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Barney S. Heath
Director

MEMORANDUM

To: Community Preservation Committee

From: Barney Heath, Planning Director, Department of Planning and Development
Nathan Robinson, Housing Planner, Department of Planning and Development

Date: November 14, 2016

Re: Potential Restructuring of Newton First-Time Homebuyer Assistance Program

BACKGROUND

As part of its commitment to supporting diverse housing options, the City of Newton has offered a homebuyer assistance program to support first-time homeownership opportunities among low- and moderate-income households. The City has been fortunate to receive funding for the program through Newton's Community Preservation Program with the support of the Community Preservation Committee and the City Council.

Historically, the program has been designed to provide homeowners with downpayment assistance that is used to "buy-down" the price of a market rate home to a level where the mortgage is affordable to a program-eligible, low/moderate-income first-time homebuyer. As the housing market in Newton has become increasingly expensive, the homebuyer assistance program has had limited success in providing first-time homeownership opportunities in recent years. The program currently has approximately \$1.58 million in CPA funds, although the program is not currently accepting new applicants or providing grants.

As the planning department staff considered options for ending the program, staff identified an opportunity to restructure the program to provide first-time homebuyer assistance when existing deed-restricted units come up for resale. In recent years, the City has lost deed-restricted units from the affordable housing stock because the deed-restricted resale price exceeded the price that a qualifying, low-income household could afford. As a result, the unit was sold at fair market value to a non-eligible household and the CPC recouped the assistance (along with appreciation) that was provided to the original buyer.

Through the potential restructuring, the downpayment assistance would be used to support the preservation of affordable units by expanding the pool of potential program-eligible buyers. As an example, the City currently has an affordable, three-bedroom condominium unit that is in the resale process. The resale price for this unit, as determined by the deed restriction, is \$309,206. This resale price is approximately \$100,000 greater than what a program-eligible household can afford based on the Massachusetts Department of Housing and Community Development's affordability standards. As a result, it is likely that locating an affordable buyer for the unit will be challenging and Newton may lose another affordable homeownership

unit. Under the proposed program restructuring, the downpayment assistance would be used to further “buy down” the deed-restricted resale price to a level that is affordable to a low-income household. In this example, the downpayment assistance would be approximately \$100,000. The City would ensure that the new deed-restriction on the unit would limit the future resale price to a level that is affordable to program-eligible households and is consistent with DHCD’s affordability standards. The amount of funding requested through the proposed program restructuring is likely to be less than the existing \$1.58 million in available funds and would be based on an analysis of the existing portfolio.

REQUESTED DECISION

Staff requests a decision on whether the CPC is willing to consider the proposed restructuring of the program. If the CPC is willing to consider the restructuring, staff will submit a proposal to retain a specific amount of the CPA committed funding based on an analysis of the current portfolio of units that have been created through the first-time homebuyer program. The City’s Community Preservation Program Manager has notified staff that the restructuring of the program will likely require a new recommendation to City Council, although no new CPA funding will be requested.

If CPC is not able to support the proposed program restructuring, staff will submit a proposal to retain a small amount of funding for program closure, which will be used primarily to establish a system for handling future resales. The City’s Community Preservation Program Manager has advised that the acceptance of this option should require only a CPC vote to accept the Planning Department’s plan to return nearly all appropriated, but unspent CPA funds.