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Community Preservation Committee
FUNDING RECOMMENDATION for
Newton Homebuyer Assistance Program

date: 4 February 2013
from: Community Preservation Committee
to: The Honorable Board of Aldermen

PROJECT GOALS & ELIGIBILITY

This program provides assistance with down payments and closing costs for first-time buyers who are seeking to purchase a home in Newton and whose annual income is at or below 80 percent of the regional median, in return for a deed restriction that keeps the home purchased affordable to future buyers at that same income level. Since the program was first created in 2001, it has assisted 36 first-time homebuyers. Since 2004, the program has used \$1,677,050 in CPA funding to help 16 households become Newton homeowners. The program is currently on hold because its \$66,000 in remaining grantable funds from past appropriations is less than the current maximum \$115,000 subsidy per household.

The proposal requests sufficient additional funding to assist at least 3 more households and proposes several changes in the program’s rules: increasing the maximum subsidy per household to \$150,000; basing the subsidy for each unit on the buyer’s household size and the corresponding size of home needed, as well as on the buyer’s income and the home’s selling price; and imposing a \$75,000 limit on the buyer’s assets.

RECOMMENDED FUNDING

On 24 January 2013 by a unanimous vote of 6-0 (members Nancy Grissom and Mike Clarke absent), the Community Preservation Committee recommended that the total requested funding of \$475,000 be appropriated to the Planning Department to continue this program, treating all funds as 100% for the creation of affordable housing under the CPA, and allowing all funds to be used for any eligible purpose included implicitly or explicitly in the following summary budget:

Newton Homebuyer Assistance Program	
Fourth Phase of CPA Funding	
Subsidies to first-time homebuyers	\$450,000
Program administration (staff time, advertising, etc.)	\$15,000
Rehabilitation fund (to bring previously subsidized units to current standards for resale)	\$10,000
Total CPA funds requested	\$475,000

(continued on page 2)

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SPECIAL ISSUES CONSIDERED BY THE CPC

Though housing prices nationally have fallen in recent years, Newton's affordability gap is as wide or wider than ever. In Newton, median housing prices have remained fairly stable and recently began rising again, while rents have increased significantly. At the same time, regional median incomes have actually fallen.

At the Committee's 24 January 2013 public hearing, several past program beneficiaries and families on the pre-approved list for future assistance spoke in strong support of this program, explaining that homeownership not only provides security against eviction and stability in school and neighborhood friendships for their children, but actually decreases their monthly housing costs compared to renting. No opposition to the program was expressed at the hearing.

Now that the program has been running for well over a decade, some previously subsidized units are being resold, subject to the program's restrictions capping resale prices at affordable levels. The CPC applauded the proposed creation of a rehabilitation fund to provide up to \$2,000 per unit to bring these homes up to current federal housing condition standards, rather than require the low- or moderate-income sellers to cover these costs from the limited equity they have built in their homes. The Committee also supported the other program rule changes proposed.

ADDITIONAL RECOMMENDATIONS *(funding conditions)*

1. The Planning Department will continue publicizing as widely as possible both the program itself and previously subsidized units as they become available for resale, and will continue responding to periodic requests for updates from the Community Preservation Committee and the Board of Aldermen.
2. Any portion of the Community Preservation Fund grant not used for the purposes stated herein will be returned to the Newton Community Preservation Fund.

KEY OUTCOMES

The Community Preservation Committee will evaluate this program based on these key outcomes:

1. Assisting at least 3 more qualified households to become Newton homeowners within the next 18 months, or by any extension of that deadline approved by the CPC.
2. Keeping the program's total administrative expenses within the combined total of remaining funds previously appropriated plus the \$15,000 of new funds requested for this specific purpose.

ATTACHMENTS

(delivered to the clerks of the Zoning and Planning Committee and Finance Committee)

- ♦ Printout of project webpage, from www.newtonma.gov/cpa "Proposals & Projects - Newton Homebuyer Assistance Program"
- ♦ PowerPoint presentation to the CPC on 24 January 2013
- ♦ Proposal, including small-scale map and list of units subsidized to date through the program (in compliance with fair housing best practices, exact addresses are not listed)
- ♦ Letters of support