

City of Newton



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Mayor

# City of Newton, Massachusetts Community Preservation Committee

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## MEMORANDUM

TO: Honorable Board of Aldermen  
FROM: Community Preservation Committee  
DATE: March 8, 2006  
RE: **CPC Recommendation for CPA Funding - REVISED**

**PROJECT TITLE:** Newton Homebuyer Assistance Program (NHAP)

**CPA CATEGORY:** Community Housing

**RECOMMENDED CPA FUNDING:** \$208,250

### PROJECT DESCRIPTION:

The applicant, the City's Planning and Development Department, requests \$208,250 of CPA funds in order to provide subsidies to low/moderate income homebuyers through the Newton Homebuyer Assistance Program. This program is a renewal, with some alterations, of the Newton Connection Homebuyer Program that was created through CPA funds as a pilot program in spring 2004. Housing assistance is available to households with a Newton connection (i.e., City employee, resident of the City, works in the City, has a student in Newton public schools or is a graduate from a Newton high school in past 10 years). The program is also eligible to first time homebuyers and works in conjunction with the City's existing First Time Homebuyer Program, funded through the federal Community Development Block Grants and the American Dream Down Payment Initiative, funded through the federal HOME funding. To date, four new affordable homeownership units have been created through the conversion of existing market rate units. All of these units have been deed restricted in perpetuity to be affordable to households with incomes at or below 80% area median income (AMI)

Initially, the applicant requested funds to support four years of grants and permission to assist families up to 100% AMI. However, after consultation with the CPC, the applicant agreed to limit the program to families at or below 80% AMI, where there is a great need for assistance and so the newly created units may be counted towards the City's 40B requirement. The Planning and Development Department also proposes to increase the assistance level from \$90,000 of CPA funds per applicant to a maximum of \$100,000 per applicant in response to the competitive housing market in Newton. The applicant projects that CPA funding of \$1,052,500 will allow homeownership opportunities for 10-14 new low-moderate income homebuyers over 3-5 years (at an average rate of 3 cases per year). The request includes administrative cost of \$52,500 as derived from an estimated average of \$3,750 per case (for 14 cases). The CPC agreed to recommend funding for two years, \$500,000 of program costs, \$7,500 for administration, plus fees for the Law Department of \$1,500. The funding request for this fiscal year is \$208,250. A request for \$312,000 of additional funding for the NHAP will be docketed with the Board of Aldermen in the next fiscal year.

## FINDINGS/PROJECT EVALUATION

### Community Preservation Act (MGL c.44B)

#### Community Housing

MGL c.44B §2 defines community housing as “low and moderate income housing for individuals and families . . .” Furthermore, §2 defines low income housing as “housing for those persons and families whose annual income is less than 80% of the area median income.” and moderate income housing as “housing for those persons and families whose annual income is less than 100% AMI.” In addition, §5(b)(2) provides that the CPC “shall make recommendations... for the ... creation of community housing...” This program complies with the requirements of MGL c.44B by providing down payment assistance to low-moderate income homebuyers in return for the creation of deed restricted housing units that are permanently affordable to households at or below 80% and 100% AMI.

### 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.	Yes, 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. Show that a project is the most reasonable available option to achieve the objective.	Yes, see below
7. Demonstrate strong community support.	See below
8. Serve to equitably distribute CPA funds throughout the City.	Yes

Additional comments on selected goals:

Goal 3: The relative benefit for this project is creating at least five new units that are affordable to low income households. The NHAP provides a lower cost method to create new units of affordable housing than do development projects. In terms of CPA cost per affordable housing unit, this project, at up to \$100,000 per unit, demonstrates a high cost/benefit value relative to other affordable/community housing proposals. The following table represents CPA costs per affordable/community-housing unit for funded CPA projects (note: dollar amounts have been rounded, where appropriate and other non-CPA subsidy sources are not included).

<i>Project Name</i>	<i>Fiscal Year</i>	<i>Total Project Cost</i>	<i>Total CPA Funds (for housing portion only)</i>	<i># of aff./ comm. housing units</i>	<i>CPA Cost per Unit</i>
1093 Chestnut St/ Millhouse Commons	05	\$3,192,066	\$525,000	3	\$175,000
248 Elliot St/Linden Green	05	\$2,261,394	\$512,000	3	\$171,000
11-13 Cambria Rd	06	\$816,129	\$320,000	2	\$160,000
20-22 Falmouth Rd/ 163 Jackson Rd	05	\$2,905,775	\$550,000	4	\$138,000
19 West Street	04	\$750,000	\$263,000	2	\$132,000
Forte Property/76 Webster Park	04	\$1,110,000	\$377,000	3	\$126,000
<b>Newton Homebuyer</b>	<b>06/07</b>	<b>\$580,000</b>	<b>\$520,250</b>	<b>5</b>	<b>\$104,050</b>

Assistance Program					
Newton Homebuyer Assistance Program	04	\$500,000	\$500,000	5	\$100,000
Wyman St	05	\$3,555,000	\$1,000,000	10	\$100,000
18-20 Cambria Rd	03	\$841,000	\$200,000	2	\$100,000
45 Pelham St	04	\$2,850,000	\$312,000	10	\$31,000
Nonantum Village Place	03	\$6,200,000	\$850,000	34	\$25,000

Goal 4: Some federal HOME and CDBG funds are available to help assistant applicants with down payments and closing costs.

Goal 5: The prices of homes are currently at an all-time high in Newton. Some people who have grown up in the City cannot afford to purchase a home here. The NHAP would continue to assist these individuals, as well as increase the City's stock of affordable housing.

Goal 6: The NHAP is a relatively low-cost housing assistance program that would create a new option for low-moderate income people looking to purchase a home in the City. The City will gain affordable units and will help provide housing for people who want to own property in Newton, but cannot otherwise afford to do it.

Goal 7: The Newton Housing Partnership, the League of Women Voters and CAN-DO support the NHAP application for additional CPA funds. At the public hearing for the NHAP, no opposition was expressed.

Goal 8: Applications for FY06 CPA funds were received from across the City. The NHAP would assist homebuyers in any part of Newton.

#### Community Housing Goals

1. Create community housing that is well-designed, of decent quality and based on sound planning principles, including development located near public transportation and in village districts.	See below
2. Address one or more of the City's priority housing needs, such as those articulated in the City's <i>Consolidated Plan</i> and <i>A Framework for Newton's Planning</i> .	Yes, see below
3. Keep new units affordable for the long term and in perpetuity where possible.	Yes, see below
4. Demonstrate that the amount of requested CPA funding, as well as the total public subsidy requested, is reasonable and is the minimum amount needed for feasibility for the affordable housing. For example, it may be reasonable to support a higher public subsidy to enable the creation of housing serving lower income groups.	Yes, see below
5. Show that the proposal is supported by housing agencies, such as the Newton Housing Partnership, leverages (or is not otherwise eligible for) other public funds and could not otherwise be economically feasible without CPA funds.	See below
6. Avoid displacement of current residents.	Yes
7. Work in conjunction with other City funding mechanisms and build on existing programs, such as the First Time Homebuyer Program.	Yes
8. Reuse previously developed sites (including remediated brownfields) for community housing to expand existing resources.	Yes, see below

Additional comments on selected goals:

Goal 1: The NHAP would create new units of affordable housing through the conversion of existing market-rate units. No new construction would take place under this program.

Goal 2: The creation of affordable homeownership opportunities for low-income households is a priority need supported by the *Consolidated Plan*. Currently, the City has only 26 deed restricted affordable units available to potential low-income homeowners. New housing unit creation will help the City reach the state mandate of 10% affordable housing stock under MGL c. 40B, keeping units affordable in the long term through deed restrictions, leveraging other public funds and using previously developed sites. *A Framework for Newton's* Planning cites the need to protect the City's diverse housing stock and "make it possible for persons like our own children to live here."

Goal 3: Homes purchased with assistance under the NHAP would be preserved in perpetuity through deed restrictions.

Goal 4: The City's Housing Office determined that grants up to \$100,000 are reasonable and would help to offset the high cost of homeownership in Newton. There are many affordable housing opportunities for renters in the City, but far fewer for potential homeowners. The NHAP aims to remedy this. Administrative costs were estimated by the amount of staff time needed to work through the permitting process, marketing the program, counseling prospective owners and overall program setup. Despite the administrative costs, the NHAP is a relatively low-cost way to create new affordable housing.

Goal 5: The NHAP is supported by the City's Planning Department and the Newton Housing Partnership. Federal CDBG and HOME funds would also contribute to provide homebuyer assistance.

Goal 8: Under this program, affordable units would be created from existing market-rate units. The absolute number of housing units would not increase, but the number of affordable units would.

Community Housing Needs<sup>1</sup>

a) Affordable rental and homeownership opportunities for low-income families (serving families below 80% of the area median income)	Yes
b) Moderate income rental or homeownership housing units (serving families at 80% to 100% of area median income)	No
c) Community housing opportunities for individuals who live or work in Newton, have children in a Newton school or have an immediate family member living in Newton, in accordance with the City's local preference policy, fair housing laws and requirements of other funding sources	Yes
d) 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 Chapter 40B	Yes

**CPC RECOMMENDATION**

The proposal is consistent with the CPA criteria and many of the Plan's goals, as outlined above. Therefore, the Community Preservation Committee voted unanimously, to recommend funding this application. The NHAP program would support the creation of new affordable housing units by appropriating and transferring the requested \$208,250 to be expended under the direction and control of the Director of Planning and Development for the purposes of funding the Newton Homebuyer Assistance Program as detailed in the application dated September 30, 2005, subject to the following conditions:

1. NHAP will be managed and administered by the City's Housing Office of the Planning and Development Department in accordance with program guidelines to be established by the Housing Office approved by the Director of Planning and Development.
2. Any units purchased with assistance from NHAP shall be affordable to eligible households with incomes at or below 80% of the area median in perpetuity or to the maximum extent permitted by law and be bound by a deed restriction. The deed restriction shall include resale provisions that if no qualified buyers are found upon resale, any proceeds from resale shall be returned to the Community Preservation Fund in accordance with the deed restriction.

<sup>1</sup> From the FY06 Community Preservation Plan, pp. 23-24.

3. As part of the NHAP application review process, the City's Housing Office shall provide the applicant with a cost estimate of necessary rehabilitation work for the chosen unit and shall evaluate the applicant's financial ability to undertake any necessary rehabilitation work.
4. NHAP shall commence no later than December 31, 2006 and all funding herein appropriated shall be awarded no later than December 31, 2008 or such other date(s) as may be approved in writing by the Director of Planning and Development. In the event of failure to meet these dates, as stated herein or as approved by the Director of Planning and Development, any remaining funds in the project account shall be returned to the Newton Community Preservation Fund.
5. Any portion of the grant not used for the purposes stated herein shall be returned to the Newton Community Preservation Fund.