

Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**

Deval L. Patrick, Governor ◆ Timothy P. Murray, Lt. Governor ◆ Tina Brooks, Undersecretary

Application to the U.S. Department of Housing and Urban Development

for

Neighborhood Stabilization Program 2 (NSP2) Funding

July 15, 2009

Applicant:

**Massachusetts Department of Housing and Community Development
100 Cambridge Street, Suite 300
Boston, MA 02114**

Application Identification No.: 682793969

Application for Federal Assistance SF-424

Version 02

*1. Type of Submission:

- Preapplication
 Application
 Changed/Corrected Application

*2. Type of Application

- New
 Continuation
 Revision

* If Revision, select appropriate letter(s)

*Other (Specify)

3. Date Received:

4. Applicant Identifier:

5a. Federal Entity Identifier:

*5b. Federal Award Identifier:

State Use Only:

6. Date Received by State:

7. State Application Identifier:

8. APPLICANT INFORMATION:

*a. Legal Name: Commonwealth Of Massachusetts

*b. Employer/Taxpayer Identification Number (EIN/TIN):
99-9089540

*c. Organizational DUNS:
824-848-162

d. Address:

*Street 1: 100 Cambridge Street
Street 2: Suite 300
*City: Boston
County: Suffolk
*State: MA
Province: _____
*Country: United States
*Zip / Postal Code 02114

e. Organizational Unit:

Department Name:
Department of Housing and Community Development

Division Name:

f. Name and contact information of person to be contacted on matters involving this application:

Prefix: Mr. *First Name: Mark
Middle Name: _____
*Last Name: Siegenthaler
Suffix: _____

Title: Community Development Manager

Organizational Affiliation:
Department of Housing and Community Development

*Telephone Number: 617 573-1426

Fax Number: 617 573-1460

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Application for Federal Assistance SF-424

Version 02

***9. Type of Applicant 1: Select Applicant Type:**

A.State Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

*Other (Specify)

***10 Name of Federal Agency:**

US Department of Housing and Urban Development

11. Catalog of Federal Domestic Assistance Number:

CFDA Title:

***12 Funding Opportunity Number:**

FR-5321-C-01 _____

*Title:

Neighborhood Stabilization Program 2 _____

13. Competition Identification Number:


Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

Commonwealth of Massachusetts

***15. Descriptive Title of Applicant's Project:**

NSP2 Competitive Application

Application for Federal Assistance SF-424		Version 02
16. Congressional Districts Of:		
*a. Applicant: MA - 09	*b. Program/Project: MA - 01, 02	
17. Proposed Project:		
*a. Start Date: 1/01/2010	*b. End Date: 12/30/2013	
18. Estimated Funding (\$):		
*a. Federal	14,500,000	
*b. Applicant		
*c. State		
*d. Local		
*e. Other		
*f. Program Income		
*g. TOTAL	14,500,000	
*19. Is Application Subject to Review By State Under Executive Order 12372 Process?		
<input type="checkbox"/> a. This application was made available to the State under the Executive Order 12372 Process for review on _____		
<input type="checkbox"/> b. Program is subject to E.O. 12372 but has not been selected by the State for review.		
<input checked="" type="checkbox"/> c. Program is not covered by E. O. 12372		
*20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)		
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 218, Section 1001)		
<input checked="" type="checkbox"/> ** I AGREE		
** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions		
Authorized Representative:		
Prefix: _____	*First Name: <u>Tina</u> _____	
Middle Name: _____		
*Last Name: <u>Brooks</u>		
Suffix: _____		
*Title: Undersecretary		
*Telephone Number: 617 573-1100	Fax Number: 617 573-1120	
* Email: tina.brooks@state.ma.us		
*Signature of Authorized Representative: 	*Date Signed: 07/15/09	

Program Summary

The Commonwealth of Massachusetts through its Department of Housing and Community Development (DHCD) is filing this competitive grant application seeking funds under the Neighborhood Stabilization Program 2 (NSP2). Funding is provided from the U.S. Department of Housing and Urban Development (HUD) and is authorized under the American Recovery and Reinvestment Act of 2009. The primary goal of NSP2 is the redevelopment of abandoned and foreclosed upon homes and residential properties, first through the arrest of neighborhood decline and secondly by stabilizing the neighborhood and positioning the neighborhood for a sustainable role in a revitalized community. DHCD requests \$14.5 million (\$14,500,000) to make funds available to strategically, targeted communities to carry out the following eligible activities: Downpayment Assistance for the Purchase of Foreclosed Homes, Purchase and Rehabilitation of Foreclosed and Abandoned Homes, Strategic Demolition, and Redevelopment of Demolished or Vacant Properties as Housing.

The Commonwealth of Massachusetts received approximately \$43 million under the Neighborhood Stabilization Program (NSP1) through the Housing and Recovery Act of 2008. These funds were directed to programs that benefit 39 communities identified as most in need. The sheer number of foreclosures, as a percentage of foreclosure activities occurring in the Commonwealth, was the primary indicator that identified NSP1 eligibility.

For NSP2, another set of communities has been identified for assistance. These communities exhibit a different measure of need from the NSP1 participants. In the nine (9) strategically targeted communities, the effects of foreclosure and abandonment are particularly troublesome because the activity represents a significant percentage of the housing located in the communities. Where NSP1 focused on volume, the activities proposed in this NSP2 application are focused on addressing the significant impact that a high percentage of foreclosures and abandoned properties can have on relatively small communities in the identified neighborhoods.

The nine cities and towns are all located in the central and western part of the state. In addition to the required evidence indicating eligible census tracts for NSP2 funding (see required chart), they are characterized by statistics indicating high levels of distress, poverty and low and moderate income populations. **The target geography was successfully submitted via the HUD NSP2 Mapping System – Application Identification 682793969.**

b. Narrative Statements:

Rating Factor 1: Need/Extent of the Problem

a. Target Geography (10 points)

Overview

The Commonwealth of Massachusetts received approximately \$43 million under the Neighborhood Stabilization Program (NSP1) through the Housing and Recovery Act of 2008. These funds were directed to programs that benefit 39 communities identified as most in need. The number of foreclosures in a community, as a percentage of foreclosure activities occurring in the Commonwealth, was the primary indicator that identified NSP1 eligibility.

For NSP2, a different set of communities has been identified for assistance. These communities exhibit a different measure of need from the NSP1 participants. In the nine (9) strategically targeted communities, the effects of foreclosure and abandonment are particularly troublesome because the projected incidence represents a significant percentage of the housing located within each community. While NSP1 focused on volume, the activities proposed in this NSP2 application are focused on addressing the significant impact that a high percentage of foreclosures and abandoned properties can have on relatively small communities in the identified neighborhoods.

HUD has provided two foreclosure-related needs scores at the census tract level; one is based on the number and percentage of foreclosure filings or “starts” as an estimated foreclosure rate within the past 2 years, and the other combines the estimated foreclosure rate with the 90-day vacancy rate for the census tract. Each census tract is then assigned a needs score between 1 and 20, with a score of 20 representing those census tracts with HUD’s estimation of greatest need. At a minimum, NSP2 target areas must score an average of 18 or higher, using the higher of the indices for each census tract.

In selecting the target geography for this proposal, DHCD has prioritized those communities that were not eligible for NSP1 funding that contain at least one census tract with a Foreclosure Risk Score equal to or greater than 18 **and** with at least a 15% foreclosure rate (based on foreclosure filings/starts). The following nine communities meet these criteria:

Athol	Orange	Webster
Gardner	Pittsfield	West Springfield
North Adams	Southbridge	Winchendon

To further target the funds to the greatest need, within each of these nine communities, only census tracts that have either a Foreclosure Risk Score or a Vacancy Risk Score (a Maximum Score) equal to or greater than 18 or have at least 15% foreclosure rate (based on foreclosure “starts”) will be eligible for NSP2 assistance. The chart below indicates the census tracts in which DHCD assistance will be provided. **The target geography was successfully submitted via the HUD NSP2 Mapping System – Application Identification 682793969.**

Within the targeted tracts, between 10.5 % and 22% of the properties are estimated by HUD to have suffered from foreclosure.

Community	Census Tract	Foreclosure Risk Score	Vacancy Risk Score	Maximum Score	Estimated # Foreclosure starts in past 2 years	Estimated % Foreclosure starts in past 2 years
Athol						
	703100	18	18	18	147	18.5%
	703300	17	18	18	111	15.9%
	703200	17	16	17	113	16.4%
Gardner						
	707300	18	19	19	89	18.2%
	707200	18	20	20	30	17.0%
North Adams						
	921400	20	19	20	35	24.5%
	921200	19	20	20	101	21.8%
	921300	19	19	19	85	19.6%
	921500	18	18	18	72	17.2%
Orange						
	40500	19	17	19	204	15.7%
Pittsfield						
	900600	19	18	19	94	20.7%
	900200	19	16	19	94	20.0%
	900100	19	16	19	55	19.1%
Southbridge						
	757200	19	20	20	50	20.1%
	757100	18	16	18	105	17.0%
	757300	17	20	20	42	15.7%
	757400	16	18	18	61	14.8%
Webster						
	754300	19	20	20	52	19.9%
	754100	18	18	18	144	11.7%
	754400	16	19	19	89	15.0%
West Springfield						
	812300	18	14	18	117	17.0%
	812402	18	10	18	146	10.7%
	812401	18	9	18	154	10.5%
Winchendon						
	701100	19	18	19	218	15.1%
AVERAGE MAXIMUM SCORE				18.79		

The nine cities and towns are all located in the central and western part of the state. In addition to the required evidence indicating eligible census tracts for NSP2 funding, these communities are characterized by statistics indicating high levels of distress, poverty and low and moderate income populations. The charts below include statistics regarding unemployment, housing cost burden and relative community well-being.

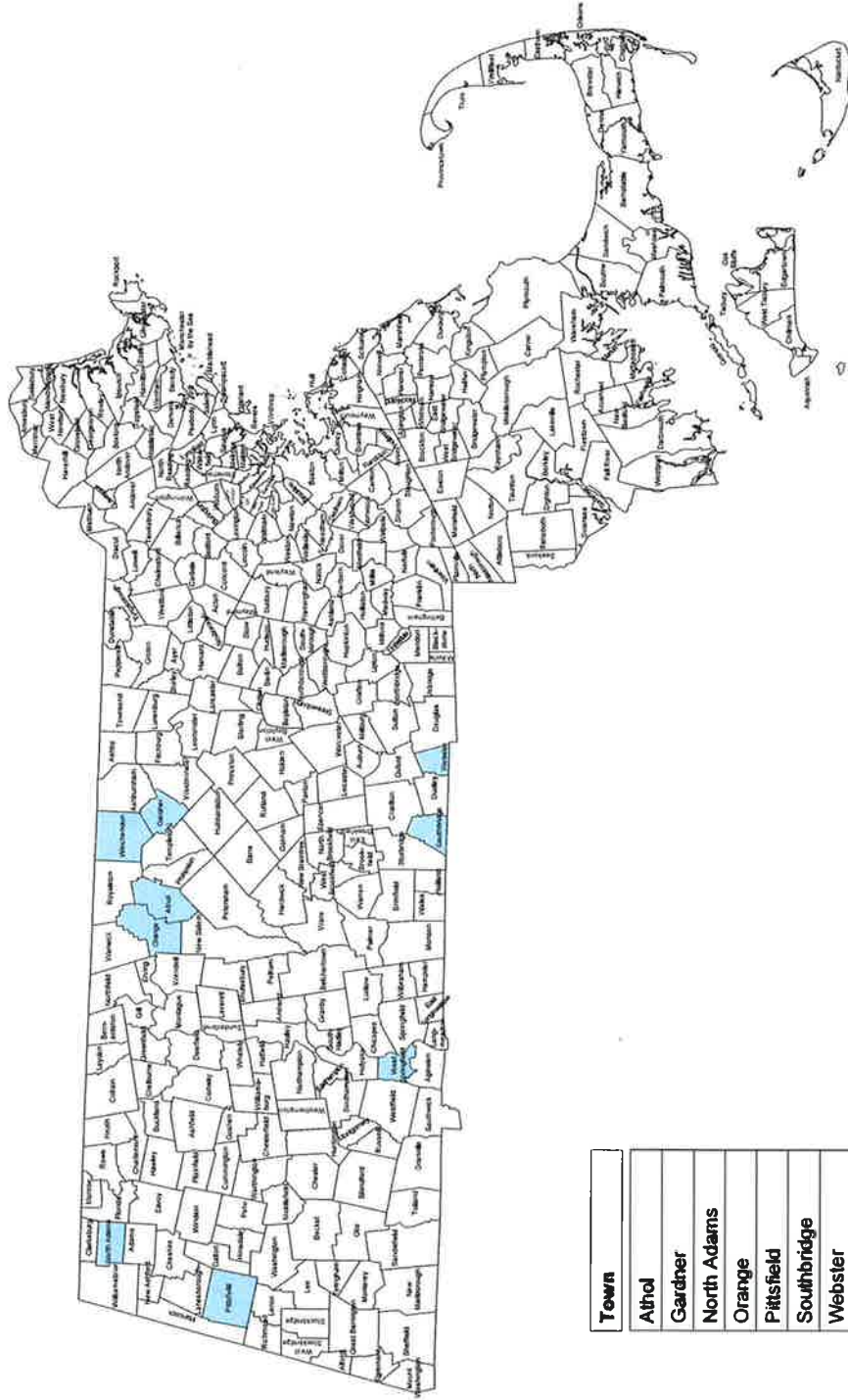
Community	2000 Pop.	Total # Housing Units	# Units Built pre-1939	% Units Built pre-1939	Per Capita Income	Levy Per Capita	LPC as % of PCI	2008 Unemp. Rate	May '09 Unemp. Rate	% HUD LMI*	% HUD LMMI**
Athol	11,299	4,824	2267	47.0	16,845	766	4.5	7.1	10.9	59.3	77.4
Gardner	20,770	8,838	4,064	46.0	18,624	766	4.1	7.6	10.9	51.4	68.9
North Adams	14,681	7,088	4,174	58.9	16,381	657	4.0	6.7	9.0	63.0	77.6
Orange	7,518	3,303	1,463	44.3	17,361	869	5.0	6.7	11.0	55.5	79.3
Pittsfield	45,793	21,366	9353	43.8	20,549	1,168	5.7	5.3	8.2	52.4	72.7
Southbridge	17,214	7,511	2,972	39.6	18,514	751	4.1	7.6	10.1	57.1	76.9
Webster	16,415	7,554	2,793	37.0	20,410	933	4.6	6.9	10.7	51.4	73.0
West Springfield	27,899	12,259	3,148	25.7	20,982	1,721	8.2	6.0	8.5	48.5	70.1
Winchendon	9,611	3,660	1,375	37.6	18,798	899	4.8	7.1	9.9	47.8	70.1
Target Area	171,200	76,403	31,609	41.4	18,718	948	5.0	5.3	8.2	53.2	75.2
					(avg)	(avg)	(avg)	(MA avg)	(MA avg)		

*Below 80% AMI
 **Below 120% AMI

Community	# Hhlds income <= 50% MFI	% Housing Cost Burden >30%	% Housing Cost Burden >50%	# Hhlds Income >50 to <=80% MFI	% Housing Cost Burden >30%	% Housing Cost Burden >50%	# Hhlds Income >80% MFI	% Housing Cost Burden >30%	% Housing Cost Burden >50%
Athol	1,262	64.5%	31.9%	1115	22.2%	4.4%	2028	2.8%	0.2%
Gardner	2,312	63.2%	33.4%	1,560	24.2%	4.1%	4,359	5.9%	0.1%
North Adams	2,441	55.8%	29.0%	1,333	18.4%	2.0%	2,433	4.0%	0.2%
Orange	824	43.9%	19.1%	694	26.5%	5.0%	1,530	3.3%	0.0%
Pittsfield	5,654	64.1%	37.4%	3,864	24.6%	3.6%	10,180	6.1%	0.7%
Southbridge	2,593	64.2%	32.8%	1,371	17.9%	3.7%	3,046	4.6%	1.3%
Webster	2,358	59.0%	35.6%	1,298	23.9%	3.9%	3,204	5.7%	0.0%
West Springfield	3,042	66.0%	41.7%	2,128	22.0%	3.2%	6,619	6.4%	0.2%
Winchendon	910	58.5%	29.9%	525	33.1%	2.7%	1,980	5.9%	1.0%

Collectively, the NSP2 Target area has a total population of 171,200 of which 53% are low- or moderate-income (below 80% of Area Median Income) and 75% are low-, moderate- and middle-income (below 120% of Area Median Income). In addition, unemployment in the region is higher than the state average – for both the calendar year 2008 and the most recent available data for May, 2009. In fact, the state average unemployment rate for May 2009 was 8.2% and all the target communities had rates higher equal to or higher. Unemployment in May 2009 in Athol, Gardner, Orange, and Webster were nearly 11%.

DHCD NSP2 Target Communities



Town
Athol
Gardner
North Adams
Orange
Pittsfield
Southbridge
Webster
West Springfield
Winchendon

b. Market Conditions and Demand Factors (30 points)

1. Absorption of Foreclosed Properties

The absorption of foreclosed properties depends on wider economic forces – employment growth in particular – as well as the concentration of these properties. Towns or neighborhoods with a few, scattered properties in foreclosure may find those properties absorbed by the market quickly, through a market sale, a short sale, or at auction. However, the smaller towns included in this application have higher concentrations of foreclosures, and higher unemployment.

The most straightforward calculation of absorption measures the number of REO properties relative to the medium-to-long term rate at which these and other homes sell. Using this measure, it is expected that the 105 properties that are currently held by lenders in the target census tracts represent one month of the total sales supply. Although not all of the 270 additional properties that have auctions scheduled or have had petitions filed will be foreclosed, these properties represent an additional 2.4 months of supply. These numbers may appear small, but this should be put into the context of the total number of properties on the market (which may include short sales). Data provided from realtors/local governments in three of the focus communities highlights the problem, as the months of supply on the market in the target census tracts is 12 months in Winchendon, 15 months in Pittsfield, and 20 months in Southbridge. The Massachusetts Association of Realtors considers a supply of 7.5 to 8.5 months as “balanced.”

Table 1: Absorption Rates and Time on the Market, Target Area Census Tracts

Municipality	Census Tract	Annual Sales Volume	REO, 4/1/2009	Months of Supply, REO	Petition Filed or Auction Scheduled, 4/1/2009	Median Time of REO on Market (months, Zip Code)
Athol	703100	68	8	1.4	27	8.87
Athol	703200	54	5	1.1	19	8.87
Athol	703300	52	4	0.9	12	8.87
Gardner	707200	22	2	1.1	4	8.90
Gardner	707300	50	2	0.5	7	8.90
North Adams	921200	36	5	1.7	6	9.81
North Adams	921300	46	1	0.3	10	9.81
North Adams	921400	17	0	0.0	0	9.81
North Adams	921500	28	1	0.4	2	9.81
Orange	040500	122	10	1.0	21	5.89
Pittsfield	900100	68	3	0.5	2	8.55
Pittsfield	900200	67	3	0.5	7	8.55
Pittsfield	900600	50	3	0.7	10	8.55
Southbridge	757100	45	6	1.6	13	9.26
Southbridge	757200	26	4	1.8	8	9.26
Southbridge	757300	33	5	1.8	4	9.26
Southbridge	757400	27	3	1.3	5	9.26
Webster	754100	66	2	0.4	23	6.90
Webster	754300	41	4	1.2	9	6.90

Table 1: Absorption Rates and Time on the Market, Target Area Census Tracts

Municipality	Census Tract	Annual Sales Volume	REO, 4/1/2009	Months of Supply, REO	Petition Filed or Auction Scheduled, 4/1/2009	Median Time of REO on Market (months, Zip Code)
Webster	754400	43	2	0.6	12	6.90
West Springfield	812300	70	6	1.0	9	7.08
West Springfield	812401	66	1	0.2	2	7.08
West Springfield	812402	90	2	0.3	9	7.08
Winchendon	701100	99	21	2.5	44	8.84
Target Area		1286	103	1.0	265	8.46 (Avg)

Sources: Extrapolation from Warren Group town level data, 2008 Warren Group/CHAPA Calculated Warren Group/CHAPA Federal Reserve Bank of Boston

In addition, the Federal Reserve Bank of Boston has analyzed the time it takes for REOs to be sold, at the zip code level. Table 1 breaks down this data by the target census tracts. The average median number of months on the market for the target census tracts is 8.46 months, compared to a statewide median of seven months. In neighborhoods of North Adams and Southbridge, the median time that an REO can be expected to be on the month exceeds nine months.

Given the rapid increase in the number of foreclosures and the deterioration of Massachusetts employment conditions, this estimate should also be placed within the context of additional real estate market data.

Real Estate Conditions

Statewide real estate conditions are poor, though decreases here have not been as severe as in other parts of the country. According to the S&P-Case/Shiller Home Price Index, Greater Boston prices have fallen 18% since the peak in late 2005, outperforming all but three¹ of the 20 cities in the index. In the nine communities containing the target census tracts, median prices declines have varied dramatically across the target area, from seven percent in West Springfield to 53 percent in Athol. As shown below, all but two towns have experienced double-digit declines in median sales price.

¹Dallas, Denver and Charlotte.

Municipality	Median Price Change, 1994 to 2005	Median Price Change, 2005 to Jan-May 2009	Peak, Number of Residents Employed	Change Since Peak	Unemployment, May 2009
Athol	158%	-53%	Jun-01	-9.2%	10.9%
Gardner	166%	-34%	Jun-01	-10.8%	10.9%
North Adams	97%	-15%	Jul-01	-7.7%	9.0%
Orange	129%	-21%	Jun-01	-7.4%	11.0%
Pittsfield	77%	-9%	Jul-06	-10.8%	8.2%
Southbridge	168%	-44%	Dec-00	-8.3%	10.1%
Webster	159%	-24%	Jun-01	-5.3%	10.7%
West Springfield	75%	-7%	Dec-00	-7.1%	8.5%
Winchendon	150%	-31%	Jun-00	-6.6%	9.9%

Source: The Warren Group (prices) and MA Dept. of Workforce Development (number of employed residents)

In the communities comprising the target area, stagnant or falling employment is a greater concern. With the exception of Pittsfield, none of the municipalities ever recovered from the 2001 recession. In fact, some of these towns had the highest number of employed residents in 2000. Although Pittsfield is an exception, its employment has been generally stagnant. Since the current recession began, employment has deteriorated further, pushing local unemployment rates up an average of four percentage points. Such employment conditions undermine the local sales market, and thus the absorption of foreclosed and abandoned properties.

Given these difficulties, the inventory of foreclosed and abandoned properties will only be absorbed with a combination of financial assistance and incentives for homebuyers and attractive financing for purchase and rehab by approved developers. Both approaches must focus on affordability, to make the properties accessible to the high number of households with a housing cost burden (see Factor 1.3.).

2. Underlying Causes of the Current Foreclosure Crisis in Massachusetts

A report on the Massachusetts housing market by the Donahue Institute at the University of Massachusetts published in 2008 provides much insight into the underlying causes of the current foreclosure crisis in Massachusetts. "Unlike parts of the country that experienced overbuilding, Massachusetts does not have a glut of unsold inventory of newly built homes. A detailed review of building permit and other public records revealed that much of the state's recent housing production was concentrated in three market segments: market rate condominiums, age restricted (55 and over) housing, and high-end rentals [all of which bypassed the target area].

Rather than an overproduction of new homes, which has occurred in many of the nation's housing markets, real estate observers say that what has stalled sales in Massachusetts is the continuing standoff between would-be buyers who think that the market will drop further, and would-be sellers with inflated expectations of their property's value. The prolonged real-

estate slump, along with a shrinking job market, is keeping many consumers on the sidelines. Rising credit standards have compounded the problem.

Between 1995 and 2000, Massachusetts added more than 423,000 new jobs. This economic growth boosted incomes and attracted new workers to the state and led to dramatic increases in rents and home prices. From 2001 to 2006, however, conditions and practices in the broader financial and mortgage markets – including low interest rates, easily available credit, a proliferation of exotic new mortgage instruments and their derivatives, and an expanded secondary market for mortgage-backed securities – fueled home-buying and price escalation here and elsewhere.

Even though incomes were stagnant, and home prices were appreciating by double digits annually, low interest rates combined with lax underwriting rules enabled more families to purchase a home than ever before. As was true across the country, families stretched to acquire their first home, or trade up to a more desirable home. An increasing number of borrowers also purchased investment properties with easy credit that was readily available from 2002 through 2006.

While a homebuyer purchasing at the peak of the market in 2005 would have required an income of nearly \$90,000 to afford the median priced single-family home (\$370,000) under conventional underwriting standards – ten percent down payment, debt-to-income ratios of 33 and 38 percent – there were a growing number of alternative mortgage options that would lower the income required, some quite substantially: an adjustable 5-1 ARM, for example, would lower the income required to \$84,000; an Option ARM, or a 2/28 ARM at a three percent teaser rate, would allow a buyer earning \$68,000 to qualify; and the same product but with a 50 percent income allowance for principal and interest – and no escrow requirement for taxes or insurance – could get a buyer into a home with an income of just \$34,000.

There were more than 59,000 “high cost” loans made in Massachusetts in 2005 and 40,000 in 2006. These loans accounted for about 20 percent of the state’s home purchase loans and 25 percent of refinances in those years. Subprime lenders originated 19.4 percent of all home-purchase loans made in the state in 2005, up from 12.5 percent in 2004 and just 3.3 percent in 1999. Traditionally underserved markets – low-income census tracts and minority borrowers – were aggressively targeted by many of these lenders.

Between 2001 and 2006 an average of more than 21,000 low-income households per year purchased homes in Massachusetts, representing more than 24 percent of all home purchases during this period; very low-income purchasers alone accounted for five percent of home purchases. Many more low-income homeowners refinanced, often taking cash out at closing, as the value of their homes rose. During 2006 – even after prices had peaked – nearly 104,000 homeowners of all income levels obtained mortgages to refinance, while 77,000 obtained home purchase loans. Nineteen percent of these home purchase loans and 25 percent of the refinances involved subprime loans.”

The Donahue Institute report explains the general picture for Massachusetts, and HMDA and Census data helps to highlight the role of sub-prime lending in the target census tracts. From 2004 to 2006, 3,579 high-cost loans were made in the target census tracts, representing 31 percent of all purchase and refinance loans during this period, compared to 18 percent statewide. Among the 24 target census tracts, 23 had high-cost loan lending rates higher than for the state, and in 13 (54 percent), high-cost loans made up 35 percent or more of loans. In the Southbridge tract of 757200, nearly half (49%) of all loans made during that period were high-cost loans.

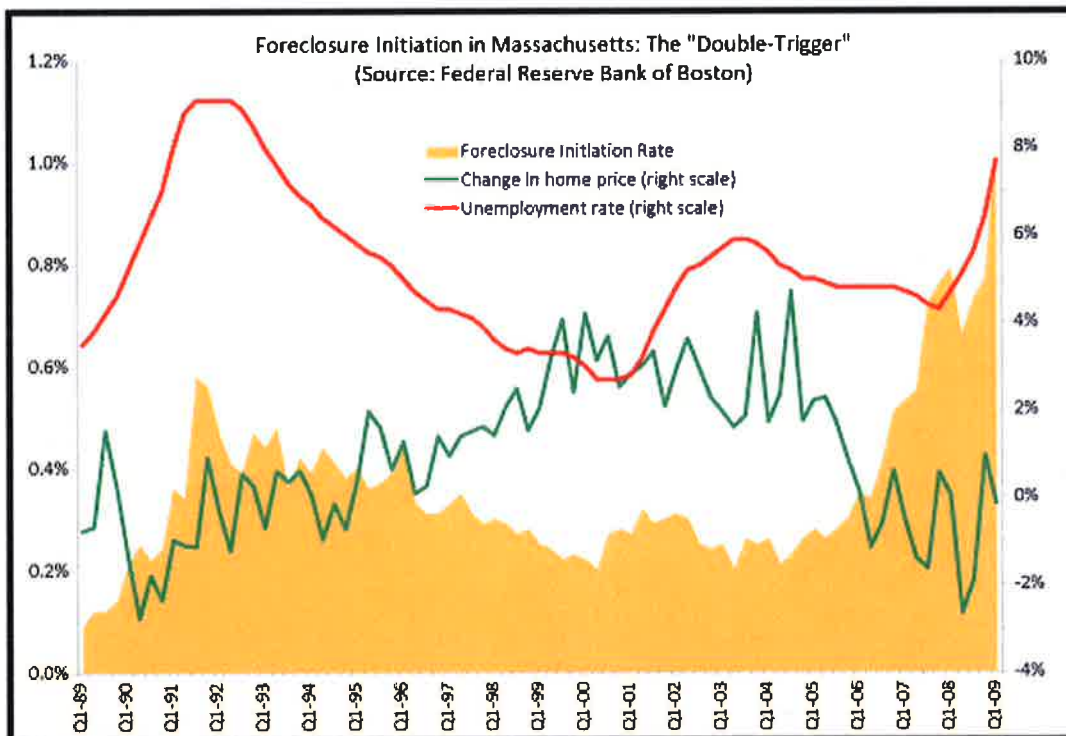
Municipality	Census Tract	High Cost Loans, 2004-2006	Total 2004-2006 Loans	High Cost Loan Rate	Poverty Rate
Athol	703100	278	670	42%	11.4%
Athol	703200	217	622	35%	7.7%
Athol	703300	203	603	34%	8.9%
Gardner	707200	59	147	40%	14.9%
Gardner	707300	149	384	39%	15.0%
North Adams	921200	103	302	34%	16.2%
North Adams	921300	66	250	26%	17.1%
North Adams	921400	25	85	29%	20.9%
North Adams	921500	55	214	26%	19.1%
Orange	040500	374	1078	35%	7.8%
Pittsfield	900100	49	139	35%	26.1%
Pittsfield	900200	102	274	37%	23.1%
Pittsfield	900600	102	294	35%	14.6%
Southbridge	757100	182	523	35%	16.2%
Southbridge	757200	89	180	49%	33.0%
Southbridge	757300	72	194	37%	22.0%
Southbridge	757400	100	373	27%	5.7%
Webster	754100	251	1148	22%	6.6%
Webster	754300	70	168	42%	19.5%
Webster	754400	183	541	34%	10.9%
West Springfield	812300	173	481	36%	27.6%
West Springfield	812401	112	702	16%	2.2%
West Springfield	812402	173	898	19%	9.0%
Winchendon	701100	392	1317	30%	11.4%
Target Area		3579	11587	31%	14.0%

In addition, the target area is poorer, with a poverty rate of 14 percent (2000 Census), compared to nine percent for Massachusetts. Of the target census tracts, 58 percent (14) have poverty rates of more than 13.5 percent (50 percent higher than the state). Again, Southbridge's tract 757200 stands out with a poverty rate of 33%.

Economic stagnation plays a greater role in the difficulties facing the target area than over-valuation, as price increases in the affected towns were similar to Massachusetts price changes as a whole. According to the Massachusetts Association of Realtors, median single-

family prices increased 114 percent from 1994 to 2005, and median condominium prices increased 152 percent. At the high end (see Table 1), the median price for single-family homes and condominiums combined increased between 150 and 168 percent in five of the towns. Prices only increased 77 percent in Pittsfield and 75 percent in West Springfield, highlighting the relative decline in these cities.

In a recent study, Christopher Foote, Kristopher Girardi and Paul Willen of the Federal Reserve Bank of Boston examined the current foreclosure crises and the Massachusetts foreclosure crises of the early 1990's and have created a "double trigger" theory of foreclosures. According to this theory, foreclosures rarely occur in markets with increasing prices, as distressed homeowners are able to sell a property before a foreclosure occurs. Thus, the first trigger for Massachusetts's foreclosures was declining home prices, which began in late 2005/early 2006. It takes a second trigger for an actual foreclosure to occur, which can include unaffordable mortgage terms, but generally is due to a loss of income or other life event. In Massachusetts, neighborhoods with a high concentration of sub-prime loans were hit earliest and hardest by the foreclosures, but as the economy has deteriorated, homeowners in other neighborhoods or with prime mortgages are beginning to default. According to Federal Reserve data, in early 2006, subprime adjustable rate mortgages made up more than 50 percent of Massachusetts foreclosures. Currently, this type makes up less than 30 percent of foreclosures, with prime fixed rate loans now the largest source of foreclosures (35 percent).



In the target census tracts, despite the fact that over-valuation was not a significant issue, the number of high cost loans were still high, indicative of a lower-income population attempting to access the homeownership market. This sub-prime lending and stagnant employment makes for a dangerous mix, creating the perfect conditions for the double-trigger theory.

Unemployment has increased dramatically in the nine municipalities containing the target area, with Orange (11 percent), Athol (10.9 percent) and Gardner (10.9 percent) topping the list (see Table 2, above).

In conclusion, the foreclosures in the target geography can be linked to a general economic decline, combined with easy access to credit. This has been exacerbated by a sudden increase in unemployment.

3. Income Characteristics of Households in the Target Geography and Housing Cost Burdens at 50, 80 and 120 AMI

Massachusetts faces serious housing affordability challenges, with 47 percent of renters and 35 percent of owners experiencing housing cost burdens in 2005-2007 (US Census Bureau, American Community Survey). Housing affordability presents serious difficulties for the most vulnerable populations — renters, families, the young and old, and especially the poor. This is especially true in the target geography. Census tabulations made available through HUDUser provide cost burden data for 2000 by census tract for those making 50 percent, 80 percent and 95 percent of AMI (120 percent is not available).

For the target area as a whole, 60 percent of those with incomes less than 50 percent of Area Median Income (AMI) had a housing cost burden of 30 percent of income or greater in 2000. 32 percent of households earning from 50 percent to 80 percent of AMI and 21 percent for households earning from 80 percent to 95 percent of AMI had a housing cost burden. This is slightly less than for the state as a whole (e.g., 64 percent of Massachusetts households earning less than 50 percent of AMI have a housing cost burden), but given the relatively inexpensive housing of these central and western Massachusetts towns compared to expensive towns in Greater Boston, this is indicative of households in economic distress who require more affordable housing.

Municipality	Census Tract	Median Income	Housing Cost Burden, <50% AMI	Housing Cost Burden, 50% to 80% AMI	Housing Cost Burden, 80% to 95% AMI	Housing Cost Burden, All Incomes	Kirwan Institute Opportunity Index
Athol	703100	\$ 28,923	53.5%	26.3%	12.9%	20.8%	Low
Athol	703200	\$ 39,267	55.3%	20.5%	8.2%	15.9%	Moderate
Athol	703300	\$ 34,419	76.2%	38.6%	0.0%	28.8%	Low
Gardner	707200	\$ 33,393	50.0%	40.0%	21.1%	14.1%	Low
Gardner	707300	\$ 28,882	60.0%	25.0%	0.0%	18.7%	Very Low
North Adams	921200	\$ 30,222	63.0%	30.2%	0.0%	21.5%	Low
North Adams	921300	\$ 25,920	66.0%	29.7%	15.4%	17.6%	Low
North Adams	921400	\$ 27,012	66.9%	18.8%	0.0%	23.6%	Low
North Adams	921500	\$ 32,610	49.6%	28.1%	16.8%	14.8%	Low
Orange	040500	\$ 36,849	64.6%	28.3%	0.0%	14.3%	Moderate
Pittsfield	900100	\$ 18,167	58.3%	69.4%	100.0%	35.7%	Low
Pittsfield	900200	\$ 24,922	66.3%	51.7%	0.0%	25.0%	Low

Municipality	Census Tract	Median Income	Housing Cost Burden, <50% AMI	Housing Cost Burden, 50% to 80% AMI	Housing Cost Burden, 80% to 95% AMI	Housing Cost Burden, All Incomes	Kirwan Institute Opportunity Index
Pittsfield	900300	\$ 40,183	54.1%	33.7%	8.2%	16.7%	Moderate
Pittsfield	900600	\$ 30,126	74.6%	21.9%	16.7%	27.2%	Moderate
Southbridge	757100	\$ 40,901	68.9%	57.1%	26.3%	23.8%	Low
Southbridge	757200	\$ 19,677	75.0%	48.7%	33.3%	37.0%	Very Low
Southbridge	757300	\$ 25,539	42.0%	41.4%	0.0%	20.4%	Low
Southbridge	757400	\$ 44,821	47.6%	39.5%	8.2%	14.4%	Low
Webster	754100	\$ 50,143	57.0%	42.1%	0.0%	25.8%	Low
Webster	754300	\$ 26,742	61.6%	19.2%	100.0%	25.1%	Very Low
Webster	754400	\$ 42,107	37.7%	27.4%	21.7%	15.0%	Low
West Springfield	812300	\$ 27,904	61.0%	4.8%	63.6%	21.2%	Low
West Springfield	812401	\$ 62,982	63.0%	34.0%	37.0%	13.7%	Moderate
West Springfield	812402	\$ 42,188	60.0%	32.9%	32.1%	16.4%	Moderate
Winchendon	701100	\$ 43,148	68.3%	46.2%	18.2%	25.5%	Moderate
Target Area		\$ 34,282	60.2%	32.1%	20.7%	19.1%	

Source: 2000 Census; Kirwan Institute

4. Relevant Social, Governmental, Educational or Economic Factors Contributing to Local Market Conditions and Neighborhood Decline

In January, 2009 the Kirwan Institute at the Ohio State University released a report that applied its “Communities of Opportunity” concept to Massachusetts. The Kirwan Institute has created an “Index of Opportunity”² that relies on a GIS analysis of indicators related to educational opportunity, economic opportunity, and neighborhood/housing quality. While many of these indicators are available at different geographic levels (tract, zip code, police district, or town), GIS allows for overlaying these factors and determining a score for each census tract.

For the target census tracts, eighteen, or 72 percent, were ranked as low opportunity, with three, or 12 percent scoring “Very Low Opportunity”. Only seven, representing 21 percent, scored “Moderate Opportunity”. This result is indicative of the fact that the target geography includes relatively distressed neighborhoods, by measures of not only foreclosures, but also educational opportunity, economic opportunity and neighborhood/housing quality. See Table 4, above, for census tract level data.

² The index measures educational opportunity, economic opportunity and neighborhood/housing quality taking into account such factors as student expenditures, populations on public assistance and crime rates.

5. NSP2 Activity Categories Most Likely to Stabilize Target Geography

The Urban Institute, through www. foreclosure-response.org, provides a useful typology of neighborhoods and the types of responses necessary to address foreclosures. This typology divides neighborhoods by market strength (weak, intermediate or strong). While weak market neighborhoods may require a combination of demolition and land banking, intermediate market neighborhoods require interventions such as purchase/rehab and homeownership programs. Strong market neighborhoods may need some assistance, largely in the form of homebuyer assistance. In selecting the target census tracts, DHCD's thinking was driven by this same concept.

While Massachusetts has experienced a decline in employment and housing prices, Massachusetts is not facing the employment decline of Michigan or the housing bubble burst of Nevada or Florida. There is diversity within Massachusetts, as there are specific communities in Massachusetts that look more like stagnant Midwestern cities than the strong market cities of the coasts. The nine communities covered by this application are such places, in part because they are not close to growing Greater Boston employment centers. The neighborhoods containing the target census tracts can be considered to be (from a national perspective), weak to intermediate market areas, although, from a Massachusetts perspective, they are the weakest *small* markets in the state. In this respect, while demolition is an option that DHCD will use in certain cases, the overall goal of the NSP2 funds will be to provide funding to save existing properties in smaller, struggling communities that did not receive NSP1 funds.

Measures of neighborhood health discussed earlier are among the factors contributing to the weakness of these markets, including unemployment and poverty. In the 2000 census, while the state's unemployment rate was 4.6 percent, it was 5.4 percent for the target census tracts. While current census tract data is not available, since that time, a lack of job growth has worsened these tracts' employment picture compared to the state. Similarly, the poverty rate was 10.3 percent for Massachusetts and 14 percent for the target area. Median home prices in the target area are consistently below the statewide median sales prices. The Warren Group reported that the Massachusetts median home price in May was \$280,000, while median sales prices for January-May 2009 in the nine communities ranged from a low of \$82,000 in Athol to a high of \$181,600 in Webster.

Despite these weak market conditions, there is demand for housing in the target neighborhoods, largely due to wider macroeconomic conditions. The annual *Greater Boston Housing Report Card* (the Dukakis Center at Northeastern University) and the 2008 *State of the Massachusetts Housing Market* (the Donahue Institute at the University of Massachusetts) have identified an ongoing deficit in affordable housing, exacerbated by high development costs, zoning restrictions and NIMBYism. This statewide problem is exacerbated in the target area by the high degree to which residents face a housing cost burden (as discussed in factor 1.4., above). Of *all* households in the target area, 19 percent (3,655 households) face a housing cost of over 30 percent of income, and for families earning less than 50 percent of Area Median Income, 60 percent have a housing cost burden (2000 Census).

Given the difficulties of new construction and the need for additional affordable housing, it is the goal of DHCD to preserve existing housing and restore confidence to neighborhood markets through the proposed NSP2.

Rating Factor 2: Demonstrated Capacity of the Applicant and Relevant Organizational Staff

a. Past Experience of the Applicant (30 points)

The Department of Housing and Community Development (DHCD) (the Applicant) administers the state's allocation of Community Development Block Grant (CDBG) funding to the 315 non-entitlement communities. Through its annual funding competition, DHCD awards funds directly to cities and towns to accomplish CDBG activities. Seven of the eight communities proposed to be assisted under NSP2 are current or past CDBG grant recipients. The City of Pittsfield (a CDBG entitlement community) has administered state bond funded activities as a DHCD grantee. As a result, all of the participating communities and DHCD have had direct experience in a grantor/grantee relationship.

The mission of the Department of Housing and Community Development (DHCD), an under-secretariat within the Executive Office of Housing and Economic Development, is to strengthen cities, towns and neighborhoods in order to enhance the quality of life of Massachusetts residents. The agency provides leadership, professional assistance and financial resources to promote safe, decent affordable housing opportunities, the economic vitality of communities and sound municipal management. DHCD accomplishes its mission through forging partnerships with regional and local governments, public agencies, community-based organizations, educational and philanthropic institutions, and the business community. Much of its work is accomplished through the funding and oversight of grant and loan programs. With an annual budget of \$139.3 million in direct state appropriations, oversight of \$431.3 million in federal grants, and 210 employees, DHCD has the capacity and experience to manage ARRA funds responsibly and effectively. Responsible stewardship of public funds is a principle and practice that is embedded in every division of the agency. Further, in all of its efforts, DHCD recognizes and respects the diverse needs, circumstances, and characteristics of individuals and communities.

1. City and regional planning

Community Assistance Unit (CAU) of DHCD

The Community Assistance Unit was created in 2007 by Governor Deval Patrick, in order to renew and strengthen the administration's partnership with municipalities. It provides a wide range of technical assistance and training to communities in the areas of municipal governance, planning, land use and zoning, and community development. Through the work of the CAU, the Commonwealth of Massachusetts is working toward an increase in its affordable housing stock, the adoption of Smart Growth initiatives by communities across the state, and the revitalization of downtowns and city/town centers. In FY08 alone, 48

communities increased their affordable housing stock, as measured by the state's Subsidized Housing Inventory, and five adopted "Smart Growth" Districts.

Gateway Plus Action Grants

In 2008, DHCD announced the "Gateway Plus Action Grants." Eighteen "gateway cities," that is, older, formerly manufacturing or mill cities with aging housing stock and distressed infrastructures, were awarded \$75,000 each to engage in a six-month community-based planning project focused on a neighborhood facing particular challenges. The grants emphasize community engagement, and the enlistment of partners – institutional, for-profit and non-profit.

Using its Gateway Plus Action Grant, the city of Pittsfield, which is included in this NSP2 application, has embarked upon a comprehensive assessment of housing needs in two neighborhoods (Westside and Morningside; both are highlighted in this application) and is developing an action plan for addressing those needs. This plan is slated for completion in August and will be the foundation for the use of NSP2 funds in this city.

2. Acquisition and disposition of foreclosed real estate

Financing mechanisms for purchase and development of foreclosed homes

Down payment assistance/Acquisition Assistance: 146 clients

In the 24-month period between May 4, 2007 and May 3, 2009, working through 12 sponsoring entities, DHCD helped 146 clients purchase a home through the HOME American Dream Down-payment Initiative (ADDI). DHCD has implemented enhanced performance measurement in its homebuyer programs for the past five years. In this program year, the HOME ADDI program has assisted one household who moved from public housing and another four households who moved from non-public subsidized housing; these numbers represent an increase from the prior year. On average, several HOME ADDI homebuyers per year participate in a local or regional Section 8 for Homeownership program. More than 25% of the homes the first-time homebuyers purchased were fully accessible or visitable. Further, at a minimum, more than one third of the purchaser-based units met Energy Star standards; in most of the balance of the cases, the factor was unknown. In more than 30% of the cases, our HOME ADDI program has reached households below 60% of area median income; and all were below 80% area median income. By reviewing loan product information, we are able to ensure households participating in the program received competitive conforming, fixed-rate loans. (See attached spreadsheet.) Participants in the program must also receive first-time homebuyer counseling, pre- and post-purchase.

Chapter 206: First Time Homebuyer Counseling: 390 clients

In November, 2007, the Massachusetts legislature passed Chapter 206 of the Acts of 2007, "An Act Protecting and Preserving Homeownership," part of Governor Patrick's Five-Point Plan to address the foreclosure crisis. The law provided \$2,000,000 in funding for foreclosure prevention activities, including counseling for first-time home buyers. In addition to providing grants to individual agencies, there were eleven Regional Foreclosure Education Centers established, serving every region of the commonwealth. In 2008, under DHCD's

administration, Chap. 206 grants enabled 390 clients to receive first time homebuyer counseling. Because of this program, the Commonwealth has a network of organizations in the target area that can provide counseling to prospective buyers of foreclosed properties.

Neighborhood Stabilization Loan Fund Acquisition and Rehabilitation: 255 units

In 2008, the Patrick Administration announced the formation of the Neighborhood Stabilization Loan Fund (NSLF). Spearheaded by DHCD, the NSLF was formed explicitly in response to the foreclosure crisis. With approximately \$22 million in capital, PRI, and loan loss reserves from the Massachusetts Housing Investment Corporation, Mass Housing Partnership, and local and national foundations, the NSLF enables developers, both non-profit and for-profit, to acquire foreclosed or abandoned properties and, using a rehabilitation subsidy from DHCD's NSP1 allocation, transform them again into affordable homes. The focus of the NSLF activity is in the older cities, where these foreclosed upon and abandoned properties frequently become magnets for criminal activity, targets for arsonists, and a general blight on the neighborhood, bringing down property values of the neighboring houses. It is expected that approximately 170 properties, with an estimated 255 units, will be acquired under the NSP1 program with 100 rehabilitation grants provided.

3. Rehabilitation of Housing

Public Housing Restoration/Rehabilitation: 6,000 + units

Massachusetts supports 50,000 units of public housing, under the purview of DHCD's Division of Public Housing and Rental Assistance. Much of this housing is in a state of abject disrepair, after years of disinvestment. The Commonwealth has now undertaken an effort to bring all units in the portfolio back to a sustainable, maintainable level through direct capital investments and management initiatives. With technical assistance from a staff of 30 engineers and construction advisors, in FY08 (7/1/07-6/30/08) over 6,000 public housing units were restored. Many of these required significant rehabilitation, but even in those that needed only to be brought back into compliance with the state's Sanitary Code, DHCD personnel provided advice and oversight at every stage of the projects. Saving water and energy is a priority in rehabilitation efforts.

Community Development Block Grants Rehabilitation: 550 units

Of the nine municipalities identified for NSP2 assistance, one (Pittsfield) is an entitlement city, and five more are mini-entitlement cities (Gardner, North Adams, Southbridge, Webster, and West Springfield). These five communities are funded on an annual basis through the Massachusetts CDBG program. In addition, Orange, Athol and Winchendon have also received periodic grant awards through the state's CDBG program.

Overall in FY 2007, DHCD awarded 29 grants to non-entitlement communities for housing rehabilitation activities. More than 300 units have been rehabilitated or have rehabilitation activities currently underway. In FY 2008, 23 similar grants were awarded affecting more than 250 additional housing units. Typically, 40% of DHCD's annual CDBG awards (in excess of \$11.0 million) are made to communities for housing rehabilitation activities. The Department exercises direct oversight of these grantees as they implement these activities.

4. Redevelopment of vacant property

Redevelopment: 133 units

There are two divisions with DHCD that engage in the redevelopment of vacant properties: Housing Development, and Public Housing and Rental Assistance. Between those divisions, in the past two years, DHCD has coordinated and overseen the redevelopment of several properties. Capen Court, in Somerville, comprised of 64 units of obsolete elderly housing that was redeveloped into 95 units: 64 replacement elderly units plus 31 new permanently affordable apartments. In addition, in Westfield, the 21-unit Sanford Apartments were created from the redevelopment of a vacant whip factory, and the 17 unit Prospect Apartments from the adaptive re-use of a former school.

Demolition: 171 units

Situations arise in which demolition, which can allow for thoughtful redevelopment, is the appropriate action in a neighborhood revitalization strategy. The same DHCD Division that houses CDBG and existing NSP1 activities also houses the state's Bureau of Relocation. Bureau staff provides direct oversight and technical assistance to local and state agencies engaged in public projects that result in relocation and demolition of facilities resulting in relocation. In the past two years, DHCD has coordinated and overseen the demolition of 171 units of housing.

5. Program marketing and management of waiting lists for potential residents

Community Development Block Grants

Within the CDBG activities cited above, each of the communities manages the program marketing and waiting lists of eligible residents, subject to DHCD oversight. In addition, in the case of CDBG-funded new construction of units, DHCD has recently issued guidance regarding the affirmative fair marketing requirements for CDBG grantees and requires DHCD approval of such a marketing plan prior to homebuyer selection at the local level.

Section 8 Housing Voucher Program

DHCD is Massachusetts' administering agency for the federal Section 8 housing voucher program. In that capacity, the agency oversees the management of waiting lists, which is done by eight regional agencies. There are approximately 72,000 applicants on the list; the wait time is, at minimum, 3-7 years. The Division of Public Housing and Rental Assistance purges the waiting list every two years to cull out incorrect addresses, and works with its Division of Housing Stabilization to ensure that applicants who have entered the homeless system remain on their waiting list.

6. Accessing operating and investment capital

DHCD has benefitted from Governor Deval Patrick's commitment to creating and preserving affordable housing. In May, 2008, Governor Patrick signed the \$1.275 billion Housing Bond Bill, the largest investment in housing and community development ever made by the state. In February, 2009, the MacArthur Foundation announced its award of \$4.5 million to DHCD to preserve the affordability of 9,000 units of multi-family rental developments whose use-restrictions will expire. These funds will leverage an additional \$150 million, primarily in

private investments. Additionally, DHCD has used its partnerships with the Massachusetts Housing Finance Agency and the Mass. Housing Partnership to sustain programs such as the SoftSecond program and to support initiatives such as the Employer Assisted Housing Program.

7. *Working productively with other organizations*

Massachusetts benefits from having a wealth of non-profit and quasi-public organizations that are committed to the development and preservation of affordable housing. Among the strongest collaborations are those with the quasi-public agencies: Massachusetts Housing Finance Agency, Massachusetts Housing Partnership, the Community Economic Development Assistance Corporation (CEDAC), and the Massachusetts Development Finance Agency. Together with DHCD, these agencies have funded thousands of affordable housing units, underwritten SoftSecond mortgages for low- and moderate-income home buyers, and sponsored local economic development projects and child care facilities. DHCD has also collaborated with the Massachusetts Housing Investment Corporation to establish the Neighborhood Stabilization Loan Fund, to acquire and rehabilitate foreclosed properties in the hardest hit cities in the state.

b. Management Structure (10 points)

DHCD is one agency within the Commonwealth's Executive Office of Housing and Economic Development (EOHED). The Undersecretary of DHCD has responsibility for multiple Divisions including the Division of Community Services which administers the Massachusetts Community Development Block grant (CDBG) program. The Commonwealth's Neighborhood Stabilization Program 1 (NSP1) is also currently administered by the Community Services Division. Any NSP2 award would be administered by this division, as well.

Key DHCD staff and their specific roles are defined below.

Lou Martin, Deputy Associate Director – Mr. Martin is responsible for operations of the Division of Community Services including oversight of all activities conducted by the Community Development Unit (CDU). He has extensive community development and grant administration experience including management of local and state CDBG programs.

Elizabeth Jeppson, Director, Financial and Compliance Unit – Ms. Jeppson is responsible for overall management of the Division's financial management and compliance systems. She has extensive experience in this role at DHCD and has overseen compliance within the CDBG program since its inception at the state level. The current NSP1 financial management staff reports directly to Ms. Jeppson, as will planned, additional fiscal staff.

Mark Siegenthaler, Manager, Community Development Unit – Mr. Siegenthaler is responsible for management and oversight of DHCD's CDBG program and NSP1 activities. He has significant experience in community development, planning and management. Existing NSP1 program staff reports directly to Mr. Siegenthaler, as will planned additional program staff.

David Gallagher, Manager, Contracting and Performance Unit – Mr. Gallagher is responsible for the Division’s contracting and monitoring activities. He oversees the preparation of financial contracts, development of risk assessments and establishment of the annual monitoring schedule.

Alison Haight, NSP Coordinator – Ms. Haight currently coordinates NSP1 activities among the direct and non-profit grantees in the program. She has significant experience in grant administration and monitoring activities. It is anticipated that she will assume program coordination activities if NSP2 funds area awarded to DHCD.

Rulx Barthelus, NSP Fiscal Coordinator – Mr. Barthelus currently coordinates NSP1 fiscal activities among the direct and non-profit grantees in the program. He has significant experience in fiscal coordination and grant administration. It is anticipated that he will assume fiscal coordination responsibilities for any NSP2 funds awarded to DHCD.

NSP2 Senior Program Representative, NSP2 Fiscal Representative – TBD

References:

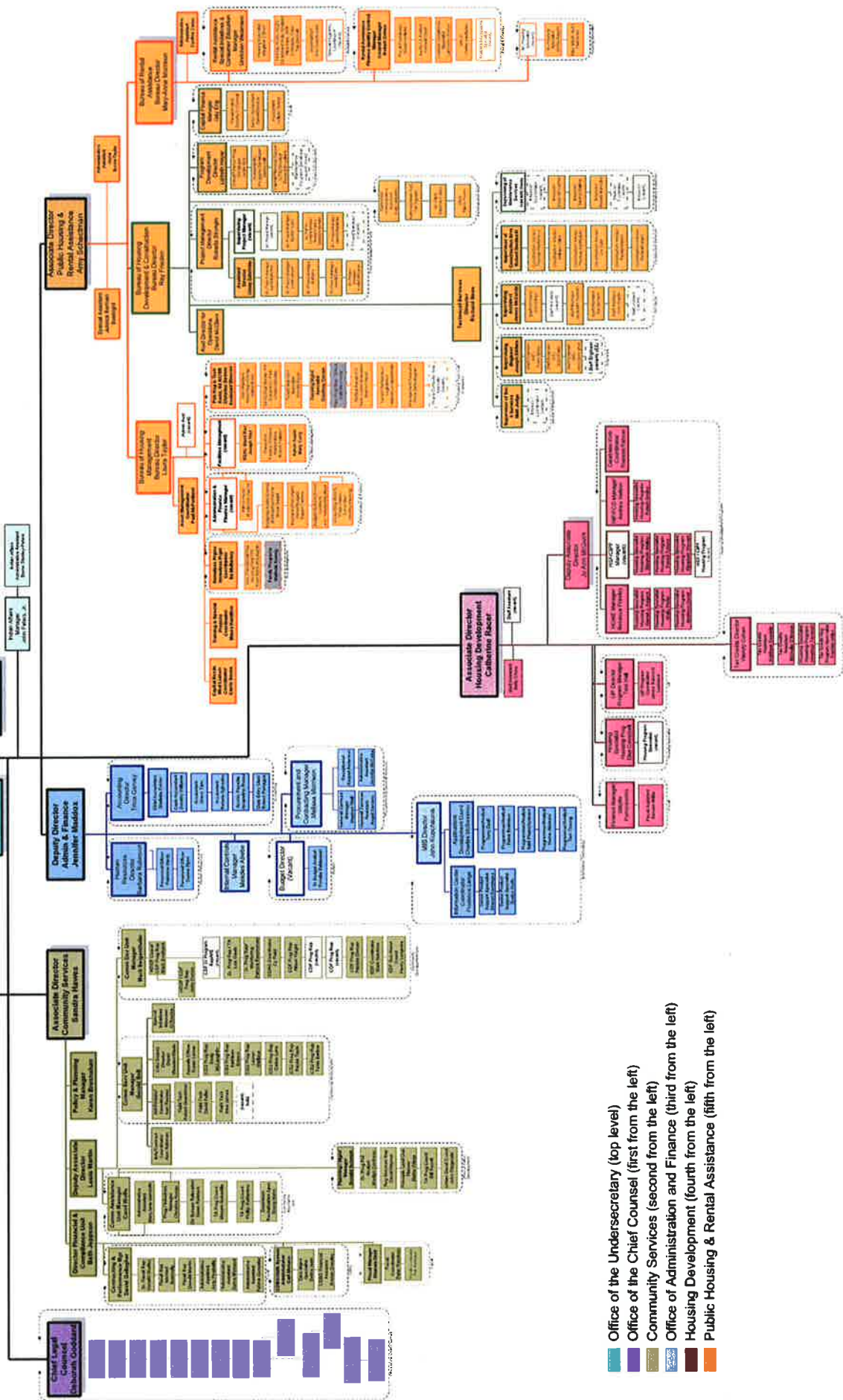
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DHCD Organizational Chart

Undersecretary
Tina Brooks

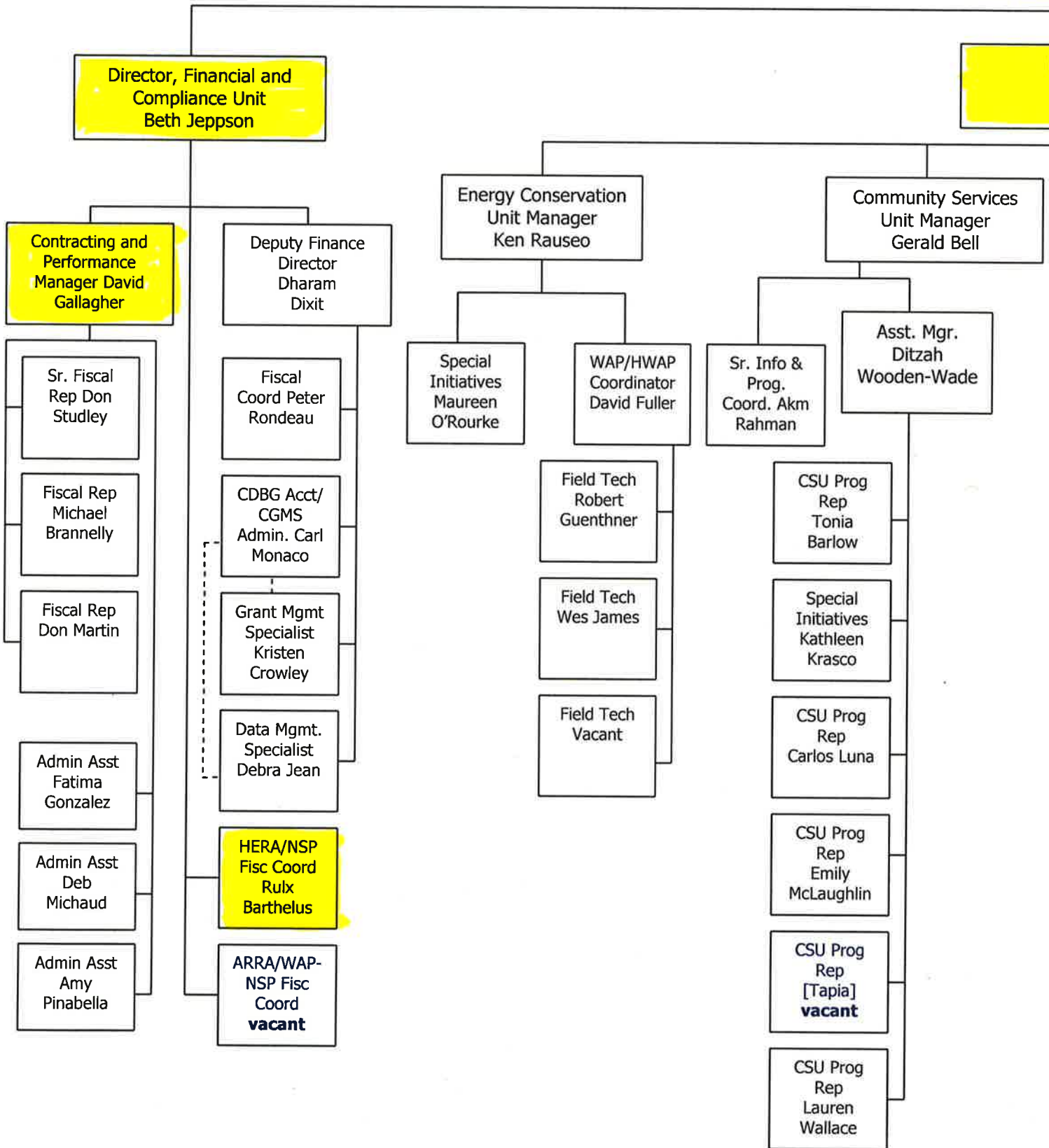
dhcd
Department of Housing and Community Development
Tina Brooks, Undersecretary
June 1, 2009



- Office of the Undersecretary (top level)
- Office of the Chief Counsel (first from the left)
- Community Services (second from the left)
- Office of Administration and Finance (third from the left)
- Housing Development and Finance (fourth from the left)
- Public Housing & Rental Assistance (fifth from the left)

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Community Services Organizational Chart with HERA/ARRA

Associate Director
Dra Hawes

Deputy Associate
Director
Dou Martin

Policy and
Planning Manager
Karen Bresnahan

Community Assistance
Unit Mgr
Carol Wolfe

Community
Development Unit Mgr
Mark Siegenthaler

Mgr Planning /
Land Use
Mgmt
Don Schmidt

Mgr, Comm.
Initiatives
Christine
Araujo

CDU Deputy
Manager
Mark Southard

NSP
Coordinator -
contractor
Alison Haight

CDAG
Coordinator
Cy Field

Sr. Prog.
Pol. Analyst
Marilyn
Contreas

Dir. Bureau
Relocation
Dawn
Paddock

CDF Prog
Rep
John
Curran

Sr Prog Rep
/TA Coord.
[Gaetz]
vacant

HERA/NSP
Prog Rep
vacant

Urban
Devel.
Coord. John
Fitzgerald

TA Program
Coordinator
Miryam
Bobadilla

CDF Prog
Rep
[Haight]
vacant

Downtown
Rev. Spec.
Emmy Hahn

Regional
Services
Rep David
Haynes

TA Program
Coordinator
Phil
DeMartino

CDF Prog
Rep
Patricia
Dervan

Sr Prog
Rep/Monitor.
Coordinator
P. Roushanei

TA Program
Coordinator
Bill Reyelt

Princ. Land
Use Planner
Elaine
Wijnja

CDF Prog
Rep
Roberta
Rappoccio

EDF
Coordinator
Mark Nardone

Sr Prog Rep
Mini-Ent.
David Newton

EDF Bus.
Assist. Coord.
Henry
Longmire

Admin Asst
Mary Jane
Gandolfo

Rating Factor 3: Soundness of Approach

a. Proposed Activities (15 points)

DHCD will provide the \$14.5 million (\$14,500,000) for use in the strategically targeted communities to carry out the following eligible new activities: Downpayment Assistance for the Purchase of Foreclosed Homes, Purchase and Rehabilitation of Foreclosed and Abandoned Homes, Strategic Demolition, and Redevelopment of Demolished or Vacant Properties as Housing. Each activity area is described in greater detail, below. As noted, not all activities will occur in all census tracts. For example, the need to conduct strategic demolition and the opportunities for redevelopment are not present equally among the targeted tracts.

Factor 3: Chart 1 indicates the distribution of funds by eligible activity within the NSP2 Target Area and the unit/household goals for each activity.

There are three distinct subareas within the Target Area.

Athol, Orange, Gardner and Winchendon are located in the northern Massachusetts border area, linked by state Route 2. This chronically needy area is isolated between two north/south interstate routes to the east and west of all four communities

Southbridge, Webster and West Springfield are located on the southern border of Massachusetts linked by an older industrial corridor served by US Route 20.

North Adams and Pittsfield are two cities in Berkshire County, the westernmost county in Massachusetts bordering New York. Old industrial cities struggling to compete against locations better connected to interstates and population centers, active community revitalization efforts would be significantly assisted by NSP2 activities.

As illustrated by the narratives in Rating Factor 1, DHCD has selected activities designed to address conditions present in each of the target census tracts. The inventory of foreclosed and abandoned properties in the NSP2 target area will only be absorbed with a combination of financial assistance and incentives for homebuyers and attractive financing for purchase and rehab by approved developers. Both approaches must focus on affordability, to make the properties accessible to the high number of households with a housing cost burden.

Downpayment Assistance for the Purchase of Foreclosed Homes

DHCD proposes to provide downpayment assistance funds in each of the communities for use in all targeted census tracts. Most recent local statistics indicate that there are well over 500 existing foreclosed properties currently available in the targeted tracts. An average of five households per tract will be assisted at approximately \$35,000 per unit with a total target of 120 units.

Foreclosed properties acquired with NSP funds, will be acquired at the minimum 1% discount 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%.

If funded, DHCD will work with the nine participating communities on the details regarding tenure of beneficiaries and specific interest rates. All activities will comply with the requirements set forth in the statute and NSP2 Notice.

Purchase and Rehabilitation of Foreclosed and Abandoned Homes

DHCD proposes to provide purchase and rehabilitation funding in each of the communities for use in all eligible census tract. Cities and towns may make funding available to nonprofit and/or for-profit organizations or developers, or income-eligible individuals and households to purchase and/or rehabilitate abandoned or foreclosed properties.

Foreclosed properties acquired with NSP funds, will be acquired at the minimum 1% discount 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%.

If funded, DHCD will work with the nine participating communities on the details regarding tenure of beneficiaries and specific interest rates. All activities will comply with the requirements set forth in the statute and NSP2 Notice.

Strategic Demolition

In a few of the target tracts, the housing stock is in such poor condition that rehabilitation is not a viable option. It becomes more important to remove the blighting influence of these structures than to maintain the amount of housing present. Similarly, there are locations where blighted, nonresidential buildings are impeding revitalization efforts.

DHCD proposes to support selective demolition activities in five tracts identified by HUD as having foreclosure percentages greater than 20%. DHCD selected this limited action due to the economic conditions in this subset of the target area, the high percentage of foreclosure activities and the need to make use of all tools available. Total funds projected to be used will comply with the maximum limit of no more than 10% of any NSP2 grant award.

DHCD proposes to demolish 20 structures, however through other NSP2 program activities it is anticipated that 30 new units will be created. All newly created units will benefit individuals or households with incomes below 120% of Area Median Income, and a significant number are expected to benefit those with incomes below 50% of Area Median Income.

Redevelopment of Demolished or Vacant Properties as Housing

NSP2 assistance will be made available through the local governments that receive proposals for redevelopment of demolished or vacant properties in the eligible census tracts. 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 the local governments to construct housing that serves an eligible population under the NSP2 requirements. DHCD will encourage the communities to solicit proposals that provide housing opportunities for households at or below 50% of Area Median Income consistent with the NSP2 requirement that 25% of the funding benefits this population. A significant number of units serving populations below 50% of area median income are expected through this program component.

DHCD NSP2 funded activities will be conducted in compliance with all applicable ARRA and HUD rules, regulations, and policies.

Factor 3: Chart 1 - Neighborhood Stabilization Program 2: Proposed Uses and Eligible Locations

Activity	NSP Eligibility	Funding	Unit/ household Goals	Recipients	Eligible Locations: Targeted, High-Need Tracts within the Listed Community
Finance Mechanisms – Downpayment assistance	(A), (B), (C), (D), (E)	\$ 4,200,000	120 households	Individual homebuyer households	Athol, Gardner, North Adams, Orange, Pittsfield, Southbridge, Webster, West Springfield, Winchendon
Acquisition and Rehabilitation Assistance – acquisition loans w/rehab grants	(A), (B)	\$ 4,500,000	75 units	Individual households, for profit and non profit developers, non profit organization	Athol, Gardner, North Adams, Orange, Pittsfield, Southbridge, Webster, West Springfield, Winchendon
Strategic Demolition Grants	(D)	\$ 1,400,000	20 structures	Municipal government	North Adams, Pittsfield, Southbridge
Redevelopment of Demolished or Vacant Properties as Housing	(E)	\$ 3,000,000	30 units	For profit, non profit organizations & developers	Athol, Gardner, North Adams, Orange, Pittsfield, Southbridge, Webster, West Springfield, Winchendon
Administration and Technical Assistance		\$ 1,400,000			e.g. DHCD staffing and administration, sub-recipient administration, 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 for housing

b. Project Completion Schedule (5 points)

The Department presumes a start date for NSP2 activities of January 1, 2010. DHCD anticipates that demolition and downpayment activities will be substantially complete within the initial two-year grant period. Redevelopment and acquisition/rehabilitation activities will continue through all three program years. As an NSP1 grantee, DHCD is currently using the DRGR system. If awarded NSP2 funding, DHCD will conform with all DRGR reporting requirements and deadlines.

In the first quarter of the program year, DHCD anticipates negotiating funding agreements with each of the nine participating communities. DHCD will require the communities to develop a timeline and expected outcomes. 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 communities or other NSP2 activity areas.

c. Income Targeting for 120 percent and 50 percent of Median (5 points)

All NSP2 assistance will benefit persons whose income does not exceed 120% of Area Median Income. In addition, DHCD will commit a minimum of 25% of any NSP2 funding received to the purchase and redevelopment of foreclosed or abandoned property homes to be used as housing for individuals/families whose incomes do not exceed 50% of Area Median Income.

Development proposals to construct housing that provide a significant number of units for populations below 50% of area median income are expected through the Redevelopment 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 and Purchase/ Rehabilitation Assistance provided through several local government programs will also be required to contribute to this requirement. 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.

d. Continued Affordability (5 points)

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.

e. Consultation, Outreach, Communications (5 points)

In determining where to target NSP2 funds and what the best use of those funds would be, and throughout the preparation of the NSP2 application, DHCD consulted with the nine cities and towns that comprise the target geography. Each city and town provided local statistics pertaining to foreclosures and abandonment in the eligible census tracts – and discussed with DHCD the best response to the issues facing their hardest hit census tracts.

A summary of the proposed NSP2 application was posted on DHCD’s website www.mass.gov/dhcd and copies were sent to all current CDBG and NSP grantees, regional planning agencies, and other known implementation agencies. DHCD will continue to update the NSP section of its website as the program progresses – including information about opportunities and outcomes. All NSP2 program information will also be posted on the Commonwealth’s Recovery website: www.mass.gov/recovery.

If funded, DHCD will require each community and/or implementation agency to conduct outreach to income-eligible individuals and families and to affirmatively further Fair Housing in all its marketing. Pursuant to its Fair Housing Mission Statement, DHCD is committed to being a leader in creating housing choice and providing opportunities for inclusive patterns of housing occupancy to all residents of the Commonwealth, regardless of source of income, race, religious creed, color, national origin, sex, sexual orientation, age, ancestry, familial status, or physical or mental impairment. DHCD’s Fair Housing Mission Statement also commits the agency to ensuring that new and ongoing programs and policies affirmatively further fair housing, promote equity, and maximize choice. This commitment is guided by the following principles: encourage equity; be affirmative; promote housing choice; enhance mobility; promote greater opportunity; reduce concentrations of poverty; preserve and

produce affordable housing choices; balance housing needs; measure outcomes; and rigorously enforce all fair housing and anti-discrimination laws and policies.

Consistent with DHCD's policy, all written grievances and complaints should be resolved within 15 working days. The grievance/complaint policy covers any party with a complaint about the DHCD's program design, grant application, or program implementation. It will be made available to the public as well as to program applicants and participants and contractors.

f. Performance and Monitoring (10 points)

Monitoring activities will be conducted in accordance with HUD NSP2 regulations, and may include the following:

1. Explanation of grant contract requirements and deadlines to all grantees;
2. Field visits to monitor work in progress and completed projects; monitoring is also an excellent opportunity to explore local community development strategies and possibilities and place DHCD NSP2 assistance in a broader context for local officials.
3. Telephone, field visit, or office conference assistance to grantees upon request, or if the agency has identified concerns as a result of a field visit or other technical assistance effort;
4. Detailed explanation of ways to improve grant administration procedures should a grantee be having difficulty in meeting contract conditions;
5. Ongoing consultation with HUD CPD regional office regarding program status, regulatory and reporting requirements, possible changes in program design, etc.;
6. Suspension of grant activities where warranted.

The MA CDBG program, of which NSP2 will be a part, holds yearly workshops for applicants to describe the program's aims and requirements, and will be offering additional training in CDBG- and NSP-related topics. In addition, DHCD will hold sessions with grantees each year to review all contract conditions, requirements, procedures for requesting payment, etc. DHCD also requires quarterly reports and year-end audits to track activity and progress, and has developed a monitoring system that allows a representative CDBG/NSP staff person comprehensive knowledge of all funded activities in any one community. The aim of this effort is to assure the consistent application of program standards and requirements.

MA CDBG/NSP operational goals include program and project monitoring for progress, program compliance, fiscal management, and fiscal compliance. This process includes ongoing planning, implementation, communication and follow-up between DHCD and its grantees.

The monitoring protocol considers internal controls and processes, use and maintenance of databases and the grant application review cycle. Each of these procedures provides DHCD and grantees with a set of assessment tools for a compliance check.

The MA CDBG/NSP staff includes a Senior Program Representative with responsibility for monitoring coordination. Monitoring incorporates field visits and desktop reviews that consider progress indicators and submission requirements. MA CDBG/NSP identifies and completes a risk analysis of all active grantees. This risk analysis assigns a monitoring priority ranking to a grantee. Based upon the assigned priority, staff develops a monitoring plan. The risk rating system is as follows:

- High Priority - Change in key personnel or a change in findings, repeat findings; questioned or disallowed costs; incorrect/incomplete or late quarterly audit or status of funds reports, no subsequent year's funding, long interval since last monitoring.
- Medium Priority - Change in key personnel or incorrect/incomplete or late quarterly, audit or status of funds reports.
- Low Priority - Good/consistent management for prior 2-years; no findings; accurate, complete, timely reports.

DHCD also considers a variety of other indicators, which can affect the priority score. Examples of factors that will increase a grantee's monitoring priority include status as a new grantee to MA CDBG/NSP; high risk/complex projects (such as NSP1 and NSP2); and multiple projects/multiple grants. DHCD also recently modified the risk assessment systems to capture all grantees that have gone unmonitored within the past two years and single-year recipients.

The tools that DHCD uses to monitor are project checklists, desktop reviews, and quarterly reports. Letters outlining findings, corrective actions and/or recommended changes are sent to a municipality's chief elected official in addition to grantee staff.

DHCD standard operating procedures include training and technical assistance to assure effective program implementation and prevent monitoring findings. MA CDBG/NSP staff makes several on-site visits during the program year to provide technical assistance and pre-monitor projects.

Internal audit compliance is accomplished in several ways. As previously noted, DHCD's Manager of the Contracting and Performance Unit is responsible for the Division's contracting and monitoring activities. He oversees the development of risk assessments and establishment of the annual monitoring schedule.

In addition, the Office of Chief Counsel has assigned a senior attorney for the express purpose of providing internal oversight of all ARRA-funded activities and reporting requirements. The assigned attorney is actively involved in reviewing the implementation approaches used by the Agency in delivering ARRA-funded activities.

External to DHCD, the state has established an independent office to review and track all ARRA expenditures by agencies of the Commonwealth. Regularly updated materials are provided to the public on their website – mass.gov/recovery. Staff of this office is in regular communication with all agencies, to provide and oversee these additional tracking and reporting mechanisms.

Rating Factor 4: Leveraging Other Funds, or Removal of Substantial Negative Effects

a. Leverage: N/A

b. Removal of Substantial Negative Effects

Community	Vacant Residential Units in Targeted Census Tracts	Total Residential Units in Targeted Census Tracts	Units Demolished	Units Acquired and Rehabilitated	RSNE Score
Athol	282	5,254	0	12	6.4%
Gardner	234	2,953	0	5	3.2%
North Adams	710	6,811	5	12	3.6%
Orange	156	3,499	0	5	4.8%
Pittsfield	296	7,686	10	12	11.1%
Southbridge	416	5,681	5	12	6.1%
Webster	398	6,154	0	5	1.9%
West Springfield	275	11,663	0	7	3.8%
Winchendon	204	3,012	0	5	3.7%
Total	2,971	52,713	20	75	4.5%

5. Rating Factor 5: Energy Efficiency Improvement and Sustainable Development Factors

a. Transit Accessibility (4 points)

The nine NSP2 cities and towns are located primarily in the central and western part of the Commonwealth – generally considered the more rural part of Massachusetts. Each of these towns are served by a Regional Transit Authority which provides some level of public transportation.

Within Pittsfield, the Joseph Scelsi Intermodal Transportation Center (ITC) serves as the nexus of public transportation services in Berkshire County. The ITC provides connectivity between local Berkshire Regional Transit Authority bus service, local taxi service, intercity rail service and intercity bus services (including to the city of North Adams), all with direct pedestrian access to the central business district in downtown Pittsfield.

Construction has recently begun on an ARRA-funded \$12.8 million Franklin Regional Transit Center project that will be a transportation hub supporting public and private transit services for the Franklin County region (including the Towns of Orange and Athol). In addition, the Montachusett Regional Transit Authority, which provides fixed-route service for the City of Gardner, also provides service between Gardner and Athol and Orange and between Gardner and Winchendon.

Bus service, both within the town of West Springfield and connecting to other area cities and towns, is available through the Pioneer Valley Transit Authority.

b. Green Building Standards (3 points)

Massachusetts will comply with the NSP2 Green Building Standards. As in its NSP1 program, housing projects will be 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 new construction and full, gut rehabilitation the entire unit must exceed Energy Star building standards.

c. Re-Use of Cleared Sites (1 point)

DHCD will strive to ensure that all demolition sites will be reused within the term of its NSP2 grant.

d. Deconstruction (1 point)

The Commonwealth intends to require all NSP2 recipients to utilize deconstruction techniques to the maximum extent possible.

e. Other Sustainable Development Practices (1 point)

Governor Patrick's administration is interested in working in partnership with the development community and municipalities to improve our conservation and development practices. State policies, programs, and investments must encourage smart growth and development interests and municipalities must do the same. The Commonwealth has established a framework to insure a strong economic future for the state and a high quality of life for its residents by undertaking a comprehensive approach to housing and community investment in a way that respects landscape and natural resources. The administration believes that sustainable development can and should take place in all communities. To be successful, our investments must bring the housing market into equilibrium and enable the state to attract new businesses while making strategic land use choices. In order to achieve our housing and community development goals, we rely on our strategic partners to develop projects that enable us to optimize our limited natural and financial resources.

In order to receive funding under the Massachusetts CDBG program, a project or activity must be consistent with the Commonwealth's Sustainable Development Principles (the principles are listed on the following page). It is anticipated that all NSP2-funded projects would also need to be consistent with these principles.

Sustainable Development Principles

The Commonwealth of Massachusetts shall care for the built and natural environment by promoting sustainable development through integrated energy and environment, housing and economic development, transportation and other policies, programs, investments, and regulations. The Commonwealth will encourage the coordination and cooperation of all agencies, invest public funds wisely in smart growth and equitable development, give priority to investments that will deliver good jobs and good wages, transit access, housing, and open space, in accordance with the following sustainable development principles. Furthermore, the Commonwealth shall seek to advance these principles in partnership with regional and municipal governments, non-profit organizations, business, and other stakeholders.

1. Concentrate Development and Mix Uses

Support the revitalization of city and town centers and neighborhoods by promoting development that is compact, conserves land, protects historic resources, and integrates uses. Encourage remediation and reuse of existing sites, structures, and infrastructure rather than new construction in undeveloped areas. Create pedestrian friendly districts and neighborhoods that mix commercial, civic, cultural, educational, and recreational activities with open spaces and homes.

2. Advance Equity

Promote equitable sharing of the benefits and burdens of development. Provide technical and strategic support for inclusive community planning and decision making to ensure social, economic, and environmental justice. Ensure that the interests of future generations are not compromised by today's decisions.

3. Make Efficient Decisions

Make regulatory and permitting processes for development clear, predictable, coordinated, and timely in accordance with smart growth and environmental stewardship.

4. Protect Land and Ecosystems

Protect and restore environmentally sensitive lands, natural resources, agricultural lands, critical habitats, wetlands and water resources, and cultural and historic landscapes. Increase the quantity, quality and accessibility of open spaces and recreational opportunities.

5. Use Natural Resources Wisely

Construct and promote developments, buildings, and infrastructure that conserve natural resources by reducing waste and pollution through efficient use of land, energy, water, and materials.

6. Expand Housing Opportunities

Support the construction and rehabilitation of homes to meet the needs of people of all abilities, income levels, and household types. Build homes near jobs, transit, and where services are available. Foster the development of housing, particularly multifamily and smaller single-family homes, in a way that is compatible with a community's character and vision and with providing new housing choices for people of all means.

7. Provide Transportation Choice

Maintain and expand transportation options that maximize mobility, reduce congestion, conserve fuel and improve air quality. Prioritize rail, bus, boat, rapid and surface transit, shared-vehicle and shared-ride services, bicycling, and walking. Invest strategically in existing and new passenger and freight transportation infrastructure that supports sound economic development consistent with smart growth objectives.

8. Increase Job and Business Opportunities

Attract businesses and jobs to locations near housing, infrastructure, and transportation options. Promote economic development in industry clusters. Expand access to education, training, and entrepreneurial opportunities. Support the growth of local businesses, including sustainable natural resource-based businesses, such as agriculture, forestry, clean energy technology, and fisheries.

9. Promote Clean Energy

Maximize energy efficiency and renewable energy opportunities. Support energy conservation strategies, local clean power generation, distributed generation technologies, and innovative industries. Reduce greenhouse gas emissions and consumption of fossil fuels.

10. Plan Regionally

Support the development and implementation of local and regional, state and interstate plans that have broad public support and are consistent with these principles. Foster development projects, land and water conservation, transportation and housing that have a regional or multi-community benefit. Consider the long-term costs and benefits to the Commonwealth.

Rating Factor 6: Neighborhood transformation and economic opportunity

Among the housing and community development goals set forth in the Commonwealth of Massachusetts' Consolidated Plan (www.mass.gov/dhcd), the following appear:

- Develop and maintain an adequate supply of safe, decent housing that is affordable and accessible to residents with a range of income levels and household needs.
- Expand sustainable homeownership opportunities for low, moderate and middle income families.
- Ensure full and fair access to housing for all residents.

In addition, objectives and strategies for affordable housing include:

- Expand sustainable homeownership opportunities for low-, moderate- and middle-income families.
 - Provide homebuyer counseling and education.
 - Provide down payment assistance and affordable mortgage programs.
 - Purchase (and rehabilitation) of existing units for resale to low- and moderate-income homebuyers.
 - Increase the supply of housing affordable to a range of incomes.
 - Provide technical assistance and incentives to build and expand the capacity of municipalities and developers, particularly non-profit developers, to increase and expand affordable housing options.
 - Assist existing low and moderate income homeowners to make home repairs and/or modifications.

DHCD supports municipal efforts to engage in community-based planning, conduct needs assessments, and identify strategies for addressing those needs. Therefore, in its CDBG program DHCD requires projects be consistent with community efforts to identify needs and engage in strategic planning for addressing those needs. This Community Development (CD) Strategy serves to summarize various planning documents used by a community, and to outline a plan of action intended to accomplish specific community development goals that will have an impact on the community. A city or town's CD Strategy often references or incorporates findings of relevant plans and analyses that have been completed and used for decision-making purposes by municipal boards, agencies and departments. Such plans may include but are not limited to Capital Improvement Plans, Master Plans, Downtown Plans, Open Space and Recreation Plans, Area Revitalization Strategies, Urban Renewal Plans, the regional Comprehensive Economic Development Strategy.

Eight of the nine communities in the NSP2 target area are non-entitlement communities that have consistently received CDBG funding. Each of these communities has a CDt Strategy on file at DHCD.

The City of Pittsfield, as an entitlement community, has its own Consolidated Plan (www.pittsfield-ma.org). Many of the activities included in the City's One Year Action Plan and the previously mentioned Gateway Plus Action Grant plan are targeted to the same census tracts that are included in the NSP2 geography.

DHCD believes that the NSP2 activities included in this application are consistent with the local and state plans listed above and will increase the effectiveness of those plans.

c. Disclosures: See attached HUD-2880 “HUD Applicant Disclosure Report”

d. Appendices: The following appendices are attached

1. Code of conduct
2. Leveraging documentation: N/A
3. Signed Certifications
4. Calculation of removal of negative effects
5. Summary of citizen comments
6. Definitions

Applicant/Recipient Disclosure/Update Report

U.S. Department of Housing and Urban Development

OMB Approval No. 2510-0011 (exp. 8/31/2009)

Instructions. (See Public Reporting Statement and Privacy Act Statement and detailed instructions on page 2.)

Applicant/Recipient Information

Indicate whether this is an Initial Report or an Update Report

1. Applicant/Recipient Name, Address, and Phone (include area code): Commonwealth of Massachusetts, Department of Housing and Community Development 100 Cambridge St. Suite 300		2. Social Security Number or Employer ID Number: 046-00-2284
3. HUD Program Name Neighborhood Stabilization Program 2		4. Amount of HUD Assistance Requested/Received \$14,500,000.00
5. State the name and location (street address, City and State) of the project or activity: 24 census tracts in 9 Massachusetts communities		

Part I Threshold Determinations

1. Are you applying for assistance for a specific project or activity? These terms do not include formula grants, such as public housing operating subsidy or CDBG block grants. (For further information see 24 CFR Sec. 4.3). <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	2. Have you received or do you expect to receive assistance within the jurisdiction of the Department (HUD), involving the project or activity in this application, in excess of \$200,000 during this fiscal year (Oct. 1 - Sep. 30)? For further information, see 24 CFR Sec. 4.9 <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
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If you answered "No" to either question 1 or 2, **Stop!** You do not need to complete the remainder of this form. **However,** you must sign the certification at the end of the report.

Part II Other Government Assistance Provided or Requested / Expected Sources and Use of Funds.

Such assistance includes, but is not limited to, any grant, loan, subsidy, guarantee, insurance, payment, credit, or tax benefit.

Department/State/Local Agency Name and Address	Type of Assistance	Amount Requested/Provided	Expected Uses of the Funds

(Note: Use Additional pages if necessary.)

Part III Interested Parties. You must disclose:

- All developers, contractors, or consultants involved in the application for the assistance or in the planning, development, or implementation of the project or activity and
- any other person who has a financial interest in the project or activity for which the assistance is sought that exceeds \$50,000 or 10 percent of the assistance (whichever is lower).

Alphabetical list of all persons with a reportable financial interest in the project or activity (For individuals, give the last name first)	Social Security No. or Employee ID No.	Type of Participation in Project/Activity	Financial Interest in Project/Activity (\$ and %)
Maffei, Maria	013-52-4459	Consultant	\$1,000.00 (less than 1%)

(Note: Use Additional pages if necessary.)

Certification

Warning: If you knowingly make a false statement on this form, you may be subject to civil or criminal penalties under Section 1001 of Title 18 of the United States Code. In addition, any person who knowingly and materially violates any required disclosures of information, including intentional non-disclosure, is subject to civil money penalty not to exceed \$10,000 for each violation.

I certify that this information is true and complete.

Signature: x <i>Francena T Brooks</i>	Date: (mm/dd/yyyy) <i>07/14/2009</i>
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APPENDIX 1

CODE OF CONDUCT FOR STATE EMPLOYEES

The Code of Conduct is excerpted from the various collective bargaining agreements between the Commonwealth of Massachusetts and its employee unions. Each employee shall be held to the particular code of conduct found in the applicable collective bargaining agreement for his or her bargaining unit.

Guidance - both on what we are expected to do and on what we are prohibited from doing - should help all of us understand generally what is expected of us. It should also help resolve particular situations we are faced with in our daily work.

Please read these rules carefully and abide by their spirit as well as their letter. Each of us can take pride in belonging to an organization that contributes so much to the growth, strength and quality of life of the Commonwealth.

I. DEFINITIONS

A. Administrative Inquiries: those occasions when an employee is required to respond to questions of importance to the agency/department when directed to do so by his/her Appointing Authority or that Authority's designee.

B. Disciplinary Action: action taken by the Appointing Authority in response to inappropriate behavior by an employee the primary goal of which is to correct the behavior.

C. Employee: any person on the current personnel roster of the agency/department.

D. Immediate Family: the employee and his/her spouse/partner and their parents, children, brothers and sisters.

E. Nominal Value: monetary worth not exceeding twenty-five (\$25.00) dollars.

F. Official Action: any activity performed or required to be performed by an employee in the course of his/her official duties.

II. REGULATORY BASIS

This Code of Conduct is issued pursuant to the powers of the Commissioner of Administration, as set forth in Chapter 7, Section 4 of the General Laws.

III. THE CODE GENERALLY

- **Applicability of Code:** The Code applies to all employees including those on any type of leave status (e.g., leave without pay, military leave, civic-duty leave, etc.)

- **Scope of Code:** This Code is not to be considered all-inclusive. The absence of a specific published rule of conduct does not mean nor imply that any act of misconduct tending to discredit an employee is condoned or permissible or would not result in disciplinary action, up to and including termination.
- **Knowledge of Code:** Each employee is required to know the Code of Conduct and rules contained herein and to seek information from his/her appointing authority (or designee), agency legal council, or the State Ethics Commission in case of doubt or misunderstanding as to their application.

Decisions in personnel matters involving disciplinary action will be based on the assumption that each employee has familiarized himself/herself with this code and that he or she is aware of the obligation to abide by it.

- **Effect of Code:** Employees whose conduct does not conform to the rules and guidelines contained in this Code may be subject to disciplinary action up to and including termination.
- **Distribution of Code:** Every employee shall receive a copy of this Code. Employees will acknowledge receipt of the Code by signing a receipt. The employee's signature on the receipt form is notice of his/her obligation to familiarize himself/herself with the contents of the Code of Conduct and to abide by it. (An audiotape of the Code shall be made available at no cost to any employee who reasonably requires it.)
- **Effective Date of Code:** The effective date of the Code shall be ten days after the Code of Conduct is distributed.

IV. CONFORMANCE TO LAWS

Employees shall obey the laws of the United States and the Commonwealth of Massachusetts. Any employee who is convicted of a crime relating to his/her employment shall be subject to discipline.

Any employee who has been indicted or arrested for a serious crime, supported by a judicial finding of probable cause in a preliminary hearing when the nature of the charge with its attendant publicity reasonably gives rise to legitimate fear for the safety of other employees, the property of the Commonwealth, or jeopardizes the public trust in the ethical standards of agency/departmental employees or undermines trust in the integrity of the Commonwealth's system of tax administration or the administration of other laws of the Commonwealth, may also be subject to suspension without pay or other employee benefits, pending resolution of the case.

If the employee is found guilty, pleads nolo contendere, has his case continued without a finding, is granted immunity from prosecution or has his case filed, further disciplinary action, including termination, may be taken. If the employee is found not guilty, or the case is nolle prosequi or dismissed, the employee shall be immediately reinstated to employment retroactive to the date of suspension without loss of wages or other employee benefits.

V. CONFORMANCE TO POLICIES, PROCEDURES, AND DIRECTIVES

Employees shall comply with all of the policies and operating procedures of the Commonwealth and of the agency/department in which they work. Employees shall respond forthrightly and promptly to the work-related directives of their supervisors.

VI. CONDUCT, ATTITUDE, AND DEMEANOR

Employees are expected to conduct themselves in their official relations with the public and with their fellow employees in a manner that will enhance public respect for, and confidence in, the employee and in the Commonwealth as a whole. They must not only perform their duties in a wholly impartial manner, but must avoid any conduct that gives a reasonable basis for the impression of acting otherwise.

Specifically, employees shall avoid any action that may result in or create a reasonable basis for the impression that the employee may be:

1. Using public office for private gain;
2. Giving preferential treatment to any citizen;
3. Making work-related decisions contrary to agency/departmental policy;
4. Using one's official position to harass or intimidate any person or entity outside the course of official duties.

VII. ADMINISTRATIVE INQUIRIES

Employees must respond promptly and fully to administrative inquiries when directed to do so.

VIII. ETHICS COMMISSION FINANCIAL DISCLOSURE STATEMENTS

Employees who are required to file a "Statement of Financial Disclosure" with the State Ethics Commission, under the provisions of M.G.L. Ch.268B, shall do so in a timely manner as prescribed by the State Ethics Commission.

IX. CONFLICT OF INTEREST

The necessity for the fair and impartial administration of state government and the enforcement of its laws makes the avoidance of any conflict of interest of primary importance. A conflict of interest is a situation in which an employee's private interest, usually financial, conflicts with or raises a reasonable question of conflict with his/her official duties and responsibilities.

Chapter 268A of the General Laws, provides criminal and civil penalties for conflict of interest violations. The following three general categories of prohibitions are to be used as guidelines for your information. Chapter 268A of the General Laws offers specific details.

1. No employee may request or receive, in any manner whatsoever, compensation or anything else of value, except from the Commonwealth, for performance of his/her duties.
2. No employee may participate in any official action relating to any entity in which the employee or a member of his/her immediate family has a financial interest.

3. No employee may participate in any official action relating to any individual with whom, or entity in which, the employee has a substantial personal interest.

Employees have an obligation to scrupulously avoid the potential conflicts of interest that exist in their employment. They have a duty to disclose and report promptly to their agency head or his/her designee the existence or possible existence of a conflict of interest. They must request the transfer from their caseload any case that involves their immediate family, close friend or any person with whom, or entity in which, they have some personal or financial involvement.

Employees have a right under law to have any question relating to a possible conflict of interest confidentially reviewed and decided by the State Ethics Commission. Information regarding the filing of a conflict of interest request with the State Ethics Commission is available from the Ethics Commission directly.

In addition to the conflicts referred to above, M.G.L. Ch. 268A, Section 23 prescribes and describes certain "Standards of Conduct". Violations of these standards are subject to appropriate disciplinary action. All employees are required to abide by the spirit as well as the letter of these standards, which provide as follows:

1. No current or former officer or employee of a state, county or municipal agency shall:
 - Accept other employment that may impair his independence of judgment in the exercise of his official duties;
 - Use or attempt to use his official position to secure unwarranted privileges or exemptions for himself or others;
 - By his conduct give reasonable basis for the impression that any person can improperly influence or unduly enjoy his favor in the performance of his official duties, or that he is unduly affected by the kinship, rank, position or influence of any party or person."
2. No current or former officer or employee of a state, county or municipal agency shall:
 - Accept employment or engage in any business or professional activity, which will require him to disclose confidential information, which he has gained by reason of this official position or authority;
 - Disclose materials or data within the exemptions to the definition of public records as defined by Section Seven of Chapter Four of the General Laws, and were acquired by him in the course of his official duties nor use such information to further his personal interests.

These rules with respect to conflicts of interest are in addition to state policies and agency/departmental rules, regulations and operating procedures that may otherwise apply to the official actions of employees.

In the event that the Appointing Authority, or his/her designee, approves a particular activity and the Ethics Commission subsequently determines that such activity is a conflict of interest, the Appointing Authority will not discipline the employee for such activity. However, only the Ethics Commission has the authority to issue a binding opinion interpreting M.G.L. Ch. 268A.

X. GIFTS AND GRATUITIES

1. General Limitations: Employees shall not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, from a person or entity which, the employee knows or has reason to know:

- Has, or is seeking to obtain, contractual or other business or financial relations with his/her agency/department;
- Conducts business or other activities which are regulated or monitored by the agency/department, except as permitted by this section or by agency/departmental directives; or
- Has an interest that may be or give the reasonable impression of being substantially affected by the performance or nonperformance of the employee's official duties.

2. Exceptions: The restrictions set forth in number 1 of this section do not apply to:

- Obvious family or personal relationships when the circumstances make it clear that those relationships, rather than the business or the persons concerned, are the motivating factors behind any gift or gratuity.
- The acceptance of food or refreshments of nominal value on infrequent occasions in the ordinary course of a breakfast, luncheon, dinner or other meeting attended for educational, informational or a similar purpose. However, agency/departmental employees are specifically prohibited from accepting free food or other gratuity except non-alcoholic beverages (coffee, tea, etc.), while on official business, from persons with whom they have contact in the performance of their official duties.
- The acceptance of loans from banks or other financial institutions on customary terms to finance proper and usual activities of employees, such as home mortgage loans, automobile loans, personal loans, etc., provided that the employee does not deal with that institution in the course of his/her official duties. However, if dealing with such banks or financial institutions is unavoidable, the employee must disclose such dealings to the Appointing Authority in writing prior to engaging in such dealings.
- The acceptance of unsolicited advertising or promotional material, such as pens, pencils, note pads, calendars, and other items of nominal value.

- The acceptance of an award or gift of nominal value for a speech, participation in a conference, or some public contribution or achievement given by a charitable, religious, professional, social, fraternal, educational, recreational, public service or civic organization, if such organization falls within paragraph A above.
- Acceptance of reimbursement, in cash or in kind, for travel, subsistence and other expenses incident to attendance at meetings, provided such attendance and reimbursement is approved by the Appointing Authority or his designee. Such reimbursement can be made directly to the employee. An employee on official business may not be reimbursed, and payment may not be made on his or her behalf, for excessive (e.g., reimbursement which exceeds actual cost) personal living expenses, gifts, entertainment, travel or other benefits. At no time shall an employee accept reimbursement from both the Commonwealth and another source for the same expenses.

XI. OUTSIDE EMPLOYMENT AND BUSINESS ACTIVITY

1. Introduction/Principles: The Commonwealth seeks to give the maximum freedom possible to engage in outside employment or business activities consistent with the Commonwealth's responsibilities. However, the sensitive mission of the Commonwealth and its employees necessitates certain restrictions. Employees may engage in outside employment or business activity provided such activity is not prohibited by this code or by any statute, regulation or departmental order.

An activity that is permissible for the occupant of one position may very well not be permissible for the occupant of another position. Therefore, in considering each case on its individual merits, the employee must satisfy the following principles:

- The outside activity would not place the employee in a situation where there is a conflict, or in a situation which gives the reasonable bases for the impression of a conflict, between his or her private interests and his or her official duties and responsibilities (see Section 5, above, "Conflict of Interest", for additional guidance).
- The outside activity would not result in use, dissemination or disclosure to others of confidential information obtained in connection with the employee's departmental duties or position.
- The nature of the employment or business activity or the hours to be devoted to such activity would not impair the employee's availability, capacity or efficiency for the performance of his/her official duties as an employee of the Commonwealth.

- Employees shall not engage directly or indirectly in financial transactions as a result of, or primarily relying on, information obtained through their employment. In particular, they shall not use confidential information obtained in the course of their employment with the Commonwealth to obtain benefits, financial or otherwise, for themselves, their families or others.

2. Activities which do not require prior approval: Employees are generally not required to submit written notice before engaging in outside activities that are not considered to be employment or business. Although it is not feasible to cover every specific activity of this nature, the general categories discussed below are furnished as basic guidelines.

- Membership and uncompensated services (including holding of office) in civic, scout, religious, educational, fraternal, social, community, veterans, or charitable organizations.
- Services as a notary public or justice of the peace (except notarization of tax returns).
- Rental of employee-owned property, real or personal, to the extent such property is not rented to the Commonwealth of Massachusetts or any agency or subdivision thereof, or the lessee is not a subject of the employee's official duties.
- Minor services and odd jobs for friends, relatives, or neighbors. These include a wide variety of activities, including: repair or maintenance work such as painting, yard work, carpentry, or services such as baby-sitting and carpools involving payment for transportation.
- Temporary (thirty days or less) assistance in a family enterprise, in the event of an emergency, such as the death or serious illness/accident to a member of the family engaged in that business.
- However, no employee shall without appropriate disclaimer stating that the employee does not speak for the agency/department, take an active part or become an advocate on behalf of a professional society in any conflict between such society and the agency/department.

3. Specific Prohibitions: No outside legal or accounting practice is permitted which is in violation of M.G.L. Ch. 268A. Specifically, employees are prohibited from receiving compensation from or acting as agent or attorney for anyone other than the Commonwealth in relation to any particular matter in which the Commonwealth or a state agency as a party has a direct and substantial interest.

The employee must give notice of outside legal or accounting practice to the Appointing Authority or his/her designee on Form CC-4, "Notice of Outside Legal or Accounting Practice" or Employment. Notice to the Appointing Authority or his/her designee does not mean or imply that such outside employment or practice is not in conflict with M.G.L. Ch. 268A.

XII. DUTY TO REPORT VIOLATIONS

Bribery and attempted bribery are crimes that strike at the core of the state government. Employees should be constantly alert to solicitations to accept money, consideration, or anything of value in return for acts or omissions involving their official functions. Such solicitations may be indirect and subtle. Any attempt to bribe an employee shall be reported immediately to the proper agency authority.

XIII. OTHER STANDARDS OF CONDUCT

1. False Statements: Proper functioning of the government requires that the agency/department, the courts, other state agencies and the public be able to rely fully on the truthfulness of government employees in matters of official interest. An employee will be subject to disciplinary action up to and including termination for intentionally making false or misleading verbal or written statements in matters of official interest.

2. Recommending Professional Assistance: Employees may not recommend or suggest, specifically or by implication, to anyone that he/she obtain the services of any particular accountant, attorney or firm of accountants or attorneys, or any other person or professional or business organization in connection with any official business that involves or may involve the agency/department.

3. Public Records: All requests for public records should be directed to the Appointing Authority or his/her designee who shall determine whether the requested documents are public records in accordance with M.G.L. Ch.4, Section 7, cl. 26.

4. Drugs and Alcohol: While on duty no employee shall consume or use alcohol, intoxicants, narcotics, or controlled substances in any form. Similarly, no employee shall report for work under the influence of intoxicants, narcotics or controlled substances in any form. The only exception to this rule is the use of medication when prescribed for the treatment of the employee by a medical provider.

5. Departmental Identification Cards: Agency/departmental identification cards, badges and other identification or access cards or documents are for use only in establishing identity, authority or access in connection with official duties.

Agency/departmental identification cards or badges may be used for personal identification purposes when cashing checks or as proof of employment, such as when applying for a loan, for credit or when renting an apartment.

Employees are responsible for the safeguarding and proper use of agency/departmental identification cards, badges and access cards, for promptly reporting their loss and for surrendering them on termination of employment or demand by proper agency/departmental authorities.

Cards, badges or documents, or an employee's official position or status, are not to be used to exert influence or obtain, either directly or indirectly, personal privileges, favors or rewards for themselves or others. Photo identification badges must be worn while at work in any agency that requires them to be worn.

6. Political Activity: Employees are prohibited from using their offices or official duties to interfere with, affect or influence the results of a nomination or election for public office. No employee shall use his/her official authority directly or indirectly to coerce, attempt to coerce, command, advise or prevent any person or body to pay, lend or contribute anything of value to any party candidate or political committee.

No employee shall solicit or accept funds or anything of value for any party, political committee, agency, person or organization for political purposes.

Employees are not prohibited from contributing to the campaign committee or organization for nomination or election of any individual running for public office or to any committee, agency, or organization for political purposes.

Employees are prohibited from campaigning for political office for themselves or others during normal working hours. Employees are prohibited from being a candidate for federal, state or full-time municipal office while on active duty. Such employees must obtain a leave of absence to run for such offices.

Employees are prohibited from wearing a political or campaign button while on official agency/departmental business.

Employees shall abide by the provisions of the following paragraph from M.G.L. Ch. 268A, Section 11 that provides:

"This section shall not prohibit a state or county employee from holding an elective or appointive office in a city, town or district nor in any way prohibit such an employee from performing the duties of or receiving the compensation provided for such office. No such elected or appointed official may vote or act on any matter which is within the purview of the agency by which he/she is employed or over which such employee has official responsibility."

7. Firearms and Other Deadly Weapons: An employee shall not carry firearms or other dangerous weapons on his/her person during the performance of official duties or on work premises except as specifically authorized by the agency/department head or his/her designee. An employee authorized to carry a firearm is forbidden to display it unnecessarily in public.

8. Testimonial Dinners: Employees are prohibited from selling or accepting payment for tickets, admissions or contributions, for a testimonial dinner or function or any affair having a purpose similar to a testimonial dinner or function held on behalf of any employee of his/her agency/department. No employee shall participate in or accept contributions for or from any

testimonial dinner or function or any affair having a similar purpose, held on his or her behalf while he or she is an employee if such dinner, function or affair is sponsored by a person or organization which is regulated by or has official business with the employees department or agency.

This section shall not prohibit the collection of sums of nominal value to cover the cost of small celebrations or other small events (such as birthday or holiday parties) held within agency/departmental offices.

9. Legislative Requests and Inquiries: All requests or inquiries from public officials or their staffs must be referred to the agency/department head or his or her designee before any action is taken, unless employees are directed to handle such requests otherwise by the agency/department head or his or her designee.

APPENDIX 2
LEVERAGING DOCUMENTATION

N/A

APPENDIX 3

CERTIFICATIONS

1. Affirmatively furthering fair housing. The applicant certifies that it 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-displacement and relocation plan. The applicant certifies that it has in effect and is following a residential anti-displacement and relocation assistance plan.

3. Anti-lobbying. The applicant must submit a certification with regard to compliance with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

4. Authority of applicant. The applicant certifies that it 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.

5. Acquisition and relocation. The applicant certifies that it 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 NSP2 program published by HUD.

6. Section 3. The applicant certifies that it 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 applicant certifies that it is carrying out citizen participation in accordance with NSP2 requirements.

8. Use of funds. The jurisdiction certifies that it will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008, as modified by the American Reinvestment and Recovery Act by spending 50 percent of its grant funds within 2 years, and spending 100 percent within 3 years, of receipt of the grant.

9. The applicant certifies:

- a. that all of the NSP2 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; and
- b. The applicant 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.

10. Excessive force. The applicant, if an applicable governmental entity, certifies that it has adopted and is enforcing:

- a. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations; and
- b. 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 nonviolent civil rights demonstrations within its jurisdiction.

11. Compliance with anti-discrimination laws. The applicant certifies that 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.

12. Compliance with lead-based paint procedures. The applicant certifies that its activities concerning lead-based paint will comply with the requirements of 24 CFR part 35, subparts A, B, J, K, and R.

13. Compliance with laws. The applicant certifies that it will comply with applicable laws.



Signature/Authorized Official

7/15/09

Date

Undersecretary

Title

APPENDIX 4

CALCULATION OF REMOVAL OF NEGATIVE EFFECTS

Community	Vacant Residential Units in Targeted Census Tracts	Total Residential Units in Targeted Census Tracts	Units Demolished	Units Acquired and Rehabilitated	RSNE Score
Athol	282	5,254	0	12	6.4%
Gardner	234	2,953	0	5	3.2%
North Adams	710	6,811	5	12	3.6%
Orange	156	3,499	0	5	4.8%
Pittsfield	296	7,686	10	12	11.1%
Southbridge	416	5,681	5	12	6.1%
Webster	398	6,154	0	5	1.9%
West Springfield	275	11,663	0	7	3.8%
Winchendon	204	3,012	0	5	3.7%
Total	2,971	52,713	20	75	4.5%

APPENDIX 5

SUMMARY OF PUBLIC COMMENTS

Opportunity for Public Comment

American Recovery and Reinvestment Act of 2009
Neighborhood Stabilization Program 2 (NSP2)

Competitive Grant Application

The Commonwealth of Massachusetts through the Department of Housing and Community Development (DHCD) is proposing to file a competitive grant application seeking funds under the Neighborhood Stabilization Program 2 (NSP2). Draft application materials are available on the Department's website – www.mass.gov/dhcd. DHCD seeks comments regarding the content of the application from all interested parties.

Amount of Funds to be Requested: \$14,000,000

Target Geography: Strategic, targeted census tracts in the following communities

Athol	Orange	Webster
Gardner	Pittsfield	West Springfield
North Adams	Southbridge	Winchendon

Uses of Funds: NSP2 funds are to be used primarily for the acquisition and rehabilitation of abandoned and foreclosed properties. The Department intends to make funds available to the above-listed communities to carry out the following eligible activities: Downpayment Assistance for the Purchase of Foreclosed Homes, Acquisition and Rehabilitation of Foreclosed and Abandoned Homes, Strategic Demolition, and Redevelopment of Demolished or Vacant Properties as Housing.

The public comment period will run from July 3, 2009 through July 14, 2009. Interested parties may submit comments, in writing or via email, directly to DHCD at any time during the comment period. Comments may be directed to: Mark Siegenthaler, Community Development Manager, DHCD, 100 Cambridge St, Suite 300, Boston, MA 02114 or mark.siegenthaler@state.ma.us.

Written Testimony Received

Mayor, City of Gardner, Ayer; Deputy Director of Operations, Pioneer Valley Planning Commission; Vice President of Operations, Housing Assistance Corporation, Hyannis, MA; Senior Housing Attorney, Massachusetts Law Reform Institute.

Summary of Comments Received and Responses

Target Area Selection

Comment:

One commenter stated that additional communities are suffering from the effects of foreclosure. The inclusion of census tracts in additional communities struggling to revitalize their downtown areas is warranted. One commenter wished to remind the Department of the broad needs of rural communities in the face of foreclosure effects. Another expressed support for the NSP2 activities as proposed.

Response:

As indicated in the posted summary and in the final application, DHCD identified a strategic set of census tracts in a small number of highly affected communities so as to increase the opportunities for meaningful accomplishments. Identifying too many target areas increases the chance for ineffectiveness. NSP2 requires a commitment of funds in every target tract identified. It is anticipated that the narrowly drawn, strategic approach that was selected will result in tangible benefits to each community.

Completeness of the Posting

Comment:

Concern was expressed that public posting did not provide enough detail regarding the intended activities.

Response:

DHCD has and will continue to post the best available information regarding its proposed use of NSP2 funds. The summary document provided the information required by HUD. Additional information will be posted as available and required. Interested parties should feel free to contact the Department if they are in need of further assistance.

Homeownership, Rental, Affordability and Fair Housing

Comment:

Concerns were expressed for assurances that DHCD will pursue rental opportunities in addition to ownership, extremely low income units in addition to those for up to 120% of ami, long term affordability and furtherance of fair housing were unclear or inadequate.

Response:

The final application contains clear statements of the Department's intent to fulfill these goals and requirements. It includes citation of the Commonwealth's Fair Housing goals

Maintaining Occupancy, Demolition/Conversion

Comment:

Concern was expressed for occupants of foreclosed properties and the loss of affordable units to demolition or conversion as a result of rehabilitation.

Response:

NSP2 provides for tenant protections. DHCD will comply with provisions to protect rental tenants in properties whose landlords have been foreclosed upon. Tenants with bona fide leases, signed before foreclosure, must be permitted to remain in the unit until the end of the term of the lease, and tenants without leases must be granted a 90-day notice to vacate.

Minimal demolition activities are proposed and new units created under the redevelopment activity will exceed the number of units demolished. All newly created units will benefit individuals or households with incomes below 120% of Area Median Income, and a significant number are expected to benefit those with incomes below 50% of Area Median Income.

Section 3 Compliance

Comment:

Concern was expressed regarding compliance with Section 3 – employment and other economic opportunities for low- and very-low income individuals.

Response:

Certification of compliance with Section 3 is an application requirement for NSP2.

APPENDIX 6

DEFINITIONS

a. Blighted Structure

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.

b. Affordable rents

“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.

c. Housing rehabilitation standard

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.

NSP2 housing construction must meet the accessibility standards at 24 CFR part 8, and that it be energy efficient and incorporate cost effective green improvements. All gut rehabilitation (i.e., general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns or load bearing interior or exterior walls) of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes. All gut rehabilitation of mid -or high-rise multifamily housing must be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy). Other rehabilitation must meet these standards to the extent applicable to the rehabilitation work undertaken, e.g., replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-labeled products. Waterefficient toilets, showers, and faucets, such as those with the WaterSense label, must be installed. Where relevant, the housing should be improved to mitigate the impact of disasters (e.g., earthquake, hurricane, flooding, fires).