



David B. Cohen
Mayor

City of Newton, Massachusetts Community Preservation Committee



MEMORANDUM *REVISED 4/7/03*

TO: Honorable Board of Aldermen
FROM: Community Preservation Committee
DATE: 25 February 2003, *revised 7 April 2003*
RE: CPC Recommendation for CPA Funding

PROJECT TITLE: **CHRISTINA STREET HOMEOWNERSHIP**
CPA CATEGORY: Community Housing

PROJECT DESCRIPTION

The applicant, CAN-DO, requests \$375,000 (\$125,000 per unit) to write-down the purchase price of three market rate units in these two new duplexes at 90 Christina Street from an estimated sale price of \$425,000 to \$300,000. The funds would be granted as a deferred loan to the buyer of each of the three units. The duplexes are being constructed as part of a larger Comprehensive Permit project (under MGL c.40B) that also includes the rehabilitation of an existing building with five residential units. The Comprehensive Permit stipulated that one out of the four units in the duplexes be affordable in perpetuity. This funding request would convert all of the market rate units to community housing for moderate-income households. To qualify for the subsidy, the buyer must be a full-time employee of the City of Newton with a household income at or below 100% area median income (see attached Unit Sales Price Analysis submitted by CAN-DO on 2/24/03).

A deed restriction with a 99-year term will be placed on each unit that stipulates that (1) upon sale of the unit a qualified buyer will be one that is a full-time employee of the City of Newton whose household income is at or below 100% area median income and (2) a purchase price will be set that is affordable to the qualified buyer using conventional underwriting standards at the discretion of the holder of the deed restriction (the City of Newton). At the initial sale, if a qualified buyer is not found within a maximum period of 180 days, then the unit will be sold on the open market (at market rate) and the original CPA funding will be returned to the CPA Fund. For any subsequent sales of the property, if a qualified city-employee is not found within a maximum period of 90 days, and a income-qualified non-city employee is not found within the subsequent 90 days, then the unit will be sold on the open market (at market rate) and the original CPA funding will be returned to the CPA Fund. In the event that the CPA and seller cannot each recover their full investment, the net sale proceeds will be divided according to the rules the City uses for its first-time homebuyer program.

FINDINGS

Community Preservation Act

This proposal meets the criteria established under MGL c.44B for the following reasons:

1. The project complies with the definition for community housing since it would provide housing to moderate-income households.
2. In accordance with §5(b)(2), the project will create community housing. Contributing further to compliance with this section, the project is re-developing a previously developed site.
3. Since the proposal is to partially fund acquisition of real property for purposes of community housing, a permanent deed restriction is required that limits the use of each funded unit to households with incomes at or below 100% area median income. The deed restriction is required to be held by the City of Newton.

Newton Community Preservation Plan

Overarching Goals

1. Contribute to the preservation of Newton's unique character, boost the vitality of the community and enhance the quality of life for its residents.	Yes
2. Serve more than one CPA category.	No
3. Demonstrate the highest cost/benefit value relative to other proposals.	See below
4. Leverage other public and/or private funds.	Yes, see below
5. Preserve a resource or opportunity that would otherwise be lost.	Yes, see below
6. Create incentives for other private projects to occur.	Yes
7. Show that a project is the most reasonable available option to achieve the objective.	See below
8. Demonstrate strong community support.	See below
9. Serve to equitably distribute CPA funds throughout the City.	See below

Additional comments on selected goals:

Goal #3: Projects received during this funding round include a high CPA cost of \$850,000 and a low CPA cost of \$24,780. The CPA cost for this project is \$375,000. The relative benefit for this project is the creation of 3 new residential units of community housing for city employees with household incomes at or below 100% area median.

Goal #4: The funding being requested from the CPA is a relatively small part of a much larger project that includes funding from City of Newton HOME, Newton Housing Rehab Loan, HUD/McKinny, and Auburndale Cooperative Bank, among others.

Goal #5: The CPA funding will write-down the cost of market rate units to create an opportunity for city employees with moderate income households to live in Newton. If CPA funding is not granted, the applicant intends to sell these units at market rate.

Goal #7: Since Newton housing is in high demand and supply is obviously limited, affordability is a serious issue. In addition, the community values opportunities for city employees to reside in Newton. This is the first proposal in Newton that has requested CPA funding for a program targeting city employees with moderate-income households. Therefore, this is a reasonable available option to achieve the stated objectives.

Goal #8: No opposition has been voiced in relation to this CPA application.

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Goal #9: As presented at a recent CPC meeting, this round of applications is geographically distributed throughout the City; this project is located in Newton Upper Falls.

Community Housing Goals

1. Create community housing that is well designed, is of high quality, and is based on sound planning principles.	See below
2. Address one or more of the City’s priority housing needs, such as those articulated in the City’s Consolidated Housing Strategy Plan 2001-2005 and A Framework for Newton’s Planning.	Yes, see below
3. Help Newton reach the state mandate of having 10% of its housing stock as affordable to those at or below 80% of median income under MGL c.40B.	Yes
4. Create new moderate housing units (80% to 100% of median income) that promote housing for City employees, such as teachers, firefighters, and police officers.	Yes
5. Keep new units affordable for the long term, and in perpetuity where possible.	Yes
6. Use deed restrictions to acquire, update, and resell existing market rate housing as affordable units, following the small house program model.	No
7. Show that the proposal leverages or is not otherwise eligible for other public funds and could not otherwise be economically feasible without CPA funds, such as proposals for community housing targeted at households earning between 80% and 100% of area median income.	Yes
8. Demonstrate that the proposal works in conjunction with other funding mechanisms already available in Newton such as the First Time Homebuyer Program, which currently cannot adequately assist families in purchasing homes in Newton.	See below
9. Provide community housing opportunities for individuals whose residency in Newton would promote community services, such as Newton teachers and public safety workers and other city employees.	Yes
10. Create affordable and moderate homeownership opportunities for families who currently rent or work in Newton.	Yes
11. Help disperse community housing throughout the City by siting housing in neighborhoods that currently lack affordable housing.	NA*
12. Reuse previously developed sites (including, potentially, remediated brownfield sites) for community housing with minimal effect on existing housing resources.	Yes
13. Avoid displacement of current residents.	Yes

* NA = *Information not available*

Additional comments on selected goals:

Goal #1: This project received approval from the Zoning Board of Appeals for a Comprehensive Permit. The project is under construction and its design is not affected as a result of this proposed write-down of the purchase price.

Goal #2: *A Framework for Newton’s Planning* identifies the need to provide affordable housing for moderate-income households.

Goal #8: The City has both granted and loaned the project a total of \$675,000 in HOME and NHRF funds.

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CPC RECOMMENDATION

This project is consistent with the CPA criteria and many of the Plan's goals, as described above. The Community Preservation Committee, by a 6-0 vote, recommends funding this application for the creation of three residential units of community housing by appropriating and transferring \$378,000 to be expended under the direction and control of the Director of Planning and Development for purposes of funding deferred loans to write-down the purchase price a maximum of \$125,000 per unit for three market-rate units at 90 Christina Street to create community housing under MGL c.44B for city employees with household incomes at or below 100% of the area median as detailed in the application (dated 1 November 2002, a letter from CAN-DO dated 31 January 2003, and a memo from Director of Planning & Development dated 25 February 2003) and to fund up to \$3,000 in appraisal services, subject to the following conditions:

1. The three subject units shall be used for moderate-income housing for full-time City of Newton employees in perpetuity and bound with a permanent deed restriction.
2. An independent appraisal of the market value of the three subject units (not subject to any affordability restrictions) shall be completed on behalf of the Community Preservation Committee prior to any expenditure of project funds.
3. The Department of Planning and Development shall develop guidelines for finding and choosing applicants and for determining the appropriate subsidy amount for each applicant (up to \$125,000 per unit).
4. Any portion of the grant not used for the purposes stated herein shall be returned to the Newton Community Preservation Fund.