

# CITY OF BOSTON

## NSP SUBSTANTIAL AMENDMENT

<p>Jurisdiction(s): <b>City of Boston, Department of Neighborhood Development</b> <i>(identify lead entity in case of joint agreements)</i></p> <p>Jurisdiction Web Address: <a href="http://www.cityofboston.gov/dnd/Consolidated_Plan.asp">http://www.cityofboston.gov/dnd/Consolidated_Plan.asp</a> <i>(URL where NSP Substantial Amendment materials are posted)</i></p>	<p>NSP Contact Person: <b>Robert Gehret, Deputy Director, Policy Development &amp; Research Division</b> Address: <b>26 Court Street, 8<sup>th</sup> floor, Boston, MA 02108</b> Telephone: <b>617-635-0242</b> Fax: <b>617-635-0383</b> Email: <a href="mailto:bgehret.dnd@cityofboston.gov">bgehret.dnd@cityofboston.gov</a></p>
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### **A. AREAS OF GREATEST NEED**

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

**Note:** An NSP substantial amendment must include the needs of the entire jurisdiction(s) covered by the program; states must include the needs of communities receiving their own NSP allocation. To include the needs of an entitlement community, the State may either incorporate an entitlement jurisdiction's consolidated plan and NSP needs by reference and hyperlink on the Internet, or state the needs for that jurisdiction in the State's own plan. The lead entity for a joint program may likewise incorporate the consolidated plan and needs of other participating entitlement jurisdictions' consolidated plans by reference and hyperlink or state the needs for each jurisdiction in the lead entity's own plan.

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

**Response:** In February of 2008, nearly nine months before the Neighborhood Stabilization Program was implemented, Mayor Thomas M. Menino announced the formation of a cross-departmental Foreclosure Intervention Team (FIT) targeting the Hendry Street area of Dorchester, a compact neighborhood with the highest concentration of foreclosed, REO (lender-owned) and abandoned properties in Boston. Through its Foreclosure Reclamation Initiative, the City, acting through the Boston Redevelopment Authority, had already acquired four properties with twelve units in the Hendry Street FIT area and put those properties out to bid for rehabilitation and resale as four owner-occupied triple-decker homes.

Following the City intervention at Hendry Street, the City proactively researched and analyzed foreclosures and home sales data citywide. The research focused on several broad areas where sales prices were falling and that also had large concentrations of foreclosed and abandoned properties. The City then conducted a visual survey of the foreclosed and abandoned properties in these areas to identify smaller target areas that, like Hendry Street, needed immediate and focused attention. The combination of quantitative and qualitative research enabled the City to rule out several areas that appeared on paper to have large numbers of foreclosed properties but that visual inspection showed were largely intact. These properties were often single foreclosed

condominium units in larger multifamily properties that were otherwise in good shape. As a result of this research, the City identified two additional FIT target areas, the Dacia and the Langdon FIT areas in Roxbury. Like the Hendry FIT area, these additional FIT areas have a high percentage of foreclosed and/or abandoned buildings, are located in neighborhoods with steep declines in sales prices, and have a significant number of properties with visible physical distress and significant public safety issues. These three existing FIT areas form the core of the City's target area for the City's NSP program. They are identified in blue on the NSP Target Area map at the back of Section A of this Substantial Amendment. Following issuance of the HUD NSP guidance, the City identified several additional areas of greatest need for its NSP funding.

Note on methodology: In order to assist grantees in identifying areas of greatest need as specifically required by the statute and the notice for the NSP program, HUD provided grantees with block group level data, including data on the estimated number and percentage of foreclosure starts in the previous 18 months, a foreclosure and abandonment risk score based on estimated foreclosures and postal vacancy data, estimates of the decline in home values over the past 18 months, and data on the percent of high cost loans. Unfortunately, most of the data were estimated at the block group level from data originally gathered at the census tract, county or higher levels of geography. This means that using these data to identify target areas at the block group level is questionable as the differences from one block group to another may simply be due to the estimating method rather than actual trends. As a result, HUD has cautioned and advised grantees to look at other local data, if available, when considering their areas of greatest need.

Revised Targeted Area: The target area for the draft substantial amendment was derived by including all block groups citywide with a HUD Foreclosure Risk Score of 8, 9, or 10. This included the 12 FIT area block groups and 137 additional block groups in Dorchester, Roxbury, Mattapan, Hyde Park and East Boston. We revisited this for the final substantial amendment after HUD issued the description of the methodology and we realized that the block group data were estimates rather than actual data and we were able to do our own correlations of HUD's estimated data with actual local data on foreclosures and related variables, including data obtained from visual surveys.

Looking again at the FIT areas using HUD data at the census tract rather than block group level, we found that each of the five census tracts in which the three FIT areas are located scored a 9 or 10 (the highest ranking) on HUD's Estimated Foreclosure Risk Score, had a HUD Predicted Foreclosure Rate of 8% or higher (compared to 6.1% citywide), and at least 35% of the loans in the area were high-cost loans (compared with 19.1% citywide). Using the City's own data, we found that the small (one census tract) Hendry Fit area alone had 35 REO properties and 7 abandoned properties. The small (one census tract) Langdon FIT area had 6 REOs and 11 abandoned properties and the three census tract Dacia area had 56 REOs and 18 abandoned properties. In addition, all five of the FIT census tracts had a low/mod population of at least 60% and all but one had a low/mod population of at least 70%. Together, the five FIT area census tracts contained 97 REO properties or 10% of the citywide total.

In addition to the three FIT areas, the City has identified a broader high need area based on a combination of the data HUD provided to grantees for their NSP applications and additional data the City has compiled on foreclosures and other trends. We began by looking at neighborhoods with troubled markets, those showing the greatest decline in median sales prices from the peak in 2005 or 2006. Citywide, the decline averaged -7%. However, five neighborhoods experienced declines of 20% or more: East Boston (-39%), Mattapan (-34%), Roxbury (-30%), Dorchester (-25%), and Hyde Park (-20%). We used this 20% decline as a threshold to make the first cut for determining areas of greatest need for the NSP program. Within these neighborhoods, we then used HUD's foreclosure risk score to make a second cut by selecting only those 39 census tracts within these five neighborhoods that had a HUD Foreclosure Risk Score of 8, 9 or 10. After looking at the areas on a map and adding data on the number of REO and abandoned properties, we identified four additional census tracts within these five neighborhoods with HUD Foreclosure Risk Scores below 8, but having a significant number of REOs and/or abandoned properties, a

high % of high cost loans (all over 25%) and foreclosure petition rate over 2%. This resulted in the selection of 43 of the City's 156 census tracts for inclusion in the City's high need target area for the City's NSP program. These 43 census tracts (just over 25% of the total) contain 726 or just under 75% of the citywide total of 980 REO properties.

Based on this reanalysis of the HUD data and the City's own data, we have revised the NSP high need target area map. It differs from the map in the draft substantial Amendment in two significant ways. First, as outlined above, four additional census tracts have been added to the target area. Second we have eliminated the three separate tiers. The original tiers were based primarily on HUD's Foreclosure Risk Scores. Although there were substantial differences between block groups (and census tracts) that scored 8 or above and those that scored 7 or lower, there were no predictable differences between those that scored an 8, 9 or 10.

In general, the City plans to target NSP assistance to foreclosed and abandoned properties within the identified NSP target area, with a preference given to properties in the FIT areas. We will consider assisting properties outside the target area that are part of a bulk or portfolio purchase. We will consider assisting individual properties outside the target area on a case-by case basis, giving consideration to the condition of the property, the impact that acquiring and/or rehabilitating that property will have on the immediate neighborhood and whether or not sufficient properties are available within the target area for the City to commit all of its NSP funds with the required 18 month time period.

The data on which this analysis was based are provided in Section I of this Substantial Amendment.

## ***B. DISTRIBUTION AND USES OF FUNDS***

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

**Response:** As described in Section A, the City plans to target NSP assistance to foreclosed and abandoned properties within the identified NSP high need target area, with a preference given to properties in the FIT areas. We will consider assisting properties outside the target area that are part of a bulk or portfolio purchase. We will consider assisting individual properties outside the target area on a case-by case basis, giving consideration to the condition of the property, the impact that acquiring and/or rehabilitating that property will have on the immediate neighborhood and whether or not sufficient properties are available within the target area for the City to commit all of its NSP funds with the required 18 month time period.

As explained in Section A, the target area for the City's NSP program is comprised of 43 census tracts located in neighborhoods with the largest declines in market values, that have a high score (8, 9, or 10) on HUD's Foreclosure Risk Score, have a high number of REO properties, and have a high % high cost loans. These 43 census tracts comprise only one quarter of the City's total census tracts, but contain nearly three quarters of the City's REO properties. The data supporting the determination of the City's target area are provided in Section I of this Substantial Amendment.

The City plans to use its NSP allocation, plus additional NSP funds to be requested from the state, to carry out seven program activities to assist the acquisition and/or rehabilitation of lender-owned foreclosed and abandoned properties with in the NSP target area:

### **REO Reclamation Fund: Turnkey Ownership Component**

Funds to assist for-profit and non-profit developers with the cost of rehabilitating vacant REO properties into owner-occupied properties. Restoring or redeveloping foreclosed properties as homeownership is the City's top priority. NSP funds will not be made available for acquisition unless the property is acquired in accordance with the NSP program's requirements regarding purchase price discounts of 5% - 15%.

### **REO Reclamation Fund: Permanent Supportive Housing Component**

Funds to assist for-profit and non-profit developers with the cost of rehabilitating vacant REO properties into permanent supportive housing for the homeless or for persons with disabilities. NSP funds will not be made available for acquisition unless the property is acquired in accordance with the NSP program's requirements regarding purchase price discounts of 5% - 15%.

### **REO Reclamation Fund: Rental Housing Component**

Funds to assist for-profit and non-profit developers with the cost of rehabilitating vacant REO properties into rental housing for low and moderate income renters. NSP funds will not be made available for acquisition unless the property is acquired in accordance with the NSP program's requirements regarding purchase price discounts of 5% - 15%.

### **Land Bank Acquisition Program**

This program will provide funds to cover the interim costs of securing and maintaining REO properties before disposition of the property to a homeowner or developer.

### **REO Buyer Incentive Program**

Funds to assist individual homebuyers with the cost of acquiring vacant REO properties to be owner-occupied by the buyer. NSP funds will not be made available for acquisition unless the property is acquired in accordance with the NSP program's requirements regarding purchase price discounts of 5% - 15%. The City may decide not offer NSP funds for this component if NSP program income guidelines are not modified to allow purchasers to retain reasonable appreciation upon resale of the property.

### **REO Purchase Rehab Component**

Funds to assist individual homebuyers with the cost of acquiring and rehabilitation vacant REO properties to be owner-occupied by the buyer. NSP funds will not be made available for acquisition unless the property is acquired in accordance with the NSP program's requirements regarding purchase price discounts of 5% - 15%. The City may decide not offer NSP funds for this component if NSP program income guidelines are not modified to allow purchasers to retain reasonable appreciation upon resale of the property.

### **REO Buyer Development/Technical Assistance**

Funds to provide required counseling to buyers of REO properties through City staff or qualified non-profits or other vendors under contract with the City. Counseling may include one-on-one counseling or group courses. Funds will also be used to market the program and create a pool of qualified buyers interested in purchasing REOs.

In addition, the City plans to use about 9.5% of the funds for its planning and administrative costs to support the program. The proposed budget for the City's NSP funds and for the NSP funds the City Plans to request from the state is provided at the end of this section. The City may need to amend the proposed budget and program activities depending on HUD's ruling on various policy issues and requested waivers. The City reserves the right to reallocate funds among the proposed programs as needed to ensure that all funds are committed in a timely manner within 18 months as required by the NSP Notice.

Additional detail on each of the proposed programs is provided for each of these proposed activities in Section G of this Substantial Amendment.

**C. DEFINITIONS AND DESCRIPTIONS**

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

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

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

**Response:** In order to define affordable rents, we first have to specify at what income levels the rents are designed to be affordable. The table below shows the income limits that will be used for the program. The very low-income limits (50% of median) are those used for the 50% of median category for the Section 8 and HOME programs. For the NSP program, HUD has followed the same methodology and calculated income limits for 120% of median:

Income Category	1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons
Very low income (50% limits)	\$30,050	\$34,300	\$38,600	\$42,900	\$46,350	\$49,750	\$53,200	\$56,650
60% limits	\$36,060	\$41,160	\$46,320	\$51,480	\$55,620	\$59,700	\$63,840	\$67,980
Low income (80% limits)	\$46,300	\$52,950	\$59,550	\$66,150	\$71,450	\$76,750	\$82,050	\$87,350
NSP middle income (120% limits)	\$72,050	\$82,350	\$92,650	\$102,950	\$111,200	\$119,450	\$127,650	\$135,900

The general rule of thumb is that in order to be considered affordable, rents, less an allowance for tenant-paid utilities, should not exceed 30% of the household’s monthly income. For the sake of consistency, we have adopted HUD’s “Low-HOME Rent Limits” as the maximum rent for units that are to be affordable to households with incomes at or below 50% of median, unless the unit has a project-based Section 8 rental subsidy. If the unit has a project-based rental Section 8 rental subsidy, the unit rent may be set at the Section 8 Fair Market Rent.

Rent Limit Category	SRO	O-BR	1-BR	2-BR	3-BR	4-BR
50% of MFI (Low HOME Rent)	\$563	\$751	\$804	\$965	\$1,115	\$1,243
High HOME Rent	\$717	\$956	\$1,026	\$1,233	\$1,415	\$1,559
Section 8 FMR	\$815	\$1,086	\$1,153	\$1,353	\$1,618	\$1,778

The City of Boston is anticipating that all rental units directly assisted with City NSP funds will be supportive housing units targeted to be affordable to households with incomes at or below 30% of AMI and that project-based Section 8 vouchers will be made available to ensure the affordability and financial viability of the project. The City of Boston further anticipates that all rental units assisted with State NSP funds will be targeted to be affordable to households with incomes at or below 80% of AMI. The state is requiring that rents for such units receiving state NSP funds be set at the “High HOME Rent Levels” which are designed by HUD to be affordable to households with incomes at or below 65% of AMI.

However, the primary focus of the City's NSP program is to facilitate the rehabilitation and redevelopment of foreclosed and abandoned single-family residential properties (1-4 units) as owner-occupied homeownership properties. For owner-occupied properties with one, two or three additional rental units, it is anticipated that NSP assistance will only be provided for the homeowner's unit. For example, for a three-decker, NSP assistance would normally be limited to one-third of the total development costs (TDC). For a two-family, NSP assistance would normally be limited to one half of the TDC. In that case, there would be no income limits, rent limits or other affordability restrictions imposed on the rental units in such two and three-family owner-occupied properties. However, if NSP assistance exceeds the pro-rata share of the TDC corresponding to the owner's unit, then one or more of the rental units will have to have income limits and rent limits to restrict the additional assisted units to be affordable to a household with an income at or below 120% of AMI. This is not expected to impose any additional financial burden on the projects because market rents in the target areas are well below the rents affordable to a household with an income of 120 of AMI. The main burden will be the additional administrative burden of periodically documenting incomes and rents.

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

**Response:** For rental units assisted with NSP funds, the City will ensure long term affordability to households with incomes at or below 50% of AMI or 80% of AMI through the use of a deed restriction (covenant) and a note and mortgage on the property following the same policies and procedures used in the City's HOME-funded Rental Housing Development Program, generally for 30 plus 20 years.

The primary focus of the City's NSP program is to facilitate the rehabilitation and redevelopment of foreclosed and abandoned single-family (1-4 unit) residential properties into owner-occupied properties. Based on our analysis of market conditions in the high need areas, we believe that it will be difficult to incent buyers to purchase and occupy REO properties in these target areas unless reasonable flexibility is provided. For homeownership properties and direct assistance to homebuyers, the City will require that for a fifteen year period, the properties can only be sold to a household with an income below 120% of AMI and that the household occupy the property as their primary residence. As a result of our experience with the frequent failures of triple-decker condominium associations, owners will be prohibited from converting NSP assisted properties to condominiums. These requirements will be enforced through a covenant and secured by a note and mortgage on the property.

We do not plan to restrict the resale price because the market prices in the areas targeted for our NSP program are already substantially below what a household with an income at 120% of AMI can afford. Prices in these areas are still declining and we do not anticipate that they will rise above a level that would be affordable to a 120% of AMI household in the foreseeable future, and certainly not within the next 10 to 15 years. We believe that the areas targeted by our NSP program meet the HOME program standards for presumed affordability and therefore no restriction on the resale price is needed to ensure affordability to households with incomes at or below 120% of AMI. Our Request For An Alternative Requirement is provided in Tab N of this document.

As currently written, the NSP notice requires that all program income from the sales of NSP-assisted properties be recaptured by the grantee, allowing the owner no appreciation on their investment in risky properties in risky market areas. We believe this is unreasonable and unworkable. It is also contrary to the HOME program rules used as a safe harbor by the NSP program which actually require grantees to provide owners with a fair return on their investment. It is our understanding that HUD is revisiting this provision and may provide some relief. Pending HUD ruling on this issue, it would be our intention to allow individual homeowners to keep any appreciation earned from the resale of NSP-assisted properties as long as the owner satisfies the terms and conditions of the 10 year covenant on the property. If HUD rules that

some recapture is required, we would propose a shared appreciation model somewhat similar to the FHA Hope for Homeownership program. The City would receive most of the appreciation in the first years of the affordability period with the owner receiving a larger share and the City receiving a smaller share each year until the end of the affordability period. The City would like to discuss these issues with HUD after the Substantial amendment is submitted.

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

**Response:** NSP-funded housing rehabilitation must bring substandard housing units into compliance with Article II of the Massachusetts Sanitary Code, which sets minimum standards of habitability standards for residential buildings. Projects involving gut rehabilitation of 1-3 story structures will be required to meet Energy Star building performance standard. Energy Star compliance will be optional for projects involving a lower level of rehabilitation. Projects involving the gut rehabilitation of 4+ story structures will be required to follow the City's Green Building guidelines where feasible. A more detailed description of the City's rehabilitation standards for the NSP program is provided in Section J of this Substantial Amendment.

***D. LOW INCOME TARGETING***

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income: **\$1,057,548**.

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

**Response:** The City of Boston's NSP allocation is \$4, 230,191. Of that amount, a minimum of twenty five percent of the total or \$1,057,548 will be used for permanent housing for individuals and families whose incomes do not exceed 50% of the area median income.

## **E. ACQUISITIONS & RELOCATION**

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

If so, include:

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

**Response:** At the present time, the City of Boston does not intend to demolish or convert any low- and moderate-income dwelling units (i.e.,  $\leq 80\%$  of area median income) as a direct result of NSP-assisted activities. The City would consider demolition on a case-by-case basis and only where demolition is the best available strategy for addressing a key problem property in a neighborhood. Otherwise, we would target NSP assistance to another property that does not require demolition.

## ***F. PUBLIC COMMENT***

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

**Note:** proposed NSP Substantial Amendment must be published via the usual methods and posted on the jurisdiction's website for no less than 15 calendar days for public comment.

**Response:** The City's Draft NSP Substantial Amendment was issued for a 15-day public comment period beginning at 9 a.m. on Monday, November 10th on the City of Boston's website at: [http://www.cityofboston.gov/dnd/Consolidated\\_Plan.asp](http://www.cityofboston.gov/dnd/Consolidated_Plan.asp)

Notices were mailed to 504 organizations and individuals on a mailing list maintained by the Department of Neighborhood Development for its Consolidated Plan/Action Plan citizen participation process.

Comments were accepted until the close of business at 5:00 p.m. on Monday, November 24th, 2008. Comments could be submitted by e-mail (at [actionplan.dnd@cityofboston.gov](mailto:actionplan.dnd@cityofboston.gov)), by FAX (to 617-635-0383) or by U. S. Mail (to NSP Action Plan, Policy Development & Research Division, Dept. of Neighborhood Development, 26 Court Street, 8<sup>th</sup> floor, Boston, MA 02108).

A summary of the nine comments received in a timely manner by the end of the 15-day comment period at 5:00 p.m. on Monday, November 24, 2008 is provided in Tab K of the final CDBG NSP Substantial amendment submitted to HUD.

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

(1) Activity Name: **REO Reclamation Fund: Turnkey Ownership Component**

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

**NSP Eligible Use**: Purchase and rehabilitate homes and residential properties that have been foreclosed upon in order to sell, rent or redevelop such homes and properties

**CDBG Eligible Activity**: rehabilitation, acquisition (only if property is acquired in accordance with NSP purchase price discount requirements)

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

**Low/Mod/Middle Income Housing**

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

This program provides financial assistance to for-profit and non-profit developers of REO or abandoned properties in the NSP target area, with a priority given to properties located in FIT areas. Assistance may include funding for rehabilitation, a developer subsidy to write down the post-rehab purchase price to affordable levels and/or purchase assistance to the homebuyer. NSP funds will not be utilized for acquisition costs unless the property was purchased in accordance with the NSP purchase price discount requirements. NSP assistance will generally be limited to a pro-rata share of the Total Development Cost (TDC) corresponding to the homeowner's unit (1/3 of TDC in a triple-decker, 1/2 of the TDC in a two family). The program is for homeownership development only, targeted to households with incomes under 120% of AMI. NSP assistance to the developer will be structured as a deferred loan at 0% interest that will be forgiven in whole or in part at the time of sale of the property to a qualified homebuyer. We do not anticipate that any funds used for this activity will meet the low-income housing requirement for those below 50% of area median income.

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

**NSP target area with a priority to FIT Areas (see map in Section A).**

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

Estimate 15 properties/39 units to be acquired & rehabilitated, contingent upon receiving an additional \$1.5 million in state NSP and other funds. Anticipate that all units will be for households with incomes between 60% -120% of AMI.

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

\$2 million total (\$500,000 from City NSP funds, \$500,000 from State NSP grant to Boston and will request \$1 million in additional state funds from MHIC or State NSP funds awarded to projects.)

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

City of Boston Department of Neighborhood Development Department (DND), 26 Court Street, Boston, MA, 02108. DND is the City of Boston's community development agency and administers the City's CDBG, HOME, McKinney Homeless Assistance Program and other HUD housing and community development grants.

Evelyn Friedman, Chief of Housing and Director, DND

(9) Projected Start Date: 1/01/09

(10) Projected End Date: 6/30/2010

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate (10 – 15% if NSP funds are used for acquisition)

For financing activities, include:

- range of interest rates (0%)

For housing related activities, include:

- duration or term of assistance; (minimum of 10 years, subject to HUD approval)
- tenure of beneficiaries--rental or homeownership; (homeownership)
- a description of how the design of the activity will ensure continued affordability (describe) Long-term affordability (minimum of 10 years, subject to HUD approval) will be enforced through a covenant, mortgage and note requiring owner-occupancy by a household with an income under 120% of AMI for 10 years. We do not plan to restrict the sales price. We believe that market conditions in the NSP target area will limit sales and resale prices to a level that will remain affordable to households with incomes under 120% of AMI for the foreseeable future.

(1) Activity Name: **REO Reclamation Fund: Permanent Supportive Housing Component**

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

**NSP Eligible Use**: Purchase and rehabilitate homes and residential properties that have been foreclosed upon in order to sell, rent or redevelop such homes and properties

**CDBG Eligible Activity**: rehabilitation, acquisition (only if property is acquired in accordance with NSP purchase price discount requirements)

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

Low/Mod/Middle Income Housing

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

This program provides gap financing (average of \$40,000/unit or \$120,000 per property) to for-profit and non-profit developers for the acquisition of REO or abandoned properties in the NSP target area. NSP funds will not be utilized for acquisition costs unless the property was purchased in accordance with the NSP purchase price discount requirements. The program is for the development of permanent rental housing targeted to homeless households with incomes under 30% of AMI, or up to 50% of AMI if homeless status is verified through a homeless services provider. The City anticipates having project-based Section 8 vouchers available to make this income targeting feasible and financially viable. Developers may be required to partner with a homeless services provider to provide case management and self-sufficiency services. Long-term affordability (30 years plus an optional renewal for an additional 20 years) will be achieved through a covenant, note and mortgage on the property. NSP assistance to the developer will be structured as a deferred loan at 0% interest, during construction, to pay for eligible development costs. We anticipate that all funds used for this activity will meet the low-income housing requirement for those below 50% of area median income.

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

NSP target area (see map in Section A).

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

Estimate 33 properties/100 units to be acquired & rehabilitated, contingent upon receiving an additional \$2.057 million in state NSP or other funds. Anticipate that all units will be for households with incomes under 50% of AMI with most having incomes under 30% of AMI...

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

\$4,115,096 total (\$1,057,548 from City NSP funds, (\$1,057,548 in State NSP funds, \$1 million in other City funds, \$1 million in MHIC or additional state NSP state funds).

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

City of Boston Department of Neighborhood Development Department (DND), 26 Court Street, Boston, MA, 02108. DND is the City of Boston's community development agency and administers the City's CDBG, HOME, McKinney Homeless Assistance Program and other HUD housing and community development grants.

Evelyn Friedman, Chief of Housing and Director, DND

(9) Projected Start Date: 1/01/09

(10) Projected End Date: 6/30/2010

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate (10 – 15% if NSP funds are used for acquisition)

For financing activities, include:

- range of interest rates (0%)

For housing related activities, include:

- duration or term of assistance; (minimum of 30 years, plus optional 20 years renewal)
- tenure of beneficiaries--rental or homeownership; (rental)
- a description of how the design of the activity will ensure continued affordability (describe) Long-term affordability (minimum of 30 years with optional 20 year renewal) will be enforced through a covenant, mortgage and note.

(1) Activity Name: **REO Reclamation Fund: Rental Housing Development**

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

**NSP Eligible Use**: Purchase and rehabilitate homes and residential properties that have been foreclosed upon in order to sell, rent or redevelop such homes and properties

**CDBG Eligible Activity**: rehabilitation, acquisition (only if property is acquired in accordance with NSP purchase price discount requirements)

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

Low/Mod/Middle Income Housing

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

This program provides gap financing (average of \$83,000/unit or \$249,000 per property) to for-profit and non-profit developers for the acquisition of REO or abandoned three family properties in the NSP target area. The City does not plan to use its own NSP allocation for this activity but will commit \$1 million in other City funds and will be requesting \$1 million in NSP funds from DHCD. NSP funds will not be utilized for acquisition costs unless the property was purchased in accordance with the NSP purchase price discount requirements. The program is for the development of rental housing targeted to low and moderate-income households with incomes under 80% of AMI. As required by DHCD, NSP-assisted units will be required to remain affordable to households under 80% of AMI for at least 15 years and will be achieved through a covenant, note and mortgage on the property. NSP assistance to the developer will be structured as a deferred loan at 0% interest, during construction, to pay for eligible development costs. We anticipate that at least \$250,000 of the State NSP funds used for this activity will meet the low-income housing requirement for those below 50% of area median income.

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

NSP target area (see map in Section A).

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

Estimate 8 properties/24 units to be acquired & rehabilitated, contingent upon receiving an additional \$1.5 million in state NSP or other funds. Anticipate that all units will be for households with incomes under 80% of AMI with at least having 2 properties/6 units having incomes under 50% of AMI...

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

\$2,000,000 total (\$500,000 from City NSP funds, \$500,000 from State NSP funds and \$1 million in MHIC or additional State NSP funds.)

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

City of Boston Department of Neighborhood Development Department (DND), 26 Court Street, Boston, MA, 02108. DND is the City of Boston's community development agency and administers the City's CDBG, HOME, McKinney Homeless Assistance Program and other HUD housing and community development grants.

Evelyn Friedman, Chief of Housing and Director, DND

(9) Projected Start Date: 1/01/09

(10) Projected End Date: 6/30/2010

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate (10 – 15% if NSP funds are used for acquisition)

For financing activities, include:

- range of interest rates (0%)

For housing related activities, include:

- duration or term of assistance; (minimum of 15 years)
- tenure of beneficiaries--rental or homeownership; (rental)
- a description of how the design of the activity will ensure continued affordability (describe) Long-term affordability (minimum of 15 years) will be enforced through a covenant, mortgage and note.

(1) Activity Name: **Land Bank Acquisition Program**

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

**NSP Eligible Use**: Establish Land Banks for homes that have been foreclosed upon.

**CDBG Eligible Activity**: interim operation & management of foreclosed property, disposition.

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

#### Low/Mod/Middle Income Housing

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

This program provides funding for the operation and maintenance of foreclosed property during period between the acquisition and disposition of the property. The Department of Neighborhood Development's Real Estate Management and Sales (REMS) Division will serve as the Land Bank entity for the NSP program. REMS is currently responsible for the management and disposition of City-owned tax foreclosed land and buildings and surplus City facilities. This function will be expanded to include interim management and disposition of lender-foreclosed (REO) properties acquired by the City. Acquisition will be paid for through other funds. The City does not plan to hold "land banked" properties for an extended period. Every effort will be made to dispose of the properties as quickly as possible, generally expected to be within 6 months to a year. In no case will the properties be land banked for more than 10 years.

Additional information on REMS is available on the City's website at:

[http://www.cityofboston.gov/dnd/1\\_Real\\_Estate.asp](http://www.cityofboston.gov/dnd/1_Real_Estate.asp)

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

NSP Target Area (see map in Section A)

(6) Performance Measures: (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent). **Estimate 50-100 properties.**

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

\$500,000 total (\$125,000 from City NSP funds, \$125,000 in state NSP funds and \$250,000 in other City resources.)

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

City of Boston Department of Neighborhood Development Department (DND), 26 Court Street, Boston, MA, 02108. DND is the City of Boston's community development agency and administers the City's CDBG, HOME, McKinney Homeless Assistance Program and other HUD housing and community development grants.

Evelyn Friedman, Chief of Housing and Director, DND

Real Estate Management & Sales Division, City of Boston Department of Neighborhood Development Department (DND), 26 Court Street, Boston, MA, 02108.

Sandra Duran, Deputy Director, REMS/DND

(9) Projected Start Date: 1/1/09

(10) Projected End Date: 6/30/2010

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate (N/A)

For financing activities, include:

- range of interest rates (N/A)

For housing related activities, include: (N/A)

- duration or term of assistance; (N/A)
- tenure of beneficiaries--rental or homeownership; (N/A)
- a description of how the design of the activity will ensure continued affordability (describe) (N/A)

(1) Activity Name: **REO Buyer Incentive Program**

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

**NSP Eligible Use**: Purchase and rehabilitate homes and residential properties that have been foreclosed upon in order to sell, rent or redevelop such homes and properties.

**CDBG Eligible Activity**: acquisition

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

**Low/Mod/Middle Income Limited Clientele**

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

This program provides funding for downpayment and closing cost assistance to provide an incentive to homebuyer households to purchase and owner-occupy REO or abandoned properties in the target areas, with a priority for properties in the FIT areas. NSP funds will not be utilized for acquisition costs unless the property was purchased in accordance with the NSP purchase price discount requirements. The City will provide up to \$15,000 for the purchase of properties in the NSP target area and may make available up to an additional \$10,000 for the acquisition of priority properties within FIT areas. The program is for homeownership acquisition only, targeted to households with incomes under 120% of AMI. We do not anticipate that any funds used for this activity will meet the low-income housing requirement for those below 50% of area median income. Note: This program may not be offered if NSP grantees are required to recapture 100% of the proceeds from the sale of the property, allowing the homeowner no appreciation on their investment.

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

**NSP Target Area** (see map in Section A)

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

Estimate 69 - 100 properties for households with incomes between 60% -120% of AMI, contingent on receipt of State NSP funds.

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

\$1,500,000 total (\$250,000 from City NSP funds, \$250,000 in State NSP funds and \$1 million in other City funds.)

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

City of Boston Department of Neighborhood Development Department (DND), 26 Court Street, Boston, MA, 02108. DND is the City of Boston's community development agency and administers the City's CDBG, HOME, McKinney Homeless Assistance Program and other HUD housing and community development grants.

Evelyn Friedman, Chief of Housing and Director, DND

(9) Projected Start Date: 1/1/09

(10) Projected End Date: 6/30/10

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate (minimum of 5%)

For financing activities, include:

- range of interest rates(0%)

For housing related activities, include:

- duration or term of assistance; 10 years (subject to HUD approval)
- tenure of beneficiaries--rental or homeownership; (Homeownership)
- a description of how the design of the activity will ensure continued affordability (describe) Long-term affordability (minimum of 10 years, subject to HUD approval) will be enforced through a covenant, mortgage and note requiring owner-occupancy by a household with an income under 120% of AMI for 10 years. We do not plan to restrict the sales price. We believe that market conditions in the NSP target area will limit sales and resale prices to a level that will remain affordable to households with incomes under 120% of AMI for the foreseeable future.

(1) Activity Name: **REO Purchase/Rehab Program**

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

**NSP Eligible Use**: Purchase and rehabilitate homes and residential properties that have been foreclosed upon in order to sell, rent or redevelop such homes and properties.

**CDBG Eligible Activity**: acquisition, rehabilitation

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

**Low/Mod/Middle Income Housing**

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

This program provides funding for owner-occupants who have purchased REO or abandoned properties in the target areas to pay for the cost of rehabilitating those properties. NSP funds will not be utilized for acquisition costs unless the property was purchased in accordance with the NSP purchase price discount requirements. The City will provide up to \$50,000 per property to support the purchase and moderate rehabilitation of properties in the NSP target area with a priority given to properties in the FIT areas. The program is for owner-occupancy only, targeted to households with incomes under 120% of AMI. We do not anticipate that any funds used for this activity will meet the low-income housing requirement for those below 50% of area median income. Note: This program may not be offered or may be restricted to rehabilitation assistance only if NSP grantees are required to recapture 100% of the proceeds from the sale of the property, allowing the homeowner no appreciation on their investment.

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

**NSP Target Area (see map in Section A)**

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

Estimate 50 properties for households with incomes between 60% -120% of AMI, contingent on receipt of State NSP funds..

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

\$2,500,000 total (\$1,250,000 from City NSP funds, an additional \$1,250,000 in state NSP funds.)

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

City of Boston Department of Neighborhood Development Department (DND), 26 Court Street, Boston, MA, 02108. DND is the City of Boston's community development agency and administers the City's CDBG, HOME, McKinney Homeless Assistance Program and other HUD housing and community development grants.

Evelyn Friedman, Chief of Housing and Director, DND

(9) Projected Start Date: 1/1/09

(10) Projected End Date: 6/30/10

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate (minimum of 5%)

For financing activities, include:

- range of interest rates(0%)

For housing related activities, include:

- duration or term of assistance; 10 years (subject to HUD approval)
- tenure of beneficiaries--rental or homeownership; (Homeownership)
- a description of how the design of the activity will ensure continued affordability (describe) Long-term affordability (minimum of 10 years, subject to HUD approval) will be enforced through a covenant, mortgage and note requiring owner-occupancy by a household with an income under 120% of AMI for 10 years. We do not plan to restrict the sales price. We believe that market conditions in the NSP target area will limit sales and resale prices to a level that will remain affordable to households with incomes under 120% of AMI for the foreseeable future.

(1) Activity Name: **REO Buyer Development/Technical Assistance**

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

**NSP Eligible Use**: Purchase and rehabilitate homes and residential properties that have been foreclosed upon in order to sell, rent or redevelop such homes and properties.

**CDBG Eligible Activity**: public service, rehab services, acquisition program delivery costs.

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

**Low/Mod/Middle Income Limited Clientele**

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

This program provides funding for the required 8 hours of pre-purchase counseling for prospective homebuyers interested in purchasing foreclosed, REO and abandoned properties through the NSP program. The NSP program guidelines require that the counseling services be provided by HUD-certified non-profits. As discussed with HUD staff, we are requesting that HUD allow the City to provide these services directly through its own staff, through qualified vendors certified by the Citizens Housing and Planning Association (a HUD-Certified Housing Counseling intermediary), or through for-profit vendors under contract to the City of Boston's Department of Neighborhood Development. A Request for an Alternative Requirement is provided in Tab M of this document. Counseling and training may include group classes and/or one-on-one counseling. It is necessary to have a pool of pre-qualified, pre-trained homebuyers in order to meet the 18-month timeline for committing the NSP funds.

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

**NSP Target Area (see map in Section A)**

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

Estimate that we will counsel and train 500 homebuyers, contingent on receipt of state NSP funds.

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

\$343,000 total (\$146,500 from City NSP funds, \$46,500 in State NSP funds and \$50,000 in other City funds.)

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

City of Boston Department of Neighborhood Development Department (DND), 26 Court Street, Boston, MA, 02108. DND is the City of Boston's community development agency and administers the City's CDBG, HOME, McKinney Homeless Assistance Program and other HUD housing and community development grants.

Evelyn Friedman, Chief of Housing and Director, DND

(9) Projected Start Date: 1/1/09

(10) Projected End Date: 6/30/10

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate (N/A)

For financing activities, include:

- range of interest rates (N/A)

For housing related activities, include:

- duration or term of assistance; (N/A)
- tenure of beneficiaries--rental or homeownership; (renters and homeowners)
- a description of how the design of the activity will ensure continued affordability (describe) (N/A)

(1) Activity Name: **NSP Program Administration and Planning**

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

**NSP Eligible Use**: Planning & Administration

**CDBG Eligible Activity**: planning & administration

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

Not Applicable

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

Normal CDBG program administration costs, including preparation of applications, quarterly reporting, researching and surveys of foreclosed, REO and abandoned properties, program marketing, financial management, loan management, compliance monitoring, etc.

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

(N/A)

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

(N/A)

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

\$562,596 total (\$401,143 from City NSP funds, \$191,452 from state NSP funds)

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

City of Boston Department of Neighborhood Development Department (DND), 26 Court Street, Boston, MA, 02108. DND is the City of Boston's community development agency and administers the City's CDBG, HOME, McKinney Homeless Assistance Program and other HUD housing and community development grants.

Evelyn Friedman, Chief of Housing and Director, DND

(9) Projected Start Date: 9/29/08

(10) Projected End Date: 6/30/08

(11) Specific Activity Requirements:

For acquisition activities, include:

- discount rate (N/A)

For financing activities, include:

- range of interest rates (N/A)

For housing related activities, include:

- duration or term of assistance; (N/A)
- tenure of beneficiaries--rental or homeownership; (N/A)
- a description of how the design of the activity will ensure continued affordability (describe) (N/A)