



City of Newton, Massachusetts
Community Preservation Committee

David B. Cohen
Mayor

TO: Josephine McNeil, Ted Hess-Mahan, Phil Herr, and Ken Sinclair
FROM: Jennifer M. Goldson, AICP, Community Preservation Planner
DATE: 21 February 2003
RE: **Christina Street Project – CPA Request**

The intent of this memo is to state my understanding of agreement between those present at this morning's meeting at 8:30am at City Hall regarding the Christina Street CPA request by CAN-DO.

The following people were present: Josephine McNeil, Ted Hess-Mahan, Phil Herr, Ken Sinclair, Mike Kruse, Peter Monkenbeck, Steve Gartrell, and Jennifer Goldson.

THE PROPOSED REQUEST

1. The CPA request is \$125,000 per unit to be granted as a deferred loan to the buyer of each of three units at 90 Christina Street. 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.
2. 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). If a qualified buyer is not found within a minimum 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 (in proportion to the original purchase price plus any change in equity).

ADDITIONAL INFORMATION

1. The applicant will submit to the CPC two alternatives for subsidy amounts to this project by Tuesday, 2/25/03, no later than 9am: (1) One scenario will show how the requested \$125,000 would bring the unit sales price to \$304,000, breakdown the elements of a possible monthly housing payment, and describe the window of affordability. (2) The second scenario will show how a higher requested subsidy would bring the unit sales price to \$265,000, as well as the corresponding possible monthly housing payments and the window of affordability.
2. If CPC recommends approval of the request, the CPC will fund an independent appraisal of the market value of the units (prior to any affordability restrictions) to be completed within in the next 2-3 weeks (no later than 3/18/03). The appraisal will be used by the CPC to determine market value of each unit to ensure that CPC funding is not overpaying for units.

OTHER FUNDS TO FILL THE GAP

1. The affordability thresholds that the CPC establishes could be met through assistance from other sources (such as Massachusetts Housing Partnership Fund "Soft Second" Program) to supplement the CPC assistance.

UNIT SALES PRICE ANALYSIS: CHRISTINA STREET HIGHLANDS GLEN PROJECT

2/24/03

	CAN-Do 2/24 Scenario		2/24 Alternative Scenario	
3 BR UNIT MARKET VALUE		\$425,000		\$425,000
SALE FINANCING				
CPA funds		\$125,000		\$160,000
Sales Price (net of CPA funds)		\$300,000		\$265,000
Downpayment		\$15,000 5%		\$13,250 5%
Mortgage		\$285,000 95%		\$251,750 95%
MONTHLY HOUSING PAYMENT				
Mortgage (principal & interest)	6.0%, 30 yrs	\$1,709	6.0%, 30 yrs	\$1,509
Taxes		\$273 1.09%		\$241 1.09%
Condo fee		\$100		\$100
Insurance		\$40 0.16%		\$40 0.18%
TOTAL MONTHLY PAYMENT		\$2,122		\$1,890
MINIMUM INCOME REQUIRED				
Maximum % of income for housing		33.3%		33.3%
Minimum purchaser income		\$76,400		\$68,000
AFFORDABLE INCOME WINDOW	(FY03 allowable income adjusted for family size per Section 8 percentage rules).			
	Allowable income	Window	Result	Allowable income
4 person household	\$80,800	\$4,400	affordable	\$80,800
5 person household	\$87,300	\$10,900	affordable	\$87,300
6 person household	\$93,700	\$17,300	affordable	\$93,700
			Window	Result
				affordable
				affordable
				affordable

Inputs which differ between scenarios are in shaded cells.

Allowable incomes updated to reflect FY03 HUD limits posted 2/21/03.

Changes: market value reduced \$4,000, condo fee raised to \$100.

Other inputs remain as discussed at 2/21 meeting of City staff with CAN-DO (spreadsheet format slightly edited).

"2/24 Alternative Scenario" calibrated to yield a \$265,000 sale price to initial purchaser, per 2/21 meeting with City staff.

Unit market value based upon CAN-DO market study estimates.

STATE: MASSACHUSETTS

-----I N C O M E L I M I T S-----

PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Barnstable--Yarmouth, MA MSA FY 2003 MFI: 58700	12650 21100 33750	14450 24100 38600	16300 27150 43400	18100 30150 48250	19550 32550 52100	21000 34950 55950	22450 37400 59800	23900 39800 63700
Boston, MA--NH PMSA FY 2003 MFI: 80800	16950 28300 43850	19400 32300 50100	21800 36350 56400	24250 40400 62650	26200 43650 67650	28100 46850 72650	30050 50100 77650	32000 53350 82700
Brockton, MA PMSA FY 2003 MFI: 70300	14750 24600 39350	16850 28100 45000	19000 31650 50600	21100 35150 56250	22800 37950 60750	24450 40750 65250	26150 43600 69750	27850 46400 74250
Fitchburg--Leominster, MA PMSA FY 2003 MFI: 62100	13050 21750 34800	14900 24850 39750	16750 27950 44700	18650 31050 49700	20100 33550 53650	21600 36000 57650	23100 38500 61600	24600 41000 65600
Lawrence, MA--NH PMSA FY 2003 MFI: 74300	15600 26000 39550	17850 29700 45200	20050 33450 50850	22300 37150 56500	24050 40100 61000	25850 43100 65550	27650 46050 70050	29400 49050 74600
Lowell, MA--NH PMSA FY 2003 MFI: 79700	16750 27900 39550	19150 31900 45200	21500 35850 50850	23900 39850 56500	25800 43050 61000	27750 46250 65550	29650 49400 70050	31550 52600 74600
New Bedford, MA PMSA FY 2003 MFI: 52700	12650 21100 33750	14450 24100 38600	16300 27150 43400	18100 30150 48250	19550 32550 52100	21000 34950 55950	22450 37400 59800	23900 39800 63700
Pittsfield, MA MSA FY 2003 MFI: 56000	12650 21100 33750	14450 24100 38600	16300 27150 43400	18100 30150 48250	19550 32550 52100	21000 34950 55950	22450 37400 59800	23900 39800 63700
Providence--Fall River--Warwick, RI--MA MSA FY 2003 MFI: 58400	14150 23550 37700	16150 26900 43050	18150 30300 48450	20200 33650 53850	21800 36350 58150	23400 39050 62450	25050 41750 66750	26650 44400 71050
Springfield, MA MSA FY 2003 MFI: 56800	12650 21100 33750	14450 24100 38600	16300 27150 43400	18100 30150 48250	19550 32550 52100	21000 34950 55950	22450 37400 59800	23900 39800 63700
Worcester, MA--CT PMSA FY 2003 MFI: 68000	14300 23800 38100	16300 27200 43500	18350 30600 48950	20400 34000 54400	22050 36700 58750	23650 39450 63100	25300 42150 67450	26950 44900 71800
Barnstable County FY 2003 MFI: 58600	12650 21100 33750	14450 24100 38600	16300 27150 43400	18100 30150 48250	19550 32550 52100	21000 34950 55950	22450 37400 59800	23900 39800 63700

STATE: MASSACHUSETTS

-----I N C O M E L I M I T S-----

PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Berkshire County FY 2003 MFI: 57200								
30% OF MEDIAN	12650	14450	16300	18100	19550	21000	22450	23900
VERY LOW INCOME	21100	24100	27150	30150	32550	34950	37400	39800
LOW-INCOME	33750	38600	43400	48250	52100	55950	59800	63700
Dukes County FY 2003 MFI: 61100								
30% OF MEDIAN	12850	14650	16500	18350	19800	21250	22750	24200
VERY LOW INCOME	21400	24450	27500	30550	33000	35450	37900	40350
LOW-INCOME	34200	39100	44000	48900	52800	56700	60600	64500
Franklin County FY 2003 MFI: 56300								
30% OF MEDIAN	12650	14450	16300	18100	19550	21000	22450	23900
VERY LOW INCOME	21100	24100	27150	30150	32550	34950	37400	39800
LOW-INCOME	33750	38600	43400	48250	52100	55950	59800	63700
Hampden County FY 2003 MFI: 64500								
30% OF MEDIAN	13550	15500	17400	19350	20900	22450	24000	25550
VERY LOW INCOME	22600	25800	29050	32250	34850	37400	40000	42550
LOW-INCOME	36100	41300	46450	51600	55750	59850	64000	68100
Hampshire County FY 2003 MFI: 64600								
30% OF MEDIAN	13550	15500	17450	19400	20950	22500	24050	25600
VERY LOW INCOME	22600	25850	29050	32300	34900	37450	40050	42650
LOW-INCOME	36200	41350	46500	51700	55800	59950	64100	68200
Nantucket County FY 2003 MFI: 74900								
30% OF MEDIAN	17400	19900	22400	24850	26850	28850	30850	32850
VERY LOW INCOME	29000	33150	37300	41450	44750	48100	51400	54700
LOW-INCOME	46400	53050	59700	66300	71650	76950	82250	87550
Worcester County FY 2003 MFI: 57200								
30% OF MEDIAN	12650	14450	16300	18100	19550	21000	22450	23900
VERY LOW INCOME	21100	24100	27150	30150	32550	34950	37400	39800
LOW-INCOME	33750	38600	43400	48250	52100	55950	59800	63700

CHRISTINA STREET RESPONSE PROPOSAL

Following discussions with members of the Community Preservation Committee, city staff, and others in the housing field, and after review of the February 11, 2003 Memorandum from Peter Munkenbeck, the Committee's consultant, we suggest the following to achieve community housing ownership opportunities for three households with incomes too low to purchase housing in the Newton marketplace. The effort would give first preference to employees of the City of Newton.

1. Three units will be offered to households of four or more persons with incomes no higher than the household limits under HUD income guidelines at 100% of the Area Median Income (AMI). For federal FY02 the median for a family of four was \$74,200 and for a family of five was \$80,136 and the incomes will likely be significantly higher for FY03.
2. Unless legal constraints make it impossible or infeasible, City employees will be given first preference for the three below-market units.
3. The price for the initial sale of each unit will be \$304,000 an amount affordable to families with an income at 95% of the AMI based upon the assumptions in paragraph 4 below. That margin avoids an overly narrow "window" between the maximum eligible income (100% of AMI) and the minimum income necessary to qualify for mortgage financing.
4. The assumed interest rate is 06%; the tax rate remains constant; a down payment of 05% of the sale price of the unit; an annual condo fee equal to 0.4% of unit price; and an annual insurance cost of 0.2% of unit price. It is assumed that there is no private mortgage insurance because the purchaser's down payment and the CPA grant decreases the LTV below 75%. In addition, it is assumed that 35% of the family income is devoted to housing costs.
5. Notwithstanding paragraph (4) above, the actual terms of financing will be left to the applicants and their mortgage lenders as long as the applicants meet the income limit of (1) above and the sales price is that determined at (3) above.
6. Any unit not sold to a qualified City employee will be offered to other income-qualified city residents with incomes no higher than 100% of AMI, adjusted for family size. Any unit not sold and closed, subject to such price restriction within, two months after approval by the Board of Aldermen will be sold by CAN-DO without CPA grant assistance. If the CP Committee recommends the proposal to the Board of Alderman and it does not approve the recommendation by April 15, 2003, CAN-DO will offer the units for sale on the open market.

7. To make this offer economically feasible, CAN-DO requests a grant of \$375,000. That amount will be divided among three city employees to subsidize their purchase of the three-market rate units in the Highlands Glen Condominiums constructed by CAN-DO. The projected sales price is \$425,000 per unit. It is anticipated that each of the purchasers will receive a \$125,000 grant.
8. The CPA units will be deed-restricted to resell (1) to a family whose income is no more than 100% of the AMI adjusted for family size and (2) at a price that requires that no more than 33% of the new purchasers be spent for housing costs. .
9. The deed restriction will include a right of first refusal to be held by the City for any units, which are not resold subject to price restriction within the allocated time for resale.

MARKET AND INCOME CONTINGENCIES

By assuring equity sharing between initial owner and subsequent buyer based upon an Area Median Income price, continued affordability of the assisted units in question can be assured over time. With the suggested approach, if incomes were to rise while real estate values remained flat the share of resale proceeds going to the seller would increase. On the other hand, if area incomes were to remain flat while real estate values rise, the share of resale proceeds retained by the seller would fall. The following examples illustrate the relationships, using hypothetical figures based upon estimated FY03 incomes.

CONTINGENT SCENARIOS REVIEW

	Real estate flat Incomes up 15%	Real estate up 15% Incomes flat
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INITIAL SALES

Projected market sales price	\$429,000
"Affordable" sales price (95% of AMI)	\$304,000
"Affordable" price % of market price	68%

RESALES

Projected market resale price	\$429,000	\$493,400
"Affordable" resale price (95% of AMI)	\$349,000	\$304,000
"Affordable" price % of market price	81%	62%

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CITY OF NEWTON, MASSACHUSETTS

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DEPARTMENT OF PLANNING & DEVELOPMENT

Michael Kruse, Director

MEMORANDUM

TO: Community Preservation Committee
FROM: Michael Kruse, Director
DATE: 25 February, 2003
RE: **Christina Street Project – CPA Funding Request**

The Planning and Development Department supports this pilot program to create affordable housing opportunities for City of Newton full-time employees with household incomes at or below 100% area median income. In order to support diversity and quality of life, it is critical to provide affordable housing opportunities for this under-served population. In addition, the level of success of this pilot program will help the community evaluate future proposals for creating similar opportunities.

The Department recommends that the Community Preservation Committee recommend approval of the proposal under the following conditions:

1. An independent appraisal of the market value of the units (not subject to any affordability restrictions) to be completed prior to any expenditure of project funds. The appraisal will be used by the CPC to determine market value of each unit to ensure that CPC funding is not overpaying for units.
2. Fund a write-down from the value established by the independent appraisal to a purchase price approved by the Department of Planning and Development that is based on an analysis of the qualified applicant's individual financial situation and takes into consideration at least the following factors: terms of loan, loan interest rate, funds available for down payment, and the resulting total monthly housing costs as a percent of household income. The City may also integrate the Mass Housing Partnership Soft Second Program, if available, to achieve a feasible underwriting outcome.
3. Establish a 99-year deed restriction, held by the City of Newton, that stipulates: (1) a purchase price will be set that is affordable to a subsequent qualified city employee purchaser with household income at or below 100% area median income using conventional underwriting standards subject to the approval of the holder of the deed restriction and (2) at the initial sale or any subsequent sale of the property, 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. In the event that CPA and the 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.