



Domick Pangallo
Mayor

Tom Daniel
Director, DPCD

CITY OF SALEM

Housing Rehabilitation Loan Program for Investor-Owned Properties

The City of Salem's Housing Rehabilitation Loan Program for Investor-Owned Properties is offered through the Department of Planning and Community Development (DPCD), as part of the Mayor's goal to improve the quality and safety of Salem's rental housing. The program provides assistance for moderate rehabilitation projects to eliminate existing or potential health and safety hazards, to carry out handicapped access improvements and to undertake limited historic preservation as described on Page 2.

What Type of Assistance Is Available?

The Housing Rehabilitation Loan Program provides technical and financial assistance.

- Technical Assistance is in the form of an initial housing inspection and work write-up that is used to solicit bids from qualified contractors.
- Financial Assistance is offered in the form of a fixed rate fully amortized loan with a term of up to 15 years. Any remaining principal is due in full upon sale or transfer of the property prior to the end of the loan term. Loans are based on the low bid for work specified in the Work Write-Up and are capped at \$15,000 per unit and up to a maximum loan amount of \$70,000. Owners are responsible for providing remaining funds needed to bring the common areas and assisted units up to minimum Housing Quality Standards, MA Building Code, and MA Sanitary Code at the time of project completion (these standards and codes will be used to determine total project cost). Interest rates available are:
 - For loans where there is no owner contribution or bank financing, the loan interest rate is the Federal Reserve Prime Rate posted in the Wall Street Journal¹.
 - For loans where the owner will contribute cash and/or bank financing which will cover a minimum of 33% of the total project cost, the loan interest rate is one half of the Federal Reserve Prime Rate posted in the Wall Street Journal.
 - For loans where the owner will contribute cash and/or bank financing which will cover a minimum of 66% of the total project cost, the loan interest rate is 0%.

Note: The contractor's agreement will reflect the entire project cost and specify the amount of funds being contributed from each source. Prior to the expenditure of the program's funds, documentation that the owner's contribution and/or bank loan funds have been spent must be submitted, and an inspection of the property to determine that the related improvements have been completed must be undertaken.

What Are The Applicant, Tenant And Property Eligibility Requirements?

- Property must be an existing permanent 1 to 7 unit residential building located in Salem and used for rental purposes. New construction is not eligible.
- All owners on the property deed must be named as loan applicants and all owners must designate one deed holder as an authorized signatory for program documents. Any owner(s) who has previously defaulted on any City of Salem loan or agreement will cause the application to be ineligible.
- At least 51% of the property's units must be occupied by households that meet the Household Income Limits below (in a two-unit structure, at least one of the units must income qualify). If the property meets this requirement, repairs can only be done in the income-qualifying units and the structure's common areas.
- Applicant must be up to date and in good standing on loans relating to the subject property and any other properties owned. Applicants will have to qualify for a mortgage based on common underwriting standards and have sufficient cash flow to meet all mortgage debt on the property.
- Real estate taxes and water/sewer payments must be current for all applicant-owned Salem properties.
- The total of all loan debt on the property (i.e. existing primary mortgage plus estimated amount of the rehabilitation loan) must not exceed 95% of the property's post-rehab value. Post-rehab property value will be based on the City's current property assessment or a recent independent appraisal, along with the estimated cost of improvements being undertaken that would bring the property up to reflect the value of standard property in the neighborhood. The post-rehab value of the property must not exceed the Property Maximum Value Limits below.

¹ The Federal Prime Rate posted in the Wall Street Journal as of 8/28/23 is 8.50%

All limits below are set and updated annually by the U.S. Dept. of Housing and Urban Development (HUD).

Property Maximum Value Limits (effective July 1, 2023)				
Property Type	1-Family	2-Family	3-Family	4-Family
Max Value	\$537,000	\$687,000	\$832,000	\$1,031,000
Note: For properties of 5, 6 or 7 units, please contact the DPCD.				

Tenant Household Income Limits Effective as of June 15, 2023								
Household	1	2	3	4	5	6	7	8
Max Income	\$82,950	\$94,800	\$106,650	\$118,450	\$127,950	\$137,450	\$146,900	\$156,400

Rent Limits (effective June 15, 2023)					
Bedrooms	SRO	1BR	2BR	3BR	4BR
Max Rent	\$2,025	\$2,198	\$2,635	\$3,207	\$3,540
Note: Rent limits include utility allowance for certain tenant paid utilities - ask DPCD staff for details.					

What Are The Program Requirements?

- Assisted rental units will be subject to an Affordable Housing Restriction (AHR) that restricts the income level of tenants and rent limits (see above) for 15 years. Assisted rental units that are currently vacant or units that become vacant after the rehabilitation project is completed are also subject to the AHR. Lease/rental agreements between the landlord and tenant must have a minimum one-year term. Monitoring of rents will be conducted by the City of Salem annually.
- If the property is located in a Flood Hazard Area, you will be required to purchase flood insurance, as required by the National Flood Insurance Act of 1968.
- All dwellings rehabilitated with federal funds must comply with all statutory requirement of the CDBG and/or HOME Programs, with HUD Lead Based Paint Provisions and the Massachusetts Lead Law. Applicants must comply with all Federal, State and local regulations pertaining to Fair Housing and Equal Opportunity, as well as comply with all other local, State and Federal regulations, which may include the Uniform Relocation Act, affirmative marketing, environmental review, labor standards, conflict of interest provisions, and refusal to use federally debarred or suspended contractors as well as other regulations not listed here. Properties located with the jurisdiction of the Salem Historical Commission, Conservation Commission and/or Salem Redevelopment Authority may require review for exterior improvements.
- For 5 to 7 unit properties, certain rehabilitation work may necessitate that one (1) of the units be made handicapped accessible.
- No household can be permanently, involuntarily displaced as a result of the project.
- Tenants may need to be temporarily relocated due to the rehabilitation work. Relocation arrangements can be made by DPCD staff and the cost added to the loan amount.

What Rehabilitation Work Is Eligible?

Funds are used to pay contractors for rehabilitation work to:

- Correct all code violations and meet Federal Housing Quality Standards.
- Eliminate serious or potential hazards to health and safety.
- Provide for handicapped accessibility.
- Undertake limited historic preservation, such as restoring missing historic features or removal of non-historic features. Assistance through this program for historic preservation work can only be undertaken when it is in addition to health and safety code correction work and when the total project cost will not exceed established limits.
- Remove lead hazards, including the cost of deleading, lead reports and inspections. To maximize program funds, the City requires all properties with lead hazards to apply for and use ***MassHousing Get the Lead Out***, whenever applicable and available, prior to proceeding with the Housing Rehabilitation Loan Program. DPCD staff will work with participants in coordinating the two programs. Please note that tenants may need to be temporarily relocated during deleading work, the cost of which is added to the loan amount.

Work completed prior to execution of the program loan documents is **not** eligible. Housing units must meet minimum Federal Housing Quality Standards, Building Code and the Massachusetts Sanitary Code at the time of project completion.

How Do I Apply?

Interested landlords must submit a completed Loan Program Application along with all the required documentation listed on the Loan Program Checklist. Applications are processed in the order they are received. The timeframe to process your application depends on the number of applications received and the funds available. After initial application review, additional information may be requested.

If there is a waiting list at the time that you apply for assistance, the information provided on the application will be used to preliminarily qualify you for the program. If determined eligible for assistance, pre-qualified applicants will receive written notification of their eligibility and placement on the waiting list. Priority placement on the waiting list will be given to properties located in one of Salem's HUD-designated Low-Moderate Income areas. Priority placement on the waiting list will be given to properties in which a child has tested positive for lead based paint poisoning. Once the application has reached the top of the waiting list, you will be notified by mail and asked to provide updated information and tenant income documentation to verify eligibility.

What is the Process After I Am Accepted?

The DPCD's Housing Rehabilitation Specialist will contact you to schedule a time to inspect your property. Based on the inspection, a Work Write-Up will be generated for your approval. DPCD staff will send the approved Work Write-Up to qualified licensed contractors to obtain bids for the work. From the bids received, the owner will select a contractor. However, if the lowest bidder is not selected, the owner must pay the difference between the selected bid and the lowest bid. Once a contractor has been selected, a date will be set for you to execute the loan documents with the City as well as an Agreement between you and the contractor. After contracts are signed, the work may begin. The Work Write-Up, bidding process, and loan signing takes a minimum of 4 weeks - longer if the Work Write-Up requires revisions or if there are other unforeseen delays.

How are Funds Disbursed?

Disbursement of loan funds shall be in accordance with a schedule agreed upon by DPCD, the applicant, and the contractor. All work invoiced by the Contractor must be inspected by DPCD prior to payment. The DPCD reserves the right to withhold payment for work not completed in accordance with the Work Write-Up.

When do repayments begin?

Repayments begin either 90 days from the start of the project or 30 days after project completion whichever is earlier.

If you would like further information or would like to apply, please contact the DPCD.

Contact Information:

City of Salem
Department of Planning and Community Development
98 Washington Street, 2nd Floor
Salem, MA 01970
(978) 619-5685

Para información en español, favor de llamar 978-619-5685.

The City of Salem reserves the right to make changes in the policies and procedures of its Housing Rehabilitation Loan Programs as deemed necessary. Please check with DPCD staff for the latest information.



This program does not discriminate on the basis of race, color, national origin, gender or gender identity, age, religion, ancestry, marital status, veteran history/military status, genetic information, familial status, sexual orientation, disability or status with regard to public assistance. This program is funded through the U. S. Department of Housing and Urban Development utilizing Community Development Block Grant (CDBG) and HOME funds.

