clearance, for blighted structures only

Sec. 2301 (c)(3) (E): Redevelop demolished or vacant properties.

24 CFR 570.201 (m): Construction of Housing

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

Provides or improves permanent residential structures that will be occupied by a household whose income is at or below 120% of area median income (LMMH).

Benefiting all the residents of a primarily residential area in which at least 51% of the residents have incomes at or below 120% of area median income (LMMA).

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

This activity has two components. The first is a commitment by DHCD to provide matching funds to the four cities that will receive NSP funds directly from HUD. These are the highest need communities in the Commonwealth. Each of those cities has submitted their own NSP amendment to HUD for approval and those plans are available at the links cited in Section A. AREAS OF GREATEST NEED.

DHCD will provide matching funds to the City of Boston (up to \$4.23 million) and the City of Worcester (up to \$2.39 million) to conduct eligible NSP activities, as identified in their NSP plans. These funds will be made available pending HUD approval of their NSP Plans. DHCD's commitment of funds is also subject to a one for one commitment of local NSP and state NSP funds to contracts, project financing, and activities necessary to carry out the local plan.

DHCD will commit up to \$1.0 million each to Brockton and Springfield to conduct eligible NSP activities, as identified in their NSP plans. DHCD's commitment of funds is subject to clarification of the need to expand the activities named in their plans, information that demonstrates the capacity of municipal government and any participating local entities to administer the funds and accomplish the proposed tasks, and a one for one commitment of local NSP and state NSP funds to contracts, project financing, and activities necessary to carry out the local plan.

This first component results in a commitment of up to \$8.62 million at outset of Plan.

The second component makes funds available to the ten remaining, highest need communities listed in Attachment 1. Those communities are Lowell, Lawrence, New Bedford, Lynn, Haverhill, Fitchburg, Framingham, Barnstable, Plymouth and Marlborough. In December 2008, DHCD will solicit interest from these eligible communities. Communities will be given the opportunity to respond with a submission requesting a portion of the available funds.

The requested submissions must include:

- a detailed description of the need to address foreclosed and abandoned properties in the community

- a detailed description of their proposed activities,
- information that demonstrates the capacity of municipal government, and/or any participating local entities, to administer the funds and accomplish the proposed tasks,
- information demonstrating a readiness-to-proceed with the activities,
- information demonstrating the proposed activities are consistent with local neighborhood revitalization strategies, existing neighborhood stabilization efforts and will contribute to the expected outcomes

Information on housing related activities will include rental or homeownership, duration or term of assistance, a description of how the design of the activity will ensure continued affordability consistent with the standards established in this Plan. For acquisition activities, required information will include the discount rate; and for financial activities, the submission will describe the range of interest rates.

DHCD expectations are that each direct recipient will use some percentage of these funds to address the needs of people below 50% of area median income and that the activities will be part of a neighborhood stabilization strategy. DHCD will encourage proposals consistent with its additional goal of serving populations less than 30% of area median (extremely low income households).

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Funds for these activities will be available to the fourteen highest need communities – matching grants to the four direct-funded NSP recipients - and the ten, next highest need communities as indicated in Chart 1 and Attachment 1.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

240 units of housing purchased or purchased and rehabilitated.

DHCD will require a timeline and expected outcomes as part of the submission. After four (4) months, DHCD will review the progress to date, determine whether the funds are being committed in a timely manner and whether there has been progress against the community's stated goals. Should the community not be meeting standards, DHCD will work with them to improve their performance. DHCD will review performance again after eight (8) months. At that point, if performance standards are not being met, DHCD will suspend further assistance, rescind committed funds to the community and/or re-allocate those funds to other direct assistance communities or other NSP activity areas.

(7) Total Budget:

NSP – \$15,845,000

This activity is expected to leverage significant locally allocated resources already in use for neighborhood revitalization/stabilization efforts such as local revenues, private investment, state grants and CDBG funds.

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

The identified municipal governments, or their eligible designee, will be the responsible organizations for implementation of the approved NSP activities.

(9) Projected Start Date: March 1, 2009

(10) Projected End Date: February 28, 2013

(11) Specific Activity Requirements:

As applicable, all activities will conform to NSP requirements for acquisition, financing and housing related activities and be consistent with this NSP plan.

For acquisition activities, include:

- **discount rate**

For financing activities, include:

- **range of interest rates**

For housing related activities, include:

- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: #2. Homebuyer Assistance, Purchase/Rehabilitation Assistance, Soft Second loans, Rehabilitation Grants

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

Sec. 2301 (c) (3) (A): Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.

24 CFR 570.202 (b) Types of assistance. CDBG funds may be used to finance the following types of rehabilitation activities, and related costs, either singly, or in combination, through the use of grants, loans, loan guarantees, interest supplements, or other means for buildings and improvements described in paragraph (a) of this section, except that rehabilitation of commercial or industrial buildings is limited as described in paragraph (a)(3).

(1) Assistance to private individuals and entities, including profit making and nonprofit organizations, to acquire for the purpose of rehabilitation, and to rehabilitate properties, for use or resale for residential purposes;

(2) Labor, materials, and other costs of rehabilitation of properties, including repair directed toward an accumulation of deferred maintenance, replacement of principal fixtures and components of existing structures, installation of security devices, including smoke detectors and dead bolt locks, and renovation through alterations, additions to, or enhancement of existing structures and improvements, abatement of asbestos hazards (and other contaminants) in buildings and improvements that may be undertaken singly, or in combination;

Sec. 2301(c)(3)(B): Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.

24 CFR 570.202: Eligible rehabilitation and preservation activities for homes and other residential properties.

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

Provides or improves residential structures that will be occupied by a household whose income is at or below 120% of area median income (LMMH).

(4) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

Neighborhood Stabilization Loan Fund

The Neighborhood Stabilization Loan Fund (NSLF) is a program sponsored by the Commonwealth and administered by Massachusetts Housing Investment Corporation (MHIC). Loan funds are made available by MHIC to for-profits or non-profit organizations that have clear plans to acquire vacant, abandoned or foreclosed properties in troubled neighborhoods consistent with the standards established in this Plan. HERA/NSP funds will be used to subsidize the rehabilitation of properties in target locations.

NSLF program materials are available on MHIC's website - http://www.mhic.com/news/execute_startup_newsreader.cfm?Article_ID=83C71506-098F-4772-975D-073D4BAFD6C2&Sub and at - <http://www.mhp.net/neighborhoodloan>

Soft Second Program: Grants to individuals to purchase a foreclosed, abandoned, or otherwise eligible property in designated high-foreclosure areas under the Soft Second Loan Program. The funding may be structured as a loan or recoverable grant, consistent with the standards established in this Plan. Funds will also be provided as Soft Second interest subsidies, loan loss reserves in lieu of private mortgage insurance, and rehabilitation grants. The Soft Second Program is run by Mass. Housing Partnership, a quasi-public entity.

Soft Second Program information is available on MHP's website - http://www.mhp.net/homeownership/lender/soft_second_guidelines.php

Purchase/Rehabilitation Grants for Income Eligible Families:

MassHousing, the state's Housing Finance Agency (HFA), will explore making rehabilitation grants available to income-eligible households who qualify for MassHousing homebuyer assistance programs consistent with the standards established in this Plan. Activity would be restricted to the rehabilitation of foreclosed or abandoned properties within the target neighborhoods.

MassHousing program information is available on their website - <https://www.masshousing.com/portal/server.pt?>

(5) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Funds for these activities will be provided to eligible nonprofit organizations or households to rehabilitate eligible properties in any of the communities/block groups identified in Attachment 1. Program design at the administering agencies may restrict the funds to a subset of the eligible block groups or eligible communities.

(6) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

250 units of housing purchased or purchased and rehabilitated.

(7) Total Budget:

NSP – \$15,380,000

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

Massachusetts Housing Investment Corporation (MHIC)
 Neighborhood Stabilization Loan Fund
 70 Federal Street, 6th Floor
 Boston, MA 02110
 Joseph Flately, President and CEO

Massachusetts Housing Partnership
 160 Federal Street
 Boston, MA 02110
 Clark Ziegler, Executive Director

MassHousing
 One Beacon Street
 Boston, MA 02108
 Tom Gleason, Executive Director

(9) Projected Start Date: March 1, 2009**(10) Projected End Date:** February 28, 2013**(11) Specific Activity Requirements:**

As applicable, all activities will conform to NSP requirements for acquisition, financing and housing related activities and be consistent with this NSP plan.

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

For housing related activities, include:

- tenure of beneficiaries--rental or homeownership;
- duration or term of assistance;
- a description of how the design of the activity will ensure continued affordability.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) **Activity Name:** #3. Housing Development Assistance

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

Sec. 2301 (c) (3) (E): Redevelop demolished or vacant properties.

24 CFR 570.201 (m): Construction of Housing

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

Provides or improves residential structures that will be occupied by a household whose income is at or below 120% of area median income (LMMH).

(4) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

Direct NSP assistance will be granted to private or nonprofit developers for the construction of housing using DHCD's existing housing production programs and proposals submitted directly to DHCD's Undersecretary. Activity will accomplish redevelopment of sites in highest need neighborhoods as defined by DHCD's need analysis. Projects must be consistent with local neighborhood revitalization strategies, existing neighborhood stabilization efforts and contribute to the expected outcomes through redevelopment of demolished or vacant properties.

Development interests will submit proposals to construct housing that serves an eligible population under the NSP requirements. DHCD will encourage proposals consistent with its additional goal of serving populations less than 30% of area median (extremely low income households). A significant number of units serving populations below 50% of area median income are expected through this program component.

Units created will remain affordable for up to 15 years using HOME program affordability provisions. Both rental and homeownership unit production is possible although rental production is more likely to meet income level goals.

(5) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Activity located in communities/target areas identified in Attachment 1, NSP Assistance Communities.

(6) **Performance Measures** (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

60 units constructed or subsidized

(7) Total Budget:

NSP - \$6,000,000

(8) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

MA Dept of Housing and Community Development
Housing Development Division
100 Cambridge St, Suite 300
Boston, MA 02114
Tina Brooks, Undersecretary
Catherine Racer, Associate Director

(9) Projected Start Date: March 1, 2009

(10) Projected End Date: February 28, 2013

(11) Specific Activity Requirements:

As applicable, all activities will conform to NSP requirements for acquisition, financing and housing related activities and be consistent with this NSP plan.

For acquisition activities, include:

- **discount rate**

For financing activities, include:

- **range of interest rates**

For housing related activities, include:

- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) **Activity Name:** #4. Strategic Demolition Grants

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

Sec. 2301(c)(3)(D): Demolish blighted structures

24 CFR 570.201 (d): Clearance, for blighted structures only

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

Benefiting all the residents of a primarily residential area in which at least 51% of the residents have incomes at or below 120% of area median income (LMMA).

(4) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

The commonwealth will consider requests for demolition grants from those targeted municipalities that did not receive a direct allocation from HUD under NSP. Requests must show that the proposed demolition is being undertaken as part of an overall neighborhood stabilization strategy. Structure(s) to be demolished must meet the Commonwealth's definition of blighted structures; no residents will be evicted to accommodate any demolition.

(5) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Eligible properties in communities identified for direct assistance with the exception of the four communities receiving direct NSP allocations.

(6) **Performance Measures** (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

50 blighted properties

(7) **Total Budget:**

NSP - \$1,750,000

(8) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

MA Dept of Housing and Community Development
Community Services Division
100 Cambridge St, Suite 300
Boston, MA 02114
Sandra Hawes, Associate Director

(9) **Projected Start Date:** March 1, 2009

(10) **Projected End Date:** February 28, 2013

(11) **Specific Activity Requirements:**

As applicable, all activities will conform to NSP requirements for acquisition, financing and housing related activities and be consistent with this NSP plan.

For acquisition activities, include:

- **discount rate**

For financing activities, include:

- **range of interest rates**

For housing related activities, include:

- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) **Activity Name:** #5. Land Banking Assistance

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

Sec. 2301(c)(3)(C): Establish land banks for homes that have been foreclosed upon.

24 CFR 570.201 (a) Acquisition, (b) Disposition

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

Benefiting all the residents of a primarily residential area in which at least 51% of the residents have incomes at or below 120% of area median income (LMMA).

(4) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

The Commonwealth will provide support for the administration and operation of up to three, pilot land banking activities in eligible localities. The land banks funded will hold, temporarily, properties acquired with NSP funds. Requests for support for land banking must describe the overall neighborhood revitalization strategy, other activities intended to arrest neighborhood decline and the plans for how the banked land will ultimately be used (within 10 years).

(5) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Eligible properties in communities identified in Attachment 1. One of the pilot projects is expected to be conducted in the city of New Bedford.

(6) **Performance Measures** (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

15 properties acquired and banked

(7) **Total Budget:** (Include public and private components)

NSP - \$1,000,000

(8) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

MA Dept of Housing and Community Development
Community Services Division
100 Cambridge St, Suite 300
Boston, MA 02114
Sandra Hawes, Associate Director

(9) **Projected Start Date:** March 1, 2009

(10) **Projected End Date:** February 28, 2013

(11) **Specific Activity Requirements:**

As applicable, all activities will conform to NSP requirements for acquisition, financing and housing related activities and be consistent with this NSP plan.

For acquisition activities, include:

- **discount rate**

For financing activities, include:

- **range of interest rates**

For housing related activities, include:

- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) **Activity Name:** #6. Administration and Technical Assistance

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

Sec. 2301 (H)

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

N/A

(4) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

In addition to supporting its own staffing needs in administering the NSP, DHCD will provide funding to the Citizens' Housing and Planning Association (CHAPA) for its clearinghouse activities around foreclosed properties. All NSP funds will be devoted to supporting CHAPA's work in the communities identified by DHCD as being of highest need.

DHCD will work with the other agencies under the Executive Office of Housing and Economic Development (specifically, the Office of Consumer Affairs and Business Regulation and its Division of Banks) to explore the feasibility of reverse auctions as a vehicle for expediting the acquisition of foreclosed or abandoned properties in bulk purchases by non-profit or for-profit developers.

The Commonwealth will provide additional funding to the Massachusetts Office of the Attorney General to expand its Abandoned Housing Initiative in the NSP-eligible communities. One focus of the Initiative is to promote receivership as a tool for acquiring foreclosed or abandoned properties. Communities have reported that a significant number of problem properties eligible for receivership are REO properties as a result of foreclosure.

(5) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

N/A

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

MA Dept of Housing and Community Development
100 Cambridge St, Suite 300

Massachusetts Neighborhood Stabilization Program

1-15-2009

Boston, MA 02114
Tina Brooks, Undersecretary

Citizen's Housing and Planning Association
18 Tremont Street
Boston, MA
Aaron Gornstein, Executive Director

Office of the Attorney General
One Asburton Place
Boston, MA 02114
Martha Coakley, Attorney General of the Commonwealth

(7) Total Budget: (Include public and private components)

NSP - \$3,495,000

(8) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

(9) Projected Start Date: September 29, 2008

(10) Projected End Date: February 28, 2013

(11) Specific Activity Requirements:

As applicable, all activities will conform to NSP requirements for acquisition, financing and housing related activities and be consistent with this NSP plan.

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

For housing related activities, include:

- tenure of beneficiaries--rental or homeownership;
- duration or term of assistance;
- a description of how the design of the activity will ensure continued affordability.

CERTIFICATIONS

- (1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
- (2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
- (3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
- (4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.
- (5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.
- (6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
- (7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.
- (8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.
- (9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.
- (10) **Use NSP funds \leq 120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.
- (11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of

a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

Signature/Authorized Official

12/01/08
Date

Undersecretary
Title

APPENDIXES and ATTACHMENTS

Appendix A: Public Comment

Appendix B: Fair Housing Principles

Attachment 1: NSP Eligible Communities. See separate document on DHCD's website - <http://www.mass.gov/Ehed/docs/dhcd/cd/nsp/att1nsp.xls>

Attachment 2: Balance of State Summary Statistics. See separate document on DHCD's website - <http://www.mass.gov/Ehed/docs/dhcd/cd/nsp/att2nsp.xls>

DHCD Neighborhood Stabilization website link:

http://www.mass.gov/?pageID=ehedterminal&L=3&L0=Home&L1=Community+Development&L2=Grant+and+Funding+Programs&sid=Ehed&b=terminalcontent&f=dhcd_cd_nsp_nsp&csid=Ehed

APPENDIX A: PUBLIC COMMENT

Neighborhood Stabilization Program Public Comments

Public Comment Period: November 3, 2008 – November 19, 2008

Public Forum: November 6, 2008; 3:00 pm to 5:00 pm
 Department of Housing & Community Development
 100 Cambridge Street, 2nd floor
 Boston, MA
 November 13, 2008; 3:00 pm to 5:00 pm
 Worcester Public Library
 3 Salem Square, Saxe Room
 Worcester, MA

Boston Public Forum Attendees (signed in)

Ryan Ackerman, NHS of North Shore
 Joe Azevedo, City of Taunton
 James Barnes, City of Lawrence
 Don Bianchi, MACDC
 Jan Brodie, The Community Builders
 Sean Caron, CHAPA
 Frank Carvalho, Merrimack Valley CDFI
 Prabal Chakrabarti, Boston Federal Reserve Bank
 James Chaput, Town of Holbrook
 Cornelia Cogswell, MassHousing
 Wayne Darragh, COG Inc.
 Chris D'Aveta, City of Haverhill
 Mark Dinsburg, Codman Square Neighborhood
 Development Corp.
 Marc Dohan, Twin Cities CDC
 Glenn Eaton, Montachusett Regional Planning
 Commission
 Michael Ferreira, City of Taunton
 Philip Ferreira, City of Lowell
 Joe Flately, MHIC
 Jeff Fugate, Coalition for a Better Acre
 Peter Garbati, Malden Redevelopment Authority
 Bob Gehret, City of Boston
 Robert Goldstein
 Tim Hansen, Central MA Regional Planning
 Commission
 Shelly Hatch, Montachusett Regional Planning
 Commission
 Mark Hess, HallKeen
 Paul Hills, Town of Ware
 Anne Houston, Chelsea Neighborhood Developers
 Noelle Humphries, Winn Development
 Judy Jacobson, Mass Housing Partnership
 Kristina Johnson, City of Quincy

Virginia Kenney, MassHousing
 Elizabeth Krupp, Winn Development
 Allison Lamey, City of Lowell
 Gail Latimore, Codman Square Neighborhood
 Development Corp.
 Uyen Le, MIT-DUSP
 Laurie Lee, Town of Framingham
 Janet Leuci, Saugus Affordable Housing Trust
 James Madden, MIT
 Carol Martinez, City of Chelsea
 Phil Mayfield, OKM Associates
 Richard McCarthy, Town of Randolph
 Marlene McCollem, Town of Falmouth
 Deb Morse, Boston Housing Authority
 Lauren Nadler, Southwest Boston CDC
 John O'Brien, HUD Interagency Homeless
 Coordinator
 Marc Older, US Info
 Lynn Peterson, Women's Institute
 Deanna Ramsden, MassHousing
 Jennifer Raitt, Metropolitan Area Planning
 Commission
 Beth Rosa, Malden Redevelopment Authority
 Sandy Rose
 Paul Ruchinskas, Cape Cod Commission
 Jon Rudzinski, Rees-Larkin Development
 C.M. Sean, MassHousing
 Loryn Sheffner, Bank of America CDC
 Lynn Shields, Affordable Housing Trust Fund
 Peter Smith
 Zack Smith
 Sam Swisher, Town of Framingham
 Mat Thall VietAID
 Ann Verilli, CHAPA
 Marilyn Whalley, STG Consultants

Worcester Public Forum Attendees (signed in)

Tom Bringham, MA Housing & Shelter Alliance
 Liz Byrne, City of Worcester
 Swan Capris, Victory Programs
 Sue Clark, Town of Milford
 Emily Cohen, One Family
 John Eastman, Self Help Inc.
 Dennis Hennessy, City of Worcester
 Dave Andersen, RCAP Solutions
 Susan Mazzarella, Community Care Services, Inc.
 Muriel Oullette, Community Care Services, Inc.
 Dana Owens, Habitat for Humanity
 Fran Paquette, Homeownership Center of Worcester
 Andrea Park, Legal Assistance Corp. of Central MA

Steve Patton, Worcester Common Ground
 Curt Rogers, Gay Men's Domestic Violence Project
 Grace Ross, MA Alliance Against Predatory Lending
 Peter Sanborn, COG Inc.
 Linda Saar, Massachusetts Veterans Inc.
 Mullen Sawyer, Oak Hill CDC
 Jacqui Vachon-Jackson, City of Worcester
 Matt Wally, Worcester Community Housing Resource
 Pat Walsh, MA Housing & Shelter Alliance
 Jayne Windham, Homeownership Center of Worcester
 Kristin Wood, Congressman Olver's Office

Written Testimony Received

Barnstable County Home Consortium, Boston Dept. of Neighborhood Development, CHAPA, Coalition for a Better Acre, Codman Square Neighborhood Development Corp., Dorchester Bay Economic Development Corp., Fitchburg Dept. of Community Development, Framingham Foreclosure Task Force, Habitat for Humanity of Greater Lowell, HAP Inc., Hudson Dept. of Community Development, Lawrence Dept. of Community Development, Lowell City Manager, Malden Redevelopment Authority, MA Alliance Against Predatory Lending, MA Housing and Shelter Alliance, MA Law Reform Institute, Metropolitan Area Planning Council, OKM Associates, One Family Inc., Pine Street Inn, Pittsfield Dept. of Community Development,

Summary of Comments Received and Responses

General

There were a number of comments and questions regarding HUD's interpretation of its NSP notice, the overall operation of the Program and its requirements. DHCD will continue to work with HUD and recipients of NSP funds to clarify the requirements of the Program. Many of these questions, for example, regarding Program Income, rental income and subsequent resale of property cannot be answered in detail at this time.

Distribution of NSP Funding

- **Comment:** A number of comments were received regarding DHCD's methodology for determining the highest need communities. Many commented positively about the method and the outcome but not all were in agreement. Although the Plan is fairly specific regarding the Department's use of foreclosure auction data as a primary measure, some concerns were raised regarding the target communities that were identified and whether additional data such as foreclosure rate and additional demographics could have been used and whether that outcome would better target

areas more likely to be dense, low income, identifiable neighborhoods more clearly affected by foreclosure activity and less likely to rebound due to market forces.

Response: In addition to the rationale presented in the Plan regarding the need to identify areas where foreclosures have occurred, and the risk of future foreclosure, several of the factors suggested would have unacceptable outcomes themselves. The rate of foreclosure in communities is an important indicator of local impact. The Act, however, requires DHCD to target funds to the areas of the Commonwealth most affected as a percentage of the total number of foreclosures in the state. In fact, the foreclosure rate in most large communities is relatively low because the number of units is high. This would have put urban areas at a disadvantage. In addition, it is unclear that the effect of multiple property foreclosures in a less dense neighborhood is less problematic than the same or fewer foreclosures in more dense neighborhoods. The impact may have as much to do with the ratio of affected and unaffected properties as it does with the number of units involved.

The Department feels that the methodology reflects the foreclosure activity across a variety of community types and allows for resources to address the most severe incidence in multiple settings.

- **Comment:** Recommend that regional consortia and/or contiguous communities be eligible recipients of NSP funding and consideration given to direct involvement by regional planning agencies.

Response: DHCD is supportive of regional and multi-community approaches. Consideration will be given under the Direct NSP assistance and Strategic Demolition activity to multi-community proposals and regional planning agency involvement.

- **Comment:** Recommend that nonprofits be eligible as direct recipients of NSP funding.

Response: Nonprofit organizations may apply directly for assistance within the Acquisition and Rehabilitation Assistance and Housing Development Assistance components of the program.

- **Comment:** Although Malden is not one of the 39 communities eligible for NSP assistance, City has been active in responding to foreclosure crisis and believes that the DHCD analysis is inconsistent with their data.

Response: In determining areas of greatest need, DHCD used several threshold criteria to screen the basic need data into a focused list of eligible block groups in the communities with the highest need and facing the greatest risk. The primary determinant of need in DHCD's analysis is that a community must contain at least .5% of the FY08 foreclosure auctions within the Commonwealth. Malden did not meet that threshold. The Department will continue to monitor foreclosure statistics and may modify the list of eligible communities based on updated figures.

- **Comment:** Recommend that DHCD undertake a mid-program review to reassess communities' needs based on updated foreclosure information. If the review indicates that need has increased in particular communities, enable such communities to be eligible for NSP assistance.

Response: The Department will continue to monitor foreclosure statistics and may modify the list of eligible communities based on updated figures. It is important to note however, that strict distribution requirements for NSP funds may require DHCD to obligate funds prior to receiving and analyzing the most recent statistics.

- **Comment:** Will there be administrative funding available to the 14 communities that are eligible for direct NSP assistance?

Response: Yes. Those communities that receive direct NSP assistance will be allowed up to a percentage of their funds for administration. The exact amount will be determined at the time the amount of assistance is determined and may vary based upon local capacity, availability of other funds, etc.

DHCD Eligible Activities

- **Comment:** It appears as though a large percentage of the NSP allocation is directed towards housing development assistance; HUD's intent was not to build new housing, but to stabilize neighborhoods and reuse existing housing.

Response: Eligible activities under the category of housing development assistance include both rehabilitation of existing structures and new construction. In addition, the final plan reduces funding allocated to this activity.

- **Comment:** Eligibility for strategic demolition assistance should be expanded to include the four cities that are receiving NSP allocations from HUD.

Response: The Department believes that the direct-funded NSP communities will have the resources necessary to pursue this activity if they wish.

- **Comment:** Restrict communities' ability to demolish residential properties and encourage the rehabilitation and reuse of these properties.

Response: The Plan makes only a small percentage of the funds available for this purpose subject to proposals that put demolition into the context of an overall neighborhood strategy.

- **Comment:** Can a nonprofit developer within a HUD NSP-funded community apply to both the city and DHCD NSP programs for funding for the same project? Coordination between the HUD-funded cities and DHCD will be important.

Response: It appears from the guidance available that this is possible.

Definitions

- **Comment:** The definition for affordability within the draft plan doesn't mention whether DHCD will impose recapture or resale conditions. It is often quite difficult to entice buyers to purchase in distressed neighborhoods – resale conditions would limit the ability for a homebuyer to realize any appreciation.

Response: The Plan reflects that within HOME program standards, DHCD will allow as much flexibility as possible for recipients to use either resale or recapture provisions best suited to the market condition in their project area location.

- **Comment:** Resale and recapture restrictions are often overly onerous, particularly for areas outside of Boston. Would it be possible for communities to develop and impose their own recapture and/or resale restriction?

Response: Only within the constraints of the minimum NSP standards as contained in the provisions of the HOME program.

- **Comment:** NSP income eligibility has been expanded up to 120% of Area Median Income; however the Plan's definition of affordable rents covers only low income households – and not very low or middle-income. Affordable rents should be determined based on the income of the applicant household – and include rents appropriate for those earning below 30%, 50%, 80% and 120% of AMI.

Response: The revised Plan reflects this need.

- **Comment:** Although the draft plan includes a definition for a “blighted structure”, the process for declaring a property blighted is not described.

Response: DHCD will provide further guidance on this topic. Generally, designation of a building as blighted requires such a determination by an authorized and qualified local official.

- **Comment:** The housing rehabilitation standards included (State Sanitary Code) exceed HUD's Housing Quality Standards and may be excessive. In addition, Energy Star standards may significantly increase rehab costs.

Response: The statute and HUD notice require NSP units to meet local codes and standards. The Massachusetts CDBG program requires rehabilitation activities to meet this Sanitary Code standard. A clarification of the applicability of Energy Star standards is now included in the Plan.

Low-Income Targeting

- **Comment:** DHCD should encourage and require that the low-income targeting requirement be expanded to target a percentage of funding for the benefit of Extremely Low Income persons (below 30% AMI).

Response: The final plan clearly focuses housing development assistance on units for Extremely Low Income (ELI) households/individuals. In addition, communities receiving direct NSP assistance will be required to target a percentage of their funding to serving the ELI population.

- **Comment:** Can the 25% low-income targeting requirement be met through activities that provide area-wide benefit to low-, moderate- and middle-income populations?

Response: No. The NSP statute reads: “*not less than 25 percent of the funds appropriated or otherwise made available under this section shall be used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of area median.*”

- **Comment:** To serve households below 30% of AMI, it will be necessary to incorporate project based vouchers and/or deep rental subsidies and will require some level of supportive services.

Response: DHCD is evaluating the availability of vouchers and other resources to address this issue.

Acquisition

- **Comment:** If a property is acquired with funding other than NSP, and then NSP funding is used for rehabilitation or other eligible use, does the purchase discount apply?

Response: It is DHCD’s understanding based on written guidance from HUD that the purchase discount only applies when NSP funding is used to acquire properties that meet the definition of foreclosed.

- **Comment:** Requiring appraisals for each property will be troublesome – will make it particularly difficult for bulk purchases. In some instances, nonprofits/developers have opportunity to acquire properties for \$1 – appraisal seems unnecessary.

Response: The HUD NSP guidelines and guidance provided through HUD’s NSP Frequently Asked Questions (FAQs) clearly require URA appraisals for all NSP-funded acquisitions. It is important to note that the 5% discount is the minimum acceptable discount; property may be acquired at greater discounts.

- **Comment:** Encourage and/or require that properties are acquired by owner-occupants and/or nonprofits – better chance of stabilizing neighborhoods if absentee landlords not an issue.
- **Comment:** Encourage or prioritize rehabilitation of tenant-occupied, foreclosed properties to help stabilize neighborhoods. All too often, focus is on building new or bringing in new residents, need to remember those families/individuals that are already part of the neighborhood and help them maintain safe, stable housing.

Response: The Department agrees that positive opportunities exist for stabilization of neighborhoods through strategies that rehabilitate occupied buildings and/or that result in owner occupied buildings. DHCD is actively engaged in a number of state initiatives to assist existing occupants - tenants and owners - to retain their housing in the face of foreclosure. In addition, for example, the NSP plan prohibits eviction of occupants in order to demolish buildings.

Fair Housing

- **Comment:** DHCD should include specific Fair Housing goals in the NSP plan.

Response: It is DHCD's intent to review all activities in light of our adopted Fair Housing Principles that have been included in Appendix B.

APPENDIX B: FAIR HOUSING PRINCIPLES

Massachusetts Fair Housing Mission Statement and Principles

The mission of DHCD through its programs and partnerships is to be a leader in creating housing choice and providing opportunities for inclusive patterns of housing occupancy to all residents of the Commonwealth, regardless of income, race, religious creed, color, national origin, sex, sexual orientation, age, ancestry, familial status, veteran status, or physical or mental impairment.

It shall be our objective to ensure that new and ongoing programs and policies affirmatively advance fair housing, promote equity, and maximize choice. In order to achieve our objective, we shall be guided by the following principles:

1. **Encourage Equity.** Support public and private housing and community investment proposals that promote equality and opportunity for all residents of the Commonwealth. Increase diversity and bridge differences among residents regardless of race, disability, social, economic, educational, or cultural background, and provide integrated social, educational, and recreational experiences.
2. **Be Affirmative.** Direct resources to promote the goals of fair housing. Educate all housing partners of their responsibilities under the law and how to meet this important state and federal mandate.
3. **Promote Housing Choice.** Create quality affordable housing opportunities that are geographically and architecturally accessible to all residents of the commonwealth. Establish policies and mechanisms to ensure fair housing practices in all aspects of marketing.
4. **Enhance Mobility.** Enable all residents to make informed choices about the range of communities in which to live. Target high-poverty areas and provide information and assistance to residents with respect to availability of affordable homeownership and rental opportunities throughout Massachusetts and how to access them.
5. **Promote Greater Opportunity.** Utilize resources to stimulate private investment that will create diverse communities that are positive, desirable destinations. Foster neighborhoods that will improve the quality of life for existing residents. Make each community a place where any resident could choose to live, regardless of income.
6. **Reduce Concentrations of Poverty.** Ensure an equitable geographic distribution of housing and community development resources. Coordinate allocation of housing resources with employment opportunities, as well as availability of public transportation and services.
7. **Preserve and Produce Affordable Housing Choices.** Encourage and support rehabilitation of existing affordable housing while ensuring that investment in new housing promotes diversity, and economic, educational, and social opportunity. Make housing preservation and production investments that will create a path to social and economic mobility.
8. **Balance Housing Needs.** Coordinate the allocation of resources to address local and regional housing need, as identified by state and community stakeholders. Ensure that affordable housing preservation and production initiatives and investment of other housing resources promote diversity and social equity and improve neighborhoods while limiting displacement of current residents.
9. **Measure Outcomes.** Collect and analyze data on households throughout the housing delivery system, including the number of applicants and households served. Utilize data to assess the fair housing impact of housing policies and their effect over time, and to guide future housing development policies.

- 10. Rigorously Enforce All Fair Housing and Anti-Discrimination Laws and Policies.** Direct resources only to projects that adhere to the spirit, intent, and letter of applicable fair housing laws, civil rights laws, disability laws, and architectural accessibility laws. Ensure that policies allow resources to be invested only in projects that are wholly compliant with such laws.

DHCD website link to Fair Housing:

[http://www.mass.gov/?pageID=ehedterminal&L=3&L0=Home&L1=Community+Development&L2=Community+Planning&sid=Ehed&b=terminalcontent&f=dhcd hd fair fairh&csid=Ehed](http://www.mass.gov/?pageID=ehedterminal&L=3&L0=Home&L1=Community+Development&L2=Community+Planning&sid=Ehed&b=terminalcontent&f=dhcd%20fair%20housing&csid=Ehed)