




## CITY OF PITTSFIELD

DEPARTMENT OF COMMUNITY DEVELOPMENT, CITY HALL, 70 ALLEN STREET, RM 205, PITTSFIELD, MA 01201

### MEMORANDUM

**TO:** Honorable Members of the  
Pittsfield City Council

**cc:** Mayor Linda M. Tyer  
Justine Dodds, Community Development and Housing Program  
Manager

**FROM:** Deanna L. Ruffer, Director 

**DATE:** October 20, 2020

**SUBJECT:** Community Development Director's Report  
(as required under City Council Rule 38)  
Exterior Home Improvement Loan Program

The Mayor is requesting authorization to utilize \$500,000 from the City's Economic Development Fund for a residential Exterior Home Improvement (deferred payment forgivable) Loan Program. The objective of this proposed program is to incentivize city residents to invest in their properties. This includes existing owners investing in home improvements and potential homeowners buying a home and immediately having the resources to improve their new homes. This request is an updated version of a program proposed in 2019. A description of the program is attached and summarized on the following table.

Program Criteria	Original Proposal
Funding Source	EDF
Funding Request	\$500,000
# of housing units	1-2 family structures
Owner Occupied	Yes
Minimum Ownership Period prior to application	2 years
Max \$s	\$25k
Max income	120% AMI
Application process	1. For homeowners without an existing mortgage, applications would be made directly to city. 2. For homeowners with existing mortgage with a participating lender, applications would go through

	<p>lender.</p> <p>3. For homeowners with existing mortgages with other lending institution, the homeowners would start by talking with the Department of Community Development to determine how best to apply.</p>
<b>New homeowners</b>	First priority will be given to existing homeowners
<b>Funding Prioritization</b>	First come first served; goal of investing 60% in morningside & westside
<b>Forgivable</b>	Yes – 7 years

### Public benefits

This program will provide existing homeowners with a resource not currently available to help with exterior maintenance without the burden of an additional monthly payment as long as the owner resides in the home. This includes young professionals, working families, retirees, and veterans as well as other who may be on fixed incomes, are burdened with student debt, or do not have sufficient financial resources to make repairs or other improvements to their homes. Additional funding may also be available through the commercial lender, to help homeowners afford other improvements sooner than might have otherwise been possible.

Launching the program in partnership with four local lenders, Central Berkshire Habitat for Humanity, Berkshire County Regional Housing Authority, and Pittsfield's Working Cities program strengthens the City's working relationship with commercial lending institutions and community organizations as well as encouraging lenders to offer new programs to help potential homeowners achieve their dream of homeownership. For example, Greylock Federal Credit Union has developed a specific mortgage product to be available in conjunction with the City's funding.

A secondary benefit of this program would be the improvement in quality of life for the residents and neighborhoods as well as potentially increasing the homeowner's equity in their home and thus their overall family wealth. This is particularly true in the city's urban neighborhoods, including Morningside and Westside where this program has the potential of helping to decrease the wealth gap amongst the city's residents and homeowners.

Housing quality and the need for incentives to upgrade existing housing was identified as a critical factor in stabilizing distressed neighborhoods by MassInc Gateway Cities Innovation Institute and Massachusetts Association of Community Development Corporations in a recent report entitled *Building Communities of Promise and Possibility*. Mayor Tyer served as the co-chair on the Working Group which guided the research on which this report is based. This report focused on the need for local and state investment in lower-income neighborhoods and communities – most notably Gateway Cities where housing is much less expensive than in the eastern part of the state but conditions are physically, socially and economically challenging. This report brought to light the housing and neighborhood stabilization troubles facing communities such as Pittsfield and outlined a series of ways the Commonwealth can effectively address these

challenges. This work has led to the creation of a \$750,000 technical assistance program being led by MassHousing. The City has applied to be a pilot participant under this program.

The proposed exterior improvement program complements the City's CDBG-funded Housing Rehabilitation Program. This program is generally used to bring substandard housing units into compliance with Article 11 of the Massachusetts Sanitary Code and prioritizes lead paint remediation, asbestos removal, and code violations.

In addition, homeowners may also be eligible to access funds from a new program called Gateways Housing Rehabilitation Program. In February 2020, the city was awarded \$275,000 under the Gateways Home Rehabilitation Program grant, which is designed to provide funding to assist 2-4 unit properties that have been cited for sanitary or building code violations or are subject to cancellation of their commercial insurance due to poor property conditions. We expect to be under contract with this program before the end of 2020.

Each of these programs have different focuses and criteria for eligibility. This program compliments the new Gateways Rehabilitation Grant Program, both of which recognize the increasing challenges faced by homeowners with incomes between 80 and 120 percent of median family income. Together and with the partnership of local lenders, these programs provide the City with the ability to assist a broad range of homeowners and housing improvement needs with the outcome being that homeowners benefit, neighborhoods are more attractive, and greater equity in household wealth is achieved.

### **Housing and Community Development Goals**

The City's Master Plan states "A community's housing stock and ownership rate are strong indicators of stability. Although renters are often long term residents and valuable members of neighborhoods, a homeowner is typically more attentive to property maintenance than a renter or absentee landlord. A homeowner also tends to remain in his or her home for a longer period of time than a renter, reducing the amount of turnover within a neighborhood. These and other factors contribute to the level of investment in a neighborhood and ultimately contribute to the value and character as well."

Goal 4 of the Housing section of the Master Plan is to "Raise the Quality of the Housing Stock", stating "...large numbers of houses – old and not so old – need extensive renovation or replacement due to poor design or poor maintenance...".

A report prepared in 2017 to guide the Tyler Street Transformative Development Initiative identified the creation of "A broad mix of housing choices through the District to serve a diverse population and workforce" as one of its six goals. This report also identified the low homeownership rates in the district as a challenge that needed to be addressed in order for the district to achieve its potential, with the available and affordable real estate presenting an opportunity. The proposed Exterior Housing Home Improvement Loan Program could help address both this challenge and opportunity. This program specifically responds to the recommendation to "Identify new funding

resources and incentive structures to foster neighborhood stabilization and residential revitalization.”

The Cities Five Year Consolidated Plan (2020-2025) highlights the challenges of the smaller types of multifamily housing that can be found mainly in Morningside and Westside neighborhoods. “Lending for multi-family homes has become stricter, making it more difficult for owner occupiers to purchase multi-family homes. One significant barrier is that the reserve requirements to get a mortgage have increased.” It also states that “There has been a decline in interest in multi-family purchases among first-time homebuyers – who are among the most likely to be owner occupiers. This tends to reduce building permits because existing owners may be less likely to upgrade the property. In addition, a combination of reduced equity and increased reserve requirements make it more difficult for existing owners to borrow money. Reserve requirements specify that new multi-family owners have access to 10% to 20% of the value of the home in reserve to cover unanticipated vacancies and emergency repairs. With lower appraisals on multi-family homes in the central city neighborhoods, it’s not as likely that new owners can borrow additional funds for repairs at the time of purchase – and more difficult for existing owners to borrow equity line reserves.” The plan also states that “There continues to be a pattern of absentee landlords for much of the housing in the Westside and Morningside neighborhoods. This is believed to adversely affect the quality of housing as absentee landlords are less likely to provide regular upkeep and in addition tenant issues may be left unaddressed for longer periods of time. There was a period in time when low-middle income families were able to obtain loans for multi-family housing as a means of supplementing their cost of housing; however banks have disproportionately foreclosed on these loans.”

A housing market analysis conducted in the summer of 2018 as part of the Tyler Street Transformative Development Initiative project found that the quality of housing in the city is of major concern to those interested in buying or renting in the city and that higher quality and new housing is in short supply compared to demand. Similar concerns about the quality of housing in Pittsfield were voiced during a spring 2020 survey of employees conducted by General Dynamics. Both support the importance and value of encouraging the city’s housing stock to be improved, using tools such as the proposed program.

Finally, through their work with the Berkshire Blueprint 2.0, 1Bershire has demonstrated a clear linkage between the need to improve the quality of the city’s and Berkshire County’s housing stock. The Blueprint 2.0 defined housing as a key cross-cutting theme, highlighting the linkage between the availability of quality, affordable and proximal housing for those seeking to work in the breadth of industry clusters driving the region’s economy. As stated by 1Bershire, this need is even more robust in places like Pittsfield where major employers are continuing to navigate recruitment strategies to bring new workforce participants into the region.

### **Leveraging Private Investment**

With 43% of the City’s housing stock having been built prior to 1939, it is not unusual for new homeowners to acquire a home needing some amount of renovation. This

program will provide resources to allow homeowners, who may need all of their available savings for a down payment, to undertake some of these home improvements immediately after becoming a homeowner.

The level of private investment being made as a result of the City's investment will likely be significant. For example, a homeowner may work with Lee Bank, Pittsfield Co-operative Bank or Berkshire Bank to refinance their home at the same time as they are applying for up to \$25,000 from the City for exterior repairs. They may also be eligible for additional funding (for this example, the mortgage amount is assumed to be \$175,000 with an additional \$25,000 assumed available for interior renovations with the actual amount available to be determined based on the "As-Completed Value" of the home) from under a lender program or through a MassHousing program for interior renovations to their home. In this example, every dollar invested by the City would result in \$10.00 of private investment.

In the Morningside and Westside neighborhoods, in addition to being able to access the City's program through local lenders, existing homeowners can access the City's proposed program directly from the City without borrowing from a commercial lender. This provision has been included to help stimulate additional investment in these two neighborhoods and in turn help stimulate appreciation in the residential values. A sizeable number of the homeowners in these two neighborhoods have lived in their homes for decades. This provision acknowledges this fact and that data indicates a segment of the existing homeowners in these neighborhoods may be living on fixed incomes. A recent analysis of data from the American Community Survey found that many of the long-time homeowners in the Tyler St Transformative Development District likely do not have the means to repair their homes. This program provides them with access to funds to make critical exterior repairs, without the burden of repayment as long as they live in the home.

Central Berkshire Habitat for Humanity is also developing a homeowner rehabilitation assistance program which will be able to work in partnership with the City's program. They anticipate being in a position to help make Westside and Morningside homeowners aware of the City's program and assist these homeowners with needed repairs. They have also established an internship program with Taconic, which has the potential of using the City's program to help train new tradespeople.

### **Stimulating the Economy**

This program will directly result in the creation of jobs for local contractors and tradesperson as well as stimulating the local need for renovation materials.

It is estimated that the City's current housing rehabilitation program (which has an income cap of 80% of AMI) provides jobs for approximately 45 people in a wide range of trades per year through the renovation of on average 25 homes per year, creating or retaining the equivalent of 7-10 full time jobs. Assuming five homeowners a year qualify for the proposed exterior housing improvement deferred payment loan program, these projects could reasonably involve multiple contractors and subcontractors, involving 10

to 20 employees, creating or retaining the equivalent of 2-4. In addition, this program can be expected to help stimulate the housing market in the city, particularly for homes with values less than \$200,000 and homes located in the two target neighborhoods. Through the first six months of 2018, the median single family home sale price in Pittsfield was \$162,740.

The proposed the program is a deferred payment loan program with the funding forgiven at the end of seven years. If the owner sells the property during this seven year period, the loan would be repaid at the time of sale. It also warrants mention that the deferral of loan payments will also stimulate the economy as it provides participating homeowners with more income for their first mortgage and for the other day-to-day costs of living.

### **Program Administration and Oversight**

The Department of Community Development is in a unique position to administer this program, as it has successfully developed, managed and administered a federally funded housing rehabilitation program for more than three decades. Department staff includes a Community Development and Housing Program Manager, who has been intimately involved in shaping this proposed program, a Housing Specialist that works closely with rehabilitation customers from income qualification through closing, and a Rehabilitation Specialist who helps homeowners prepare rehabilitation specifications and oversee the contractor.

This staff will be utilized to manage the proposed program when a commercial lender is not involved (projects with existing homeowners in the Morningside or Westside neighborhoods). For projects involving a commercial lending partner, the day-to-day oversight will primarily be done by the lending institution as part of their funding with appropriate reporting and monitoring procedures put in place to ensure that city funds are used for exterior renovations.

As is required for the City's existing federally funded rehabilitation program, applicants will be required to be current with all taxes, licenses and fees due to the City.

The Department of Community Development will monitor the Exterior Home Improvement Program on an ongoing basis, including tracking the number of homeowners assisted, the type of exterior renovations made, the funds expended and private funds leveraged and funds repaid. Additional information can be tracked as determined to be appropriate. Assuming an average of 8 homeowners' access funds each year, this program will benefit new and existing homeowners for three to four years.



# **At Home In Pittsfield**

## **PROGRAM DESCRIPTION:**

The Mayor, in partnership with Central Berkshire Habitat for Humanity, Berkshire County Regional Housing Authority, Pittsfield Working Cities, and four local lenders, has designed a deferred payment loan program to encourage existing homeowners to upgrade the exterior of their homes. The amount of funding available for exterior home improvements will take into consideration the anticipated appraised value of the property after renovations are completed. Properties must be owner occupied and may be single family homes or owner occupied multi-family structure with up to two (2) housing units.

If interested in participating in this program, homeowners should start by determining if their existing mortgage holder is participating in this program. If so, the homeowner should talk to this lender about their eligibility for At Home in Pittsfield funds. If eligible, the local lender will assist the homeowner in applying to the City and will administer approved City funds in conjunction with the homeowner's existing mortgage on the property. The local lender will also work with the homeowner to determine if additional funds for exterior and possibly interior rehabilitation would be available through refinancing at the same time the homeowner applies for funding from the At Home in Pittsfield program.

Homeowners that do not have a relationship with a participating local lender can access *At Home in Pittsfield* funds directly from the City. Under this scenario, the homeowner should contact the City's Department of Community Development who will administer the application process and approved funding.

Participating local lenders are: Berkshire Bank, Greylock Federal Credit Union, Lee Bank, and Pittsfield Co-operative Bank. Additional lenders may join this program at any time, subject to approval by the City's Department of Community Development.

## **ELIGIBLE IMPROVEMENTS:**

Rehabilitation activities eligible for City funding are limited to exterior improvements such as:

- roof replacement;
- window and door replacement;
- porch repairs or replacement; chimney repairs; and
- siding installation.

The City will review and approve the materials and specifications for the home improvement work being funded by the City. The objective is to ensure the use of materials of good durability, rather than materials that are the least or most expensive available.

The following improvements are not eligible for City funding:

- landscaping;
- installation of exterior drainage;
- repair of garages or other separate sheds, structures, or outbuildings; or
- interior improvements, such as installation of carpeting, wall paneling, and updating baths and kitchens.

### **REHABILITATION FUNDING AVAILABLE**

- Homeowners city-wide may receive home improvement funding from the City of up to 10% of the appraised "As-Completed Value" of the property, or a maximum of \$25,000.
- Homeowners in the Westside or Morningside neighborhoods or the Tyler Street TDI district may receive home improvement funding from the City of up to 20% of the appraised "As-Completed Value" of the property, or a maximum of \$25,000. The higher percent of appraised value for homeowners in the Westside and Morningside neighborhoods is based on the fact that the average home value in these two neighborhoods is \$101,657 versus \$193,090 for all other neighborhoods in the city (exclusive of the Westside and Morningside).
- Applications will be considered on a first come, first served basis, with highest priority given to eligible homeowners in the Westside and Morningside neighborhoods and a goal of investing sixty percent (60%) of the funding in these two neighborhoods.

### **PROGRAM GUIDELINES:**

- An applicant's gross annual income may not exceed 120% of the area median income (AMI) or \$106,560 per household.
- Applicants must have owned their home for at least two years prior to January 1, 2021 and must live in the home.
- Applicants must meet all program requirements of the lender and the City. Applicant credit ratings will be checked as well as the existing debt to value ratio for the home.
- Applicants will be expected to demonstrate a lack of financial resources or other sources of funding necessary for the desired improvements.
- Applicants determined to be eligible for funding under the City's Community Development Block Grant (CDBG) rehabilitation program (making less than 80% of the Area Median Income) will be evaluated on a case by case basis, with the City's preference being to use the CDBG funds whenever possible.



- Application costs such as the appraisal fee and recording of the loan will be charged to the applicant. Applicants can decide to pay these costs directly at the time of closing or have them rolled into the resulting loan.
- Applicants will be required to take a homeowner training program, a community based financial management or home maintenance program if determined by the local lender or City to be beneficial to ensuring the homeowner's long term ability to sustain their household.
- City funding will be in the form of a deferred payment forgivable loan (DPFL) at an Interest Rate of 0%, secured by a mortgage. This loan has no monthly repayment requirement. The DPL is due in full if the owner moves or sells the property within seven years of loan.
- City records will be checked to confirm the homeowner is in good standing with the City of Pittsfield and they are not delinquent with any City fees or taxes, such as real estate taxes.