SENATE No. 2111

The Commonwealth of Massachusetts

In the Year Two Thousand Nine

An Act preserving publicly-assisted affordable housing.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

- 1 SECTION 1. The General Laws are hereby amended by inserting after chapter 40S the
- 2 following chapter:-
- 3 CHAPTER 40T

4 PUBLICLY-ASSISTED AFFORDABLE HOUSING.

5 Section 1. As used in this chapter, the following words shall have the following

6 meanings unless the context clearly requires otherwise:

7 "Affected municipality", a city or town in which publicly-assisted housing, or a publicly-

8 assisted housing development, is located.

- 9 "Affiliate", an entity owned or controlled by an owner.
- 10 "Affordability restriction", a limit on rents that an owner may charge for occupancy of a
- 11 rental unit in a publicly assisted housing development or a limit on tenant income for persons or
- 12 families seeking to qualify for admission to such housing.

13	"CEDAC", the Community Economic Development Assistance Corporation established
14	in chapter 40H.

- 15 "Chief executive officer", the mayor in a city and the board of selectmen in a town unless16 otherwise designated by a municipal charter.
- 17 "Department", the department of housing and community development or, when18 applicable, its designee, or any successor agency of the department.
- "Designee", a municipality, local or regional housing authority, nonprofit or for-profit
 corporation or other entity qualified to do business in the commonwealth and which is selected
 by the department to operate publicly-assisted housing that is decent, safe and sanitary affordable
 housing, under subsection (b) of section 3.
- 23 "Enhanced section 8 voucher", a voucher provided under 42 U.S.C. 1437f(t) or other
 24 substantially equivalent assistance.
- 25 "Extremely low income", a household income of not more than 30 per cent of the area
 26 median income, adjusted for household size, as periodically determined by the United States
 27 Department of Housing and Urban Development.
- 28 "Government program", a program which provides government assistance under a
 29 program set forth in the definition of publicly-assisted housing.
- 30 "Low-income", a household income of not more than 80 per cent of the area median
 31 income, adjusted for household size, as periodically determined by the United States Department
 32 of Housing and Urban Development.

33 "Owner", a person, firm, partnership, corporation, trust, organization, limited liability
34 company or other entity, or its successors or assigns, that holds title to a publicly-assisted
35 housing development.

36 "Prepayment", (i) the payment in full or the refinancing of a governmental-insured or 37 government-held mortgage indebtedness prior to its original maturity date; (ii) the voluntary 38 cancellation of mortgage insurance on a publicly-assisted housing development; or (iii) the 39 payment in full on a government contract, any of which would have the effect of removing 40 either: (a) the affordability restrictions applicable to the publicly-assisted housing development; 41 or (b) a requirement to renew any such affordability restrictions.

42 "Preserve affordability", to undertake reasonable and diligent actions to retain, renew or 43 secure subsidies affecting a publicly-assisted housing development in order to maintain at least 44 the same number of units affordable to low, very low and extremely low-income households, 45 respectively, as are currently occupied by such households, and to maintain as affordable to such 46 households generally all units that are currently vacant, to the extent of available subsidies and 47 taking into account the need to ensure that the development provides quality housing to its 48 tenants.

49 "Protected low-income tenant", a low-income tenant residing in a publicly-assisted
50 housing development on the date of termination of the government program and whose rent was
51 restricted by that government program.

52 "Publicly-assisted housing", a housing unit or development that receives government
53 assistance under any of the following programs: (i) section 8 of the United States Housing Act of
54 1937 and 42 U.S.C. section 1437f as it applies to new construction, substantial rehabilitation,

55	moderate rehabilitation, property disposition and loan management set-aside programs or any
56	other program providing project-based rental assistance; (ii) section 42 of the Internal Revenue
57	Code and 26 U.S.C. section 42, the federal Low-Income Housing Tax Credit Program; (iii)
58	section 101 of the Housing and Urban Development Act of 1965 and 12 U.S.C. section 1701s as
59	it applies to programs for rent supplement assistance thereunder; (iv) section 202 of the Housing
60	Act of 1959 and 12 U.S.C. section 1701q; (v) section 221(d)(3) of the National Housing Act 12
61	U.S.C. section 1715 (d)(3) or (5), the below market interest rate program; (vi) section 221(d)(4)
62	of the National Housing Act 12 U.S.C. section 1715I (d)(4) to the extent the project's rents are
63	restricted pursuant to a government agreement; (vii) section 236 of the National Housing Act and
64	12 U.S.C. section 1715z-1; (viii) section 515 of the Housing Act of 1949 and 42 U.S.C. section
65	1485; (ix) section 521 of the Housing Act of 1949 and 42 U.S.C. section 1490a; (x) the Urban
66	Development Action Grant and 42 U.S.C. section 5318 to the extent that the affordability of
67	dwelling units subject to such program are restricted pursuant to a government agreement; (xi)
68	the Housing Development Action Grant and 42 U.S.C. section 14370 to the extent the project's
69	rents are restricted pursuant to a government agreement; (xii) section 13A of chapter 708 of the
70	acts of 1966; (xiii) the voucher program provided for annually in item 7004-9024 of section 2 of
71	the general appropriation act as that program applies to project-based rental assistance; (xiv) the
72	Massachusetts low income housing tax credit program established in section 6I of chapter 62;
73	(xv) the State Housing Assistance for Rental Production, established in chapter 574 of the acts of
74	1983; and (xvi) chapter 121A to the extent that the affordability of dwelling units are restricted
75	pursuant to a written agreement with the affected municipality.

76 "Purchase contract", a document that purports to sell a publicly-assisted housing
77 development including, without limitation, a purchase and sale agreement, contract of sale,
78 purchase option or other similar instrument.

"Regulatory agreement", an affordable housing restriction that establishes an owner's obligations created pursuant to the efforts of the department or its designee to preserve affordability and which is consistent with section 31 of chapter 184; provided, however, that in any project that is eligible for participation in the United States Department of Housing and Urban Development's Mark Up to Market Program, the restriction, insofar as it relates to the limiting of the level of rents, shall not apply to units covered by a section 8 housing assistance payment contract so long as such contract is effective.

86 "Sale", the execution of a written agreement pursuant to which the owner or the holders 87 of an ownership interest in the owner of the publicly-assisted housing agrees to the disposition of 88 the property by deed or otherwise, whether through a single transaction or a series of 89 transactions, except for a disposition of such housing to an affiliate of the owner.

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"Section 8", section 8 of the United States Housing Act of 1937, 42 U.S.C. section 1437f.

91 "Subsidy", public financial assistance including, but not limited to, grants, loans, rental
92 assistance, tax credits, tax abatements, mortgage financing, mortgage insurance, assistance
93 pursuant to any government program or any other form of assistance, intended to make housing
94 affordable to low-income households, especially very low and extremely low-income
95 households.

96 "Tenant", a person legally entitled to possession or occupancy of a rental unit within
97 publicly-assisted housing, including a subtenant, lessee and sublessee.

98	"Tenant organization", an organization established by the tenants of a publicly-assisted
99	housing development for the purpose of addressing issues related to their living environment,
100	which meets regularly, operates democratically, is representative of all residents in the
101	development, is completely independent of owners, management and their representatives and
102	which has filed a notice of its existence with CEDAC; provided, however, that no owner or other
103	third party shall be required to ascertain the organization's compliance with this definition.
104	"Termination", the cessation, discharge or removal of an affordability restriction
105	affecting a publicly-assisted housing development in the absence of a simultaneous replacement
106	of that restriction with an equivalent affordability restriction including, but not limited to: (i)
107	nonrenewal or termination, in whole or in part, of a government program contract or mortgage;
108	(ii) expiration, in whole or in part, of an affordability restriction under a government program or
109	the requirement to renew the restriction; (iii) payment in full of a government program mortgage;
110	or (iv) prepayment of a government program mortgage or contract.
111	"Time for performance", the date for delivery of the deed or other document evidencing a
112	sale pursuant to a purchase contract or any extension thereof.
113	"Very low income", having a household income of not more than 60 per cent of the area
114	median income, adjusted for household size, as periodically determined by the United States
115	Department of Housing and Urban Development.
116	Section 2. (a) Except with respect to property subject to an affordability restriction which
117	has less than 2 years remaining and for which subsection (e) shall apply, the owner shall provide
118	written notice to: (i) all tenants and the tenant organization; (ii) the chief executive officer of the
119	affected municipality; (iii) CEDAC; and (iv) the department, not less than 2 years before the

120 termination of the affordability restriction affecting publicly-assisted housing. Nothing herein 121 shall prohibit an owner from taking actions to terminate an affordability restriction during any 122 notice period provided herein; provided, however, that the owner shall comply with all of the 123 notice terms and restrictions pursuant to subsections (b) and (c). The informational notice shall 124 provide: (1) the address of the publicly-assisted housing; (2) the name and address of the owner; 125 (3) notification that an affordability restriction may terminate; (4) the date on which each 126 affordability restriction may terminate; and (5) such other information as required by the 127 department. If more than 1 termination may occur, the owner may send 1 written notice so long 128 as the terminations are scheduled to occur within 1 year of each other, the notice is given at least 129 24 months before the earliest termination and the notice otherwise complies with this subsection.

(b) An owner shall not complete a termination or allow a termination to occur unless, not
less than 1 year before the completion of the last termination event affecting the housing, the
owner provides the entities identified in subsection (a) with written notice of intent to complete
termination. The notice shall state: (1) the address of the publicly-assisted housing; (2) the name
and address of the owner; (3) the date on which the owner intends to complete termination; (4)
unless section 6 applies, a statement that the department has the right of offer pursuant to section
3; and (5) such other information as required by the department.

(c) An owner shall not sell publicly-assisted housing before offering the department the
opportunity to purchase the property pursuant to sections 3 and 4. The owner shall notify, in
writing, the parties identified in subsection (a) of the owner's intention to potentially sell the
property.

(d) The notice required by this chapter shall be deemed to have been provided when
delivered in person or mailed by certified or registered mail, return receipt requested, to the party
to whom notice is required. A notice to the affected municipality shall be awarded to the chief
executive officer.

(e) The notice requirements of this section shall not be affected by the status of an offer,purchase contract or sale under section 3 or section 4.

Section 3. (a) An owner shall offer the department an opportunity to purchase the
property prior to entering into an agreement to sell the property pursuant to the time periods
contained in this section, but no owner shall be under any obligation to enter into an agreement
to sell such property to the department.

151 (b) The department may select a designee to act on its behalf as purchaser of the 152 publicly-assisted housing and shall give the owner and CEDAC written notice of its selection. 153 The department shall promptly consult with the affected municipality before selecting a designee 154 and shall immediately designate the affected municipality as its designee upon written request of 155 the affected municipality, unless the department determines that such request is not feasible for 156 reasons set forth in the department's regulations. The department shall enter into a written 157 agreement with its selected designee providing that the designee and any of its successors or 158 assigns, agree to preserve the affordability of the publicly-assisted housing. Once such an 159 agreement is executed, the designee shall assume all rights and responsibilities attributable to the 160 department as a prospective purchaser under this section and section 4. At any time prior to a 161 sale under section 3 or section 4, the department may revoke its designation and assume the 162 designee's rights and responsibilities, either in its own capacity or by selecting a new designee;

provided, however, that no change in a designation shall operate to extend or alter any time
periods for performance set forth in this chapter or in any purchase contract entered into pursuant
to this chapter.

166 (c) The department shall, within 90 days after it receives notice pursuant to section 2 of 167 the owner's intention to sell, submit an offer to the owner to purchase the publicly-assisted 168 housing. Failure by the department to submit a timely offer shall constitute an irrevocable 169 waiver of the department's rights under this section and the owner may sell the publicly-assisted 170 housing subject to section 4. If the owner accepts the department's initial or any revised offer, 171 the owner and the department shall enter into such other agreements as are necessary and 172 appropriate to complete the sale. If the owner and the department have not entered into an 173 agreement to sell the property to the department within 90 days after receipt of the notice 174 pursuant to subsection (c) of section 2, the owner may enter into an agreement to sell the 175 property to a purchaser of the owner's choice, subject to the department's right of first refusal 176 pursuant to section 4.

177 (d) At any time after the notice in section 2 has been provided and within 10 days of 178 receiving a request, the owner shall make documents available to the department for review and 179 photocopying during normal business hours at the owner's principal place of business or at a 180 commercial photocopying facility. Such documents shall include, but not be limited to: (1) any 181 existing architectural plans and specifications of the development; (2) itemized lists of monthly 182 operating expenses and capital expenditures in each of the 2 preceding calendar years; (3) any 183 capital needs studies or market studies that have been submitted to a federal, state or local 184 agency in the preceding 3 years; (4) utility consumption rates for the preceding 12 months; (5) 185 copies of the last 2 annual financial and physical inspection reports filed with federal, state or

186 local agencies; (6) the most recent rent roll showing then current vacancies and rent arrearages; 187 (7) a list of vacant units; and (8) a statement of the approximate annualized vacancy rate at the 188 development for each of the 2 preceding calendar years. Documents obtained pursuant to a 189 request under this subsection shall not be considered public records, as defined in clause Twenty-190 sixth of section 7 of chapter 4, and the department shall not make such documents available to 191 the public without the written consent of the owner or pursuant to a court order; provided, 192 however, that disclosure may be made to potential funding sources, regulatory agencies or agents 193 or consultants of the department in connection with the transaction, subject to appropriate 194 confidentiality agreements. Upon request and with appropriate notice, the owner shall also 195 permit reasonable inspections of the dwelling units, building systems, common areas and 196 common grounds by agents, consultants and representatives of the department including, but not 197 limited to, inspections related to environmental, engineering, structural or zoning matters.

(e) Not later than 30 days after the department submits an offer to purchase the publiclyassisted housing development pursuant to subsection (c), the department shall notify tenants in
the housing development and shall meet with them at least once to discuss the department's
plans.

Section 4. (a) The department shall have a right of first refusal to purchase any publiclyassisted housing development under this section. After the expiration of the 90 day period following receipt of notice pursuant to subsection (c) of section 2, but not later than the 360 days after the date of receipt of such notice, the owner may execute a purchase contract with a third party to sell the publicly-assisted housing development if the owner complies with this section. After 360 days from the date of receipt of such notice, the owner shall again be subject to the notice provision of subsection (c) of section 2.

209 (b) Upon execution of a third party purchase contract, the owner shall, within 7 days, 210 submit a copy of the contract to the department and CEDAC, along with a proposed purchase 211 contract for execution by the department. The department shall, within 30 days after receipt of 212 the third party purchase contract and the proposed purchase contract, execute the proposed 213 purchase contract or such other agreement as is acceptable to the owner and the department. The 214 time periods set forth in this subsection may be extended by agreement between the owner and 215 the department. The proposed purchase contract shall contain the same terms and conditions as 216 the executed third party purchase contract, except that the proposed purchase contract shall 217 provide at least the following terms: (i) the earnest money deposit shall not exceed the lesser of: 218 (1) the deposit in the third party purchase contract; (2) 2 per cent of the sales price; or (3) 219 \$250,000; provided, however, that the earnest money deposit shall be held under commercially-220 reasonable terms by an escrow agent selected jointly by the owner and the department; (ii) the 221 earnest money deposit shall be nonrefundable unless the owner fails to perform its obligations 222 with due diligence for a period of not less than 90 days from the date of execution of the 223 purchase contract or such greater period as provided for in the third party purchase contract; and 224 (iii) the time for performance shall be not less than 240 days from the date of the execution of the 225 purchase contract or such greater period as provided for in the third party purchase contract.

(c) If the department fails to execute the proposed purchase contract within 30 days or
such other period as provided in subsection (b), the owner shall have 24 months from the last day
on which the department was entitled to execute the proposed purchase contract in which to
complete the sale of the owner's publicly-assisted housing development to a third party, except
as provided in subsection (e). Upon the expiration of the 24-month period, the owner shall again
be subject to subsection (c) of section 2, section 3 and this section.

232 (d) If the department executes the proposed purchase contract as provided in subsection 233 (b) but fails to perform as provided in the executed purchase contract, the owner shall have 24 234 months from the date on which the proposed purchase contract terminated in which to complete 235 the sale of the owner's publicly-assisted housing development to a third party on economic terms 236 and conditions that are not materially more favorable to the proposed purchaser than the 237 economic terms and conditions in the proposed purchase contract offered to the department. 238 Upon the expiration of the 24-month period, the owner shall again be subject to subsection (c) of 239 section 2, section 3 and this section.

240 (e) The department may make a counteroffer by executing and submitting to the owner 241 an amended proposed purchase contract. The owner shall have 30 days from the date it receives 242 the amended proposed purchase contract to execute the amended proposed purchase contract or 243 reject, in writing, the counteroffer. If the owner rejects the counteroffer, it shall have 24 months 244 from the date on which the owner rejects the department's counteroffer to complete the sale of 245 the owner's publicly-assisted housing development to a third party; provided, however, that if 246 such sale is: (i) upon economic terms and conditions that are materially more favorable to the 247 proposed purchaser than the economic terms and conditions in the proposed purchase contract 248 offered to the department; or (ii) upon terms that are substantially the same as were offered by 249 the department in the counteroffer, the owner shall provide a copy of the new third party 250 purchase contract, along with a proposed purchase contract for execution by the department 251 which shall contain the same terms and conditions as the executed third party purchase contract, 252 and the department shall have 30 days from the date it receives the third party purchase contract 253 and the proposed purchase contract to execute the proposed purchase contract or such other 254 agreement as is acceptable to the owner and the department.

(f) The owner shall, not later than 7 days after the execution of the proposed purchase contract or such other agreement acceptable to the owner and the department, provide the department with a copy of any new or amended purchase contract executed with respect to the property during the 24-month period set forth in subsections (c) to (e), inclusive, and shall, not later than 7 days after the recording or filing thereof, provide the department with a copy of any deed or other document transferring the owner's interest in the publicly-assisted housing development.

(g) Any submission to the department of a third party purchase contract, amended third party purchase contract, deed or other document transferring the owner's interest in the publiclyassisted housing development shall include a certification by the owner and, with respect to a document executed by the third party buyer, a certification by the third party buyer, that the document is accurate and complete and that there are no other agreements between the owner and the third party buyer, or an affiliate of either of them, with respect to the sale of the publiclyassisted housing development.

269 Section 5. An affected municipality shall not be subject to section 16 of chapter 30B.

Section 6. (a) Sections 3 and 4 shall not apply to any of the following: (i) a government taking by eminent domain or a negotiated purchase in lieu of eminent domain; (ii) a forced sale pursuant to a foreclosure; (iii) a deed-in-lieu-of foreclosure; (iv) a proposed sale that, as determined by the department, is to a purchaser pursuant to terms and conditions that preserve affordability; (v) a proposed sale of a publicly-assisted development which the department has determined has section 8 contracts for all of the units in the development and the buyer has agreed, in a regulatory agreement, to renew that project-based section 8 assistance, or assistance

under any successor program for all units in the development if at the time of such renewal, such assistance is available to the owner on economic terms and conditions that are comparable to the existing assistance contract; (vi) a proposed sale of a publicly-assisted development to an affiliate of the owner that is not a termination as determined by the department; and (vii) a proposed sale pursuant to an agreement in effect on the effective date of this chapter.

(b) An owner seeking an exemption under clause (iv), (v) or (vi) of subsection (a) shall include the name and address of any tenant organization in the request and shall provide a copy of its request to the chief executive officer of the affected municipality, CEDAC, the local legal services organization as designated by the department and the tenant organization at the time it files its exemption request with the department. The department shall provide a copy of its written determination under said clauses (iv), (v) or (vi) of said subsection (a) to the owner, CEDAC, the local legal services organization and the tenant organization.

289 Section 7. For 3 years after termination, the rent for a protected low-income tenant who 290 does not receive an enhanced section 8 voucher shall not be increased more than once annually 291 by the increase in the consumer price index applicable to the area in which the publicly-assisted 292 housing development is located during the preceding 12 months, plus 3 per cent. This section 293 shall not apply to a low-income tenant who: (i) is income eligible for an enhanced section 8 294 voucher but does not obtain such a voucher solely due to some action or inaction of the tenant on 295 or after the date that the tenant is eligible to apply for the enhanced section 8 voucher; or (ii) 296 would be eligible for an enhanced section 8 voucher if this section were not in effect. For a 297 period of 3 years after termination, a protected low-income tenant shall not be evicted or 298 involuntarily displaced from the tenant's apartment except for good cause related to tenant fault.

Section 8. A purchase by the department or by its designee pursuant to this chapter shall be subject to a regulatory agreement. A regulatory agreement shall not contain any terms that would preclude an owner or buyer from participating in, or diminishing the benefits that an owner would otherwise receive by participating in, the United States Department of Housing and Urban Development's Mark Up to Market Program.

304 Section 9. If an owner complied with sections 2 and 3 but a purchase by the department 305 did not occur after such compliance or such owner completed a sale pursuant to section 4, such 306 owner may apply to the department for a certificate of compliance by submitting a written 307 request for the certificate in a form and with such documentation as required by the department 308 to establish the owner's compliance to the satisfaction of the department. When an owner 309 submits such an application to the department, the owner shall provide a copy of the request to 310 CEDAC and the chief executive officer of the affected municipality. The owner shall also 311 provide a copy of the owner's request to a tenant of the publicly-assisted housing upon request. 312 The department shall issue the certificate of compliance within 30 days after receipt of the 313 application if it determines that the owner has complied with said sections 2 and 3. The 314 certificate of compliance shall be filed with the registry of deeds within 1 year after the date of 315 issuance.

316 SECTION 2. Within 45 days after the effective date of this act, the department of 317 housing and community development shall establish a 13-member advisory committee to 318 provide advice and recommendations to the department regarding regulations to implement this 319 act. That committee shall consist of: the undersecretary of the department or his designee; the 320 executive director of the Community Economic Development Assistance Corporation; 1 member 321 selected by the Massachusetts Mayors Association; 1 member selected by the Massachusetts

322 Municipal Association; 1 member selected by Citizens Housing and Planning Association; 1 323 member selected by the Greater Boston Real Estate Board; 1 member selected by the Real Estate 324 Bar Association for Massachusetts; 1 member selected by the Massachusetts Association of 325 Community Development Corp.; 1 member selected by the Massachusetts Legal Assistance 326 Corporation; 1 member affiliated with the Affordable Housing Preservation Initiative of the 327 Local Initiatives Support Corporation; 1 member selected by the Massachusetts Chapter of the 328 National Association of Housing and Redevelopment Officials; and 2 members chosen by the 329 department. The department shall promulgate regulations to effectuate the purposes and 330 implement chapter 40T of the General Laws not later than 150 days after the effective date of 331 this act.

332 SECTION 3. For the purposes of sections 3 and 4 of chapter 40T of the General Laws, 333 housing that qualified as publicly-assisted housing under any of the programs described in the 334 definition of "publicly-assisted housing" in section 1 of said chapter 40T that was not then 335 subject to a purchase contract in existence on the effective date of this act shall be subject to said 336 chapter 40T for 4 years after the date of the last event or occurrence that constituted a 337 termination.

338 SECTION 4. Notwithstanding subsection (a) of section 2 of chapter 40T of the General 339 Laws, an owner of publicly-assisted housing who, on the effective date of this act, has less than 2 340 years remaining prior to the date when the affordability restriction will cease to apply to such 341 property, shall not be required to give the 2-year notice required by said subsection (a), but shall 342 provide such notice within 90 days of the effective date of this act. Notwithstanding subsection 343 (b) of said section 2 of said chapter 40T, an owner who, on the effective date of this act has less 344 than 1 year remaining prior to a termination shall not be required to give the 12-month notice

- required by said subsection (b) of said section 2 of said chapter 40T, but shall provide such
- 346 notice within 90 days after the effective date of this act.