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Barney S. Heath
Director

MEMORANDUM

DATE: June 3, 2020
TO: Members of the Community Preservation Committee
FROM: Barney Heath, Director of Planning & Development
Amanda Berman, Director of Housing & Community Development
Malcolm Lucas, Housing Planner
Eamon Bencivengo, Housing Development Planner
RE: Newton Homebuyer Assistance Program, Consultant Report and Next Steps
MEETING DATE: June 9, 2020

In August 2019, consultants Liz Rust and Liz Valenta were hired by the City to perform a detailed assessment of Newton's First Time Homebuyer Assistance Program portfolio. As part of this assessment, the consultants identified categories of units in this portfolio with similar deed restrictions and/or resale and recapture provisions. The consultants also identified which units would require additional subsidy at the time of resale to maintain their affordability in perpetuity, including the specific amount of subsidy needed for each of these units.

Over the past ten months, staff has maintained close communication with the consultants as they conducted their evaluation and presented their draft findings. As you can see from the attached consultant report and portfolio spreadsheet, this evaluation culminated in a very detailed, up-to-date portfolio of all the deed-restricted affordable homeownership units in the City of Newton (a total of 79 units), including critical information that can be easily accessed when resales of these units take place.

In October 2018, we came to your committee requesting that the Newton Homebuyer Assistance Program retain a balance of up to \$775,000 of already appropriated CPA funds to for the following purposes:

1. **Up to \$75,000** - To use towards administrative costs associated with the program, including the hiring of a consultant to evaluate the program's portfolio and recommend future policies.
 - *Note: In 2008, 2013 and 2015, the City Council appropriated a total of \$76,000 in CPA funds to be used for the management and administration of this program*

(staff time, marketing, and advertising, etc.). As of October 2018, \$20,000 of these funds remain in the account for these administrative purposes.

2. **Up to \$700,000** - To use towards potential additional subsidies to preserve the affordability of units already in the program.

Regarding the actual administrative costs for the project, the total cost to engage Liz Rust and Liz Valenta, our consultant team, came in well below staff's estimates for such a report, with a total contract amount of **\$12,960**.

The estimate put forth by staff regarding the additional subsidies needed to preserve the affordability of the portfolio, however, was much closer to the consultant's findings. The consultants' report identifies **eight units** where an estimated **\$726,707** of buy-down funds could be invested to maintain affordability for eligible purchasers, ranging from a low of \$42,000 to a high of \$192,000 to buy-down one unit.

Next Steps for the Program:

Staff is very pleased with the detailed report and portfolio matrix developed by the consultant team and believes these documents will be invaluable resources in the continued administration and oversight of these units.

Moving forward, staff kindly requests the following to ensure the preservation of this critical portfolio of 79 affordable homeownership units:

- 1.) **Up to \$5,000 / year for the next three years** - To use towards administrative costs associated with the program, including retaining a consultant to assist in the proper administration of the portfolio, monitoring, resales and lotteries, updating of deed restrictions and policies, etc.
- 2.) **Up to \$730,000** – To use as buy-down funds to preserve the affordability of the eight units identified by the consultants as they come up for resale.
- 3.) **The expansion of the purpose of the program** to include the preservation of the portfolio.

We look forward to discussing the results of the consultants' work with you on June 9th, as well as our request for funding to preserve these critical ownership units in Newton.