



The Neighborhood Stabilization Loan Fund

Meeting the Challenge of Bringing Massachusetts Neighborhoods Back to Life







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◀ Left: 50-64 Pritchard Street, Fitchburg
Developer: Twin Cities CDC

Introduction

In 2007 Massachusetts experienced a record number of foreclosures, and estimates pointed to a much higher number of foreclosures for 2008. That crisis, combined with the broader housing downturn, had a substantial negative impact on cities and towns across the state. Financially troubled and abandoned properties were destabilizing neighborhoods, decreasing property values and discouraging investment. Cities were struggling to cope with vacant properties and displaced families.

While the number of delinquencies and foreclosures continued to climb, community developers, funding partners, and governments — recognizing the need for intervention — began to craft strategies to stem the tide of decline.

This report further defines the problem, reviews some early strategies, and documents the efforts to reverse the decline in neighborhoods that were supported by the Neighborhood Stabilization Loan Fund (NSLF), a program created by the Massachusetts Housing Investment Corporation (MHIC) in collaboration with the Massachusetts Housing Partnership (MHP), the Commonwealth of Massachusetts, The Boston Foundation, the Hyams Foundation, and Living Cities. We will discuss the challenges of seeking out and assembling financial resources, targeting areas hardest hit and determining where programs could yield

the greatest benefits, and structuring a program that would work. In this report, we will highlight success stories, document impacts and extract lessons learned from the unprecedented challenges facing urban neighborhoods during this period.

The NSLF Program in Brief

The NSLF initially provided lines of credit and acquisition/construction loans for the redevelopment of foreclosed and other financially troubled properties in neighborhoods with the greatest concentrations of distressed properties. By the end of its first year, the loan facility was supplemented first by subsidy resources that became available through the Massachusetts Department of Housing and Community Development (DHCD) and then later from the federal Neighborhood Stabilization Programs (NSP 1, NSP 2 — programs under the American Recovery and Reinvestment Act). NSP funds combined with the NSLF loan capital gave developers and city leaders in Boston, Springfield, New Bedford, Worcester, and elsewhere the resources to address a greater number of highly distressed properties. NSP also was used to provide direct assistance to new homebuyers in these same neighborhoods. Later, in 2013, MHIC also received funds from the Massachusetts Attorney General's Office (AGO) which enabled it to assist homeowners in the affected areas as well as to assist additional homebuyers and local receivers tasked with turning around abandoned properties.

NSP funds combined with the NSLF loan capital gave developers and city leaders in Boston, Springfield, New Bedford, Worcester, and elsewhere the resources to address a greater number of highly distressed properties.

In this report, NSLF refers to the original credit facility (“the loan financing product”) created by MHIC in 2009, as well as to the broader programmatic effort (“the program”) that incorporated the DHCD, NSP and AGO funds. NSLF programmatic activity is broken down into two primary components: 1) the intensive acquisition and rehabilitation activities that were mostly completed between 2009 and 2013, and 2) the market support activities, such as homebuyer assistance and homeowner rehabilitation (“rehab”) grants that were mostly delivered in 2012 and 2013.

Through its successful effort to assemble and leverage an array of financial resources, MHIC was able to create an efficient one-stop financing program that delivered funds for pre-development, acquisition, construction, gap financing, and homebuyer assistance. The program was designed to vastly simplify access to capital so that local developers could focus better on the key task of redeveloping distressed properties, and local governments and other partners could stabilize neighborhoods in a comprehensive way.

MHIC funds also were used to support other key components of the neighborhood stabilization infrastructure, including Citizens’ Housing and Planning Association (CHAPA)’s Foreclosed Property Clearinghouse, which provided approved developers preferred access to some bank-owned properties, and MHP’s



receivership training and technical assistance to municipalities.

Summary of Program Activity and Impact

Most of the properties that were targeted for acquisition and rehabilitation under the NSLF were small (81% are 1–3 family properties). Over time, the collective impact of redeveloping many small properties has had a tremendous positive impact on surrounding areas. For example, in Springfield’s Lower Forest Park, streets with multiple abandoned properties are now home to a significant number of stable owner occupants and stabilized rental properties. In Worcester’s Kilby Gardner Hammond area, demand and prices for new homes have increased, and



101 Newbury Street, Brockton, after (top) and before (bottom)

Developer: Rosebrook Community Development

on Boston's Hendry Street, renovated homes filled with new owners and tenants have replaced the abandoned homes, drug dealing and violence that dominated the street just a few years ago.

As detailed in the chart below, through NSLF, MHIC provided assistance to 866 units in 325 buildings located in 12 communities, with significant investments (\$2 million or more) in nine communities. These interventions involved acquisitions and renovations of foreclosed, vacant and abandoned properties that have since been put back on the market. They also provided market supports such as homebuyer

assistance incentives and homeowner rehab loans. Nineteen percent of the major acquisition/rehab properties were undertaken by court-appointed receivers. Cumulatively, these efforts helped stabilize local real estate sales prices, increased neighborhood confidence, gave rise to other neighborhood improvement efforts, and led to an increased sense of security. In terms of numbers of units produced, the NSLF program had the greatest impact in Boston, Springfield and Worcester, but visible impacts were made in all areas.

This was made possible by MHIC's assistance provided directly to 30 nonprofit and for-profit developers, seven

Consolidated Production Summary: 2009–2014

ACTIVITY BY CITY	ACQUISITION AND REHABILITATION		SMALL PROPERTY IMPROVEMENTS		HOMEBUYER ASSISTANCE		TOTAL ALL ACTIVITIES		AMOUNT
	UNITS	BLDGS	UNITS	BLDGS	UNITS	BLDGS	UNITS	BLDGS	
Boston	142	53					142	53	\$20,359,068
Brockton	44	6	9	5	3	3	56	14	3,146,266
Chelsea	31	13					31	13	8,072,985
Falmouth	5	3					5	3	657,300
Fitchburg	24	5	10	7	0	0	34	12	1,986,677
Lawrence	23	13	37	16	56	30	116	59	3,965,045
New Bedford	32	11	21	10	4	2	57	23	3,507,063
Revere	19	4					19	4	5,291,237
Springfield	114	34	72	27	8	7	194	68	8,714,765
Taunton	8	2					8	2	940,799
Turners Falls	14	2					14	2	623,000
Worcester	146	45	19	9	19	15	184	69	16,307,681
Other	6	3					6	3	325,000
Total	608	194	168	74	90	57	866	325	\$73,896,886

court-appointed receivers, two city housing agencies, 57 new homebuyers, and 70 existing homeowners.

The Escalating Foreclosure Crisis, Challenges and Early Strategies

By late 2007, 7,500 properties had been foreclosed on across the Commonwealth, and it looked like the number would be much larger in 2008. Property values were plummeting. Many homeowners, some of whom had entered into subprime or nontraditional loans, could not make payments on their mortgages. Tenants were being forced out of their apartments by lenders who had now become their landlords. Foreclosures, tax takings and property abandonment increased due to the combination of mortgages that had been poorly underwritten, decreased property values, and jobs lost in the economic downturn.

In places like Hendry Street in Dorchester, properties were abandoned and boarded up. Where there was no on-site management or maintenance, properties were vandalized and stripped of anything of value, including copper plumbing and wiring. Many of the properties in neighborhoods like Hendry Street and the Elm Street area of Fitchburg were adversely affected by the presence of gangs



and other illegal activity combined with declining real estate values.

To address the problem, in 2008 the Citizens Housing and Planning Association, the Massachusetts Association of Community Development Corporations, and the Urban Land Institute convened the Massachusetts Foreclosed Properties Task Force. Together, city and state government, funders, and community-based developers, faced with the negative impact of foreclosed and bank owned properties on particular streets and in particular neighborhoods, began to look for comprehensive solutions and the resources to implement them. To be sure, there would be myriad challenges to overcome.

In Boston, the City assembled a Foreclosure Intervention Team to both track the problem and begin to implement



2 Clarkson Street, Boston, after (top) and before (below).

Developer: Dorchester Bay EDC

CONTINUED ON PAGE 8

Focus on Boston



Above: 87 Adams Street, Boston

Developer: 1810 Realty Group

Right: 91 Coleman Street, before and after

Developer: Dorchester Bay EDC

MHIC supported efforts led by the City of Boston and Dorchester Bay Economic Development Corporation (EDC) to address the effect of foreclosures concentrated in the Bowdoin Geneva neighborhood. Their efforts, in particular, focused on Hendry Street's two long-troubled blocks, where by 2009 half of the 20 properties on the street were foreclosed, and vacant buildings had been taken over by gangs. The City negotiated with banks to acquire several of these buildings, which were then rehabilitated by a private contractor, while Dorchester Bay EDC acquired others, including three properties that for years had been neglected and abandoned by their private owner.

By 2014 nine Hendry Street properties, plus nine others on surrounding streets containing 51 units, were fully renovated and occupied by new homeowners or tenants in rental buildings under professional management. MHIC provided \$2.7 million of NSP and \$2.5 million of NSLF funds to 13 of these

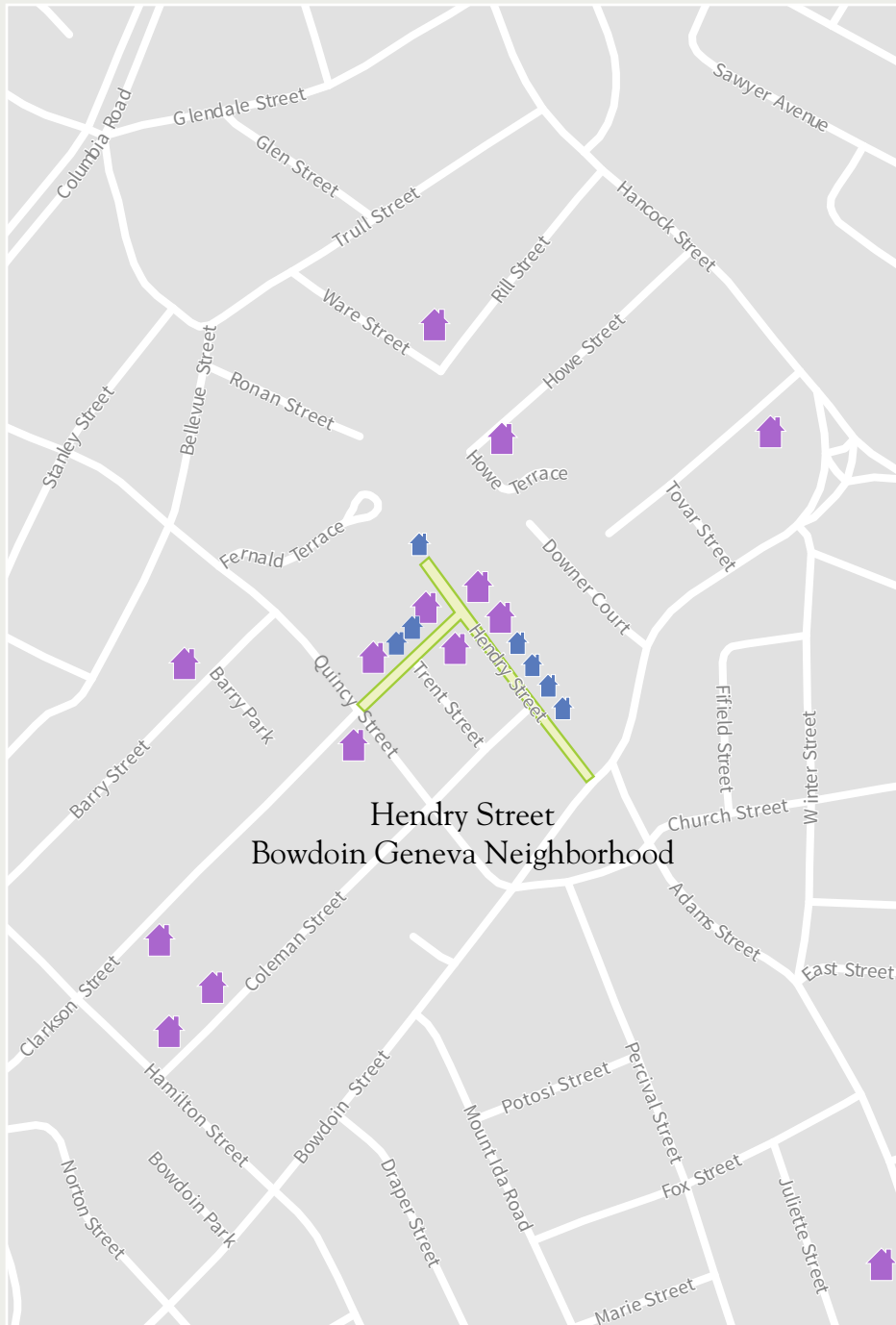
properties which were developed by Dorchester Bay EDC and private developers Steve Bryan, Doug George, and Jonathan Kaye.

MHIC also worked with Nuestra Comunidad Development Corporation, Codman Square Neighborhood Development Corporation, Viet-AID, and private developers to purchase and rehabilitate 40 other properties with 91 units in Roxbury and Dorchester.



Boston Activity and Expenditures




	UNITS	BUILDINGS
Acquisition and Rehabilitation	142	53
NSLF Loans		\$12,428,354
NSP and DHCD Funds		\$7,930,714
Total		\$20,359,068

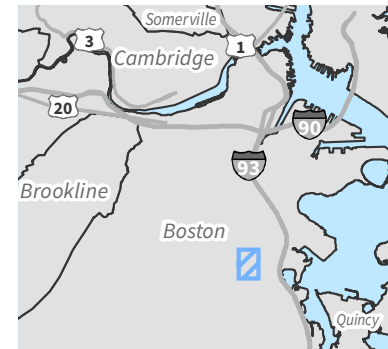
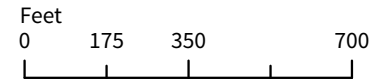


Boston

Hendry Street Bowdoin Geneva Neighborhood

one of Boston's five neighborhood stabilization target areas

-  Acquisition Rehabilitation
-  Other Local
-  Streetscape Improvements



Sources:
MAPC, MassGIS, MassDOT,
MHIC

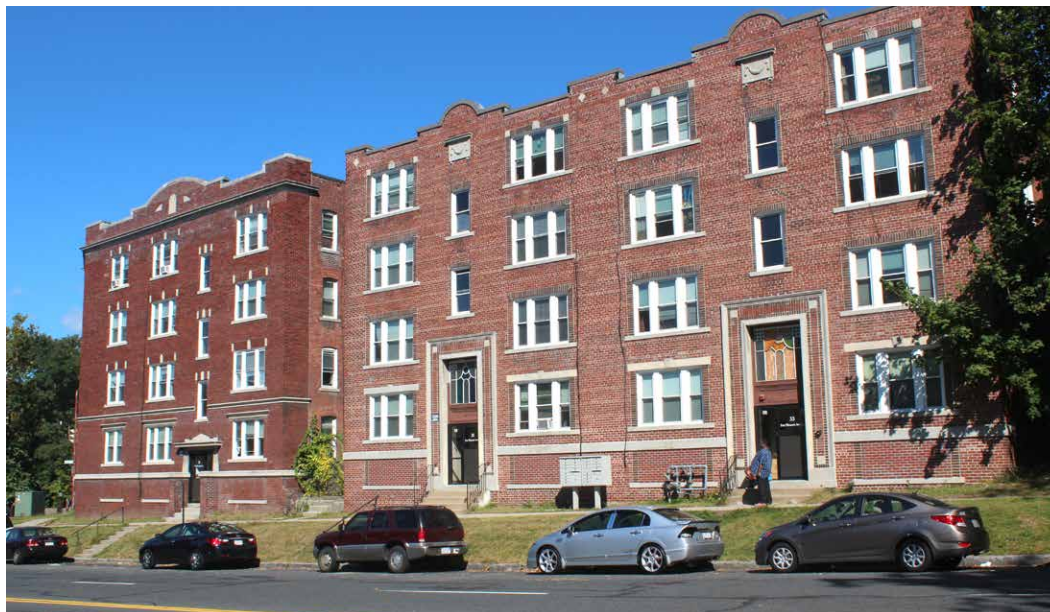
November, 2014



21 Fort Pleasant Avenue, 30
Belmont Avenue, Springfield

Developer: Lorilee
Development

In places like Hendry Street in Dorchester, properties were abandoned and boarded up. Where there was no on-site management or maintenance, properties were vandalized and stripped of anything of value.



a solution: The City government increased its police presence in the Hendry Street area, repaved roads, replaced street lights, and offered homeownership education and social service assistance to residents. In the spring of 2008, the City acquired four triple-deckers on Hendry Street from banks and issued a Request for Proposals for their renovation and resale as owner occupied homes. A private developer, Bilt Rite, completed the renovation of the first of these properties, which were sold to first time homebuyers.

But given unique property ownership situations, limited access to ready capital, and few economies of scale, most developers and local governments found it difficult to acquire and improve these properties and to stop further decline. Homebuyers were reluctant to purchase homes in these

neighborhoods, and small investors often lacked the resources to make critical property improvements. Responsible private investors and nonprofit developers also were reluctant to purchase foreclosed properties in declining neighborhoods where market conditions were uncertain, capital was constrained, and where the numbers didn't easily "pencil out."

Often it was difficult to identify the correct property owner or agent to initiate a purchase. In many cases, owners and lenders walked away from their properties. The City of Springfield addressed this problem through a coordinated code enforcement and receivership strategy that moved abandoned properties through the courts and into the hands of responsible rental property owners and homeowners. This proved to be an effective strategy.

Assembling Resources and Establishing Partnerships

The Massachusetts Foreclosed Properties Task Force recommended a new type of funding that led to the formation of MHIC's Neighborhood Stabilization Loan Fund. The NSLF was a \$22 million fund capitalized with \$17 million of senior debt from MHIC and MHP, and \$5 million of subordinate debt provided by The Boston Foundation, Hyams Foundation, Living Cities Catalyst Fund, and the Massachusetts Affordable Housing Trust.

Other funding followed. In 2009 the Massachusetts Department of Housing and Community Development (DHCD) awarded MHIC \$11 million of federal NSP 1 funds, which would provide essential subsidy dollars to the effort. In 2010 HUD awarded \$22 million of NSP 2 funds to a collaboration of MHIC, DHCD and MHP. Startup and capacity building grants provided by Living Cities and Fannie Mae in 2008 and 2009 enabled MHIC and several CDCs to begin mobilizing even before the above NSLF and NSP funding had closed. Living Cities, a national philanthropic collaborative, also played an instrumental role in supporting early stabilization efforts through a series of peer learning events that brought together national and local leaders who were working to

NSLF Program: Funding Sources and Amounts

Source	
NSLF	\$22 million
NSP 2 (Federal, through HUD)	\$22 million
NSP 1 (Federal, through Massachusetts DHCD)	\$11 million
State HSF funds	\$3 million
Massachusetts AGO	\$2.5 million
Living Cities Grant	\$500,000
Fannie Mae Grant	\$120,000

address the foreclosure crisis. Finally, in 2013 MHIC received two grants from the Massachusetts AGO, enabling it to extend its receivership and homeownership assistance activities and, for the first time, to address the needs of homeowners and other small property owners.

59 Spencer Street, Boston
Developer: Codman Square NDC



SUCCESS STORY:

Main South Community Development Corporation adopted a comprehensive neighborhood stabilization strategy that built on its longstanding redevelopment efforts in the Kilby Gardner Hammond section of Worcester's Beacon Brightly neighborhood and included partnerships with Clark University and the Boys & Girls Club of Worcester. Having recently completed new construction of an affordable homeownership project and with new rental projects under development, Main South CDC worried about the potential impact of nearby vacant and troubled buildings. Securing several buildings clearly was critical to the CDC's efforts to maintain its investment and stem the tide of foreclosures in that area. Main South CDC successfully used its in-house general contracting and property management skills, as well as established relationships with local tradespeople, to secure and stabilize key buildings.



140 Eastern Avenue,
Worcester

Developer: Urban
Neighborhood Homes

Designing and Implementing a New Kind of Program

The NSLF was created in the midst of a deep recession driven by a uniquely uncertain and deteriorating housing market, and selected as its primary strategy the rapid acquisition and rehab of large numbers of small scattered properties in the most highly distressed neighborhoods in the Commonwealth. The Primary problem MHIC and its partners faced in implementing the NSLF was how to overcome the inherent inefficiencies of scattered, small-scale acquisition/rehab in order to achieve maximum neighborhood impact in a relatively short timeframe.

Compounding these challenges was the fact that the delivery system for such an effort — with its particular need for speed, flexibility, volume and scale — did not really exist. Most community-based developers and local housing departments had limited experience with the acquisition and rehabilitation of distressed properties under such conditions, and none had ever attempted anything on the scale required by the situation. The NSLF program had to be crafted with these considerable challenges in mind.

Discussed below are the essential elements of the program, particularly as it related to dealing with acquisition/rehabs, with an emphasis on those that addressed: neighborhood strategy, financing and program design, developer capacity, the role of city governments, and property receivership. Other elements, which evolved later in the program, and which were designed to bolster local markets, included homebuyer assistance and homeowner rehabilitation. Although most of these program elements were present to some degree in all communities, several of the more notable examples are illustrated with “Success Stories” that focus on just one developer or community.

Targeting Specific Neighborhoods and Properties

The scale of the foreclosure crisis and its effects on cities across the Commonwealth vastly outstripped the resources available to handle the problem. Therefore, MHIC



5 Kilby Street, Worcester
Developer: Main South
CDC

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worked with its local partners to identify the streets in specific census tracts where a focused intervention could have maximum impact. Within that context, local developers and governments pursued concentrated property acquisitions and renovations and, depending on other local strategies and available resources, additional activities such as code enforcement, enhanced public safety, infrastructure improvements, and incentives for homeowners and homebuyers. When acquiring properties, developers typically acquired a series of properties within the same neighborhood, but each property's acquisition and renovation were addressed individually.

In some market areas, developers working with MHIC were outbid for properties by investors who did not share the same neighborhood stabilization goals. In Boston, this problem was partly addressed by enlisting the help of two private developers, Doug George and Jonathan Kaye, experienced purchasers who were willing to work on behalf of local nonprofits as well as for their own account.

Flexible Financing and Efficient Program Design

Initially, NSLF was structured to provide ready access to flexible financing for critical property acquisitions and renovations in high risk markets. With NSLF resources, developers could quickly purchase

CONTINUED ON PAGE 14

Focus on Worcester



Above: 21 Kingsbury Street

Developer: Stutman-Juhl Realty

Right: 2-4 Thayer Street

Developer: Main South CDC

MHIC worked very closely with several nonprofit developers and private developers to address critical needs within three neighborhoods: Piedmont, Beacon Brightly, and the Bell Hill area. The most significant of these involved the financing of 15 projects with 57 units located in the Beacon Brightly neighborhood, all but one of which were carried out by Main South CDC. This effort incorporated the acquisition and rehabilitation of 13 distressed properties, as well as the new construction of 22 rental units on seven vacant lots. Homebuyer assistance grants also were provided to over a dozen new homebuyers in the neighborhood.

During this same period, the Worcester Boys and Girls Club constructed a new major community center, and Clark University began construction of a new outdoor athletic facility. Overall, MHIC



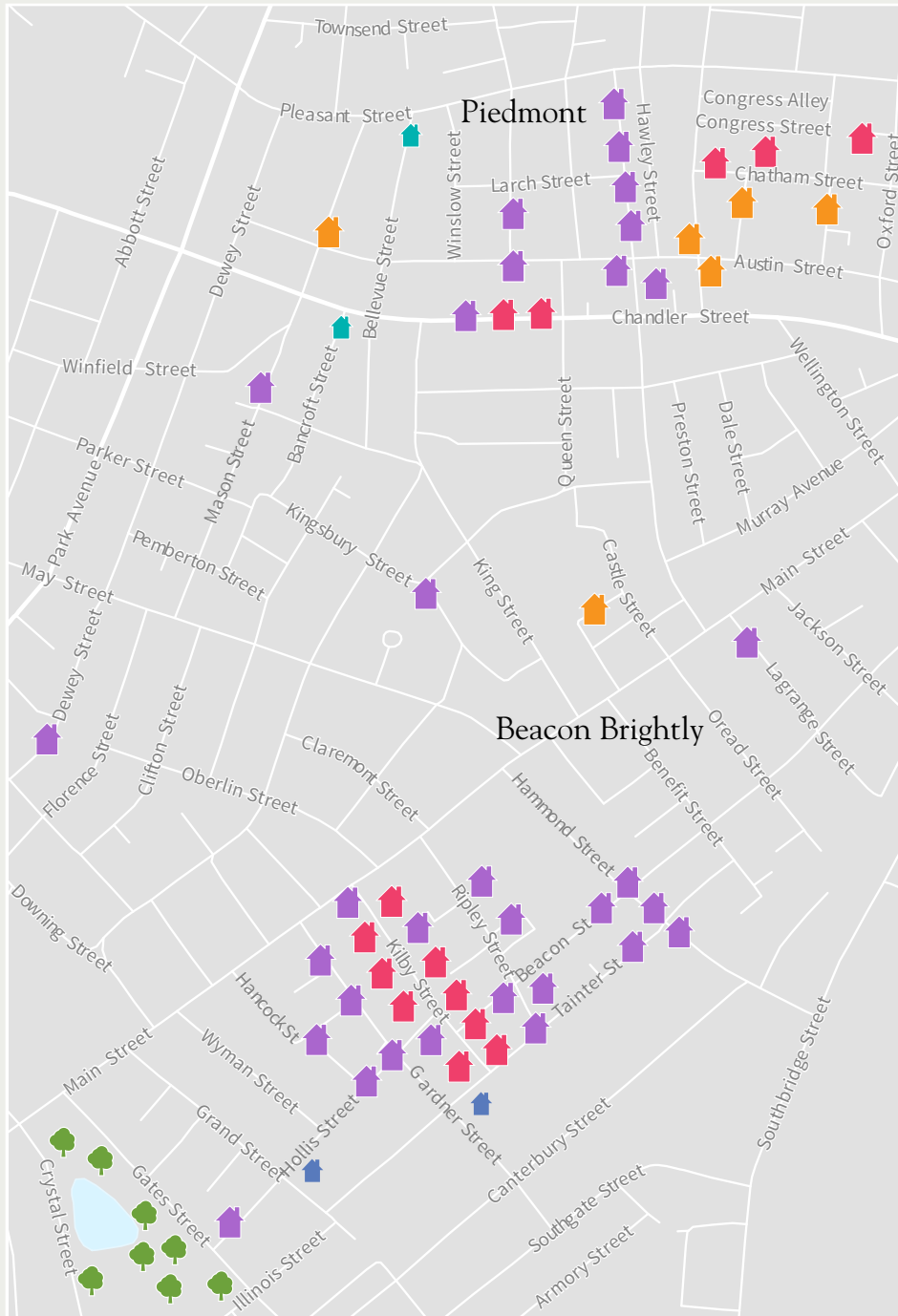
provided over \$8 million in NSP and NSLF funding, and \$3.2 million of low-income housing tax credit equity, to support Main South CDC's work.

Another key project located in this area was undertaken by Worcester Community Housing Resources, which, after being appointed receiver of a failed 8-unit condominium property, rehabilitated and converted it into stable, affordable rental housing. In addition, WCHR managed a receivership loan fund that financed eight receivership properties in Worcester using \$311,000 from MHIC.





MHIC also worked closely with Worcester Common Ground and Stutman-Juhl, LLC to rehabilitate 10 properties with 33 units located in the Piedmont neighborhood, an effort that utilized \$2.5 million of NSLF and NSP resources and \$2.9 million in LIHTC equity.

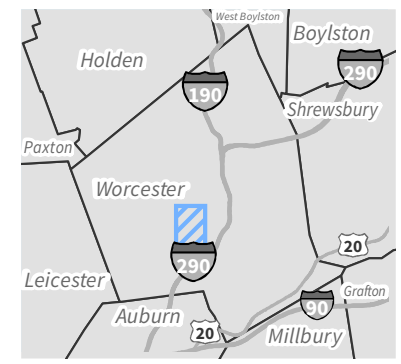
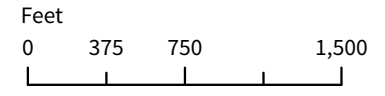
Worcester Activity and Expenditures

	UNITS	BUILDINGS
Acquisition and Rehabilitation	146	45
Homebuyer Assistance	19	15
Small Property Improvements	19	9
Total	184	69
<i>Receivership (included in above Acq Rehab)</i>	36	10
NSLF Loans		\$6,635,630
NSP, DHCD and AGO Funds		\$9,672,051
Total		\$16,307,681



Worcester

-  Acquisition Rehabilitation
-  Homebuyer Assistance
-  Small Property Improvements
-  Other MHIC & Local
-  Other Local
-  Park Improvements



Sources:
 MAPC, MassGIS, MassDOT,
 MHIC

November, 2014



properties and move into construction. But MHIC's success in securing a diverse array of funding enabled it to provide more than just acquisition and construction loans. It became a one-stop shop that also provided capacity grants and pre-development loans, gap subsidies, receivership loans, and homebuyer and homeowner loans. However, this diverse and flexible financing was not enough to ensure that the program would work. Confronted with the inherent inefficiencies of managing not only a high-volume production pipeline, but also a highly regulated federal funding program, MHIC's NSLF team worked hard to streamline the process where possible so that developers could focus on the real work rather than on the administrative and legal aspects of the financing.

Pairing loan capital and subsidies allowed developers, property owners,

and homebuyers to one-stop shop rather than to have to go to multiple funding sources. With access to revolving lines of credit, private developers like Jonathan Kaye in Boston, and nonprofits like The Neighborhood Developers in Chelsea and Revere, could act quickly to purchase properties when they became available, and to compete at auctions against cash buyers. Developers would then do a quick initial assessment of the property so that MHIC could provide preliminary construction loans and NSP gap subsidy commitments; final commitments were provided once developers acquired property and could provide more complete information.

MHIC did not limit NSP subsidies using fixed formulas or funding caps. Such a restriction was not possible given the wide range of properties that were being redeveloped. Rather, subsidies were determined based on the condition and location of the specific properties. NSP subsidies ranged widely but were typically \$60,000-\$120,000 per unit. MHIC subsidies often were paired with local funds, but the program also often provided 100% of a project's total required subsidy in cases when local funds were unavailable. This flexibility reduced production delays typically associated with time-consuming efforts to secure additional gap financing.

Other aspects of the efficient program design included an on-line portal that allowed developers to upload documents required for

620 Beach Street,
Revere
Developer: The
Neighborhood
Developers



financing decisions, construction and federal compliance; design and construction reviews that were not as detailed as those of typical large property loan programs; and streamlined legal documentation and closings that utilized a single attorney for all phases of financing.

The top developers became more efficient and effective over time and proved that it was possible to compress development timetables and hold down costs relative to those associated with other housing programs, where projects usually have more complex financing structures and lengthier decision-making processes. These efficiencies were gained not from economies of scale, but from working within a predictable process and by moving methodically from one building to the next. Holding properties for shorter time periods also meant lower carrying costs. Strict federal spending deadlines provided another incentive to get things done quickly.

MHIC's internal management consisted of one full time staff person and two consultants. All had substantial prior experience at the municipal level managing public financing, neighborhood development programs and federal compliance. This staffing model facilitated quick decision-making, minimized MHIC's overhead costs, and maximized the amount of NSP grant funding available for rehabilitation projects. The NSLF Committee, whose members represented the public, private, and philanthropic sectors, provided general governance and oversight to the program, helping to craft the program's strategy and

loan policies. The Committee did not involve itself with project-level financing decisions, thereby giving staff the ability to move quickly and make timely commitments to borrowers as needed.

Building Capacity and Providing Maximum Support to Developers

Early on, MHIC and its partners recognized that supporting a new and ambitious development program in a difficult market would require a commitment of resources to the developers who would undertake this work. Over the course of the program, NSLF provided five types of financial support to these developers:

1. Capacity building grants using funds provided by Living Cities and Fannie Mae;
2. Performance grants to high performing nonprofit developers using NSLF surplus income;
3. Funding for additional staff and consultants that was provided through project budgets and subsidies;
4. Developer fees, of up to 20%, which reflected the difficulty and labor-intensiveness of the work; and
5. A steady and predictable flow of new loan and subsidy dollars to developers that continued to expand their project pipeline.

Initially, NSLF opened the door to a large number of developers, approving a total of 37 nonprofit and for profit developers



72 Newbury Street,
Brockton

Developer: The
Resource, Inc.

205 Summer Street,
New Bedford

Developer: The
Resource, Inc.



161 Austin Street,
Worcester
Developer: Worcester
Common Ground

In several communities where there was insufficient local development capacity to respond to the crisis, MHIC supported emerging private and nonprofit developers to fill the gap.

for participation in the program. But over time, certain developers showed more of an inclination to take on the time-consuming and often messy work of small-scale property redevelopment. Development of small foreclosed properties with a neighborhood stabilization goal requires a very different approach, and a somewhat different skill set, than the larger developments typically undertaken by most affordable housing developers. In several communities where there was insufficient local development capacity to respond to the crisis, MHIC supported emerging private and nonprofit developers to fill the gap, most notably Craig Spagnoli in Springfield, TRI in New Bedford

and Brockton, and Doug George in multiple communities.

Four developers alone — Main South CDC, Dorchester Bay EDC, The Neighborhood Developers, and The Resource Inc. — accounted for about one-third of the total NSLF production, and the top 12 developers accounted for about 70% (see chart below). Resources were made available to all developers and localities on a first-come, first-served basis. Over time, MHIC provided increased lines of credit and subsidy allocations to the highest-capacity producers who best used

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Top Developers

DEVELOPERS	PRODUCTION		FUNDING	
	UNITS	BLDGS	NSLF	NSP
Main South CDC	59	20	\$3,063,092	\$4,810,604
Dorchester Bay EDC	55	20	5,608,230	3,584,582
The Neighborhood Developers	50	17	6,089,122	4,857,107
The Resource, Inc.	37	14	1,814,611	1,910,730
Craig Spagnoli— Lorilee Development LLC	78	10	2,143,057	2,525,751
Doug George— Urban Neighborhood Homes LLC	33	9	2,215,634	3,038,222
Steve Bryan—1810 Realty Group	27	9	2,564,801	811,250
Nuestra Comunidad Development Corp.	18	8	2,129,458	610,309
HAP Housing	9	6	496,846	555,379
Twin Cities CDC	24	5	99,117	1,702,427
Codman Square NDC	15	5	1,699,381	900,370
Worcester Common Ground	13	5	—	607,910
Other Developers (25)	190	66	7,711,781	5,777,016
Total Acquisition Rehab	608	194	\$35,635,130	\$31,691,658

SUCCESS STORY

The Neighborhood Developers (TND), a high-capacity CDC that was in the midst of the large-scale redevelopment of Chelsea's Box District, turned its attention in 2008 to the growing number of distressed and foreclosed properties in the adjacent Shurtleff-Bellingham neighborhood, and later expanded its efforts to Revere's Shirley Avenue neighborhood. It targeted some of the worst properties on the block, such as 63 Grove Street in Chelsea, which was acquired from FNMA after a difficult and protracted negotiation and illegally occupied by several tenant households. TND staff note that it is now one of the strongest properties on the street.

In Revere, TND's strategy was guided by the City of Revere's Shirley Avenue Neighborhood Gateway Initiative plan, and by the City's immediate desire to address the deteriorating condition of 14-16 Nahant Avenue, a six-unit rental property that became TND's first-ever project in Revere. TND bought 14-16 Nahant Avenue at auction and immediately had to deal

with the time-consuming and costly relocation of existing tenants, which was necessary before the building could be rehabilitated. Staff went door to door to establish trust with the tenants and to communicate Uniform Relocation Act (URA) requirements, while also trying to determine tenant incomes and unit conditions. Communication challenges were compounded by the multiple languages spoken and the varying work schedules among the tenants. At least one household was not paying rent at the time. In another building, TND found flooding in the basement and immediately had to remediate that condition.

TND completed 17 properties in Chelsea and Revere with 50 units, both for rental and homeownership. TND utilized a \$6 million line of credit from NSLF and \$4.8 million in NSP subsidies. NSLF also provided a performance grant to TND and helped pay for consultants to increase its peak capacity.



Left: 14-16 Nahant Street,
Revere
Developer: The
Neighborhood Developers

Right: 823 Broadway Street,
Chelsea
Developer: The
Neighborhood Developers

Focus on Chelsea



Above: 98 Marlboro Street
Developer: The Neighborhood Developers

Right bottom:
7 Suffolk Street
Developer: The Neighborhood Developers

In Chelsea, The Neighborhood Developers (TND) quickly turned its attention in 2008 to the rash of foreclosures sweeping through the adjacent Shurtleff-Bellingham neighborhood, a neighborhood densely packed with mostly two- and three-family homes. When staff from TND and the City of Chelsea began inspecting some of these foreclosed homes, they found rampant code violations, overcrowding and dangerous conditions, and, in some cases, rent being collected by strangers who pretended to own the properties. A major challenge that TND (and others) faced when attempting to purchase these distressed properties was that finding owners, loan servicers or brokers with the authority to negotiate the sale of these distressed properties was often difficult. When they could be found, they were usually constrained by bank policies and practices that ran contrary to the goals of neighborhood stability and economic recovery.

TND responded to these multiple challenges with persistence and, between 2009 and 2013, acquired 12 properties in Shurtleff-Bellingham. Some of these had deteriorated beyond the point of

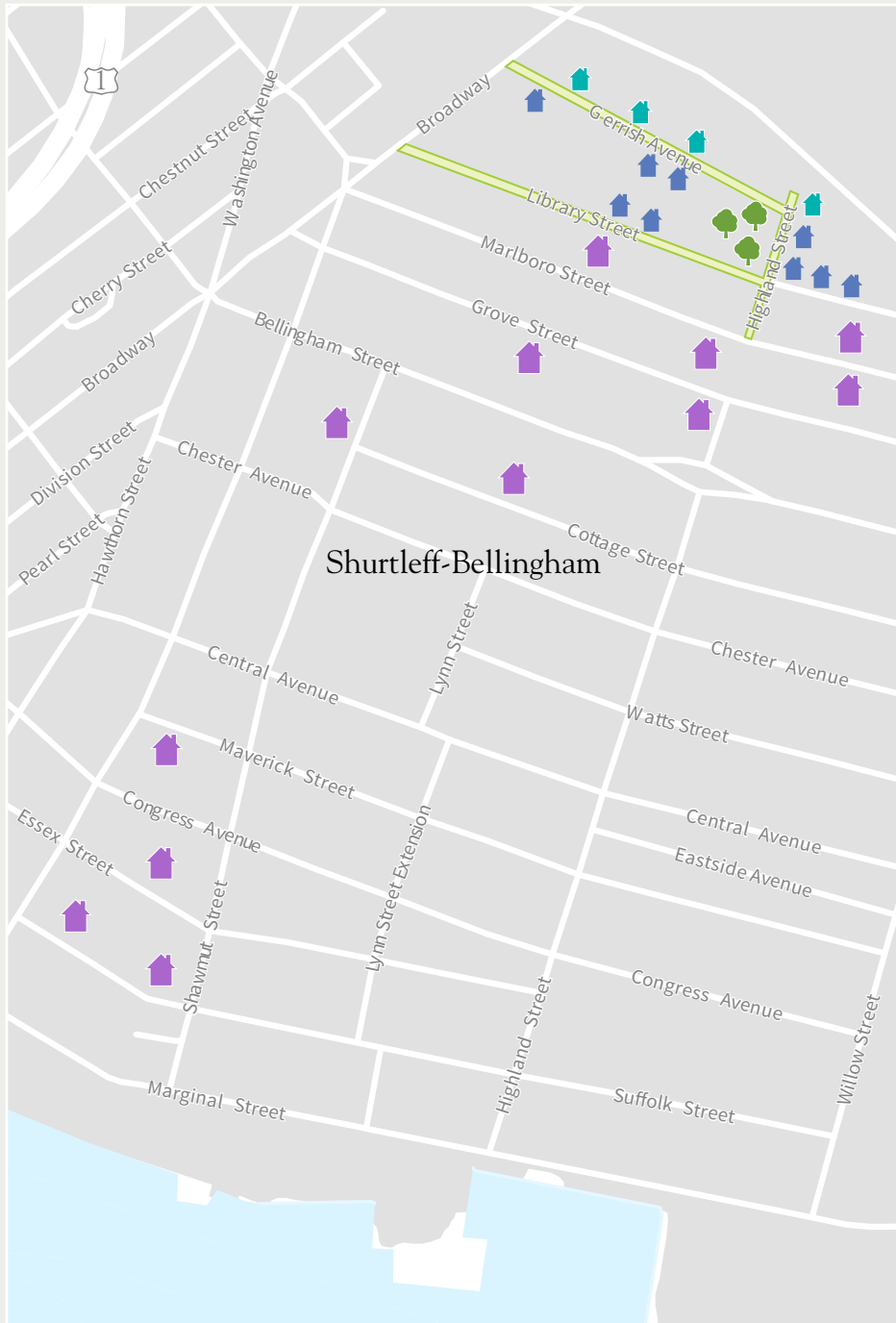
rehabilitation and were demolished and replaced with new homes, but most were fully renovated and then either sold to homebuyers or held as rental properties by TND. MHIC supported these efforts with \$5.2 million in NSLF and \$2 million of NSP financing.

Throughout this period, TND maintained its broader focus on neighborhood revitalization and on improving the lives of low-income residents across the city of Chelsea. It helped organize Chelsea Thrives, an ambitious cross-sector collaboration to engage residents, expand access to economic opportunities, improve physical conditions, and enhance the quality of life. The build-out of the Box District, which includes major streetscape and infrastructure improvements and a new city park, is nearly completed. Finally, along with the City of Chelsea, TND also spearheaded a planning effort to address the future of the adjacent Broadway Corridor business district. TND's work illustrates how neighborhood stabilization can be just one aspect of a broader strategy for changing urban neighborhoods.






Chelsea Activity and Expenditures

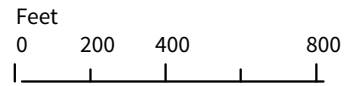
	UNITS	BUILDINGS
Acquisition and Rehabilitation	31	13
NSLF Loans		\$5,226,015
NSP and DHCD Funds		\$2,846,970
Total		\$8,072,985





Chelsea

-  Acquisition Rehabilitation
-  Other MHC & Local
-  Other Local
-  Streetscape Improvements
-  Park Improvements



Sources:
 MAPC, MassGIS, MassDOT,
 MHC

November, 2014





56 Topliff Street, Boston
Developer: Dorchester
Bay EDC

the program resources and produced the largest number of units.

City Government Leadership

City governments that used their broad set of resources and developed a collaborative approach in working with

other local partners often had the most success. Some cities had their own NSP allocations and/or access to HOME and CDBG funds. They also could deploy code enforcement and public safety officers to the most distressed areas, upgrade streets and sidewalks to improve neighborhood

SUCCESS STORY

The **City of Boston** brought representatives of different city departments together on a regular basis to review city-generated maps and identify areas of greatest distress, both in terms of foreclosure activity and crime. These efforts led to the identification of five primary sub-neighborhoods for targeted intervention and an aggressive strategy in which the City acquired properties using their federal NSP funds. Overall, the City acquired 50 properties, then put out Requests for Proposals to local developers to acquire and renovate these properties for homeownership or rental. The City's most notable efforts took place on Hendry Street in Dorchester's Bowdoin Geneva neighborhood, where property acquisitions and rehab funding were combined with stepped-up police patrols – and rebuilt streets and sidewalks – to completely transform this once-blighted and dangerous street. City staff report that combining the City's permanent funding resources with MHIC's NSLF and NSP funds made it possible to rehabilitate many more properties at one time. In total, NSLF resources were used to acquire and rehabilitate 53 Boston properties containing 142 units.

Similarly, the City of Boston's Department of Neighborhood Development (DND) worked very closely with CDCs and private developers in parts of Dorchester, Roxbury, and Mattapan. For example, Dorchester Bay EDC, the lead developer in the Bowdoin Geneva section of Dorchester, worked alongside several private developers. Dorchester Bay EDC turned around five properties in the Hendry Street area, along with six others within a three-block radius. Another developer that worked closely with the City was Steve Bryan, owner of the 1810 Realty Group, which had been managing rental property and doing small-scale development in Dorchester and nearby neighborhoods for over two decades. That firm's experience renovating and operating scattered site properties, and its commitment to the neighborhood, made it well suited to this type of work. It brought to the table relationships with subcontractors, strong management and a solid understanding of what it costs to successfully operate small properties for the long term. 1810 Realty stabilized nine Dorchester and Mattapan buildings with 27 units.

curb appeal, provide assistance to new homebuyers and existing homeowners, and apply pressure on banks that owned foreclosed properties.

Receivership and Code Enforcement

Local officials have long used code enforcement to pressure building owners to fix up their properties, but until the last several years, few had made much use of the Commonwealth's receivership law which enables court-appointed receivers to rehabilitate distressed and abandoned properties. Because of the law's relative novelty, few conventional lenders would finance receivership properties. In 2010 MHIC financed its first receivership

property in Springfield, and subsequently helped capitalize Worcester Community Housing Resources' receivership revolving loan fund. MHP, DHCD, and the AGO provided programmatic and financial support to extend receivership efforts to other communities. This included a grant MHIC received from the AGO in 2013 to administer a Western Massachusetts Receivership Fund.

NSLF developers serving as receivers worked closely with local officials in Springfield, Worcester, New Bedford, Brockton, Fitchburg and Turners Falls to restore properties that had been abandoned by their owners. The looming threat of court-ordered receivership,



82 Belmont Street,
Springfield
Developer: Lorilee
Development

SUCCESS STORY

The **City of Springfield's Office of Housing** successfully implemented an ambitious code enforcement and receivership program that was just part of its carefully crafted neighborhood revitalization plan for the Old Hill, Six Corners, South End and Forest Park neighborhoods. The City created a house-by-house action plan for particular streets that had been heavily impacted by foreclosures and abandonment. Key to this plan was coordination among city agencies, including police, fire, code enforcement, and legal, as well as data analysis and an active Housing Court.

The City's Legal and Inspectional Services Departments worked hard to get properties into receivership or to use the threat of receivership as a tool for motivating recalcitrant property owners to better maintain their properties. The City recruited a number of new receivers who understood the City's goals for vacant and needy properties. The City also took possession of properties for non-payment of taxes. Some of these properties were rehabbed by two local nonprofits, HAP Housing and

Springfield Neighborhood Housing Services, and sold to first-time homebuyers. The City combined MHIC's NSLF and NSP funds with its own NSP and CDBG funds for many properties in hard hit neighborhoods.

AGO funds also supplemented the notable homeowner rehab efforts being undertaken by the City's Office of Housing and a local nonprofit, Revitalize CDC, resulting in improvements to 26 properties with 44 units in the Springfield target neighborhoods. Several rental properties were also assisted with AGO funds.

In cooperation with the City of Springfield, Craig Spagnoli of Lorilee Development became the receiver and subsequent owner of three buildings with 48 units on Belmont Avenue in Forest Park in 2010. Then, over the next three years, he became the receiver of and/or acquired six additional buildings with 30 units within three blocks of the first property, thus stabilizing and anchoring a key section of this neighborhood with NSLF resources. MHIC also provided direct assistance to six homebuyers in this area.

Left: 19 Ashley Street,
Springfield

Developer:
HAP Housing

Right: 23 Leyfred
Street, Springfield

Developer: Lorilee
Development



meanwhile, spurred many other owners to correct major code violations and renovate their properties. By 2014, NSLF-funded receivers had rehabilitated 33 properties with 147 units.

External Factors: Dealing with the Challenges of the Marketplace and the Regulatory Environment

Market Risk

MHIC utilized federal NSP subsidies to mitigate the risks associated with acquiring and selling properties in distressed markets. Acquisition risk mostly related to title deficiencies (a rampant problem associated with the broader mortgage crisis) was absorbed by MHIC, which used NSP funds to reimburse developers for costs associated with purchases that could not be completed. NSP funds, held aside as a sales reserve, were also used to absorb sales price risk, rather than placing this risk on the developers. If a completed property remained unsold after the initial sales effort, the price could be reduced without affecting the developer's profit because MHIC provided NSP funds to close the difference between the expected and actual sales price.

Achieving timely sales and strong sale values were crucial aspects of stabilizing local housing markets. MHIC and project developers were careful neither to

underprice properties in order to facilitate quick sales which would dampen local home prices, nor allow properties to sit unsold on the market for an extended period of time, an action that might have signaled skepticism about local market conditions to potential buyers. In fact, most properties were sold at or above projected prices, the sales reserve was rarely used, and aside from a few exceptions, most properties were sold within four months of completion. Properties that sold above projected value, which became more common as the economic recovery progressed, returned a surplus that was shared between the developers and MHIC. MHIC then recycled its funds to support new projects in Worcester, Springfield, New Bedford, and Lawrence.

When the foreclosure crisis hit, scores of newly completed affordable homeownership properties around the Commonwealth could not be sold because they carried significant long-term affordability restrictions that made them nearly impossible to sell in a weak and declining market. With emphasis on market stabilization and restoration, NSLF's income restrictions were minimal compared to typical housing programs. This was particularly important outside the Boston area in communities like Springfield and Fitchburg. Twenty-seven percent of the units that were acquired and redeveloped are serving very low income households, and 34% are serving moderate- to middle-income households.

Achieving timely sales and strong sale values were crucial aspects of stabilizing local housing markets.

CONTINUED ON PAGE 26

Focus on Springfield



Above: 129 Orleans Street
Developer: HAP Housing

Right: 22 Burr Street
Developer: Springfield
Neighborhood Housing
Services

MHIC's efforts in Springfield were closely coordinated with the City of Springfield's Office of Housing, which had developed a comprehensive stabilization plan for several neighborhoods close to downtown: Old Hill, Six Corners, the South End, and lower Forest Park. The City's plan took on added urgency after an F3 tornado tore through these neighborhoods in June 2011, a natural disaster that compounded the damage left by the foreclosure crisis.

On Forest Park's Belmont Avenue and Leyfred Terrace, the City appointed Lorilee Development to be the receiver of a large cluster of abandoned properties that threatened the neighborhood; MHIC then provided Lorilee with the financing to eventually acquire and fully renovate these properties. MHIC and the City also worked side by side in financing the rehabilitation or new construction of 36

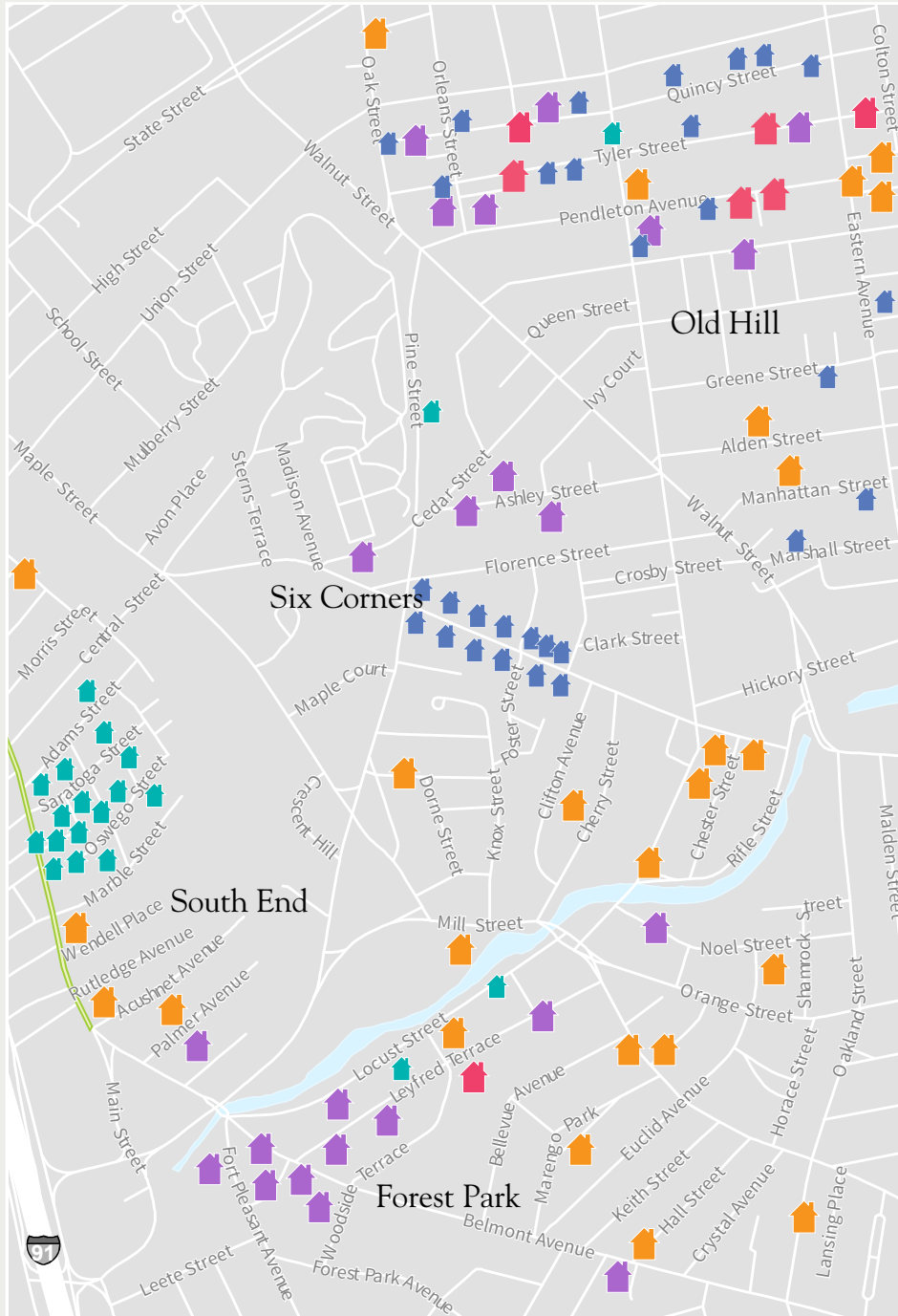
properties in Old Hill, Six Corners and the South End – many of them developed by HAP and Springfield NHS – as well as homeowner repairs and exterior improvements to 40 other properties in the target areas. Separately, Revitalize CDC, a local non-profit, organized daylong volunteer efforts in 2013 and 2014 that resulted in improvements to dozens of homes on Tyler Street and Pendleton Street in the heart of Old Hill.

Alongside these formidable efforts, the City enhanced code enforcement and public safety efforts in the target areas and made significant streetscape improvements to Main Street in the South End. During this time, MHIC and the City also provided equity, loans and grants to finance the renovation of 20 multi-family buildings containing more than 350 units located in the South End and Old Hill.

Springfield Activity and Expenditures

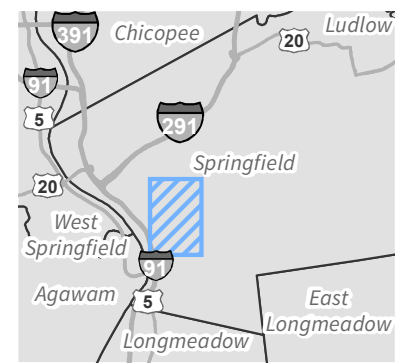
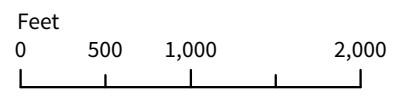
	UNITS	BUILDINGS
Acquisition and Rehabilitation	114	34
Homebuyer Assistance	8	7
Small Property Improvements	72	27
Total	194	68
<i>Receivership (included in above Acq Rehab)</i>	68	10
NSLF Loans		\$3,902,899
NSP, DHCD and AGO Funds		\$4,811,866
Total		\$8,714,765





Springfield

-  Acquisition Rehabilitation
-  Homebuyer Assistance
-  Small Property Improvements
-  Other MHIC & Local
-  Other Local
-  Streetscape Improvements



Sources:
 MAPC, MassGIS, MassDOT,
 MHIC

November, 2014





34 Ashley Street,
Springfield
Developer: HAP Housing

Thirty-nine percent are unrestricted. More than half (56%) of the buildings redeveloped using NSLF funds are now owner-occupied. Most homeowner restrictions, where the properties were purchased at or near full market price, are limited to just five years.

It was unclear in 2009 and 2010, when the NSLF began lending, if it would even be possible to sell homes in such a turbulent market. Consequently, all of the early projects that were financed, even those intended for sale to homebuyers, were underwritten as rental properties, where lease-up was predictable and take-out financing could be more reliably obtained. It was, therefore, something of a surprise when the first completed NSLF property, 230 Quincy Street in Boston, received more than a dozen purchase offers, and homeownership projects ended up constituting more than half of the properties in the program. It appeared that the collapse in housing prices and the spreading blight of abandoned and foreclosed properties did little to diminish

the enthusiasm of these homebuyers, the vast majority of whom were local residents, many of them immigrant families, who were committed to staying and investing in their communities. MHP Soft Second and FHA lenders, meanwhile, largely filled the void in the mortgage market due to the retrenchment of FNMA and Freddie Mac.

Regulatory Uncertainty

The foreclosure crisis and the pressure to spend federal NSP funds before NSP reporting systems were fully developed presented many challenges. Detailed rules and regulations for the use of NSP funds (which included hundreds of FAQs posted on the HUD website) were still being drafted as the program was being implemented. The application of standard requirements such as the Uniform Relocation Act and environmental review was somewhat incompatible with the need to quickly acquire deteriorating foreclosed buildings, particularly because many of the sellers had little capacity or experience in managing their mushrooming real estate-owned portfolios. Even FNMA, a government sponsored entity overseen by HUD, was reluctant to comply with certain HUD NSP rules.

HUD officials, aware of the unique difficulties of the NSP rollout, remained very accessible and responsive to NSP grantees through national and regional meetings, phone calls, and webinars. Still, through much of 2009 and 2010, the

Homeownership/Rental and Affordability*

OWNERSHIP TYPE	UNITS	BLDGS		
Owner-Occupied Properties	193	99		
Rental Properties	360	77		
AFFORDABILITY	50%	80%	120%	MKT
Units	151	31	158	213
Percent	27%	6%	28%	39%

*Figures include NSLF acquisition/rehab projects, excluding receivership program

interpretation and implementation of NSP rules consumed a significant portion of the national conversation about the program, including here in Massachusetts.

MHIC staff addressed this often confusing situation by creating a Policies and Procedures manual that attempted to clarify the various federal requirements, hosting statewide meetings, bringing together developers and local officials, and providing ongoing technical assistance to help developers more easily navigate the rules.

Related Efforts to Strengthen Neighborhoods and Stimulate the Market

While the bulk of NSLF resources were devoted to the acquisition and substantial rehabilitation of foreclosed properties to restore the most blighted properties scarring the neighborhoods, the NSLF program also provided other types of resources to help boost neighborhood confidence and strengthen local markets. Homebuyer assistance funds were used as an incentive for homebuyers to purchase in these areas, while home improvement loans to existing homeowners and small rental owners enhanced their properties and the overall attractiveness of the neighborhood.

Homebuyer Assistance

NSP and AGO funds were used to stimulate the market in the target areas



through the provision of forgivable homebuyer assistance loans of up to \$14,999 to buyers who purchased homes in the target neighborhoods. A portion of this assistance was directed to the NSLF-financed and rehabbed properties, but most

61 Bunkerhill Road,
Lawrence
Developer: City
of Lawrence
Homeownership
Improvement Program

CONTINUED ON PAGE 30

SUCCESS STORY

The **City of Lawrence** did not implement a broad acquisition/rehab strategy. It did, however, have great success in stimulating home sales and improving its neighborhoods through its efficient and high volume homebuyer assistance and homeowner rehab programs. The City's distressed housing market apparently did not dampen demand by residents to own their own homes. The City's Community Development Department tapped into this demand and spurred homeownership through its homebuyer assistance program which helped 30 buyers purchase homes using MHIC funds. The City also made good use of MHIC's homeowner rehab funds, often combining them with its own lead abatement funds to make necessary repairs and improve the exterior appearance of 16 homes and 37 units.

Focus on New Bedford



143 Pleasant Street
Developer:
The Resource, Inc.

In New Bedford, initial efforts to deal with foreclosed and vacant properties were held back by the limited capacity of existing local nonprofits and developers. Then, with an invitation from the City of New Bedford's Office of Housing and Community Development, The Resource

Inc. (TRI), a small nonprofit with extensive small property rehab experience, agreed to take on this task.

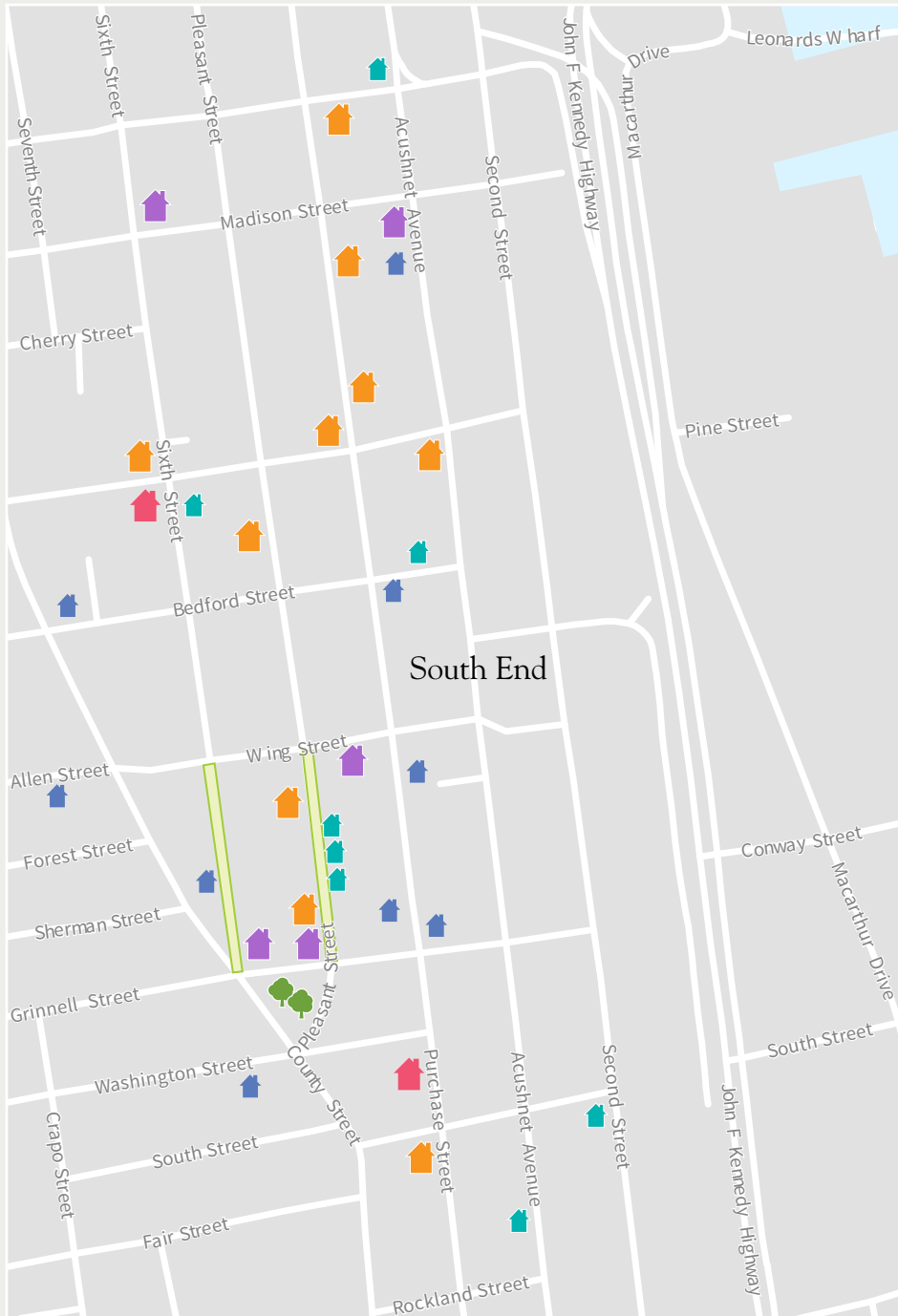
Although foreclosures were adversely affecting numerous areas, the City chose to focus in the South End Neighborhood, and began mapping out foreclosed properties to acquire, code enforcement and receivership strategies, and other public improvements to the area.

TRI began acquiring properties in 2009. The City directly funded four projects, while MHIC funded nine others with 21 units, including six buildings where TRI served as the court-appointed receiver. MHIC also funded park and streetscape improvements adjacent to several properties that were rehabilitated. The receivership collaboration between the City and TRI, which was partly supported with funding from the AGO, not only led to the rehabilitation of those six buildings, but it also prompted many other local owners to fix up their properties to avoid receivership.








Finally, in 2013 MHIC and TRI worked together to provide small rehab grants to 10 homeowners and small investors in the South End with an emphasis on exterior improvements such as exterior painting, new siding, and porch and roof repairs. Such improvements would not only help the property owners but also improve the appearance of the neighborhood.

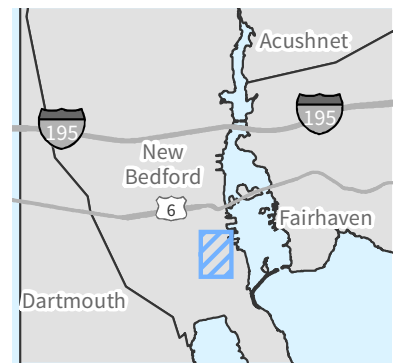
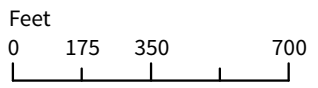
New Bedford Activity and Expenditures

	UNITS	BUILDINGS
Acquisition and Rehabilitation	32	11
Homebuyer Assistance	4	2
Small Property Improvements	21	10
Total	57	23
<i>Receivership (included in above Acq Rehab)</i>	13	6
NSLF Loans		\$1,229,092
NSP, DHCD and AGO Funds		\$2,277,971
Total		\$3,507,063



New Bedford

-  Acquisition Rehabilitation
-  Homebuyer Assistance
-  Small Property Improvements
-  Other MHC
-  Other Local
-  Streetscape Improvements
-  Park Improvements



Sources:
 MAPC, MassGIS, MassDOT,
 MHC

November, 2014



89 Pleasant Street,
New Bedford
Developer: The
Resource, Inc.



SUCCESS STORY

The Resource Inc. (TRI), based in Southeastern Massachusetts, has a strong history of doing small-scale property renovation, often using Community Development Block Grant funds, on Cape Cod and the Islands. It found opportunities to apply these skills to distressed properties in New Bedford, Brockton, and Falmouth. The organization's concentrated neighborhood improvement strategy and collaborative work with MHIC, MHP, the cities of New Bedford and Brockton and the AGO resulted in significant improvements in the South End neighborhood of New Bedford. Using an NSLF line of credit and subsidy resources, TRI acquired properties, some through receiverships. They completed extensive renovations using local contractors and architects as needed. TRI also used MHIC funding to assist 10 Brockton and New Bedford homeowners with home repairs. The resulting improved rental and homeownership properties attracted people back to the neighborhood. TRI brought increased neighborhood development capacity to both New Bedford and Brockton, where it continues to undertake new receivership properties.

was provided to homebuyers who were purchasing other foreclosed or privately owned homes.

Improving Small Properties and Neighborhood Curb Appeal

A significant aspect of the foreclosure crisis was its impact on existing property owners (who were paying their mortgages and were not in foreclosure) and the overall physical condition of properties in the most impacted neighborhoods. Most existing homeowners in these areas have moderate incomes and limited savings to pay for major home repairs. The sharp drop in the value of their homes wiped out a significant portion of their personal wealth, and robbed many of the equity needed to qualify for a home improvement loan and the confidence to invest their own money. NSP resources were not available to address this broader, but much less visible, impact of concentrated foreclosures. The sagging fortunes of these innocent homeowners were often reflected in their homes' sagging front porches, rusting fences, and peeling paint, which further undermined the local market.

The AGO's HomeCorps Community Restoration Grant program helped fill this gap because its funds were not restricted to "foreclosed, abandoned or vacant properties," as NSP was. HomeCorps funds provided to DHCD and MHIC were used to help homeowners and small rental owners make necessary repairs and exterior improvements to their properties,

including new roofs and siding, exterior painting, code repairs, accessibility improvements, and replacement of aging front yard fences. By requiring that at least one-third of every loan

be spent on exterior improvements, MHIC ensured the program would improve the look, or curb appeal, of the neighborhood.

Conclusion

Clearly, the NSLF was an innovative, effective response to the enormous and unprecedented problem of foreclosures and rapidly declining neighborhoods that began with the housing market collapse in 2007.

When the Massachusetts Foreclosed Properties Task force, the Commonwealth of Massachusetts, MHP, and other key organizations concerned about the escalating problem called for a new funding program, MHIC took the lead in creating a loan fund and program. That effort involved pulling together funding that was initially available, matching and finding new financial resources, and deciding how to deploy those resources to make the program work in the most acutely affected neighborhoods. Since the situation that created the need was unprecedented, there were no models to follow.

MHIC's NSLF program was enormously helpful in mitigating the negative effects of the foreclosure crisis, reversing decline, restoring market confidence, stimulating investment, and stabilizing neighborhoods in weak markets throughout Massachusetts. The results are particularly evident when you see whole neighborhoods that a few years ago were ravaged by the foreclosure crisis now stand proudly with newly rehabilitated, brightly painted homes, some occupied by first-time homebuyers.

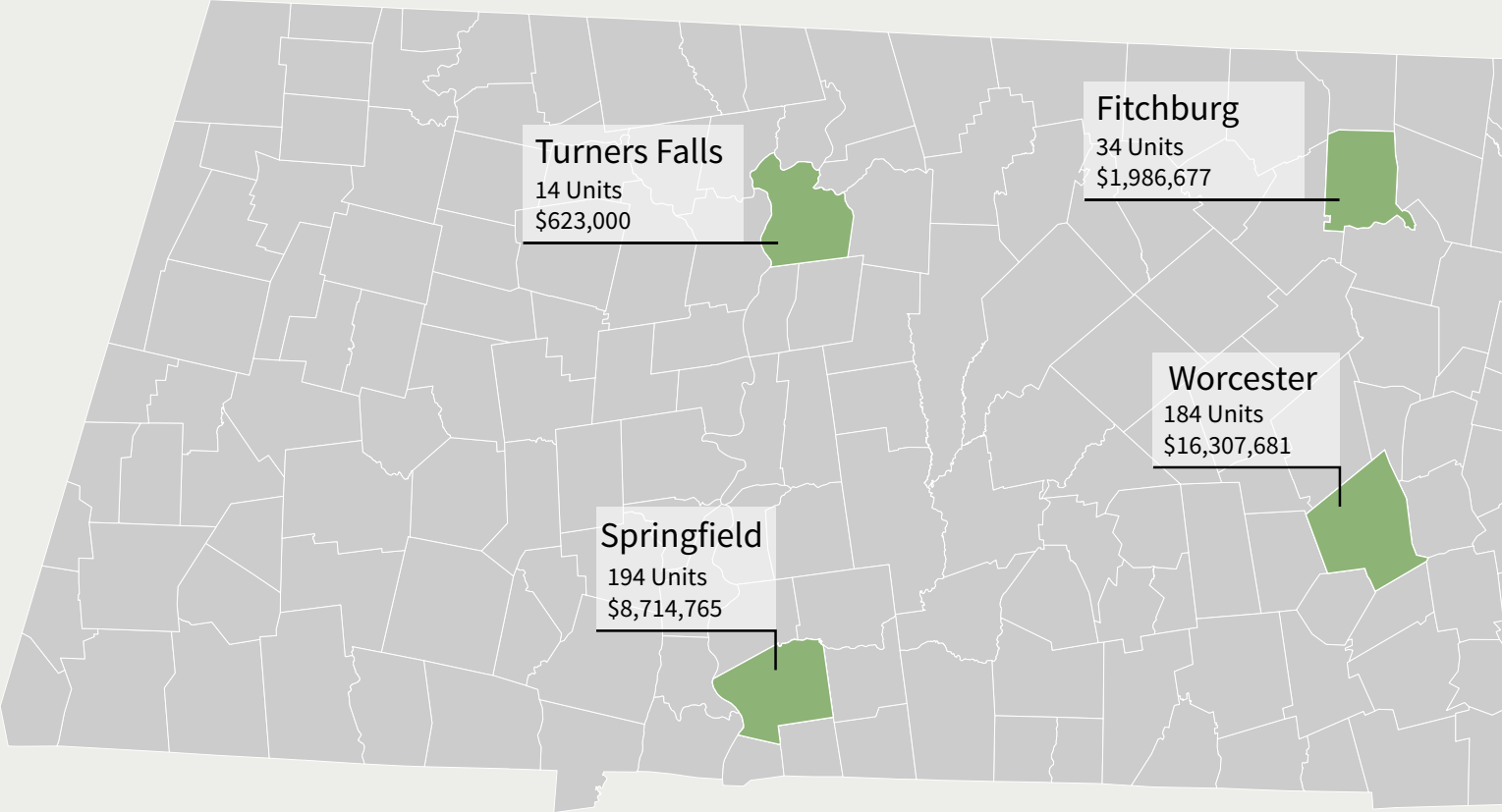
But MHIC alone cannot claim credit for the tangible results achieved. Key to its success was the collaborative nature of this effort. The cities, in particular, demonstrated extraordinary capacity. They found creative ways to combine their own financial resources with NSLF; they worked across many departments; and they supported the developers who boldly took on the challenge of rehabilitating homes that had been foreclosed. Leading nonprofit developers were critical in formulating and implementing responses at the neighborhood level. Finally, credit as well should go to the organizations that first got together to ask, "What can be done?" and stayed actively involved to make sure that what was done was the best it could be under the highly unprecedented circumstances.



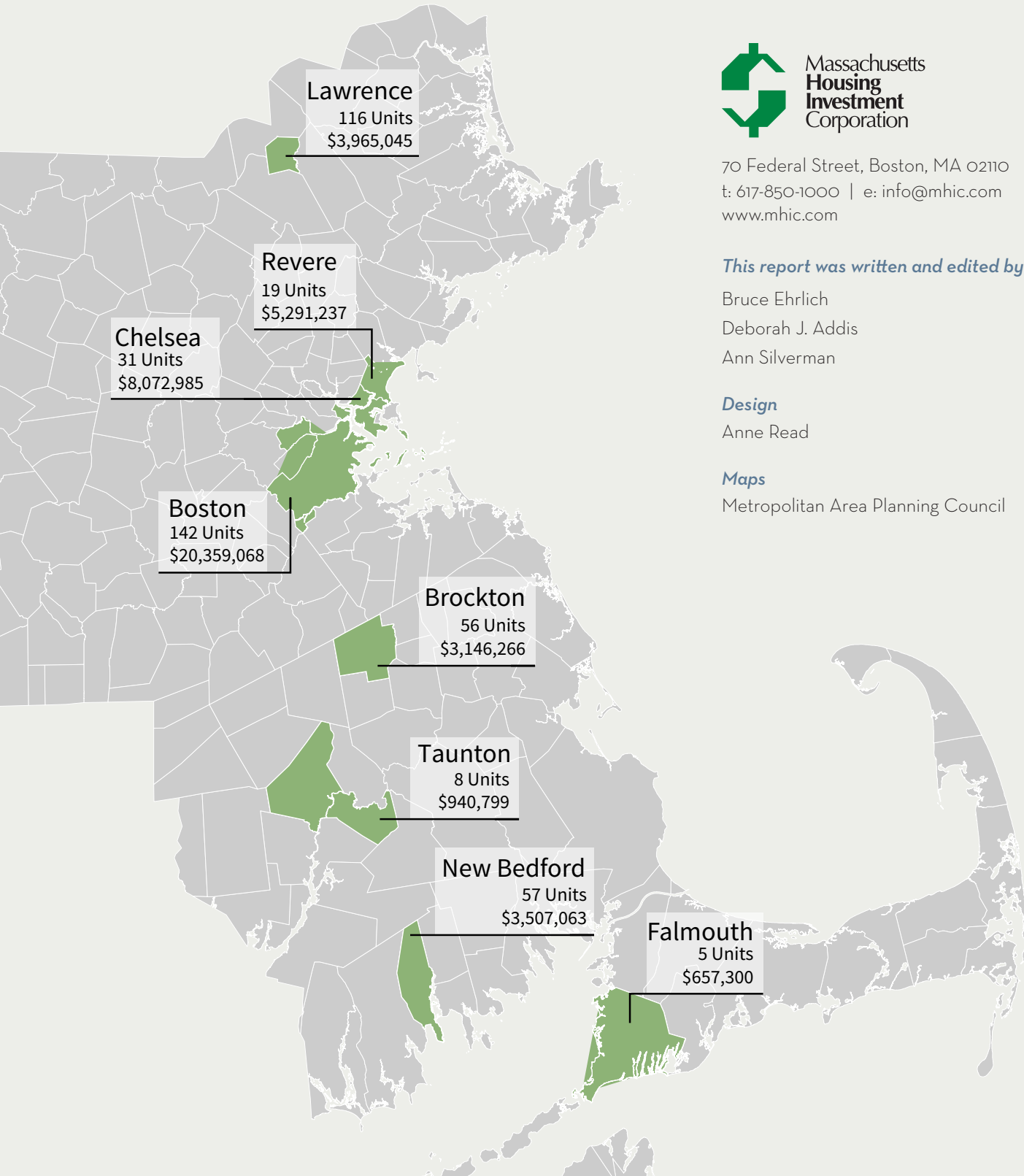
19 Hancock Street,
Worcester

Developer: Main South
CDC

MHIC's NSLF Funded Municipalities



Data Sources: MHIC, MassGISS



Massachusetts
**Housing
Investment
Corporation**

70 Federal Street, Boston, MA 02110
t: 617-850-1000 | e: info@mhic.com
www.mhic.com

This report was written and edited by

Bruce Ehrlich
Deborah J. Addis
Ann Silverman

Design

Anne Read

Maps

Metropolitan Area Planning Council



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Massachusetts Housing Partnership

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The Boston Foundation

The Hyams Foundation

Living Cities