



**C H A P A**

**Citizens' Housing and  
Planning Association**

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November 7, 2008

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100 Cambridge Street, Suite 300  
Boston, MA 02114

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Dear Mark:

**Executive Director**  
*Aaron Gornstein*

Thank you for the opportunity to submit comments on the draft plan for the Neighborhood Stabilization Program. We believe that these funds will be vital to neighborhood stabilization strategies being implemented across the Commonwealth and offer the following comments to further enhance DHCD's plan.

### **1. Further define the "areas of greatest need"**

DHCD should take into consideration that some of the 39 communities in the draft plan that rated as having a high level of need are suburban communities. These communities may have high levels of single-family home foreclosure rates but may not be experiencing the same level of abandonment, neighborhood deterioration, and loss of property tax revenues as many of the urban areas with higher concentrations of multi-family foreclosures in particular neighborhoods.

We suggest that DHCD consider the median home price and the average length of time that properties in the last six months have remained on the market to further narrow the list of communities with the highest need. These measures would ensure that market conditions are not already alleviating some of the negative impacts of foreclosure on communities.

Similarly, we are also concerned that a few of the 14 communities targeted for direct assistance from the NSP may not be in as great of need of this assistance compared to other more urban municipalities. We recommend giving foreclosure rates rather than a fixed minimum number of foreclosures more weight in the targeting process.

### **2. Allocation of Funds**

We suggest that DHCD separate Homebuyer Assistance Programs into its own category and merge funds for the Neighborhood Stabilization Loan Fund Assistance

with Housing Development Assistance, Strategic Demolition Grants and Land Banking Assistance and not assign specific earmark amounts to any particular use.

#### Homebuyer Assistance Programs

We recommend that \$15 million be devoted to these uses. In addition to including the SoftSecond Loan Program and purchase and rehabilitation grants as eligible uses, we also recommend that down payment assistance to households purchasing foreclosed properties in eligible areas be an eligible use of funds. Down payment assistance is considered an eligible use under the HUD regulations and was one of the initial recommendations that CHAPA made to DHCD regarding the use of these funds. We believe it is a critically important tool in assisting households to purchase properties being targeted by this plan.

We further recommend that deed restrictions for homeownership units include a recapture provision rather than a resale restriction. Many of these properties are in blighted neighborhoods and a deed restriction could serve as a barrier for households interested in purchasing one of these properties but who could also afford to purchase in a more stable neighborhood. A graduated recapture provision rewards homeowners who remain in the properties for an extended period of time without a resale restriction that limits their equity.

The HUD regulations require that homebuyers benefiting from these funds receive homebuyer education. We recommend that DHCD include agencies that teach first-time homebuyer education in Massachusetts beyond the statutory requirement that the agencies be HUD-certified agencies. Massachusetts has a long-standing tradition of providing high-quality homebuyer education through a network of counseling agencies certified by the Massachusetts Homeownership Collaborative.

The Massachusetts Homeownership Collaborative is a program managed by CHAPA that provides technical assistance, training and certification to approximately 60 agencies across Massachusetts that teach first-time homebuyer education. These agencies all meet or exceed the standards for becoming HUD-certified but few are because they do not receive funding from HUD for their counseling programs and therefore are not required to be HUD-certified. Becoming HUD-certified can also be an onerous task for small agencies with limited staff.

#### Funds for Neighborhood Stabilization

We recommend that \$25 million be devoted to this category. The pipeline of projects at the Massachusetts Housing Investment Corporation plus other needs warrant this proposed funding amount.

We recommend merging funds for the Neighborhood Stabilization Loan Fund Assistance, Housing Development Assistance, Strategic Demolition Grants, and the Land Banking Assistance into one category without earmarks for any particular activity. We believe that, to the greatest extent possible, funds should be available for the acquisition and rehabilitation of foreclosed and abandoned properties and are concerned that by earmarking activities that funds could be remain under-utilized if entities do not come forward with the expertise to use them.

While we believe that funding land banks is an important tool for Massachusetts, we are concerned that the \$5 million may not get utilized and would like to see more detail regarding how this would be accomplished. While demolition grants may be necessary, these funds should be tied to an overall neighborhood redevelopment strategy.

#### Alternative Financing Mechanisms

While this seems to be a worthwhile use of funds, we would like to see more detail on how these funds would actually be used. It is important to note that assistance is needed to support the capacity of municipalities to undertake receivership strategies and code enforcement and for building the capacity of non-profits to undertake receiverships.

### **3. Administrative and Technical Assistance**

We would like to take this opportunity to thank DHCD for including the support of CHAPA's statewide clearinghouse that will connect the top foreclosing entities with interested buyers of their REO properties. We look forward to working with DHCD on this program and will concentrate our efforts on those communities identified as being of the highest need.

In our initial recommendations last month, CHAPA suggested that DHCD consider using some of its administrative funds through this program, if permitted, to help fund activities such as code enforcement programs at the local level. We also suggested that DHCD should also consider using a portion of its administrative funds for capacity building grants to non-profits and municipalities to implement neighborhood stabilization strategies.

### **4. Direct NSP Assistance to Communities**

We recommend that as long as non-profit organizations can demonstrate municipal support, they should be able to apply directly to DHCD or MHIC for funding without going through their city government.

We are also concerned that many communities may lack the staffing needed to implement a program quickly and would urge DHCD to consider a centralized allocation process instead, where cities and towns can apply for funding for specific projects as identified. This will help to ensure that funds will be committed in a timely fashion.

Finally, we believe the plan should provide more specificity regarding the criteria DHCD will use to provide assistance to these target communities.

### **5. Other Issues**

Definition of "affordable," page 7. We recommend that you add that this definition is for "the tenant portion of the rent" in order to permit higher rents for units which get Section 8 subsidies.

Definition of "rehab standards," page 8. While Energy Star standards are highly desirable, we recommend the following: "Buildings should comply with Energy Star standards where feasible."

Serving Extremely Low Income Households: We recommend that project-based Section 8 vouchers be set aside to serve households below 30% of median income in conjunction with NSP funds, where feasible.

Thank you for the opportunity to provide these comments. We would be happy to meet with you to discuss these in more detail.

Sincerely,

A handwritten signature in black ink that reads "Aaron Gornstein". The signature is written in a cursive, flowing style.

Aaron Gornstein  
Executive Director