paying for the cost of shelter. In the event of the unavailability of such housing subsidy programs at any time while this Agreement is in effect, Owner will make every reasonable effort to fulfill the Agency's statutory requirement that 20% of the units be available to low income persons and families at rents not exceeding 25% of their annual income, by upward adjustment of rentals for the units occupied by other than low income persons or any other

REGULATORY AGREEMENT

Date: October 30, 1998

Owner's Name and Address: GR-Cedar Glen Limited Partnership

Name and Location of Project: Cedar Glen, Reading, MA

Owner's Equity: $454,813

AGREEMENT between Owner and Massachusetts Housing Finance Agency (the "Agency"), a body politic and corporate, organized and operated under the provisions of Chapter 708 of the Acts of 1966, of the Commonwealth of Massachusetts as amended (the "Act").

IN CONSIDERATION of the assumption by the Owner of a first mortgage loan more fully described in the Release, Assumption and Modification Agreement (said Release, Assumption and Modification Agreement being referred to herein as the "Assumption Agreement," and said mortgage referred to therein being referred to herein as the "Mortgage") of even date herewith, the Owner covenants and agrees that in connection with ownership and operation of the Development it will comply, and will require any purchaser of the Property to comply, with the following:

1.

a) Rentals in the Development shall be in accordance with the Rental Schedule approved by the Agency. Any change in said schedule shall require the Agency's prior written approval, and if necessary, the prior written approval pursuant to the Subsidy Documents (as defined herein). Notwithstanding any rental increases pursuant to the immediately preceding sentence, not less than 20% of the units shall be rented at all times to low-income persons or families at or below the "actual rentals" which are shown on said schedule. In fulfilling this requirement the Owner will accept referrals of tenants from the Public Housing Authority in the city or town in which the Development is located, and will not unreasonably refuse occupancy to any prospective tenants so referred. Owner further agrees to utilize the Section 8 Rental Assistance Payments Programs in complying with the requirement that 20% of the units shall be rented at all times to low-income persons or families. In the event of the unavailability to the Development at any time while this Agreement is in effect of any of the Section 8 Programs, Owner will use best efforts to secure assistance under any other presently or subsequently enacted federal or state program under which low income persons may be eligible for public assistance in

under the provisions of any one shall be deemed a default under each of the others. Said documents collectively shall be known as the "Contract Documents". The terms "Property" and "Project" are defined in the Mortgage. The terms "Property" and "Development" are as defined in the Mortgage.

4. The Owner shall comply with the Owner's Tenant Selection Plan and the Tenant Selection Regulations as approved by the Agency from time to time. Said regulations are hereby made a part of this Agreement and are attached hereto as Appendix A. As between applicants equally in need and eligible for occupancy, preference shall be given in the leasing of units to applicants displaced by: a) public action; b) natural disaster; or c) reason of domestic violence in accordance with the terms of the Agency's Tenant Selection Regulations, or otherwise in accordance with statutory requirements and the Tenant Selection Plan, as approved. There shall be no discrimination on the selection of tenants by reason of the fact that there are children in the family of the applicant except as otherwise permitted by Massachusetts General Laws Chapter 151B, Section 4.

5. There shall be no discrimination upon the basis of race, creed, color, religion, disability, sex, sexual orientation, national origin, age or familial status in the lease, use, or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development. An Affirmative Action Plan with regard to advertising for, hiring and promoting employees of the Owner or of the management company hired by the Owner must be approved by the Agency. Contracts for services and goods will be subject to such Affirmative Action Plan.

6. All records, accounts, books, tenant lists, applications, waiting lists, documents, and contracts relating to the Development shall at all times be kept separate and identifiable from any other business of the Owner which is unrelated to the Development, and shall be maintained, as required by regulations issued by the Agency from time to time, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Agency. Failure to keep such books and accounts and/or make them available to the Agency will be a default under the terms of the Mortgage.

7. The Owner has established a reserve fund for replacements (the "Replacement Reserve") in an escrow account controlled by the Agency in an amount per month specified above. It is agreed by the Owner that the Replacement Reserve amount specified above shall be adjusted each year by the amount of the automatic annual adjustment factor published by the United States Department of Housing and Urban Development in the Federal Register. The interest earned on the account shall remain in the Replacement Reserve for the benefit of the Development. Disbursements from such fund, whether for the purpose of effecting replacement of structural elements or mechanical

equipment, may be made only after receiving the prior consent in writing of the Agency, which consent will not be withheld unreasonably. The Agency agrees that during the term of the Mortgage and until the Mortgage has been repaid in full, all development reserves, escrows and accounts will be the sole property of the Owner, but shall be subject to the Contract Documents, Agency rules, regulations, controls and escrow arrangements; provided, however, that, notwithstanding the foregoing, the Owner shall have the sole right to manage the escrows and accounts and to invest in U.S. Treasury obligations or any other investments approved by the Agency. In the event of a default in the terms of the Mortgage whereby repayment of the loan is accelerated, the Agency may apply or authorize the application of the balance in such fund to the amount due on the Mortgage Debt as accelerated. In the event of prepayment in full of the Mortgage Note pursuant to the provisions thereof and of the Mortgage, all Agency controls on the funds held in the Replacement Reserve shall terminate, and the balance in such funds shall belong to the Owner.

8. Owner shall establish a Distribution Account, in accordance with the following requirements:

a) Only such Development income from rents or other sources may be allocated to the Distribution Account as may remain after, and any amounts in the Distribution Account shall always be available for, in the following order of priority: (i) payment of or adequate reserve for all sums due or currently required to be paid under the terms of the Mortgage and the Mortgage Note; (ii) payment of or adequate reserve for all current obligations of the Development other than the mortgage loan, including escrows for real estate taxes and insurance; (iii) deposit of all amounts required to be deposited in the Replacement Reserve; and (iv) payments of operating expense loans, capital improvements loans and other loans from the Distribution Account by the managers or members of the Owner for Development expenses, provided that the Owner shall have obtained prior Agency approval, which approval shall not be unreasonably withheld, for such loans and shall have supplied the Agency with such evidence as the Agency may reasonably request as to the application of the proceeds of such loans to Development expenses. The Agency acknowledges that all such loans shall bear interest at the prime rate of BankBoston, N.A. plus two percentage points with interest being payable monthly and principal payable from available cash flow from time to time. Distribution may be made from the Distribution Account on a quarterly basis when all currently payable obligations of the Owner as identified in subsections (i), (ii), (iii) and (iv) above are paid as evidenced by a certificate provided by an independent accountant indicating that no such obligations are more than thirty days past due.

b) No additional amount shall be allocated to the Distribution Account, and no amount shall be paid out of said account, when a default for which notice has been issued exists under the Contract Documents, or when there has been failure to

comply with the Agency's notice of any reasonable requirement for proper maintenance of the Development, or when there is outstanding against all or any part of the Development any lien or security interest on the Development assets other than the Mortgage unless provided for to the Agency's reasonable satisfaction by insurance, reserve, or in a similar manner. No amount shall be allocated to the Distribution Account which constitutes or is derived from the borrowed funds or from the sale of capital assets, except with the prior written authorization of the Agency.

c) Subject to the provisions set forth above, distributions to the Owner may be made from the Distribution Account, provided that no distribution for any fiscal year may exceed that percentage of the Owner's Equity in the Development which from time to time is permitted under the Act, and which, at the time of execution hereof, is ten percent (10%). The ten percent (10%) standard shall apply throughout the term of the Mortgage, except that if the Agency establishes a higher rate at a later date, the Agency will consider the Owner's request for a higher distribution. Distributions shall be permitted with respect to each fiscal year that the Mortgage is outstanding, but not before all current and owed-to-date Development expenses have been paid and reserves, then due or owing, have been funded. In the event that distributions are not made in any succeeding year to the maximum percentage permitted by law at the time with respect to such year, then in that event, but subject to the provisions of subsections (a) through (c), such deficiency may be paid, without interest out of amounts in the Distribution Account which have been accumulated over any three preceding or succeeding years. If, however, in the three years preceding the fiscal year date of this Agreement, there have been accrued but undistributed distributions not paid out at the allowable maximum, then, in that event, the Owner is authorized to withdraw distributions up to the allowable maximum for each of the three preceding years. In addition, the Owner is eligible to receive the maximum distributions allowable this year or the two succeeding years, notwithstanding the withdrawal of the allowable maximum for the three preceding years, in any event subject to subsections (a) through (c) as aforesaid. Distribution may in no case be made from the Excess Rental Account established pursuant to paragraph 9 hereof Distributions may be made only after all deposits required pursuant to Paragraph 8(a) have been made.

d) The amount of the Owner's Equity set forth on the first page of this Agreement shall be as described in Section 5(d) of the Act and as otherwise described in the Section 8 Program Guidelines adopted by the Agency members on August 4, 1992. Said Section 5(d) and said Section 8 Program Guidelines are incorporated herein by reference.

9. All rentals, if any, received by the Owner in excess of the below-market rentals established for each affordable unit and not necessary for Development operations shall be deposited in an Excess Rental Account. Funds from this

Account may be applied pursuant to written Agency approval to reduce rentals so as to make more units available to low income persons and families.

10. Occupancy shall be permitted only upon execution of a residency agreement in a form satisfactory to the Agency. All residency agreements shall be expressly subordinated to the Mortgage, and shall contain clauses, among others, wherein each individual resident of units rented at Adjusted Rentals:

a) certifies the accuracy of the statements made in the application and income survey;

b) agrees that the family income, family composition and other eligibility requirements shall be deemed substantial and material obligations of his occupancy; that he will comply promptly with all requests for information with respect thereto from the Owner or the Agency, and that his failure or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of his occupancy;

c) agrees that at such time as the Owner or Agency may direct, he will furnish to the Owner certification of then current family income, with such documentation as the Agency shall require; and

d) agrees to such charges as the Agency has previously approved for any facilities and/or services which may be furnished by the Owner or others to such resident upon his request, in addition to the facilities and services included in the approved Rental Schedule.

11. The Owner shall not without the prior written approval of the Agency, which approval will not unreasonably be withheld, and the approval of any other governmental authority whose jurisdiction includes regulation of the Owner, nor contrary to Agency law effective at the time in question:

a) convey, transfer, or encumber any of the Development including the grant of commercial leases, or permit the conveyance, transfer or encumbrance of such property (except for residency agreements) except as provided in the Mortgage;

b) assign, transfer, dispose of, or encumber any personal property of the Development, including rents, or pay out any funds other than: (i) distributions with respect to equity expressly permitted under Paragraph 8; (ii) reasonable operating expenses and necessary repairs; and (iii) repayment of loans which the Owner makes to the Development at such rates specified in Paragraph 8(a) herein, provided,

however, that the Owner is expressly permitted to assign, transfer, dispose of or encumber any tangible personal property to be replaced by or with other items of personal property of like quality and value, and free of superior title, liens and claims;

c) convey, assign, transfer, or permit the surrender or relinquishment of 25% or more of the limited membership interests to any new member or any right to manage or receive the rents and profits of the Development, except with the Agency's prior written approval, and unless the transferees or assignees of the members assume the obligations of the Contract Documents by an instrument in writing satisfactory to the Agency;

d) substantially remodel, add to, reconstruct, or demolish any part of the Development or substantially subtract from any real or personal property of the Development;

e) permit the use of the dwelling accommodations of the Development for any purpose except residences or permit commercial use greater than that originally approved by the Agency, if any;

f) incur any liability direct or contingent, out of the ordinary course of business in developing and operating a low and middle income assisted living residential development;

g) except as stated expressly in the Contract Documents or otherwise approved by the Agency in writing, pay any compensation or make any distribution of income or other assets to any of the owners of shares of stock or of beneficial interest;

h) enter into any management contract other than as approved by the Agency; or

i) modify or amend the Owner's operating agreement, or other governing instrument or instruments, except as permitted by the Contract Documents.

12. The Owner shall provide for the management of the Development in a manner reasonably satisfactory to the Agency. Any management contract entered into by the Owner shall contain a provision that it shall be subject to termination, without penalty and with or without cause, upon thirty (30) days notice by the Owner if such termination is requested by the Agency and be terminable immediately by the Agency if the Owner fails to implement such request by the Agency. Upon receipt of such request or notice of termination, the Owner shall immediately make arrangements reasonably satisfactory to the Agency for continuing proper management of the Development. Any event of default

under the Contract Documents shall be cause for termination of the management contract by the Agency. The Owner, with the approval of the Agency, may retain the terminated management company for up to thirty days while a replacement management company is being selected. In the event that, subsequent to thirty (30) days after the termination of the management contract by the Owner (whether or not such termination is pursuant to the provisions of this section), the Owner has not made arrangements reasonably satisfactory to the Agency for continuing proper management of the Development, the Agency shall have the right to designate a management agent for the Development.

13. Payment for services, supplies, or materials shall not exceed the amount ordinarily and reasonably paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.

14. Within the ninety (90) days following the end of each fiscal year of the Development, the Agency shall be furnished with a complete annual financial report for the Development based upon an examination of the books and records of the Owner containing a detailed, itemized statement of all income and expenditures, prepared and certified by a Certified Public Accountant in accordance with the reasonable requirements of the Agency which include: (i) the income statement submitted on an Agency form; and (ii) the financial report on an accrual basis and in conformity with generally accepted accounting principles applied on a consistent basis. A duly authorized agent of the Owner must approve such submission in writing.

15. At the request of the Agency, the Owner shall furnish quarterly financial statements and occupancy reports and shall give specific answers to questions upon which information is reasonably desired from time to time relative to the ownership and operation of the Development.

16. a) All rents and other receipts of the Development shall be deposited in the name of the Owner or a nominee for the Owner in a bank or banks, whose deposits are insured by the F.D.I.C. The Agency shall at all times be advised of the names of the accounts and the names of the banks. Such funds shall be withdrawn only in accordance with the provisions of this Agreement. Any person receiving funds of the Development other than as permitted by the Contract Documents shall immediately deposit such funds in a Development bank account, and failing to do so in violation of this Agreement, shall hold such funds in trust for the Development.

b) The General Partner or the Managing Member, as the case may be, and the Managing Agent shall be responsible and account for any and all disbursements made from rents and receipts from the operation of the Development, and failure to account for any cash disbursements used for any purpose not permitted by the Contract Documents shall make the General Partner or the Managing Member, as the case may be, and the

Managing Agent personally liable to the extent of such unaccounted for disbursements. Development income may be used only for the purposes specified in Section 8(a)(i)-(iv) and 8(c).

17. There shall be full compliance with the provisions of all state or local laws prohibiting discrimination in housing on the basis of race, creed, color, religion, disability, sex, sexual orientation, national origin, age, or familial status, and providing for nondiscrimination and equal opportunity in housing. Failure or refusal to comply with any such provisions shall be a proper basis for the Agency to take any corrective action it may deem necessary including, but not limited to, the rejection of future applications for mortgage loans and the refusal to enter into future contracts of any kind with which the Owner or its shareholders, trustees, or beneficiaries are identified.

18. This Agreement shall bind, and the benefits shall inure to, respectively, the Owner and its successors and assigns, and the Agency and its successors and assigns, so long as the Mortgage continues in effect, whether or not the Agency shall continue to be the holder of the Mortgage; provided, however, that this Agreement shall become a nullity upon payment and discharge of the Mortgage.

19. The Owner warrants that it has not, and will not, execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict therewith.

20. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.

21. Notices shall be deemed delivered when mailed by registered or certified mail, return receipt requested, to the Owner at the above-referred-to address, with copies to Grove Operating, L.P., 598 Asylum Avenue, Hartford, Connecticut 06105, Attn: Joseph R. LaBrosse, Treasurer, and to the Agency at One Beacon Street, Boston, Massachusetts 02108, Attn: General Counsel, or to such other place as a party may designate in writing.

22. No amendments will be made to the Owner's Partnership Agreement or Operating Agreement, as the case may be, which would affect the Agency's rights under any of the Contract Documents without the Agency's prior written approval, (ii) in the event of retirement, death or insanity of a general partner or member, as the case may be, the business will be continued by the remaining general partners or members, and (iii) no general partner or member, as the case may be, will voluntarily withdraw from the partnership or limited liability company, without the Agency's prior written approval.

Following completion of the Development, approval of the withdrawal of a general partner or member, as the case may be, will not be unreasonably withheld if there are one or more remaining or substitute general partners or members who, in the Agency's reasonable opinion, are capable and competent to cause the Owner to have the capacity to effectively own and operate the Development.

IN WITNESS WHEREOF, the parties have caused these present to be signed and sealed by their respective, duly authorized representatives, as of the day and year first written above.

OWNER:

GR-Cedar Glen Limited Partnership

By GPT-Cedar Glen, LLC
Its General Partner

By Grove Operating, L.P.
Its Managing Member

By Grove Property Trust
Its General Partner

By _____
Name: Joseph R. LaBrosse
Title: Treasurer

MASSACHUSETTS HOUSING FINANCE AGENCY

By: _____
Wendy E. Warring, General Counsel

Attachments:
Appendix A - Tenant Selection Plan

COMMONWEALTH OF MASSACHUSETTS)
) ss.
COUNTY OF SUFFOLK)

Then personally appeared the above-named Wendy E. Warring, General Counsel of the Massachusetts Housing Finance Agency and acknowledged the foregoing instrument to be her free act and deed and the free act and deed of said Agency.

Sworn before me on October 29, 1998.

Laurie A. Pemplli
Notary Public
My Commission Expires: 12/23/99

COMMONWEALTH OF MASSACHUSETTS)
) ss.
COUNTY OF SUFFOLK)

Then personally appeared the above-named Joseph R. LaBrosse, Treasurer of Grove Property Trust, acting as General Partner of Grove Operating, L.P., acting as Manager of GPT-Cedar Glen, LLC, acting as general partner of GR-Cedar Glen Limited Partnership, a Delaware limited partnership, and acknowledged the foregoing instrument to be his/her free act and deed, and the free act and deed of said trust, said limited partnerships and said limited liability company, before me.

Sworn before me on October 29, 1998.

Laurie A. Pemplli
Notary Public
My Commission Expires: 12/23/99

APPENDIX A

Tenant Selection Regulations of the Massachusetts Housing Finance Agency November 1997

Pursuant to section 7 of the enabling statute of the Massachusetts Housing Finance Agency ("MHFA" or "Agency"), G.L.c. 23A App., §7, the following regulations are published to govern the terms of all Tenant Selection Plans of Agency-financed projects.

I. Tenant Selection Requirements: General

If the development is receiving project-based subsidies, the tenant selection process must conform to the requirements of the applicable subsidy program. For developments receiving federal assistance (which is generally provided under any one of the programs listed in footnote 1 below),[1] Owners must comply with the applicable authorizing legislation and relevant regulations published by the Department of Housing and Urban Development in the Code of Federal Regulations, which may be further clarified by regulations published in the applicable HUD Handbook. For projects that have received an allocation of tax credits, federal guidelines and regulations issued pursuant to Section 42 of the Internal Revenue Code must be followed.

Unless federal or other subsidy requirements explicitly preempt, or are inconsistent with Agency Selection Regulations, as set forth herein, developments must comply with the Agency's Selection Regulations. As published herein, the Agency's regulations are consistent with federal requirements. Developments that receive assistance pursuant to state subsidy programs alone, including Section 13A (G.L.c, 23A app. §1-13A) and SHARP (G.L.c. 23B, §27), must conform to the Regulations published herein.

II. Agency Approval of Tenant Selection Plans

Every development must have an Agency-approved Tenant Selection Plan. Owners, or their agents, may modify Tenant Selection Plans from time to time, provided that such modifications shall be in accordance with the Agency's Tenant Selection Regulations, as they may be amended from time to time, and that such modifications shall be subject to Agency review and approval prior to implementation thereof. After approval of a Tenant Selection Plan

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[1] Federal guidelines apply to developments receiving assistance under a) the Section 8 New Construction/Substantial Rehabilitation Program; b)the Section 236 Program, d)Mortgage Insurance Programs such as the 221(d)(3) and (4) programs; e)the Rent Supplement Program; and f) the Rental Assistance Program.

is provided by the Agency pursuant to these Regulations, an Owner, or its agents, may modify its Tenant Selection Plan in accordance with these Regulations and implement such modifications prior to review and approval by the Agency, but the Agency shall have the right to review all Tenant Selection Plans upon request. Any changes made in a Tenant Selection Plan shall be prospective unless otherwise required by the Agency or applicable law.

III. Elements of the Tenant Selection Plan

Every Tenant Selection Plan must contain the elements specified herein.

A. ***Right to Apply.*** Every Plan must affirm that it is the Owner's policy not to refuse anyone the right to submit an application for housing unless the waiting list for the type of unit sought by the applicant has been closed in accordance with applicable regulations.

B. ***Statement of Non-discrimination and Affirmative Fair Marketing.*** Every Plan must make clear that housing will be provided without regard to race, color, creed, religion, sex, sexual orientation, national origin, age, familial status, or disability. The Plan must also confirm that all non-discrimination policies will apply to: (1) marketing plans; (2) accepting and processing applications; (3) selecting tenants from among eligible applicants on the waiting lists; (4) assigning units; (5) certifying and recertifying eligibility for assistance; and (6) other aspects of continued occupancy. In no event shall any Tenant Selection Plan provide for the segregation of units on the basis of the aforementioned categories, except in the case of elderly developments, as permitted by law, or when such segregation is manifestly related to the objective of the program in place.

Every plan must also explain what steps the Owner plans to take to ensure that housing is provided on an equal basis to minority applicants and applicants with disabilities, including how vacancies will be marketed and what assistance will be provided in the application process. At a minimum, marketing materials and presentations should accurately describe the housing units, application process, waiting lists and preference structure. Marketing should be in plain language and may use more than strictly English-language print media. An effort should be made to target all agencies that serve and advocate for potentially eligible applicants in protected categories.

A Tenant Selection Plan must acknowledge the Owner's responsibility to provide reasonable accommodations to people with disabilities. It is unlawful for an Owner or Management Agent to refuse to make reasonable accommodations in rules, policies, practices, or services, when such accommodations may be necessary to afford an individual with handicaps equal opportunity to use and enjoy a dwelling unit, including public and common use areas. The Plan should set forth a method for determining whether a requested accommodation is reasonable. In general, an accommodation is not reasonable if it will impose an undue financial or administrative burden or constitute a change in the fundamental nature of the program. Owners are encouraged to discuss this matter with their counsel. In addition, helpful information

on this issue is provided in the "Handbook on the Legal Obligations and Rights of Public and Assisted Housing Providers under Federal and State Fair Housing Law for Applicants and Tenants with Disabilities," which can be purchased from the Agency.

The Agency considers the requirements in this section to be vital components of the Owner's Tenant Selection Plan and critical to ensuring the success of the Owner's development.

C. ***Selection Criteria.*** The Tenant Selection Plan must identify the selection criteria to be used in determining eligibility for housing. Eligibility includes meeting the criteria specified under the applicable federal or state subsidy program and the MHFA statute with regard to income and household characteristics, suitability of the applicant's family composition for the size units available (provided that Owners may not require separate bedrooms for children on the basis of their genders), and capability of the applicant to meet the general requirements of tenancy. Some of these criteria are explained in greater detail below.

(1) ***Maximum Income.*** For subsidized tenants, every Tenant Selection Plan must identify the applicable requirements for determining the maximum annual income of individuals and families eligible to reside in the development. Income limits may vary with the size of the family and the subsidy program or programs utilized at the development. In the absence of applicable subsidy or tax credit requirements, income limits must be established in accordance with MHFA's enabling statute as follows:

"Low income persons or families" shall mean those persons and families whose income is equal to or less than the maximum amount which would make them eligible for units owned or leased by the housing authority in the city or town in which the development is located, or, in the event that there is no housing authority, that amount which is established as the maximum for the eligibility for low-rent units by the Department of Housing and Community Development. Income shall be calculated in accordance with the provisions of the Agency's enabling statute and applicable regulations. See 760 CMR 5.06.

(2) ***Other Eligibility Criteria Pursuant to Funding or Program Characteristics.*** The Tenant Selection Plan must also set forth any programmatic eligibility criteria. If the development has been designated "elderly" housing or has been financed under the Agency's Elder Choice Program, for example, any eligibility criteria based on age should be set forth. (Please refer to the Policy attached as Exhibit 1, published by the Agency, relating to the designation of elderly housing). The number and size of Department of Mental Health and Department of Mental Retardation set-aside units must also be detailed. (See section G herein).

(3) ***Selection Criteria Based on the General Requirements of Tenancy.*** Every Tenant Selection Plan must set forth clearly the essential requirements of tenancy and the grounds on which tenants will be rejected for failing to meet such requirements. Rejection of an applicant is appropriate where the Owner or Management Agent have a reasonable basis to believe that the tenant cannot meet these essential requirements, which may be summarized as follows:

- to pay rent and other charges under the lease in a timely manner;
- to care for and avoid damaging the unit and common areas, to use facilities and equipment in a reasonable way, and to create no health or safety hazards;
- not to interfere with the rights and enjoyment of others and not to damage the property of others;
- not to engage in any activity that threatens the health, safety or right to peaceful enjoyment of other residents or staff, and not to engage in activity on or near the premises that involves illegal drugs or weapons; and any criminal activity on or off the premises that would be detrimental to housing should it occur on the premises, and
- to comply with necessary and reasonable rules and program requirements of the housing provider.

Attached hereto as Exhibit 2 is a list of circumstances that create the presumption that an applicant is not eligible for tenancy. Under these circumstances, there is a reasonable risk that the applicant will not be able to meet the essential requirements of tenancy. A decision about an applicant's ability and willingness to pay rent must be based on demonstrated source of income sufficient to pay rent and prior rental history. Credit references may be used along with rental history, but may be used in lieu of rental history only when rental history is not available (see section (4) below). The lack of credit history, as opposed to poor credit history, is not sufficient justification to reject an applicant.

Every Tenant Selection Plan must provide for the consideration of mitigating factors that rebut the presumption that an applicant will be unable to meet the requirements of tenancy. Mitigating factors may include a showing of rehabilitation or rehabilitating efforts. The Tenant Selection Plan should, however, provide guidance as to the manner in which mitigating factors will be considered.

It is important to recognize that mitigating factors must be balanced against the potentially disqualifying behavior or circumstances. The essential question that the Owner or management agent must answer remains to be whether, considering both the disqualifying behavior and mitigating factors, there is a reasonable risk that the applicant will be unable to meet the essential requirements of tenancy. Among the factors that should be considered are:

(a) the severity of the potentially disqualifying conduct;

(b) the amount of time that has elapsed since the occurrence of such conduct;

(c) the degree of danger, if any, to the health, safety and security of others or to the security of the property of others or to the physical conditions of the housing development and its common areas if the conduct recurred;

(d) the disruption, inconvenience, or financial impact that recurrence would cause the housing provider; and

(e) the likelihood that the applicant's behavior in the future will be substantially improved.

In general, the greater degree of danger, if any, to the health, safety and security of others or to the security of property of others or the physical condition of the housing, the greater must be the strength of the showing that a recurrence of behavior (which created a presumption that the applicant would not be able to meet the essential requirements of tenancy) will not occur in the future.

(4) *Screening Procedures.* To obtain information about an applicant's ability to meet the essential requirements of tenancy, Owners or their agents must develop screening procedures. These must be described in every Tenant Selection Plan. Screening procedures should provide for:

(a) References from landlords in the last five years or from the last two successive tenancies, whichever is greater;

(b) Credit references furnished by a credit bureau. Information considered should not be more than five years old;

(c) Personal references provided by the applicant;

(d) Visits to the applicant's current residence to assess housekeeping habits if there is an indication that this has been an issue in the past or if such visits are required in connection with all applicants for housing;

(e) Record of prior criminal history. An Owner or its agents may obtain Criminal Offender Record Information (CORI) reports as part of the tenant selection process, but access and use of the CORI reports are subject to the provisions of 803 CMR §5 et seq. An Owner or its agent should ensure that none of the information it obtains is collected in violation of the law.

(f) Verification of income either from a present employer, appropriate agency, financial institution or other appropriate party.

(g) Verification of a disability from an applicable professional where the applicant requests a modification to a unit, eligibility for a preference based on disability status, or a reasonable accommodation. Inquiries concerning a person's disability or disabilities in this regard should be limited to verification of the disability and the need for an accommodation or the qualification for a program. Questions about the nature or severity of a disability are allowed only as they relate to the specifics of an accommodation

request.

Verification of an applicant's disability may also be requested to ascertain the credibility of an applicant's assertions that past poor tenancy was a result of a disability and that circumstances have changed so that such adverse behavior is no longer likely.

(5) ***Prohibited Screening Criteria for a type of housing or certain program***

No Tenant Selection Plan may screen applicants for eligibility on the basis of the following:

(a) Physical Examinations. Owners may not require physical examinations or medical testing as a condition of admission.

(b) Meals and Other Services. Project Owners may not require tenants to participate in a meals program that has not been approved by MHFA.

(c) Donations or Contributions. Owners must not require a donation, contribution or membership fee as a condition of admission, except that cooperative housing projects may charge a membership fee. Owners may not require any payments not provided in the lease.

(d) Disability Status. Except as provided in section 4 (g) above, it is unlawful to make an inquiry to determine if an applicant for a dwelling unit, a person intending to reside in that dwelling unit after it is rented or made available, or any persons associated with the applicant, has a disability or handicap, or to make inquiry as to the nature or severity of an identified disability or handicap.

D. ***Application to Housing.***

(1) ***Application Forms.*** The Tenant Selection Plan should include a sample application form. The form should include the following:

(a) All information necessary to determine if the applicant is eligible for the subsidy program in effect;

(b) Opportunity for the applicant to state whether she/he needs and wants an accessible unit [one which meets the applicable Uniform Federal Accessibility Standards (UFAS), American with Disability Act Accessibility Guidelines (ADAAG), and Massachusetts Architectural Access Board (AAB) guidelines for a person who utilizes a wheelchair];

(c) Notice of the right to reasonable accommodation of a disability;

(d) The Equal Opportunity Housing logo and slogan; (For developments which have accessible units or for which the transition plan indicates that it will create accessible units upon request and verification of need, the Accessibility logo shall also be included.);

(e) The statement, "The [development name] does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, age familial status or physical or mental disability.";

(f) Opportunity for the applicant to indicate if she/he believes that she/he is eligible for one of the preferences listed below, others required by State or Federal statute, or preferences implemented by the Owner. The applicable preferences must be stated fully on the development's application form. (See also section E below.)

(1) For federally-funded properties, preferences must be provided in compliance with the Code of Federal Regulations and as further defined in the appropriate HUD Handbook.

(2) For state-assisted properties, and for federally-funded developments to the extent not inconsistent with those preferences in sub-paragraph (1) above, preference must be given to applicants displaced by natural forces or public action as defined in 760 Code of Massachusetts Regulations (CMR) section 5.00.

(3) For state-assisted properties, and for federally-funded properties to the extent not inconsistent with those preferences in sub-paragraph (1) above, preference must be given to applicants who are displaced by domestic violence as defined by the Department of Housing and Community Development in its Section 8 TBRA Administrative Plan, Section 3.1.2.2.2.4 (Exhibit 5), provided that this preference shall apply only to an applicant with a child or children or to an applicant who is pregnant.

(g) A notice that management will communicate with the applicant in the manner or format requested by the applicant if necessary because of a disability.

(2) ***Notification of Decision on Application.*** The Tenant Selection Plan must provide that each applicant will receive a written response to his or her application or notification in the alternate format requested by a person with a disability. The response must include the status of the application (i.e., the result of preliminary eligibility determination, position on the waiting list, etc.) and notify the applicant of his or her responsibility to report changes in address and phone number. The response must further include the determination, where applicable, of the applicant's qualification for preference(s) in admission, a brief statement of the reasons for the

determination, and state that the applicant has the right to meet with a representative of the entity which was responsible for the determination in accordance with 24 CFR Section 5.410(g). The Tenant Selection Plan must also specify the number of days in which the response will be mailed after receipt of the application.

(3) ***Provisions Relating to Rejection of an Application.*** If the Owner or its agent does not accept an application or place an applicant on the waiting list for admission, the written response to the application must also explain:

(a) the reason(s) for rejection;

(b) that the applicant has five business days to respond in writing or to request a conference with the Agency to contest the rejection; and

(c) that the applicant has the right to request a reasonable accommodation if he or she believes that with such accommodation, he or she would be eligible for admission to the housing and the applicant was rejected for a reason arising from his or her disability.

The Tenant Selection Plan must require that every applicant rejected from housing receives a copy of the MHFA conference procedure, attached hereto as Exhibit 3.

Each Owner or its agent should consult with counsel to establish a policy for the maintenance of records relating to rejections. Under MHFA policy, the Owner or its agent must maintain records for three years of each application received, the decision made on such application, and any materials relating to such decision or an appeal therefrom by the applicant.

E. Preferences. Preferences must be provided in accordance with the applicable subsidy program in place at the development or pursuant to regulations and policies governing elderly and mixed population housing (see Exhibit 1). The Tenant Selection Plan must clearly state the preferences to be employed. In the absence of subsidy program preferences, the Tenant Selection Plan must include a statement that preference will be given to *eligible* applicants : (1) displaced by natural forces; 760 CMR § 5.09(a) (2) displaced by public action: 760 CMR § 5.09(b) and (c) (see Exhibit 4) et seq.; and (3) displaced by reason of domestic violence, provided that this preference shall apply only to an applicant with a child or children or to an applicant who is pregnant. See DHCD Section 8 TBRA Administrative Plan, Section 3.1.2.2.2.4 (Exhibit 5). The Tenant Selection Plan may also provide for owner-elected preferences, provided these are implemented in accordance with applicable federal and state law and consistent with the Owner's obligations under fair housing laws and regulations. The Tenant Selection Plan may provide for the application of these preferences in any one of the following ways:

(i) All preferences, except owner-elected preferences, may be treated equally or ranked. Owner-elected preferences must be ranked lower than the preferences

above stated, but may be ranked in any order. Applicants with one or more preferences are taken in chronological order and before applicants who do not qualify for any preferences.

(ii) The number of preferences may be aggregated. Individuals or families on the waiting list are ordered on the basis of the number of preferences for which they qualify. Individuals or families with more than one preference receive priority over those qualifying for one.

F. Waiting Lists. Each Tenant Selection Plan must contain provisions for the maintenance of a waiting lists in accordance with the following policies:

(1) Waiting lists must be maintained in either a bound ledger or on a computer report.

(2) Each applicant must be placed on the waiting list chronologically according to the date of the application within the applicable preference categories. All other applicants shall be placed on the waiting list per their date of application.

(3) If an applicant is eligible, but no appropriate size unit is available, the owner must place the family on a waiting list for the project and notify the family of when a suitable unit may become available. Households that are eligible for more than one type of unit (by bedroom size) may choose to be placed on multiple waiting lists as appropriate and owners must respect the bedroom size option chosen by the applicant unless such choice violates the state sanitary code or other applicable laws.

(4) The Owner's records should indicate the date and time the applicant is placed on the waiting list. All records, including the application, must be retained for a period of three (3) years.

(5) Owners may require applicants to contact the project every six months to stay on the waiting list. Upon failure to respond to Owner's notice to contact the project, the application may be removed from the waiting list.

(6) The waiting list may be closed for a specific unit size or type if the projected turnover rate indicates that an applicant would be unable to obtain a unit within one year. In order to close the list, MHFA must receive written notification and the owner/management agent must post a notice at the development which indicates: (a) the date the list will be closing and (b) the MHFA telephone and TDD number for verification.

When an appropriate applicant pool is no longer available due to the closure of the waiting list, the list shall be re-opened. MHFA must receive written notification,

and public notice shall be placed in area publications. The housing provider shall ensure that interested persons, including persons with disabilities, receive information regarding the re-opening of the waiting list.

(7) Waiting lists must be updated every twelve months.

G. Transfer Procedure for Existing Residents

(1) ***Size of Family.*** The agent's Tenant Selection Plan must include some method (e.g., an internal waiting list) for relocating current residents who are overhoused or overcrowded or who need to transfer as a reasonable accommodation. The agent may add other criteria for "internal" transfers, provided they are specified in the Tenant Selection Plan.

(2) ***Economic Circumstance.*** If the development has project-based Rent Supplement, RAP, or Section 8, a preference for in-place residents paying more than 50 percent of their income in rent must also be included in the Plan.

H. *Policies Regarding Special Use Units*

The following policies must be incorporated in each Tenant Selection Plan:

(1) Accessible Units:

(a) Accessible units shall be listed at the Mass Access Registry.

(b) Accessible units shall be offered first to the development's residents who need the features and then to eligible applicants who need the features.

(c) In elderly/disabled developments with an elderly preference, the preference may apply to accessible units. Preferences notwithstanding, however, an accessible unit may not be offered to an eligible elderly applicant who does not need the features if there is an eligible non-elderly applicant who does need the features.

(d) If an accessible unit must be offered to someone who does not need the features, the lease shall include a clause requiring the resident to move to the first available comparable unit if an a resident or an eligible applicant requires the features.

(2) DMH/DMR Set-Aside Agreement

(a) All existing developments whose closing documents agree to Set-Aside participation shall continue to incorporate the Set-Aside program into the Tenant Selection Plan according to the attached Set-Aside Agreement (Exhibit 6).

(b) Tenant Selection Plans shall apply the 3 percent DMH/DMR Set-Aside to low-income units. The Set-Aside shall apply to moderate units to the extent that DMH/DMR have eligible applicants. The Set-Aside shall not be applied to market units.

I. Modification of Tenant Selection Regulations

The Agency reserves the right to modify these regulations from time to time. Questions or comments concerning these regulations should be submitted in writing to the General Counsel.

M:W:regulations

Exhibit 1

ADVISORY
MHFA'S POLICY ON MIXED POPULATIONS IN AGENCY-FINANCED STATE-ASSISTED DEVELOPMENTS
October 23, 1996

The policy explained below applies to developments which receive financing from MHFA under the SHARP, 13A, MRVP, R-DAL and conventional financing programs. Developments that do not receive deep subsidies, but derive affordability for at least 20 percent of their units through tax-exempt financing, rent skewing, mobile rental vouchers or certificates are considered to receive conventional financing.

The policy authorizes property owners and managers of covered developments to designate a development[1] as elderly housing and to establish occupancy preferences for elderly individuals in accordance with the guidelines set forth herein if the owner or manager can demonstrate:

1. That the building was primarily designed for occupancy by residents who are 55 years of age or older ("elderly residents"). This must be substantiated by primary or secondary documentation as outlined in Title VI (42 U.S.C. §§13611-13620; Pub. L. 102-550, approved October 28, 1992). This documentation must be readily available at the site and will be reviewed by MHFA as a part of the development's comprehensive property management review.

2. That at least 80 percent of the units in the building are occupied, and have been continuously occupied, by at least one person 55 years of age or older since September 13, 1988 (24 C.F.R. §100.304(c)(1).[2]

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[1]Generally, MHFA will recognize an elderly designation for an entire development. If, however, the owner or manager can provide documentation indicating that a portion of the development or a portion of a building has been continuously occupied by elderly residents and there is primary or secondary documentation to verify that the development or a portion of the building was originally designed for elderly occupancy, then MHFA will recognize the elderly designation for that portion of the building or of the development.

[2]Accessible units and units subject to set-aside agreements with the Departments of Mental Health and Mental Retardation must be included in the total

Upon the designation of a development as elderly housing by an owner or manager, after satisfaction of the two conditions described above, an owner or manager may maintain separate waiting lists for elderly and non-elderly individuals and may select individuals to occupy units on the basis of their age. Such a preference for elderly applicants may be maintained, moreover, even if 20 percent of the units in a development are reserved for non-elderly individuals. If, however, there are no elderly residents on the waiting list or an elderly applicant cannot be secured without vacancy loss, the owner or manager must rent the unit to the next eligible non-elderly person. An elderly designation will be lost if less than 80 percent of the units in a development are occupied by elderly individuals.

An owner who elects to provide an elderly preference in accordance with this policy must notify families on the waiting list who are not elderly that such an election has been made and must explain how the election may affect their place on the waiting list if: 1) such persons may be passed over for available units in favor of elderly applicants or 2) if the Tenant Selection Policy no longer has units for non-elderly families.

No non-elderly resident under the age of 55 may be evicted from a unit because of an elderly designation at the site. Non-elderly disabled residents will continue to be eligible for accessible units designed to meet the requirements of the Architectural Access Board regulations (521 C.M.R. et seq.) or other units designated as handicapped accessible in original development documentation and for DMH/DMR set-aside units, where applicable.

Should you have any questions concerning this Policy, please contact Ann Anderson at 854-1075.

/lms
m:w13amixed

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number of units on which a calculation is based even though these units have historically been available to both elderly and non-elderly applicants.

EXHIBIT 2

REJECTION STANDARDS

1. An applicant and the applicant household shall be disqualified for housing financed by the Massachusetts Housing Finance Agency, for any of the following reasons:

   (a) The applicant or household member has disturbed a neighbor or neighbors in a prior residence by behavior, which if repeated by a tenant in MHFA-financed housing, would substantially interfere with the rights of other tenants to peaceful enjoyment of their units.

   (b) The applicant or a household member has caused damage or destruction of property at a prior residence, and such damage or destruction of property, if repeated by a tenant in MHFA-financed housing, would have a material adverse effect on the housing development or any unit in such development.

   (c) The applicant or a household member has displayed living habits or poor housekeeping at a prior residence, and such living habits or poor housekeeping, if repeated by a tenant in MHFA-financed housing, would pose a substantial threat to the health or safety of the tenant or other tenants or would adversely affect the decent, safe and sanitary condition of all or part of the housing.

   (d) The applicant or household member in the past has engaged in criminal activity, or activity in violation of M.G.L. c. 152B, §4, which if repeated by a tenant in MHFA-financed housing, would interfere with or threaten the rights of other tenants to be secure in their persons or in their property or with the rights of other tenants to the peaceful enjoyment of their units and the common areas of the housing development.

   (e) The applicant or any household member who will be assuming part of the rent obligation has a history of non-payment of rent and such non-payment, if repeated by a tenant in MHFA-financed housing, would cause monetary loss; provided, however, that if the applicant or household member paid at least 50% of his/her household's monthly income for rent each month during a tenancy but was unable to pay the

full rent, an eviction for non-payment of the balance shall not disqualify such individual from housing pursuant to this paragraph.

(f) The applicant or a household member has a history of failure to meet material lease terms or the equivalent at one or more prior residences, and such failure if repeated by a tenant of MHFA-financed housing, would be detrimental to the housing development or to the health, safety, security or peaceful enjoyment of other tenants.

(g) The applicant has failed to provide information reasonably necessary for the housing provider to process the applicant's application.

(h) The applicant has misrepresented or falsified any information required to be submitted as part of the applicant's application or a prior application submitted within the last three years, and the applicant fails to establish that the misrepresentation or falsification was unintentional.

(I) The applicant or a household member has directed abusive or threatening behavior which was unreasonable and unwarranted towards a management agent's employee during the application process or any prior application process within three (3) years.

(j) The applicant does not intend to occupy housing, if offered, as his/her sole residence.

(k) The applicant or household member is a current illegal user of one or more controlled substances as defined in M.G.L. c. 94C §1. A person's illegal use or possession of a controlled substance within the preceding twelve months shall create a presumption that such person is a current illegal user of a controlled substance, but the presumption may be overcome by a convincing showing that the person has permanently ceased all illegal use of controlled substances. This disqualification of current illegal users of controlled substances this shall not apply to applicants for housing provided through a treatment program for illegal users of controlled substances.

[k:\clsgdocs\ww.ex2]

EXHIBIT 3

APPLICANT CONFERENCE PROCEDURE FOR REJECTIONS

The following conference procedure is to be made available to applicants to MHFA-financed developments who are rejected or reclassified in a lower tenant-selection priority category.

1. THE TIME FOR REQUESTING A CONFERENCE:

An applicant who wishes to contest the rejection of his or her application or reclassification to a lower tenant selection priority category must request a conference within five (5) business days from the applicant's receipt of the notice of rejection or reclassification.

2. THE APPLICANT'S REQUEST:

The request for a conference must be made in writing to the development's management agent ("management"). It may be mailed or delivered by hand. Management must immediately notify MHFA's General Counsel by mail or electronic mail of the applicant's request.

3. MHFA APPOINTMENT OF CONFERENCE OFFICER AFTER RECEIVING APPLICANT'S REQUEST:

Within three (3) business days of receipt of applicant's request from the management agent, MHFA will appoint an impartial conference officer and notify management and the applicant thereof.

4. SETTING UP THE CONFERENCE:

The conference officer shall establish a mutually convenient date and place to hold the conference, but in no event shall the conference be held later than twenty (20) days from the date of the written rejection notice unless otherwise agreed to by the applicant, management and the General Counsel of MHFA. Failure of an applicant to appear on the scheduled conference date will result in a decision upholding management's rejection of the application.

5. THE CONFERENCE:

The conference is an informal proceeding intended to determine whether management's rejection of an applicant, or its reclassification of an applicant's selection priority, is reasonable in light of the evidence presented. At the conference, it is management's burden to present evidence in support of its decision, but the rules of evidence applicable in a court of law will not apply. Both management and the applicant are permitted, but

not required, to have a representative or advocate present during the conference proceedings. Generally, conference proceedings shall be limited to one half hour in length and each party should be prepared to present its case within the time allotted.

6. THE DECISION OF THE CONFERENCE OFFICER:

The conference officer must determine whether management reasonably rejected or reclassified the applicant in accordance with management's selection criteria and/or MHFA policies. The conference officer's decision must be in writing, must be dated, and must state his or her findings of fact and the basis for his or her decision. Unless the parties mutually agree otherwise, the conference officer will only consider evidence presented at the conference. A copy of the conference officer's decision shall be forwarded within five (5) business days of the conference to management and the applicant.

7. APPEAL OF CONFERENCE OFFICER'S DECISION:

The decision of the conference officer may be appealed to the General Counsel within five (5) business days of receipt of the decision. The appealing party (appellant) must simultaneously notify the appellee of the appeal and provide copies of any statement submitted in support of such appeal. The appellee may submit a response to the appeal within three (3) business days. In determining whether to uphold or overturn the conference officer's decision, the General Counsel shall consider only the evidence presented at the conference, unless management and the applicant agree to supplement the record. The General Counsel's decision shall be in writing and shall state the specific reasons for his or her decision. A copy of the decision shall be forwarded to both management and the applicant within eight (8) business days of the request for an appeal.

8. WAIVER OF TIME LIMITS:

For good cause shown the MHFA may in its discretion waive any of the applicable time limits stated herein.

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EXHIBIT 4

Application Preferences for Tenant Selection

Below you will find language derived from the 760 Code of Massachusetts (CMR) for use in developing site specific tenant selection plans for state-funded developments. We have attached this information for your reference. Please note, this language is taken from the 1996 revision to the CMR, and is subject to change.

760 CMR 5.09: Selection Criteria for State-Aided Public Housing

5.09 Selection Categories

(1) Priority Categories The LHA shall use the following priority categories in descending order in determining the order of tenant selection:

(a) **1st Priority-Homeless due to Displacement by Natural Forces**
an applicant, otherwise eligible and qualified, who has been displaced by:

1. fire not due to the negligence or intentional act of applicant or a household member,
2. earthquake, flood or other natural cause; or
3. a disaster declared or otherwise formally recognized under disaster relief laws.

(b) **2nd Priority - Homeless due to Displacement by Public Action (Urban Renewal)**
an applicant, otherwise eligible and qualified, who will be displaced within 90 days, or has been displaced within the three years prior to application, by:

1. any low rent housing project as defined in M.G.L.c. 121B,§ 1, or
2. a public slum clearance or urban renewal project initiated after January 1, 1947, or
3. other public improvement.

(c) **3rd Priority - Homeless due to Displacement by Public Action (Sanitary Code Violations)**

an applicant, otherwise eligible and qualified, who is being displaced, or has been displaced within 90 days prior to application, by enforcement of minimum standards of fitness for human habitation established by the State Sanitary Code or local ordinances provided that:

1. neither the applicant nor a household member has caused or substantially contributed to the cause of enforcement proceedings, and
2. the applicant has pursued available ways to remedy the situation by seeking assistance through the courts or appropriate administrative or enforcement agencies.

[NOTE: "enforcement" is interpreted as a formal condemnation of the apartment. Citation for code violations does not necessarily constitute a condemnation].

EXHIBIT 5

3.1.2.2.2.2. Displacement by government action
Activity carried on by an agency of the United States or by any State or local governmental body or agency in connection with code enforcement or public improvement or development program.

Verification Requirements
Certification from a unit or agency of government that an applicant has been or will be displaced by government action, as defined in 24 CFR 5.2420 (b)(2).

3.1.2.2.2.3 Displacement by action of housing owner
Action by an owner that forces the applicant to vacate its unit.

An applicant qualifies under this category when: 1) the applicant cannot control or prevent the owner's action; 2) the owner action occurs although the applicant met all previously imposed conditions of occupancy; and 3) the owner action is other than a rent increase.

A family evicted for a lease violations(s) does not qualify for this preference.

Verification requirements
Certification from a owner or owner's agent that an applicant had to, or will have to vacate a unit by a date certain because of an owner action referred to in 24 CFR 5.240 (b)(3).

3.1.2.2.2.4 Displacement by domestic violence
For the purpose of this section, "domestic violence" means actual or threatened physical violence directed against one or more members of the applicant family by a spouse or other member of the applicant's household.

An applicant is involuntarily displaced by domestic violence if:

- The applicant has vacated a housing unit because of domestic violence; or
- The applicant lives in a housing unit with a person who engages in domestic violence.

If the applicant is still living in the unit at the time of selection, the violence must have occurred within six months or be of a continuing nature.

Verification Requirements
Certification of the domestic violence and/or displacement because of domestic violence referred to 24 CFR 5.420 (b)(4), from the local police department, social agency, court of competent

jurisdiction, or a clergyman, physician, or public or private facility that provides shelter or counseling to the victims of domestic violence.

If approved for assistance, the applicant must certify that the person who engaged in such violence will not reside with the applicant family unless the RAA has given advance written approval. The RAA agency may deny or terminate assistance to the family for breach of this certification. (see Attachment 3-B)

All decisions to terminate assistance or to allow the abuser to return to the household will be made on a case-by-case basis by the RAA and DHCD in consultation with the Massachusetts Coalition for battered women.

3.1.2.2.2.5 Displacement to avoid reprisals
To qualify for this preference, the reprisal need not be life threatening as is required for Automatic Preference under the Victim/Witness Protection provision.

An applicant is involuntarily displaced if:

- family member(s) provided information of criminal activities to a law enforcement agency, AND

- based on a threat assessment, the law enforcement agency recommends rehousing the family to avoid or minimize a risk of violence against family members as a reprisal for providing such information.

Verification Requirements
The District Attorney's Office must certify, in writing, that a member of the applicant household has or is cooperating with an investigation and is currently at risk of reprisal for providing such information; therefore, the DA's Office recommends relocation.

3.1.2.2.2.6 Displacement by hate crimes
For the purposes of this section a "hate crime" is defined as actual or threatened violence or intimidation against a person or the person's property because of race, color, religion, sex, national origin, handicap or familial status.

An applicant is involuntarily displaced if:

- a family member is a hate crime victim; AND

EXHIBIT 6

MEMORANDUM OF UNDERSTANDING
among
EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES
and
DEPARTMENT OF MENTAL HEALTH
and
DEPARTMENT OF MENTAL RETARDATION
and
HOUSING FINANCE AGENCY
on
SET-ASIDE UNITS
for
DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF MENTAL RETARDATION

1990 Agreement, Amended October 1996

(A) PRINCIPLES

****

1. The Massachusetts Housing Finance Agency (MHFA) agrees to continue to set aside 3% of all units (as defined in MHFA Policy Handbook) for which closing documents currently include a set-aside agreement. In addition, MHFA agrees to execute 3% set-aside agreements at the time of closings with all developers of new projects with whom, in the opinion of MHFA's legal counsel, MHFA has the authority to do so. These set-aside units will be for consumers referred by the Department of Mental Health (DMH) or the Department of Mental Retardation (DMR), according to the "DMH/DMR Interagency Agreement on MHFA Set-Asides" that the Departments have established. MHFA's assignment of specific set-aside units to DMH or DMR consumers will be guided by the "DMH-DMR Interagency Agreement on MHFA Set-Asides" which identifies equitable methods for distributing available units between DMH and DMR.

2. DMH and DMR agree to offer and encourage the applicants/tenants of the set-aside units to accept services and supports as necessary to enable them to live with reasonable success in integrated housing. Nothing in this Agreement shall be considered to supersede existing obligations or place further obligations on Department of Housing and Community Development (DHCD) relative to the units for which they have financial or regulatory responsibility.

3. This Agreement concerns individuals referred by DMH or DMR for tenancy in set-aside units and who may need continuing or periodic services or assistance from DMH or DMR. The primary day to day relationship is between the Owners/Management Agents and the tenant, with the DMH/DMR case manager or designated service provider available to facilitate this relationship, including providing assistance in problem resolution when necessary.

4. This agreement outlines responsibilities of MHFA, Owners/Management Agents and DMH and DMR. The goal of this Agreement is to plan and arrange for the provision of accommodations and supportive services as may be available and necessary to insure successful integration of DMH and DMR consumers into MHFA developments. This Agreement is created for the benefit of MHFA, DMH DMR, and EOHHS. No third party beneficiaries are created or intended to be created by this Agreement.

5. Referred applicants will be expected to meet the same eligibility standards, with reasonable accommodations provided as negotiated, as other applicants, including but not limited to: income eligibility; the ability to pay rent, maintain the apartment and live reasonable with other tenants; and otherwise comply with lease provisions.

6. DMH and DMR will designate a single contact person in each area (DMR) to handle problems locally, if possible. EOHHS, DMH, DMR, and MHFA each shall designate a contact person at their central offices who shall be responsible for coordination of responsibilities and problem resolution pursuant to this Agreement. (Although DHCD is not a party to this Agreement, the parties will request DHCD to designate a central contact person who will be responsible for resolving any problems relating to DHCD's financial or regulatory responsibilities for some MHFA units.)

7. This Agreement may be supplemented by:

   a. Area (DMH) and/or regional (DMR) agreements with the Owners/Management Agents as each development outlining procedures, responsibilities, individual and systemic problem resolution plans, contact persons for that area (DMH) and/or region (DMR), and mutually agreed upon procedures to monitor that all parties involved herein are abiding by applicable reasonable accommodation plans.

   b. Reasonable accommodation agreements, where reasonable accommodations are necessary, among the Owner/Management Agent, the tenant, and DMH or DMR as appropriate. These agreements must be written and signed by all parties.

8. This Agreement does not cover individuals who apply for or occupy MHFA units other than set-aside units, by way of the property manager's standard tenant selection process.

Nothing in this Agreement shall be construed to affect the right of any individual to apply for and obtain a unit through said process.

B. IMPLEMENTATION

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1. 3% of the units (as defined in MHFA's Policy Handbook) in each MHFA financed development in accordance with Section A(1) shall be set-aside by MHFA for referrals from DMH and/or DMR in proportions agreed upon in the DMH/DMR Interagency Agreement on MHFA Set-Asides. Owners, at their discretion, may set aside additional units if requested by DMH/DMR. Tenants of those additional units shall undergo the same application process and receive the same range of services as tenants who occupy the 3% units. Such additional set-asides, however, shall be for anticipated vacancies only and shall not apply to units for which individuals are applying or occupying through the property manager's standard selection process.

2. MHFA will designate a central contact person who will coordinate rent-up meetings and be available to DMH and DMR to resolve administrative problems involving matching units and DMH or DMR referrals. MHFA will send lists of units under construction to the designated central office contact persons at DMH and DMR six months before anticipated rent-up or as soon as the Owners/Management Agent notifies MHFA. MHFA will notify these central office contact persons of the date of the rent-up meeting. The DMH/DMR central office contact person will inform the appropriate DMH Area or DMR Regional contact person who will attend the rent-up meeting and make sure that appropriate applicants will be ready for referral at the time of rent-up. At the meeting the DMH/DMR Area regional contact person and the Owner/Management Agent will negotiate the number, size and type of units to be set aside.

3. DMH Area or DMR Regional Contact Persons shall take necessary steps to ensure that vacant set-aside units are filled within "normal turnover time" as defined herein. For the purposes of this agreement, "normal turnover time" shall mean the first 5 days of the next rental period after a set-aside tenant has vacated his unit, provided that such period shall be extended if (1) the unit is not ready for move-in within this 5 day period until the date on which the unit is ready for move-in; or (2) there is no other applicant/tenant from the waiting list from the development that is ready to move-in (or pay rent) by the end of this 5 day period, in which event DMH/DMR will have the opportunity to fill the vacant unit at anytime prior to the date on which the next available applicant from the regular wait list can be ready to move in or pay rent.

In order to accomplish this goal, the DMH/DMR Contract Person must submit completed applications for the next set-aside tenant as soon as they become aware of an upcoming vacancy. They should also designate appropriate staff or vendors of their agencies to maintain contact with the tenants of set-aside unit in order to learn of potential vacancies resulting from a tenant's planned move, long-term hospitalization or likely eviction. In addition, upon learning of a vacancy or expected vacancy, the Owner/Management Agent shall immediately fax both the DMH and the DMR Central Contact Person and request applications for such units.

To retain the vacant unit as a set-aside unit, the Contact Persons must submit applications as soon as possible. Applications must be submitted in the order in which they should be processed. The Owner/Management Agent shall process applicants from the Department having control of the unit before considering applications from the other Department. If the Owner/Management Agent denies all applications received from the Department having control of the unit or if all applicants from such Department refuse the unit, then the Owner/Management Agent must offer the unit or if all applicants from the other Department, provided such applicant may be processed within "normal turnover time". The applicants from the other Department must also be processed in the order in which they were received by the Owner/Management Agent. In the event that no applicants may be placed from DMH or DMR within "normal turnover time", the Owner/Management Agent may fill the unit by placing a tenant from the development's waiting list.

Notwithstanding anything provided above, the Owner/Management Agent may simultaneously proceed to process applications from the developments waiting list upon learning of the upcoming vacancy. The Owner/Management Agent must, however, give priority to a set-aside applicant who can be processed within the "normal turnover time". the Owner/Management Agent must, however, give priority to a set-aside applicant when either Department exercises its option to retain the unit by stating in writing that the Department intends to make a one-month vacancy payment. The vacancy payment shall be equal to the current contract rent and applicable utilities. The option to retain the unit by making a vacancy payment may be extended for additional months by agreement between the Department in control of the unit and the Owner/Management Agent to the extent allowed by applicable Housing and Urban Development (HUD) or state regulations. DMH/DMR may terminate an extension agreement by giving the owner a 30 day written notice of intent to end vacancy payments.

If neither DMH nor DMR has made arrangements for a vacancy payment and if neither has submitted applications which can be processed in a timely manner as described above, and if all such applicants are denied, the Owner/Management Agent may fill the unit with an applicant off the regular wait list. In that case, DMH/DMR will have the opportunity to fill the next available, comparable unit. The Owner/Manager Agent will give the respective DMH/DMR Area/Regional Contact Person an estimated date when that unit will be available. If the unit occupied was a subsidized unit, the next unit offered must also have the same type or comparable subsidy.

When both bedrooms of two bedroom units subsidized under the State Housing Assistance Rental Program (SHARP) and under DMH control are vacant, it is the general intent of this Agreement to transfer these units to DMR. The specific decision to do so will be made by the DMH and DMR Area/Regional Contact Persons and Owner/Management Agents on a case by case basis. DMR must fill any transferred unit in accordance with the process set forth in this Section.

When a vacancy occurs in one bedroom of two bedroom units at any Sharp-funded Development, DMH/DMR Area/Regional contact person and the Owner/Management Agent will

also make a case by case decision regarding turnover of units to DMR. When a vacancy occurs in one bedroom of a two bedroom unit, the remaining tenant has the responsibility for the full amount of the rent that is not covered by the DHCD Subsidy unless otherwise specified by the lease. If neither the tenant nor the DMH/DMR Area/Regional Contact person agrees temporarily to pay the full rent plus utilities as needed, the DMH/DMR Area/Regional will assist the tenant in finding other housing, which may include an internal transfer to an available one bedroom unit in the development. If the full rent is paid, the DMH/DMR Area/Regional Contact person shall explore the feasibility of finding a roommate who is known and acceptable to the remaining tenant and who meets eligibility and screening standards. The eligibility and screening must be determined within the time that the temporary payment of the full rent continues. In no case shall the tenant be forced to accept a roommate. If the full rent is not paid by either the Department in control of the unit or the tenant, the Owner/Management Agent may start eviction proceedings allowed under the law.

4. Applicants referred to Owner/Management Agent will supply sufficient information to enable the Owner/Management Agents to verify that the Applicant could by him or herself or with available assistance meet the same eligibility requirements as other applicants (as described in Section A.5 and set forth in this section). Lack of recent tenant history in the community is not sufficient grounds in and of itself to deny an application. In such situations the applicant's behavior in recent living situations shall be acceptable evidence as to the ability of applicant to live in the community assuming relevant community supports are in place. If the information supplied indicates that assistance would be needed in certain areas, DMH or DMR, Owner/Management Agents, and the applicant must develop a Plan of Reasonable Accommodation and offer specific services that are necessary to accommodate the applicant. DMH/DMR shall make every effort to assist the tenant in adhering to the agreed upon Plan of Reasonable Accommodations to assure a successful tenancy. DMH/DMR shall continue to offer all services necessary for a successful tenancy.

Such services may include, but are not limited to, the following:

a) assisting the tenant to obtain rent payments, and assisting with financial planning and/or monitoring;

b) periodic housekeeping checks or homemaker services; and

c) identification of intervention techniques that management could reasonably use to reduce behaviors that violate lease provisions; Note: In some instances, manager or tenant service staff need to be part of the community support team. Owner/Management agents or their staff do not provide any kind of social services not normally provided to other tenants; rather, they need to be informed when certain kinds of behavior indicate a need to call DMH/DMR Area/Regional Contact person and how to respond to behaviors that may have an impact on the development. This kind of arrangement should be based on information supplied by the applicant. DMH/DMR may supply additional information as necessary pursuant to applicable statutes and regulations regarding the disclosure of such information.

If the Owner/Management Agent concludes that the accommodations being offered would not be sufficient to enable the Tenant to meet reasonable standards of tenancy, the Owner/Management Agent may reject the Applicant on the grounds that the Applicant cannot meet the standard(s) in question. The Applicant may appeal the rejection by following regularly established MHFA procedures.

5. DMH and DMR have an obligation to refer applicants who may reasonably be expected to have a good chance of successful integration into a particular building environment. For example, a high crime area would require a higher ability to observe security measures. This example is not meant to exclude any individual or class of individuals from any particular development; rather it is meant to suggest the importance of taking practical considerations such as the above into account in making a referral that has a good chance of succeeding.

6. DMH, DMR and MHFA will work with Owner/Management Agents to develop local systems for resolving systemic as well as individual service problems. These systems will include at a minimum a designated Area (DMH) or Regional (DMR) contact person to resolve problems and a clear chain of command up through EOHHS.

MHFA will also establish a clear problem resolution path so that systemic or procedural issues will be discussed between DMH, DMR, and EOHHS and MHFA when they cannot be resolved at a local level. If the DMH, DMR, or EOHHS local or central office designees are unable to resolve a serious problem of general significance in a manner satisfactory to MHFA , MHFA may authorize, for the units under their authority, the Owner/Management Agent to offer future units to the other department (DMH or DMR) or stop participating in the Agreement until the issue is resolved, as appropriate.

7. In accordance with general practice regarding new tenants of MHFA units, the Owner/Management Agent will have an orientation or pre-occupancy meeting with the new DMH or DMH tenant, once accepted, to go over the development procedures and regulations. At this meeting, the Owner/Management Agent and tenant will review the reasonable accommodations that have been agreed to by all parties. In addition, DMH or DMR or the service provider will encourage Owner/Management Agents and tenants to discuss ways that can make the new relationship work. The new tenant may of course decline such informal conversation beyond the topic of the agreed to reasonable accommodation.

8. In accordance with general practice regarding tenants of MHFA units, Owner/Management Agents will discuss any problems, should they occur, directly with the tenant. If the tenant violates the lease, the Owner/Management Agent will offer to meet with the tenant and the DMH or DMR Area/Regional Contact person to discuss the cause and what steps can be taken to correct the situation. At this time, the designated Department will immediately make all reasonable efforts to offer, and strongly encourage the tenant to accept, all necessary stabilizing services. If the Owner/Management Agent concludes that the new services or plan will not sufficiently correct serious or chronic lease violations, Owner/Management Agent may proceed with an eviction process, pursuant to applicable legal requirements.

If new services and/or new accommodations are put in place and said serious or chronic lease violations continue, DMH or DMR will immediately make every reasonable effort to locate and then strongly encourage the tenant to accept either a temporary or permanent housing alternative.

9. If eviction proceedings occur, DMH or DMR will answer all questions relating to services offered and delivered relating to the specific tenancy problem in dispute in order for the judge to make a decision as to whether the Owner/Management Agent and DMH or DMR made all reasonable efforts to assist the tenant in maintaining a satisfactory tenancy. Nothing in this

Agreement shall be construed to require a disclosure by any party of any information considered to be confidential or private under state or federal laws or applicable court decisions.

10. DMH, DMR, and MHFA will provide training to involved DMH/DMR and housing management staff subsequent to the execution of this Agreement and will provide periodic training thereafter.

(Signed)

Marylou Sudders, Commissioner Date
Department of Mental Health

(Signed)

Philip Campbell, Commissioner Date
Department of Mental Retardation

(Signed)

Joseph Gallant, Secretary Date
Executive Office of Health & Human Services

(Signed)

Steven D. Pierce, Executive Director Date
Massachusetts Housing Finance Agency