



Setti D. Warren
Mayor

**Newton, Massachusetts Community Preservation Program
Fy12-13 FUNDING REQUEST**

(For staff use)
date rec'd:
**3 April
2012**

PRE-PROPOSAL

PROPOSAL

For full instructions, see www.newtonma.gov/cpa or contact:

Community Preservation Program Manager
Newton Planning and Development Department, 1000 Commonwealth Ave., Newton, MA 02459
aingerson@newtonma.gov 617.796.1144

You may adjust the space for each question, but do not use more than 1 page to answer all questions on this page.

Project CONTACTS	Name, title, mailing address, email, phone, fax, & website if there is one.		
Rieko Hayashi, Housing Planner City of Newton Housing Office Newton Planning and Development Department rhayashi@newtonma.gov 617-796-1149	OTHER CONTACT Robert Muollo Jr., Housing Planner City of Newton Housing Office Newton Planning and Development Department rmuollo@newtonma.gov /617-796-1146		
Program TITLE	Newton Homebuyer Program		
Program LOCATION	Scattered sites within Newton boundaries.		
Project BUDGET	CP FUNDS TO BE REQUESTED: \$450,000	Proposed Cases: 3 cases for one year	Maximum Subsidy per unit: Currently \$115,000 Proposed Subsidy: \$150,000
SUMMARY	Explain project goals & why funds are needed. For multi-project "programs," describe how individual projects were chosen & prioritized.		

Program

The City of Newton's Homebuyer Assistance Program is currently assisting qualified low-moderate income households to purchase an affordable home in Newton by providing up to \$115,000 in buy down assistance (\$110,000 in buydown, \$5,000 in downpayment) to reduce the purchase price. In exchange for the assistance, the purchaser agrees to a deed restriction that limits the resale price. A low-moderate income four person household can earn up to \$65,000 per year, according to the U.S. Department of Housing and Urban Development (HUD) guidelines. Staff is requesting \$450,000 to recapitalize the program and to increase the maximum subsidy per unit from \$115,000 to \$150,000 -- a \$35,000 per unit increase.

Funds are allocated on a first come, first served basis to applicants who have completed the application process and provided a signed Offer to Purchase Real Estate.

Program Summary Since 2003

- Total CPA Funds Spent (2003-present) - \$1,284,520.53
- CPA Balance - \$296,723.42
- Total Households Served – 20
- Average Sales Price - \$238,571.50
- Average Household Size – 2.5
- Average Sales Price in Newton 2011 - \$750,000 (Boston Globe Study)

The average income for the currently in process homebuyer cases is \$42,852. With the current maximum subsidy of \$110,000 plus the maximum downpayment assistance of \$5,000, a household could afford approximately a purchase price of \$290,000.

Of the three bedroom homes that are currently on the market (Source: MLS), there are none under \$300,000.

Currently, there are three applicants pre-approved and three applicants in some stage of the application process. The remaining balance of CPA funds of \$296,723.42 will only cover two of these cases at the current subsidy limit and provide some smaller buydown subsidies or downpayment assistance. Funding pre-approval is given with the condition that the final funding commitment will depend on funding availability.

To better reach families who need homes larger than 2 bedrooms, we propose to increase the current subsidy from \$115,000 to

\$150,000. We also request funds of \$450,000 to recapitalize the program to cover the current applicants in the pipeline. The funding would only be for one year so we could test the effect increasing the subsidy will on reaching a more diverse applicant pool.

Reasonable Cost of Affordable Housing

Communities with similarly priced housing markets, within close proximity to Boston, such as Brookline and Cambridge have increased their subsidy limit to better enable their applicants to complete in the housing market. In Brookline the average sales price for a three bedroom home is \$701,617 and the maximum buydown subsidy is \$175,000. Assistance is dependent on bedroom size. For a one bedroom, the maximum is \$150,000, for two or more bedrooms, the maximum is \$175,000. In Cambridge, the average sales price is \$751,131 and the maximum buydown assistance is \$130,000 and downpayment assistance is up to 6% of purchase price which would add \$20,000-\$30,000 toward closing costs and reducing the downpayment. Increasing the subsidy to \$145,000 in Newton would greatly increase a buyer's ability to purchase a home in a market where the average sales price for a 3 bedroom home is \$696,987.

Program Design

Funding assistance is calculated up to a maximum of \$115,000, based on a front end ratio of 33% (no more than 33% of gross income towards principal, interest, taxes and insurance, plus condo fees if applicable). The amount of financing allocated to each case is based on the participant's income and assets, cost of the property, amount and terms of the mortgage.

The First Time Homebuyer guidelines require applicants to use the Massachusetts Housing Partnership's Soft Second. This program maximizes leverage of the City's funds by subsidizing the applicant's mortgage. Applicants are only required to put down 3% (1.5% of the owner's funds), no Private Mortgage Insurance and interest only payments for the first ten years.

Summary

The total request of \$450,000 will fund assistance to 3 units at the maximum subsidy. An increase in the maximum allowable subsidy to \$150,000 is requested to allow the program to serve a greater diversity of households.

Project Evaluation and Follow-up: The program maintains a database of all homebuyers with breakdowns of Federal funds, CPA funds and personal funds. A report will be generated from this database.

HOW WILL CP FUNDS BE USED?		HISTORIC RESOURCES	OPEN SPACE	RECREATION LAND	COMMUNITY HOUSING
Check all that apply.	acquire				
	create	not allowed			✓
	preserve				
	support	not allowed	not allowed	not allowed	
	rehabilitate/restore		allowed only if the resource was originally acquired or created with CP funds		

You may adjust the space for each question, but do not use more than 1 page to answer all questions on this page.

CITYWIDE PLANS: List plans by title, year & page(s) where each plan identifies this specific project or its general goals as a priority. See links to plans from: www.newtonma.gov/cpa/program.htm.

OTHER FUNDING: What non-CP funds will you use or are you pursuing? List names of other funders, amounts requested, & expected dates of funding decisions.

In the past, the program was funded by three sources: Community Development Block Grant Funds (CDBG), HOME Investment Partnerships (HOME, and local Community Preservation Act (CPA) funds. Since 2009, CDBG and HOME funds have been drastically reduced and no longer available to fund this program.

STEWARDSHIP: How will the project be maintained and funded once CP funds have been spent? (Hint for City-owned resources: “through the regular operating budget” is seldom a persuasive answer.)

The homeowner will be fully responsible for funding and maintenance of their property. Housing staff will monitor the property on an annual basis to insure that the property is still in compliance with the Housing Quality Standards Inspection and the terms of the Declaration of Affordable Covenants (Deed restriction).

COMMUNITY CONTACTS: List email addresses and/or phone numbers for at least 3 Newton residents or organizations that can provide feedback on the proposal and its manager’s qualifications. No more than 1 should be a Board member, supervisor, or employee of the project manager.

Community contacts will be provided with full proposal.

TIMELINE				
Project or Program Title:				
Steps (for a project) or Projects (for a multi-project program) <i>For requests over \$300,000, show how funding could be phased over multiple years.</i>	Assistance Required <i>(fundraising, permits, etc.)</i>	Start <i>season/ year</i>	Finish <i>season/ year</i>	Cost <i>estimate</i>
1 We anticipate completion of 3 cases in by the end of FY14.				\$
2				\$
3				\$
4				\$
5				\$
6				\$
7				\$
8				\$
9				\$
10				\$

Attachments

ATTACHMENTS
See attached Table of Contents.

NEWTON HOMEBUYER ASSISTANCE PROGRAM**CPA PRE-PROPOSAL****ATTACHMENT A****Request for Recapitalization of FTHB Funds and Increase of Subsidy**

Total CPA funds spent:	\$ 1,284,520.53		Proposed Subsidy	\$150,000	
Number of Households served:	20		Total amount requested:	\$450,000	
Average household size:	2.5				
Current Maximum Subsidy (plus \$5,000 toward closing costs):	\$115,000				
Households using maximum:	12				
Average purchase price:	\$238,571.50				
CPA Balance for Homebuyer funds	\$296,723.42				
Average cases per year	3				
Applicants in process:	3				

Listings from Boston.Com

	1BR	2Br	3Br	4Br.	
200-250,000	4	1			
200-300,000	8	5			
300-400,000	5	12	4		
400-500,000	1	5	10	12	

Current Max. Subsidy	80% of median	Housing Type	Max. Sales Price	70% of median	Max. Sales Price
\$115,000	3 person-\$58,500	Condo	\$ 355,000.00	3 person-\$51,188	\$ 320,000.00
	3 person-\$58,500	SFH	\$ 400,000.00	3 person-\$51,188	\$ 370,000.00
	4 person -\$65,000	Condo	\$ 390,000.00	4 person -\$56,875	\$ 350,000.00
	4 person -\$65,000	SFH	\$ 430,000.00	4 person -\$56,875	\$ 400,000.00

Propopsed Subsidy					
\$150,000	3 person- \$58,500	Condo	\$ 390,000.00	3 person-\$51,188	\$ 350,000.00
	3 person- \$58,500	SFH	\$ 430,000.00	3 person-\$51,188	\$ 360,000.00
	4 person - \$65,000	Condo	\$ 420,000.00	4 person -\$56,875	\$ 390,000.00
	4 person- \$65,000	SFH	470,000.00	4 person -\$56,875	\$ 420,000.00

Average Sales price for 3 br SFH in 2011 -\$603,569	(From MLS)				
Average Sales price for 3 br condo in 2011 -\$622,530					