



Neighborhood Stabilization Program Guidelines

Rev. November 1, 2022

MassHousing has contracted with the Department of Housing and Community Development (Department) to administer the Neighborhood Stabilization Program (NSP). These Guidelines have been produced and updated by MassHousing, in conjunction with the Department.

Despite the housing boom seen in some parts of the state, some cities and towns across Massachusetts continue to struggle with residential disinvestment and blight, exacerbated by the on-going and ever evolving COVID-19 pandemic and high inflation. To help municipalities and their partners revive and restore troubled residential neighborhoods, MassHousing will continue its administration of NSP funds with an additional \$6.4 million in state bond funds made available in FY2023. Any remaining FY2022 funds, anticipated to be approximately \$1.7 million, shall also be made available for this funding round.

MassHousing invites municipalities, non-profits and community development corporations (CDCs) to apply for NSP grant funds during the second round of funding, up to \$250,000 per affordable unit, to help transform vacant and abandoned properties into 1–4-unit homeownership opportunities, rehabilitate or redevelop small rental developments and address high-cost repairs for low- and moderate-income homeowners.

In support of MassHousing’s longstanding commitment to confront the housing challenges facing the Commonwealth to improve the lives of its people, we expect the organizations with which we do business to support our core principles of diversity, equity, and inclusion.

Definitions

- 1) “Activity” shall mean a Project (defined below) or a program which shall assist eligible properties in accordance with the requirements and standards of NSP.
- 2) “Agency” shall mean MassHousing, which has contracted with the Department to act as administrator of NSP.
- 3) “Affordability Restriction”, shall mean a document evidencing the affordability requirements of the Project for such period and on such terms as set forth in Section A.5 hereof, which will be recorded/filed with the appropriate registry of deeds.
- 4) “Blighted” means any residential, commercial or industrial property which is detrimental to the safety, health, morals, welfare of the municipality because of the existence of a building or buildings which are out of repair, physically deteriorated, unfit for human habitation, or obsolete, including, but not limited to, a “blighted open area” as defined in MGL c.121A §1.
- 5) “Department” means the Department of Housing and Community Development, or its successor agency.
- 6) “Local Non-profit Organization” shall mean a bona-fide non-profit organization, established under MGL c. 180, with an established record of activity in the municipality and surrounding communities, or similar community profile.
- 7) “Neighborhood Stabilization”, or “Community Stabilization”, shall mean any action that improves the health and safety conditions of Blighted, Substandard or vacant properties;

stabilizes market conditions, fosters increased homeownership, or makes improvements or facilitates the making of improvements, to existing properties.

- 8) "Private Funds" shall mean any funds that are not public funds under M.G.L. 12A.
- 9) "Project" shall mean, in accordance with the standards and requirements of NSP, any undertaking consisting of the demolition, repair, reconstruction, renovation, remodeling, redevelopment, hazardous material abatement, rehabilitation or improvement of an eligible property and such appurtenant or incidental facilities as shall be in the public interest, for the purposes of (a) bringing such property into compliance with applicable sanitary and building codes, (b) having residential units subject to an Affordability Restriction, and (c) maintaining and operating such buildings and facilities after project completion. A "Project" may include as incidental thereto any one or more of the following:— (a) acquisition and assembly of the land (and buildings and structures and other improvements thereon, if any); (b) clearance of the land; (c) acquisition, assembly and clearance of land, buildings or structures not in themselves Blighted or Substandard if their inclusion is necessary for the clearance, redevelopment, reconstruction or rehabilitation of a Blighted or Substandard property or areas; and (d) installation, construction, and reconstruction of public and private ways, public utilities and services, and site improvements essential to the preparation of Blighted or Substandard properties for beneficial development or redevelopment.
- 10) "Substandard" or "Substandard Property Conditions" shall mean conditions that, by reason of dilapidation, overcrowding, faulty arrangement or design, lack of ventilation, light, or sanitation facilities, or any combination of these factors, are detrimental to safety, health, morals, welfare or sound growth of a community, including, but not limited to, a "sub-standard area" as defined in MGL c.121A §1.
- 11) "Weak Markets" shall mean areas the applicant has demonstrated to be weak markets as may be indicated by, among other things, a high concentration of Blighted or Substandard housing, a low rate of homeownership, low median family income, low average sales prices, or high levels of unpaid property taxes or vacant or abandoned buildings; and shall include, rural communities and communities that have been disproportionately impacted by the COVID-19 public health crisis, and census tracts with foreclosure rates higher than the state median rate.

A. Program Requirements

1. **Entities Eligible to Apply to MassHousing.** All (a) municipalities, including municipal agencies, boards, commissions, authorities, departments or instrumentalities thereof, (b) community development corporations, and (c) local non-profit organizations may apply to MassHousing for NSP funds. An eligible entity may partner with a for-profit developer, provided the eligible entity is the lead applicant, and maintains fiduciary oversight of the project.
2. **Eligible Use of Funds.** NSP funds must be used for eligible Activities and Projects involving only eligible properties. Up to \$250,000 in NSP funds is available per each affordable homeownership or rental unit (that will be subject to an Affordability Restriction), dependent upon the documented need. Generally, funding awards will be capped at \$2M, although larger awards may be considered for projects of extraordinary merit. Funds will generally be provided as a grant to the awarded entities for Activities and Projects that meet NSP requirements. MassHousing will execute a grant agreement with the awarded entity once all conditions are met for the activity to commence. Overhead and developer fees (OH/F) may be included in the total project cost:
 - i. For 1-4 homeownership and rental projects, OH/F limits mirror the Commonwealth Builder program:
 - Overhead: 10% of Total Development Cost (TDC)
 - Developer Fee: 10% of TDC
 - ii. For Homeowner Rehab projects, Overhead costs are capped at 5%
 - No developer fee may be included for these projects
 - Rehab specialist/clerk of the works and soft costs such as permit fees and environmental testing are considered project costs, not overhead costs.
 - Project management and general office materials may be covered by other sources off budget, but no more than 5% of Total Project Cost may be included in the project budget

Applications that propose less than the maximum allowable OH/F are strongly encouraged

3. **Eligible Activities or Projects.** The scope of work of an Activity or Project must include:
 - i. The demolition, repair, reconstruction, renovation, remodeling, redevelopment, hazardous material abatement, rehabilitation, or improvement of an eligible property, to preserve or create residential units and bring the property into compliance with state codes and laws; and/or
 - ii. Such other application of funds to capital improvements at the Project that the Agency determines would be a reasonable mitigant to Blighted or Substandard Conditions that meets the standards and requirements of NSP.
4. **Eligible Properties.**
 - i. **Property Conditions.** To be eligible for funding, the property must (1) have been cited for building and/or sanitary code violations or (2) is subject to loss or denial of property insurance due to Substandard Conditions or (3) is otherwise Blighted and Substandard.

ii. Project Size by Unit Type.

- a. *Homeownership projects/properties:* Limited to 1-4 units. Homeownership properties may include rental units provided that at least one affordable unit is owner-occupied.
- b. *Rental properties:* NSP funds are available to rental housing properties that contain up to 15 units.

5. Affordability Requirements. NSP funding will be available for the development or rehab of affordable units which have or will have a recorded affordability restriction. The funds may be used in mixed-income developments provided the allocation of NSP funds is limited to affordable units.

i. Targeted Affordability.

- a. Affordable homeownership units shall be restricted to the purchase by first-time homebuyers with household incomes that do not exceed the specified affordability tier within the range of 70% to 120% of AMI.
- b. Affordable homeowner properties shall be restricted to owner households with incomes that do not exceed 100% of AMI or lower.
- c. Affordable rental units shall be restricted to tenants with household incomes that do not exceed 80% of AMI.

ii. Affordability Restriction. The minimum term of Affordability Restrictions shall be Fifteen (15) years for both affordable homeownership and rental units.

iii. Maximum Sales Prices and Rents. For homeownership units and properties, sales prices of affordable homes must be set at levels affordable to first-time homebuyers with incomes at or below the targeted income limits. For rental properties, rents of affordable units must be set at levels affordable to tenants with incomes at or below the targeted income limits.

6. Fair Housing Statement

B. Program Preferences

Preferences for NSP funding will be given to the following:

- I. 1-4 new homeownership opportunities
- II. Activities sponsored by or done in partnership with community development corporations or local non-profit organizations
- III. Organizations that secure a local match or private funds for eligible activities
- IV. Activities and Projects with the greatest impact on community stabilization in Weak Markets, including rural communities and communities that have been disproportionately affected by the COVID-19 pandemic, disinvestment, or abandonment, or census tracts with foreclosure rates higher than the state median rate
- V. Development teams that include Minority Businesses Enterprises (MBE's) and/or Women Business Enterprises (WBE's)
- VI. Activities and Projects that promote and support minority homeownership in accordance with Fair Housing laws

- VII. Activities which incorporate green, sustainable and climate resilient designs, building materials and/or construction methods.

C. Application Process

1. Application Deadlines
 - i. **The FY 2023 Application deadline is Tuesday, January 10, 2023.** Applications received by that date may be considered for funding in FY2023.
 - ii. Future Funding Rounds are expected to be announced annually.
2. Program information and the Application form may be found at www.masshousing.com/nsp
3. Application shall include the following information:
 - i. Description of Activity
 - ii. Description of proposed Activity location/area
 - iii. Statement of existing conditions together with evidence demonstrating presence of blight or substandard conditions
 - iv. Proposed sources and uses of funds
 - v. Proposed partners and/or community support
 - vi. Diversity, Equity and Inclusion Plan

D. Selection & Award of Grant Funds will take into consideration

1. Alignment with NSP Preferences
2. Qualifications and experience of development team
3. Readiness to Proceed and Program Schedule
4. Strength of Diversity, Equity and Inclusion plan

Section 6 of the Application for NSP funds provides specific criteria for project review.

E. Monitoring & Compliance

1. Awardees will be responsible for construction monitoring and shall submit reports, including the status and the percentage completion, to the Agency at least quarterly and upon project completion.
2. The Agency reserves the right to inspect construction progress in advance of release of grant funds.
3. Awardee shall submit subsequent reporting on 1st and 5th anniversaries of completion to measure program success in terms of neighborhood stabilization – metrics may include tax revenue, assessed values, code violations, or data points corresponding to “Weak Market” definitions, all as compared to the baseline established in the grant agreement.
4. Awardees will be responsible for monitoring Affordability Restriction compliance. Monitoring reports shall be submitted to the Agency on a periodic basis as specified in the grant agreement.

F. Reporting

1. Agency shall submit periodic reports to the Department stating the number of awards made, the amount of each award, and the status of each Activity and Project funded.

Exhibit A

Ch. 358 of the Acts of 2020, An Act Enabling Partnerships for Growth

[HB5250]

7004-0065. For state financial assistance to cities and towns or agencies, boards, commissions, authorities, departments or instrumentalities thereof or community development corporations or non-profit organizations to assist in the revitalization of neighborhoods and communities with properties in blighted or substandard conditions by subsidizing the purchase price, borrowing costs or costs of demolition or renovation of up to 50 units of residential rental housing or 1 to 4 units of home ownership residential housing that have been cited for building or sanitary code violations or that are subject to cancellation of commercial property insurance due to substandard property conditions or are otherwise blighted or substandard; provided, that contracts entered into by the department of housing and community development for those projects may include, but shall not be limited to, projects providing for demolition, renovation, remodeling, reconstruction, redevelopment and hazardous material abatement, including asbestos and lead paint, and for compliance with state codes and laws and for adaptations necessary for compliance with the federal Americans with Disabilities Act of 1990; provided further, that preference shall be given to community development corporations and local non-profit organizations, organizations sponsoring projects that secure private funds and projects with the greatest impact on community stabilization in weak markets including, but not limited to, rural communities and communities that have been disproportionately affected by the 2019 novel coronavirus pandemic, disinvestment, foreclosure and abandonment; provided further, that financial assistance shall be awarded in a manner that promotes geographic, social, racial, and economic equity; provided further, that such rehabilitated housing shall remain affordable for such period as shall be established by the department through guidance taking into account differences in market conditions and the type of restrictions best suited to promoting community stabilization in different markets; and provided further, that an amount not to exceed 2 per cent of the amount expended may pay for administrative costs directly attributable to the purposes of this program, including costs of support personnel.....
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