



Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**

Deval L. Patrick, Governor ♦ Timothy P. Murray, Lt. Governor ♦ Tina Brooks, Undersecretary

**LOCAL INITIATIVE PROGRAM
CAPITAL IMPROVEMENTS POLICIES AND PROCEDURES**

Dear Local Initiative Program (LIP) Homeowner:

Capital improvements *must be approved by DHCD and the local community* in order to be considered and added to the resale price. DHCD defines capital improvement as a necessary maintenance improvement, not covered by a condominium or homeowner association fee, that if not done would compromise the structural integrity of the property. Examples of necessary capital improvements include the following:

New roof	Septic tank replacement
Exterior painting due to deterioration	Heating or plumbing replacement
Structural deficiencies such as termite or other pest damage, water damage, or other maintenance as required	The replacement of siding, shingles or clapboard due to damage or long-term wear
Replacement of windows due to damage or long-term wear and tear	Other improvements identified by the owner and reviewed by DHCD.
Appliance replacement (stove, dishwasher, refrigerator)	

Improvements such as the installation of outdoor decks, flooring (except in cases of replacement due to damage or long-term wear), additions, garages, landscaping, and other items identified by the owner that are upgraded or luxury improvements will ***not be*** considered capital improvements and cannot be added to the resale price when the property is sold.

If a condominium or homeowners' association has a special assessment, DHCD will take into consideration the cost to the homeowner on a case by case basis. Additional documentation may be requested.

At the time of resale, DHCD will determine the current value of the improvement based on the depreciation schedule. For example, if a new heating system is installed for \$5,000 and the owner sells the property 5 years later, the full \$5,000 will not be added to the resale price. As with market rate properties, the value of the heating system is the greatest when it is new and it depreciates over time.

To begin the review process, please mail the following information to DHCD and your local community:

A letter requesting approval for the cost of a capital improvement, including:

- a description of the work to be done
- an estimate of the cost
- an explanation of why the work is a capital improvement

If the request is approved, DHCD will require a copy of the paid invoice after the completion of the work. DHCD will consider the useful life of the improvement and prepare a depreciation schedule for the cost of the improvement.

Requests for capital improvements or questions can be directed to:

**Department of Housing and Community Development
100 Cambridge Street, Suite 300
Boston, Massachusetts 02114
Attention: Rieko Hayashi, Program Coordinator**

**Telephone: 617-573-1426
Email: rieko.hayashi@state.ma.us**

Please contact your town or city hall for information on who will review your request for approval of the cost of a capital improvement. You may inquire at the Board of Selectmen's office, the Housing Authority or the Planning Department.