

CITY OF SPRINGFIELD, MA
2023-2024 ACTION PLAN SUBSTANTIAL AMENDMENT #1 (OCT. 2023)

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The City of Springfield creates an Annual Action Plan which sets forth the City’s plans for the spending of federal funds received from the US Department of Housing and Community Development (HUD). The City’s most recent Action Plan is for the period 7/1/23 to 6/30/24 and has been approved by HUD.

The City’s approved Action Plan describes the affordability restriction that it will place on homeownership units developed using HOME Investments Partnership Program (HOME) funds. This Amendment #1 changes the type of restriction that the City will use for homeownership development projects that are co-funded by the MassHousing Commonwealth Builder Program. As described below, the City will use a resale restriction for these properties, instead of the recapture provision described in the current Action Plan at Section AP-90 – Program Specific Requirements. The City’s amended Resale-Recapture policy is set forth below.

City of Springfield HOME Investments Partnership Program Resale-Recapture Policy

The City of Springfield’s HOME program funds two types of homebuyer activities:

1. Down Payment Assistance
2. Project-Based Homeownership Homeowner Subsidy

General Rule: Recapture

The City generally applies a Recapture Restriction for both programs, with some exceptions. The Recapture provision requires:

- If the original HOME-assisted owner continues to own the property but fails to maintain it as the principal place of residence for the term of the Affordability Period, the entire amount of HOME assistance funds shall be due and payable.
- The original HOME-assisted owner may sell the unit at any time during the period of affordability, to any willing buyer, and at the price the market will bear. If the unit is sold during the period of affordability, the HOME-assisted owner must repay all, or a portion of, the direct HOME assistance provided. The amount to be repaid is forgiven over time during the term of the Affordability Period, with an equal amount being forgiven for each full year of the term and the assistance is fully forgiven at the end of the term. (For example, over a 5-year Affordability Period, 20% of the loaned assistance is forgiven each year.) The amount of the loan which has not been forgiven is due and payable at the time of sale.

- Direct HOME assistance includes funds that enabled the homebuyer to purchase the property. This includes down payment assistance, closing costs, or other HOME assistance provided directly to the homebuyer and/or the difference between the fair market value of the property and a reduced sales price attributable to HOME development assistance.
- Recapture amounts are capped at the amount of the available net proceeds from the sale of the home.
- For Down Payment Assistance, loans are secured by a second mortgage on the property.
- For Project-Based Homeownership, a deed rider, running with the land, is used as the mechanism to impose the recapture requirements.

Exception: Units Developed by Greater Springfield Habitat for Humanity (GSHFH)

In recognition of GSHFH’s unique development model and program, the City’s recapture restriction is modified as follows for units developed by GSHFH:

- The City, in accordance with the 2013 Final Rule Revision of §92.254(a)(5)(ii), will permit a subsequent income-qualified purchaser (income up to 80% AMI) to assume the existing HOME loan and recapture obligation entered into by the original buyer. No additional HOME assistance will be provided to the subsequent homebuyer.

Exception: Resale Used for Homeownership Units Developed With Assistance from the MassHousing Commonwealth Builder Program

The City is co-funding units with MassHousing. For these projects, the City will mirror the model of affordability restriction used by MassHousing in its Commonwealth Builder program.

Units in these projects will have a Resale Restriction, which requires:

- In the case of a sale during the affordability period, the unit must be sold only to an income-qualified household (with income at or below 80% of area median income) who will use the property as the principal residence.
- The resale restriction requires that the property may be priced to allow for the original owner’s fair return (return of homeowner’s investment, plus capital improvements, plus appreciation of 5% annually), provided that the unit will remain affordable to a reasonable range of low-income buyers (defined as buyer households with an income between 70 and 80% of area median income). The sales price will be calculated as the lesser of:
 - a. Price agreed to by buyer;
 - b. Initial purchase price
+ formula appreciation
+ capital improvement credit; or
 - c. Price affordable to buyer earning at or less than 80% AMI

For this calculation, capital improvement credit means an amount equal to the documented commercially reasonable cost of extraordinary capital improvements made to the property

by owner; provided that the monitoring agent shall have given written authorization for incurring such cost prior to the cost being incurred, the original cost of such improvements shall be discounted over the course of their useful life as determined by the monitoring agent, and the total value of the capital improvements credit shall not exceed the product of three percent (3%) of the purchase price for the property paid by owner multiplied by the number of full years of ownership of the property by owner.

- An affordability restriction deed rider, running with the land, is used as the mechanism to impose the resale restriction.