



Setti D. Warren  
Mayor

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James Freas  
Acting Director

Community Preservation Committee  
c/o Alice Ingerson, Community Preservation Programs Manager  
City of Newton  
1000 Commonwealth Avenue  
Newton, MA 02459

March 13, 2015

Dear Community Preservation Committee members:

Thank you for your decision last month to agree to hear the Community Development and Housing Division's proposal to recapitalize the First-Time Homebuyer Program off-cycle. As you know, over the last 14 years more than 30 low-and moderate-income households have participated in this program. These residents enrich the socio-economic, cultural and racial diversity in the City.

The attached proposal requests \$1,057,000 in CPA funds to allow the program to continue to help income-eligible households over the next two years. With the rising housing market in the City, the current maximum subsidy limits are no longer adequate. In addition to requesting funding, this proposal also recommends an increase in the maximum subsidy in line with the market.

As has been the case since the program's inception, staff from the Community Development and Housing Division of the Planning and Development Department will continue to administer the program from the initial lottery to select eligible homebuyers through closing and will record an affordable housing deed restriction that will run with the land in perpetuity.

I look forward to presenting the program and our proposed changes to the Committee at its April 9<sup>th</sup> meeting. Please feel free to contact me in the meantime if you have any questions or would like any further information.

Sincerely,

Eve Tapper  
Acting Associate Director  
Planning and Development Department  
City of Newton



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Mayor

## Newton, Massachusetts Community Preservation Program FUNDING REQUEST

PRE-PROPOSAL

PROPOSAL

Last updated December 2014.

*(For staff use)*  
date rec'd:

*1 pm, 13  
March 2015*

For full instructions, see [www.newtonma.gov/cpa](http://www.newtonma.gov/cpa) or contact us:

Community Preservation Program Manager,  
City of Newton Planning & Development Department, 1000 Commonwealth Ave., Newton, MA 02459  
[aingerson@newtonma.gov](mailto:aingerson@newtonma.gov) 617.796.1144

You may adjust the space for each question, but the combined answers to all questions on this page must fit on this page.

|  |  |   |              |  |
|--|--|---|--------------|--|
| <b>Project TITLE</b>   | <b>Newton Homebuyer Assistance Program (citywide)</b>  |   |              |  |
| <b>Project CONTACTS</b>  | Name & title or organization   | Email   | Phone        | Mailing address                                    |
| <b>Project Manager</b>   | Eve Tapper, Associate Director of Planning and Development Department  | etapper@newtonma.gov  | 617-796-1139 | Newton Planning Dept.                              |
| <b>Project FUNDING</b>   | <b>A. New CPA funds requested:</b><br>\$1,057,000  | <b>B. CPA funds remaining from prior appropriations:</b><br>\$533,000 |              | <b>C. Total project cost (A+B):</b><br>\$1,590,000 |
| <b>Project SUMMARY</b>   | Summarize the project's main tasks, components or features. You may provide more information in attachments, but your SUMMARY MUST FIT IN THE SPACE BELOW. |   |              |  |
| <p>The Newton Homebuyer Assistance Program (NHAP) helps qualified households at or below 80% of area median income (AMI) to buy a home in Newton by providing up to \$150,000 in down-payment assistance. Assistance is based on household size and the participant's income and assets, cost of the property, and mortgage amount and terms. Each assisted homebuyer agrees to a deed restriction that keeps the unit's resale price affordable at the same income level, in perpetuity. Funds are now allocated by lottery, and all units are pre-approved for the state's Subsidized Housing Inventory.</p> <p>In 2013, the CPC and Board of Aldermen approved the current subsidy limits and other program changes, along with \$475,000 in new funding. Three households were chosen by lottery in August 2014. Unfortunately, none of these households has been able to find a unit which is affordable to them, even with the current maximum subsidy.</p> <p>The current program guidelines were designed in fall 2012, based on the \$399,000 median sales price for a two-bedroom condominium in Newton in 2011. By the end of 2014 this price had risen by 20% to \$480,000. During the same period, the income of a household at 80% of area median income in greater Boston increased by less than 5%. Using reported data on the sales price of 2- and 3-bedroom condos sold in 2014, staff projects that in 2015 there will be a reasonable number of 2-bedroom units offered at or below \$400,000 and 3-bedroom units offered at or below \$450,000. To afford a unit at these prices, households earning 80% of the AMI would need subsidies of \$250,000 and \$275,000, respectively. Staff recommends that these figures be set as maximum subsidy levels. This funding request will bring the total amount of available funds for the program to just under \$1.6 million, which will allow us to assist up to six households.</p> <p>Finally, staff proposes assisting three households per year over a 2-year period. It is not reasonable to expect all six households to find homes in the same year, given the limited supply of units affordable even with the new maximum subsidy limits. Further, we understand the potential volatility of the housing market and therefore propose that the maximum subsidy be allowed to rise up to 15% in line with increases in housing prices, although this may mean that we will assist fewer than six households.. If the market rises more than 15%, staff will return to the CPC and the Board of Aldermen for further review of the per unit subsidy limit.</p> <p>These changes would allow the program to continue its successful 14-year history of helping moderate-income households in Newton find an affordable home and growing the City's supply of permanently affordable properties, at a cost per unit that is competitive with Newton's other available options for achieving these goals.</p> |  |   |              |  |

You may adjust the space for each question, but the combined answers to all questions on this page must fit on this page.

|   |   |                   |               |   |                          |
|---|---|-------------------|---------------|---|--------------------------|
| <b>Project TITLE</b>  | <b>Newton Homebuyer Assistance Program</b>  |                   |               |   |                          |
| <b>USE of CPA FUNDS</b>   | <b>HISTORIC RESOURCES</b>   | <b>OPEN SPACE</b> | <b>or</b>     | <b>RECREATION LAND</b>                                    | <b>COMMUNITY HOUSING</b> |
| <b>Check all that apply.</b>  | create  | not allowed       |               |   | ✓                        |
| <b>COMMUNITY NEEDS</b>  | Provide a brief quote and citation (plan title, year, page number) showing how this project meets needs already recognized in at least 2 community-wide plans with links under <a href="#">Guidelines &amp; Forms</a> on <a href="http://www.newtonma.gov/cpa">www.newtonma.gov/cpa</a> . You may also list other community benefits not mentioned in any plan. |                   |               |   |                          |
| <p>This program will reach a diverse applicant pool consistent with the goals stated in the <i>City of Newton's FY11-15 Consolidated Plan</i>, p. 123, "Supporting and expanding the socio-economic, cultural and racial diversity in Newton".</p> <p>It will also meet the City's stated priority need of "providing more affordable housing options...for residents..." (p. 113, Draft <i>FY16-20 Consolidated Plan</i>).</p> <p>As well as Priority need #2: "Create homeownership opportunities for low-, moderate-, and middle-income residents," as stated in p. 6 of the <i>2008 Comprehensive Plan</i>.</p> |   |                   |               |   |                          |
| <b>COMMUNITY CONTACTS</b>   | List 3 Newton residents or organizations willing and able to comment on the project and its manager's qualifications. No more than 1 should be a supervisor, employee or current work colleague of the project manager or sponsor. Consult staff on the community contacts required for your specific proposal.   |                   |               |   |                          |
|   | <b>Name &amp; title or organization</b>   | <b>Email</b>      | <b>Phone</b>  | <b>Mailing address</b>                                    |                          |
| The following contacts provided in the 2013 proposal to the CPC for this program remain valid:  |   |                   |               |   |                          |
|   | Maryann O'Connor  |                   |               | 101 Hawthorn Street, Newton, Ma                           |                          |
|   | Patrick Jordan-Querns   |                   |               | 73 Walnut Street, #9 Newton, Ma                           |                          |
|   | Leanne Chaves   |                   |               | 75 Norwood Ave B Newton, Ma 02459                         |                          |
| <b>NON-CPA FUNDING</b>  | <b>Source of Funds</b>  |                   | <b>Amount</b> | <b>Status of Funding (requested, expected, confirmed)</b> |                          |
|   |   |                   |               |   |                          |

You may adjust the space for each question, but the combined answers to all questions on this page must fit on this page.

| Project TITLE  | Newton Homebuyer Assistance Program  |                            |
|--|--|----------------------------|
| <b>SUMMARY CAPITAL/DEVELOPMENT BUDGET</b>  |  |                            |
| <b>Uses of Funds</b>   |  |                            |
| Administrative Costs – total new request   |  | \$15,000                   |
| Grants to Homebuyers   |  |                            |
| 3-bedroom units, 3 units @ max. \$275,000:   |  | \$825,00                   |
| 2-bedroom units, 3 units @ max \$250,000:  |  | \$750,000                  |
| <b>D. TOTAL USES (should equal C. on page 1.)</b>  |  | <b>\$1,590,000</b>         |
| <b>Sources of Funds</b>  |  |                            |
| CPA – remaining funds from prior appropriations<br>(approx.. \$15,000 program admin, \$518,000 grants) |  | \$533,000                  |
| CPA – new funds requested  |  | \$1,057,000                |
| <b>E. TOTAL SOURCES (should equal D. above)</b>  |  | <b>\$1,590,000</b>         |
| Project TIMELINE   | Phase or Task  | Season & Year              |
|  | Submission of full proposal  | March 2015                 |
|  | CPC public hearing & approval  | April 2015                 |
|  | Board of Aldermen appropriation  | June 2015                  |
|  | Revise Program Guidelines  | July 2015                  |
|  | Submit revised Guidelines to State   | July 2015                  |
|  | Advertise new lottery<br>(A second lottery will be held in August 2016 to select three additional applicants. All subsequent tasks outlined below will be completed in the same time frame, just one year later than the date listed.) | August 2015                |
|  | Hold lottery and select three applicants   | September 2015             |
|  | Homebuyers look for properties   | October 2015-February 2016 |
|  | Properties inspected and approved  | December 2015-April 2016   |
|  | Homebuyer Financing commitment finalized   | January-May 2016           |
|  | State reviews Loan Documents and Closing   | February-June 2016         |

| Project TITLE   |  | Newton Homebuyer Assistance Program  |                      |
|---|--|--|----------------------|
| ↓ Check off submitted attachments here.   |  |  |                      |
| <b>PROJECT FINANCES</b> printed and as computer spreadsheets, with both uses & sources of funds |  |  |                      |
| <b>Full proposals: detailed budget attachments REQUIRED.</b>                                    | ✓  | <p><b>development pro forma/capital budget:</b></p> <p>Funds used for the Newton Homebuyer Assistance Program (NHAP) are not used for the development/ construction of new housing units. Except for \$30,000 In projected administrative costs (less than 2% of the total budget), the CPA funding will be used solely for mortgage buy-down assistance for income eligible households to purchase a home in Newton.</p> <p>In 2014, there were no units sold at a price affordable to households earning 80% AMI. The proposed maximum subsidy limits recommended in this proposal will allow these households to afford to purchase a home in Newton and will accomplish the City's goal of increasing the socio-economic, cultural and racial diversity here.</p> <p><b>Additional attachments with supporting calculations:</b></p> <p>A. Breakdown of actual sales prices for 3- and 2-bedroom units sold in Newton in 2014.</p> <p>B. Worksheet (with standard assumptions) showing how much a household earning up to 80% AMI can afford without a subsidy and not be cost burdened, meaning the household spends no more than 30% of their monthly income on housing costs. This formula also incorporates the City's affordable housing policy, which sets housing cost limits to be affordable to households earning to 70% of the AMI. .</p> |                      |
|   | ✓  | <p><b>operating/maintenance budget, projected separately for each of the next 10 years</b></p> <p>There are no long-term operating/maintenance costs associated with NHAP. In return for a subsidy to help eligible households purchase a home in Newton, the City records a permanent deed restriction to ensure that the property will remain affordable to household earning a similar level of income in the future.</p>   |                      |
|   | <b>SPONSOR FINANCES &amp; QUALIFICATIONS</b> |  |                      |
| <b>REQUIRED for all full proposals.</b>   | ✓  | <p><b>for sponsoring department or organization, most recent annual operating budget (revenue &amp; expenses) &amp; financial statement</b></p> <p>NHAP is fully funded through CPA funds. Less than 2% of the requested funding will be used for administrative costs, the rest will be used directly as buy-down assistance to allow income-eligible households to afford to purchase a home in Newton.</p>  |                      |
|   | ✓  | <p>NHAP has assisted nearly 30 households find and buy homes in Newton over the life of the program. Staff from the Community Development and Housing Division of the City's Planning and Development Department has administered the program since its inception and will continue to do so.</p>  |                      |
| <b>REQUIRED for all full proposals</b>  | ✓  | <b>COVER LETTER</b>  | See attached letter. |
| <b>SITE CONTROL, VALUE &amp; DEED RESTRICTIONS</b>  |  |  |                      |
| <b>REQUIRED.</b>  | ✓  | <p>In return for a subsidy for mortgage buy-down assistance, the City records a permanent deed restriction on the property to ensure the home remains affordable in perpetuity. In addition, by following set guidelines for applicant and site selection, each subsidized unit is eligible for inclusion on the State's Subsidized Housing Inventory (SHI).</p>   |                      |

# Newton Homebuyer Assistance Program

Proposal to the Community Preservation Committee

## Attachment A

Number of two- and three-bedroom condominiums sold in 2014 at the prices shown. Please note that the figures are cumulative (i.e. in 2014 30 condos sold for \$400,000 or less, 17 sold for between \$400,000 and \$425,000 etc.)

| <u>2BR</u> | <u>Mode</u> | <u>&lt;\$400,000</u> | <u>&lt;\$425,000</u> | <u>≤</u><br><u>\$450,000</u> | <u>&lt;\$500,000</u> |
|------------|-------------|----------------------|----------------------|------------------------------|----------------------|
| 2014       |             | 30                   | 47                   | 54                           | 71                   |

| <u>3BR</u> | <u>Mode</u> | <u>&lt;\$400,000</u> | <u>&lt;\$425,000</u> | <u>≤</u><br><u>\$450,000</u> | <u>&lt;\$500,000</u> |
|------------|-------------|----------------------|----------------------|------------------------------|----------------------|
| 2014       |             | 6                    | 9                    | 14                           | 19                   |

**Newton Homebuyer Assistance Program**

Proposal to the Community Preservation Committee

**Attachment B**

Using standard, explicit assumptions, the following tables show how much a three- and four-person household earning 80% of the Area Median Income can afford to spend on the purchase of a home without a mortgage subsidy.

Four-person household

| <b>Purchase Price Limits using DHCD Assumptions</b> |                  |   |
|---|------------------|---|
| <b>Housing Cost:</b>                                |                  | Notes   |
| <b>Sales Price</b>                                  | <b>\$188,000</b> |   |
| <b>Cost Buydown Assistance</b>                      |                  |   |
| <b>Sale Price to Buyer</b>                          | <b>\$188,000</b> |   |
| <b>Down Payment Percent</b>                         | <b>5%</b>        |   |
| <b>5% Down payment</b>                              | \$9,400          |   |
| Mortgage  | \$178,600        | Assuming mortgage covers 95% of purchase price    |
| <b>Interest rate</b>                                | <b>4.57%</b>     | Freddie Mac Avg. NE Rate as of 3/9/15 +.25%       |
| Amortization  | 30               |   |
| Monthly P&I Payments                                | \$912.38         |   |
| <b>Tax Rate</b>                                     | <b>\$11.61</b>   | 2015 City of Newton Residential Property Tax Rate |
| monthly property tax                                | \$182            | based on deed restricted price (not market value) |
| <b>Hazard insurance</b>                             | <b>\$63</b>      | based on DHCD assumptions                         |
| PMI   | \$116            |   |
| <b>Condo/HOA fees (if applicable)</b>               | <b>\$250</b>     | Estimate  |
| <b>Monthly Housing Cost</b>                         | <b>\$1,523</b>   |   |
| <b>Necessary Income:</b>                            | \$60,921         |   |
| <b>Household Income:</b>                            |                  |   |
| # of Bedrooms                                       | 3                |   |
| Sample Household size                               | 4                |   |
| <b>80% AMI/"Low-Income" Limit</b>                   | \$69,700         | 2015 Boston/Cambridge/Quincy PSA 80% AMI Limit    |
| <b>Target Housing Cost (80%AMI)</b>                 | <b>\$1,743</b>   |   |
| 10% Window  | \$60,988         |   |
| <b>Target Housing Cost (70%AMI)</b>                 | <b>\$1,525</b>   | 30%   |

(see calculations for 4-person household on next page)



**Newton Homebuyer Assistance Program**  
 Proposal to the Community Preservation Committee

**Attachment B** (continued)

Three-person household

| <b>Purchase Price Limits using DHCD Assumptions</b> |                  |   |
|---|------------------|---|
| <b>Housing Cost:</b>                                |                  | Notes   |
| <b>Sales Price</b>                                  | <b>\$165,000</b> |   |
| <b>Cost Buydown Assistance</b>                      |                  |   |
| <b>Sale Price to Buyer</b>                          | <b>\$165,000</b> |   |
| <b>Down Payment Percent</b>                         | <b>5%</b>        |   |
| <b>5% Down payment</b>                              | \$8,250          |   |
| Mortgage  | \$156,750        | Assuming mortgage covers 95% of purchase price    |
| <a href="#">Interest rate</a>                       | <b>4.57%</b>     | Freddie Mac Avg. NE Rate as of 3/9/15 +.25%       |
| Amortization  | 30               |   |
| Monthly P&I Payments                                | \$800.76         |   |
| <a href="#">Tax Rate</a>                            | <b>\$11.61</b>   | 2015 City of Newton Residential Property Tax Rate |
| monthly property tax                                | \$160            | based on deed restricted price (not market value) |
| <b>Hazard insurance</b>                             | <b>\$55</b>      | based on DHCD assumptions                         |
| PMI   | \$102            |   |
| <b>Condo/HOA fees (if applicable)</b>               | <b>\$250</b>     | Estimate  |
| <b>Monthly Housing Cost</b>                         | <b>\$1,367</b>   |   |
| <b>Necessary Income:</b>                            | \$54,691         |   |
| <b>Household Income:</b>                            |                  |   |
| # of Bedrooms                                       | 2                |   |
| Sample Household size                               | 3                |   |
| <a href="#">80% AMI/"Low-Income" Limit</a>          | \$62,750         | 2015 Boston/Cambridge/Quincy PSA 80% AMI Limit    |
| <b>Target Housing Cost (80%AMI)</b>                 | <b>\$1,569</b>   |   |
| 10% Window  | \$54,906         |   |
| <b>Target Housing Cost (70%AMI)</b>                 | <b>\$1,373</b>   | 30%   |