



Ruthanne Fuller  
Mayor

## City of Newton, Massachusetts

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Barney S. Heath  
Director

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### MEMORANDUM

**DATE:** October 30, 2018  
**TO:** Members of the Community Preservation Committee  
**FROM:** Barney Heath, Director of Planning & Development  
Amanda Berman, Director of Housing & Community Development  
Malcolm Lucas, Housing Planner  
Rachel Powers, Community Development and HOME Program Manager  
**RE:** Status of Newton Homebuyer Assistance Program  
**MEETING DATE:** November 13, 2018

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Currently, the Newton Homebuyer Assistance Program has a balance of approximately \$1.5 million in already appropriated CPA funds. Housing & Community Development staff would like to return **\$805,742.90** of these unspent funds back to the CPC to be used for other Housing projects.

Additionally, staff kindly requests to retain **up to \$775,000** of these unspent funds for the following purposes:

1. **Up to \$75,000** - To use towards administrative costs associated with the program, including the hiring of a consultant to evaluate the program's portfolio and recommend future policies (see below for more detail on Consultant Scope of Work)
  - *Note: In 2008, 2013 and 2015, the City Council appropriated a total of \$76,000 in CPA funds to be used for the management and administration of this program (staff time, marketing and advertising, etc.). Approximately \$20,000 of these funds remain in the account for these administrative purposes.*
2. **Up to \$700,000** - To use towards potential additional subsidies to preserve the affordability of units already in the program (see end of memo for note on Additional Subsidies for Priority Units)
  - *Note: Program income may become available from funds received through the recapture of non-priority units (to be identified by the consultant) and may be used to help re-subsidize units that are identified as a priority for keeping in the program's portfolio.*

**For additional background, see following pages.**

## **Program Background**

As the CPC is aware, however, this program has been inactive since 2012, and was officially put on hold in 2015.

Over the past year-plus, staff has been researching the history of this program and pulling together multiple sources of data to create an updated program database, which had been lacking until this time. While more research is needed to fill in the holes that still exist in the database, staff has been able to determine that since its inception in 2001 (CPA funding assistance began in 2003), the Newton Homebuyer Assistance Program has supported the creation of approximately 53 affordable homeowner units, using a combination of federal (CDBG and HOME) and CPA funds. While 3 of these 53 units have been lost over the years, the remaining portfolio of 50 units includes: 10 one-bedroom units; 14 two-bedroom units; 24 three-bedroom units; and 2 four-bedroom units.

## **Program Evaluation**

At this time, it is clear that a full analysis of the program's portfolio is a critical next step in determining how to best move forward with managing and sustaining these units. While our research and assumptions over the past few years led us to believe that additional subsidies were needed for many of the units to create long-term affordability, we recognize that a more in-depth examination of each unit's history, deed restriction, and resale or recapture provisions is essential to develop recommendations for how to restructure the homebuyer assistance program.

The following is a draft scope of work that we believe would garner the necessary information to determine a sustainable path forward for this program that both protects the City's investment in many of these important units, while potentially releasing the affordability restrictions for some of the more problematic units in the portfolio.

### **Consultant Scope of Work:**

1. Assess the City of Newton's First Time Homebuyer Assistance Program portfolio (approximately 50 units) and associated materials, including, but not limited to funding agreements, mortgages, deed restrictions, and resale and recapture provisions and history
2. Identify categories of units with similar deed restrictions and/or resale and recapture provisions, including priority units that should remain in the portfolio and potentially could require additional subsidies, as well as units that should be released from the portfolio
3. Define a series of options for the City in terms of how to manage these different categories of units moving forward (do-nothing scenario, release of specific restrictions, provide additional subsidies, etc.)
4. Develop a recommended plan of action for each category, including action steps, responsible parties, necessary funding, and a corresponding timeline
5. Create a step-by-step process for the future resale of units that remain in the portfolio, including how to manage a lottery and potentially how to make these units SHI-eligible;

as well as a process for the release of restrictions for units that the City decides should be removed from the portfolio

6. Assess the City's other policies related to affordable homeownership, including its Downpayment and Closing Cost Assistance Program and the provisions related to ownership units in its Inclusionary Zoning ordinance and Comprehensive Permit Board Orders (HOA fees / special assessments language, for instance), and provide recommendations for areas of improvement
7. Hold a series of in-person and phone meetings with Planning staff to gather necessary information and discuss project progress; and present draft and final reports to CPC at its regularly scheduled evening meetings
8. Deliverables to include a draft and final written report including the above-mentioned analysis and recommendations

#### Project Timeline:

1. November 13 – Request funding for consultant from CPC
2. Mid-November – end of December – solicit quotes from qualified consultants
3. Early January 2019 – contract with consultant
4. End of February – delivery of draft report; staff update on consultant progress
5. Mid to end of April – delivery of final report
6. May 11, 2019 CPC Mtg. - staff presentation to CPC of recommended update to program policies and requested budget for revised program

#### Additional Subsidies for Priority Units

While it is hard to forecast the future, staff believes, based on the past few years of resales, that we will encounter one to two of these cases per year. Every resale case is very unique and is driven by original subsidy amounts and sources, and the provisions laid out in the property's individual deed restriction. As such, for those units that the consultant and the City feel should remain in the portfolio, the additional subsidy needed per unit will vary. Given the calculations that we have run as examples (see below), we feel that an additional per unit subsidy of **\$175,000** is reasonable, knowing that some cases will require less and some more. Therefore, we are requesting to retain **up to \$700,000** from the CPC use towards potential additional subsidies to preserve the affordability of units already in the program.

## 101 Hawthorn Street - Purchase Price Limits (3 bedroom unit)

Housing Cost:		80% AMI	70% AMI
<b>Sales Price</b>	<b>\$365,187</b>	<b>\$286,000</b>	<b>\$250,000</b>
<b>3% Down payment</b>	\$10,956	\$8,580	\$7,500
Mortgage	\$354,231	\$277,420	\$242,500
Interest rate	4.50%	4.50%	4.50%
Amortization	30	30	30
Monthly P&I Payments	\$1,794.84	\$1,405.65	\$1,228.71
Tax Rate	\$11.38	\$11.38	\$11.38
monthly property tax	\$346	\$271	\$237
<b>Hazard insurance</b>	\$122	\$95	\$83
PMI	\$230	\$180	\$158
<b>Condo/HOA fees (if applicable)</b>			
<b>Monthly Housing Cost</b>	<b>\$2,493</b>	<b>\$1,953</b>	<b>\$1,707</b>
<b>Necessary Income:</b>	\$99,725	\$78,101	\$68,270
<b>Household Income:</b>			
	<b>80% AMI</b>		
# of Bedrooms	3		
Sample Household size	4		
80% AMI/"Low-Income" Limit	\$78,150		
<b>Target Housing Cost (80%AMI)</b>	<b>\$1,954</b>		
10% Window - 70% AMI	\$68,381		
<b>Target Housing Cost (70%AMI)</b>	<b>\$1,710</b>		
<b>101 Hawthorn Street: Additional Subsidy Needed at Resale (80%)</b>			
Max Resale Price, Oct. 2017 (Per Deed Restriction Calculation)		<b>\$365,187</b>	
Max Affordable Sales Price to 4-person HH at 80% AMI		\$286,000	
Difference		\$79,187	
<b>Additional Subsidy Needed at Resale to Keep Property Affordable</b>		<b>79,187</b>	
<b>101 Hawthorn Street: Additional Subsidy Needed at Resale (70%)</b>			
Max Resale Price, Oct. 2017 (Per Deed Restriction Calculation)		<b>\$365,187</b>	
Max Affordable Sales Price to 4-person HH at 70% AMI		\$250,000	
Difference		\$115,187	
<b>Additional Subsidy Needed at Resale to Keep Property Affordable</b>		<b>115,187</b>	

## 280 Boylston Street, #907 - Purchase Price Limits (1 bedroom unit)

		80% AMI	70% AMI
<b>Max Resale Price</b>	<b>\$156,002</b>	<b>\$142,000</b>	<b>\$113,000</b>
<b>5% Down payment</b>	\$7,800	\$7,100	\$5,650
Mortgage	\$148,202	\$134,900	\$107,350
<u>Interest rate</u>	4.50%	4.50%	4.50%
Amortization	30	30	30
Monthly P&I Payments	\$750.92	\$683.52	\$543.93
<u>Tax Rate</u>	\$11.12	\$11.12	\$11.12
monthly property tax	\$145	\$132	\$105
<b>Hazard insurance</b>	\$52	\$47	\$38
PMI	\$96	\$88	\$70
<b>Condo/HOA fees (if applicable)</b>	\$600	\$600	\$600
<b>Monthly Housing Cost</b>	<b>\$1,644</b>	<b>\$1,550</b>	<b>\$1,356</b>
<b>Necessary Income:</b>	\$65,752	\$62,005	\$54,243
<b>Household Income:</b>			
	<b>80% AMI</b>		
# of Bedrooms	1		
Sample Household size	2		
80% AMI/"Low-Income" Limit	\$62,550		
<b>Target Housing Cost (80%AMI)</b>	<b>\$1,564</b>		
10% Window - 70% AMI	\$54,731		
<b>Target Housing Cost (70%AMI)</b>	<b>\$1,368</b>		

### 280 Boylston Street, #907: Additional Subsidy Needed at Resale (80%)

Max Resale Price, Nov. 2017 (Per Deed Restriction Calculation)	<b>\$156,002</b>
Max Affordable Sales Price to 2-person HH at 80% AMI	\$142,000
Difference	\$14,002
<b>Additional Subsidy Needed at Resale to Keep Property Affordable</b>	<b>\$14,002</b>

### 280 Boylston Street, #907: Additional Subsidy Needed at Resale (70%)

Max Resale Price, Nov. 2017 (Per Deed Restriction Calculation)	\$156,002
Max Affordable Sales Price to 2-person HH at 70% AMI	\$113,000
Difference	\$43,002
<b>Additional Subsidy Needed at Resale to Keep Property Affordable</b>	<b>\$43,002</b>