

SENATE No. 874

The Commonwealth of Massachusetts

PRESENTED BY:

Paul R. Feeney

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act establishing the missing-middle starter home development and home ownership program.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	
<i>Paul R. Feeney</i>	<i>Bristol and Norfolk</i>	
<i>Rebecca L. Rausch</i>	<i>Norfolk, Worcester and Middlesex</i>	<i>5/5/2023</i>

SENATE No. 874

By Mr. Feeney, a petition (accompanied by bill, Senate, No. 874) of Paul R. Feeney for legislation to establish the missing-middle starter home development and home ownership program. Housing.

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Third General Court
(2023-2024)**

An Act establishing the missing-middle starter home development and home ownership program.

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

1 The General Laws are hereby amended by inserting after chapter 40Y the following
2 chapter:-

3 Chapter 40Z. Starter Home Development Fund.

4 Section 1. (a) As used in this section, the following words shall have the following
5 meanings unless the context clearly requires otherwise:

6 “Agency”, the Massachusetts Housing Finance Agency, established under section 3 of
7 chapter 708 of the acts of 1966.

8 “Committee”, the advisory committee established under section 4

9 “Fund”, the Starter Home Development Fund established under section 2.

10 “Income-eligible homebuyer”, a household within the commonwealth with annual
11 income not less than 80 per cent that does not exceed 120 per cent of area median income.

12 “Starter Home”, as defined under section 1 of chapter 40Y.

13 Section 2. (a) There shall be established and set up on the books of the commonwealth a
14 Starter Home Development Fund, which shall be administered by the department of housing and
15 community development. The department shall enter into a contract with the Massachusetts
16 Housing Finance Agency for the administration of the fund, according to guidelines promulgated
17 by the department and in consultation with the advisory committee. The fund shall provide
18 subsidies for new construction or acquisition and substantial rehabilitation of owner-occupied
19 starter homes for the benefit of households whose incomes are between 80 per cent and 120 per
20 cent of area median income as determined by the federal Department of Housing and Urban
21 Development. The fund shall be an expendable trust fund and shall not be subject to
22 appropriation.

23 (b) There shall be credited to the fund revenue from appropriations or other monies
24 authorized by the general court and specifically designated to be credited to the fund and gifts,
25 grants, private contributions, repayment of loans, investment income earned on the fund's assets
26 and all other sources. Money remaining in the fund at the end of a fiscal year shall not revert to
27 the General Fund.

28 (c) The agency shall maintain the fund as a separate fund and shall cause it to be audited
29 by an independent accountant on an annual basis in accordance with accepted accounting
30 principles.

31 (d) The agency shall administer assistance from the fund using only the criteria set forth
32 under this chapter.

33 Section 3. (a) The fund shall finance subsidies directly to support the construction and
34 purchase of starter homes; provided, however, that such assistance shall be the minimum amount
35 necessary to make a project feasible.

36 (b) The total amount of subsidies shall not exceed 35 per cent of eligible development
37 costs, as determined by the agency.

38 (1) The agency may provide a direct subsidy to a developer of a starter home, which shall
39 not exceed the difference between the cost of development and the market value of the home as
40 completed.

41 (2) Of any remaining amounts available for the project after the developer subsidy, the
42 agency may provide a subsidy for the benefit of the homebuyer to reduce the cost of purchasing
43 the home; provided, however, that: (i) the agency includes conditions in the subsidy or uses
44 another legal mechanism to ensure that, to the extent the home value has risen, the amount of the
45 subsidy remains with the home to offset the cost to future homebuyers; or (ii) the subsidy is
46 subject to a housing subsidy covenant that preserves the affordability of the home for a period of
47 not less than 99 years.

48 (c) The agency shall allocate not less than 33 per cent of the funds available through the
49 program to projects that include a housing subsidy covenant consistent with clause (ii) of
50 paragraph (2) of subsection (b).

51 (d) The agency shall adopt a program plan that establishes application and selection
52 criteria, including: (i) project location; (ii) geographic distribution; (iii) leveraging of other
53 programs; (iv) housing market needs; (v) project characteristics, including whether the project
54 includes the use of existing housing as part of a community revitalization plan; (vi) construction
55 standards, including considerations for size; (vii) priority for plans with deeper affordability and
56 longer duration of affordability requirements; (viii) sponsor characteristics; (ix) energy efficiency
57 of the development; (x) historic nature of the project; (xi) projects which seek to address and
58 overcome historic, systemic inequities in the housing lending system in communities of color.
59 Priority consideration shall be given for projects sited and developed in a starter home zoning
60 district as defined in section 1 of Chapter 40Y.

61 Section 4. (a) There shall be an advisory committee to the fund, which shall make policy
62 recommendations to the agency and to the department of housing and community development
63 regarding the fund's program and funding activities.

64 (b) The committee shall be comprised of: the director of the department of housing and
65 community development or a designee; the executive director of the Massachusetts Housing
66 Partnership Fund or a designee; the executive director of the Community Economic
67 Development Assistance Corporation or a designee; 2 municipal officials appointed by the
68 Massachusetts Municipal Association, Inc., 1 of whom shall be from a city and 1 of whom shall
69 be from a town; 1 lender experienced in the financing of starter homes and 1 for-profit developer
70 of starter homes, each appointed by the agency; an executive director of a local housing authority
71 appointed by the Massachusetts chapter of the National Association of Housing and
72 Redevelopment Officials; a representative appointed by the Home Builders and Remodelers
73 Association of Massachusetts, Inc.; a representative appointed by One Family Inc.; a

74 representative appointed by the Massachusetts Affordable Housing Alliance, Inc.; a
75 representative appointed by the Massachusetts Association of Community Development
76 Corporations; and a representative appointed by the Massachusetts Nonprofit Housing
77 Association, Inc. Committee members shall serve at the pleasure of the appointing authorities.

78 Section 5. The Massachusetts Housing Finance Agency shall, as part of its annual report
79 pursuant to section 14 of chapter 708 of the acts of 1966, detail all expenditures from the fund,
80 including, but not limited to, the recipient of the funds, the cost of administration and the number
81 of units constructed, acquired and rehabilitated.