

CITY OF NEWTON

IN BOARD OF ALDERMEN

COMMITTEE ON COMMUNITY PRESERVATION REPORT

TUESDAY, JUNE 24, 2008

Present: Ald. Lappin (Chairman), Parker, Hess-Mahan, Vance and Yates
Absent: Ald. Ciccone, Linsky and Sangiolo

Others Present: Alice Ingerson (Planning Dept.), Trisha Guditz, Julia Harmantz McAnely (Newton Housing Office), Joyce Moss (Community Preservation Committee), Karyn Dean (Committee Clerk)

REFERRED TO COMM. ON COMM. PRES. AND FINANCE COMMITTEES

#229-08 THE COMMUNITY PRESERVATION COMMITTEE recommending that the sum of \$968,800, including \$2,800 for legal expenses, be appropriated from the FY'09 Community Preservation Fund's housing and general reserves for a third round of the Newton Homebuyer Assistance Program, to help 8 or more households with incomes up to 80 percent of the area median purchase homes in Newton, and in the process to acquire deed restrictions making the homes purchased with this assistance permanently affordable to such households, and therefore qualified for inclusion in the Commonwealth's Subsidized Housing Inventory. [6-8-08 @ 1:28 PM]

ACTION: **APPROVED 5-0**

NOTE: Joyce Moss of the Community Preservation Committee presented this item. She said this was the third time the CPC has made a recommendation for the Homebuyer Assistance Program. The program pre-dated the use of CPA funds. There have been 23 projects to date, 7 (with one more pending) of them used CPA funds in their mix. The average subsidy was \$85,000 per unit of housing produced. The schedule for this round was a maximum of \$115,000 per unit which was the same as the last round, but they ended up, in only one instance, going up to \$95,000 for a subsidy. They anticipated, because of cutbacks in the CDBG program, that they probably would be putting in slightly more and CDBG slightly less in each unit. This program kept the subsidy amount in a very reasonable range.

The expectation was to do 8 additional units with this money in about a 2-year period. Administration costs were about \$46,000 and legal costs were low. Of the 23 units in the Homebuyer Program, 16 of those have gone to people with a Newton connection and the rest were for area people. There was a great effort to be sure to abide by fair housing practices and standards. Ms. Moss said that if this program was funded, they would still have \$1.4M remaining in the FY09 appropriation with the state match to fund other projects.

Julia Harmantz McAnely said the program was very popular and she received many phone from people looking for affordable properties. When Newton Housing presented to the CPC, they did some research on the Multiple Listing Service. On May 28, 2008, they were 4 single family homes on the market in Newton under \$299,000, and 71 condominiums. Ms. Harmantz McAnely ran calculations from \$200,000 to \$400,000 and she broke down the formulas for each. Please refer to attached information for affordability details on these properties. Affordability was defined as people who were at 80% of median area income looking for properties that they could afford, and the affordability coming out after the subsidy was applied. That was at a 33% front end ratio which meant the applicant was not to spend more than 33% of their gross monthly income on principle, interest, taxes, insurance and condo fees.

Ald. Parker noted that, in reality, the front end ratio was more like 40% and not 33%. This information had come from Ald Gentile who was in the mortgage business and had suggested that 40% be used in future calculations. Ms. Harmantz McAnely said she remembered that comment and, at the time, lenders were lending to much higher front end ratios. Since the breakdown in the subprime mortgage industry, lenders have become much more conservative as a result of the Attorney General's guidelines. This program, although conservative, has had zero foreclosures and they were proud of that.

Ald. Vance asked if the existing funds were all spoken for. Ms. Harmantz McAnely said that approximately \$69K was left and it was going to a couple purchasing a 2-bedroom condo in Newtonville this week. That would deplete all of their CPA funds.

Ald. Parker asked about the terms of resale and qualifications of applicants. Ms. Harmantz McAnely, Ms. Moss and Ms. Guditz answered that upon resale, provided that the qualified buyer complied with the terms and conditions of the deed restriction, they were not required to pay back the subsidy. The terms and conditions were primarily to notify the city of their intention to sell, and cooperate with the city in terms of locating an eligible buyer. At that point, an affordable housing lottery is held and then the unit is sold at an artificially low price based upon a formula in the deed restriction. The home owners were not generating the equity they normally would in a standard purchase. That was one reason some people might not want to participate in this program. Ms. Harmantz McAnely said she raised this issue with each applicant so that they understood this but she noted that the applicants would get the tax benefit of the mortgage interest deduction. Applicants have to be income eligible when they close on the property. If their income eligibility changes after closing, that does not mean they have to leave the unit – they just need to qualify at the time of the closing. Of the 23 units, the 4th was coming up for resale so turnover has been quite low. All of the CPA funded units were sold to people who worked and/or lived in Newton. One was a city employee.

Ald. Hess-Mahan moved approval of this item and the committee voted 5-0 in favor.

Respectfully Submitted,
Cheryl Lappin, Chairman

229.08

Properties for Sale in Newton priced between \$200,000-\$400,000

4 Single Family Homes (\$339,000-\$399,000.00)

71 Condominiums (\$200,000.00-\$400,000.00)

229.09

Sales Price	\$200,000		
Unit Sales Price Analysis:	5/28/2008		
<u>BREAKDOWN</u>			
Price less subsidy	\$115,000	\$85,000	
Downpayment 3%	\$6,000		
Amount to be Financed		\$79,000	
<u>MONTHLY HOUSING PAYMENT</u>			
First Mortgage (Principal & Interest)		\$436	5.25%, 30 years
Taxes (2008 Rate \$9.70/\$1000)		\$156	
Condo Fee (estimate)		\$100	
Insurance (\$650/annually)		\$54	
TOTAL MONTHLY PAYMENT		\$746	
MINIMUM INCOME REQUIRED		\$27,124	33% front end ratio
<u>AFFORDABILITY @ 80% AMI</u>			
	<u>80% AMI</u>	<u>INCOME WINDOW</u>	<u>Affordable (Y/N)</u>
1 person household	46,300	19,176	Y
2 person household	\$ 52,950	\$ 25,826.33	Y
3 person household	\$ 59,550	\$ 32,426.33	Y
4 person household	\$ 66,150	\$ 39,026.33	Y
5 person household	\$ 71,450	\$ 44,326.33	Y
6 person household	\$ 76,750	\$ 49,626.33	Y
<u>AFFORDABILITY @ 70% AMI</u>			
	<u>70% AMI</u>	<u>INCOME WINDOW</u>	
1 person household	\$41,216	\$ 14,092.33	Y
2 person household	\$ 46,284	\$ 19,160.33	Y
3 person household	\$ 52,017	\$ 24,893.33	Y
4 person household	\$ 57,820	\$ 30,696.33	Y
5 person household	\$ 62,434	\$ 35,310.33	Y
6 person household	\$ 67,048	\$ 39,924.33	Y

<u>Sales Price</u>	\$250,000		
<u>Unit Sales Price Analysis:</u>	5/28/2008		
<u>BREAKDOWN</u>			
Price less subsidy	\$115,000	\$135,000	
Downpayment 3%	\$7,500		
Amount to be Financed		\$127,500	
<u>MONTHLY HOUSING PAYMENT</u>			
First Mortgage (Principal & Interest)	\$704		5.250%, 30 years
Taxes (2008 Rate \$9.70/\$1000)	\$194		
Condo Fee (estimate)			
Insurance (\$650/annually)	\$54		
TOTAL MONTHLY PAYMENT	\$953		
MINIMUM INCOME REQUIRED	\$34,640		33% front end ratio
<u>AFFORDABILITY @ 80% AMI</u>	<u>80% AMI</u>	<u>INCOME WINDOW</u>	<u>Affordable (Y/N)</u>
1 person household	46,300	11,660	Y
2 person household	\$ 52,950	\$ 18,310.19	Y
3 person household	\$ 59,550	\$ 24,910.19	Y
4 person household	\$ 66,150	\$ 31,510.19	Y
5 person household	\$ 71,450	\$ 36,810.19	Y
6 person household	\$ 76,750	\$ 42,110.19	Y
<u>AFFORDABILITY @ 70% AMI</u>	<u>70% AMI</u>	<u>INCOME WINDOW</u>	
1 person household	\$41,216	\$ 6,576.19	Y
2 person household	\$ 46,284	\$ 11,644.19	Y
3 person household	\$ 52,017	\$ 17,377.19	Y
4 person household	\$ 57,820	\$ 23,180.19	Y
5 person household	\$ 62,434	\$ 27,794.19	Y
6 person household	\$ 67,048	\$ 32,408.19	Y

<u>Sales Price</u>	\$300,000		
<u>Unit Sales Price Analysis:</u>	5/28/2008		
<u>BREAKDOWN</u>			
Price less subsidy	\$115,000	\$185,000	
Downpayment 3%	\$9,000		
Amount to be Financed		\$176,000	
<u>MONTHLY HOUSING PAYMENT</u>			
First Mortgage (Principal & Interest)	\$972		5.250%, 30 years
Taxes (2008 Rate \$9.70/\$1000)		\$233	
Condo Fee (estimate)		\$100	
Insurance (\$650/annually)		\$54	
TOTAL MONTHLY PAYMENT		\$1,359	
MINIMUM INCOME REQUIRED		\$49,429	33% front end ratio
<u>AFFORDABILITY @ 80% AMI</u>	<u>80% AMI</u>	<u>INCOME WINDOW</u>	<u>Affordable (Y/N)</u>
1 person household	46,300	(3,129)	N
2 person household	\$ 52,950	\$ 3,521.33	Y
3 person household	\$ 59,550	\$ 10,121.33	Y
4 person household	\$ 66,150	\$ 16,721.33	Y
5 person household	\$ 71,450	\$ 22,021.33	Y
6 person household	\$ 76,750	\$ 27,321.33	Y
<u>AFFORDABILITY @ 70% AMI</u>	<u>70% AMI</u>	<u>INCOME WINDOW</u>	
1 person household	\$41,216	\$ (8,212.67)	N
2 person household	\$ 46,284	\$ (3,144.67)	N
3 person household	\$ 52,017	\$ 2,588.33	Y
4 person household	\$ 57,820	\$ 8,391.33	Y
5 person household	\$ 62,434	\$ 13,005.33	Y
6 person household	\$ 67,048	\$ 17,619.33	Y

<u>Sales Price</u>	\$350,000		
<u>Unit Sales Price Analysis:</u>	5/28/2008		
<u>BREAKDOWN</u>			
Price less subsidy	\$115,000	\$235,000	
Downpayment 3%	\$10,500		
Amount to be Financed		\$224,500	
<u>MONTHLY HOUSING PAYMENT</u>			
First Mortgage (Principal & Interest)	\$1,240		5.250%, 30 years
Taxes (2008 Rate \$9.70/\$1000)		\$272	
Condo Fee (estimate)		\$100	
Insurance (\$650/annually)		\$54	
TOTAL MONTHLY PAYMENT		\$1,666	
MINIMUM INCOME REQUIRED		\$60,581	33% front end ratio
<u>AFFORDABILITY @ 80% AMI</u>	<u>80% AMI</u>	<u>INCOME WINDOW</u>	<u>Affordable (Y/N)</u>
1 person household	46,300	(14,281)	N
2 person household	\$ 52,950	\$ (7,631.17)	N
3 person household	\$ 59,550	\$ (1,031.17)	N
4 person household	\$ 66,150	\$ 5,568.83	Y
5 person household	\$ 71,450	\$ 10,868.83	Y
6 person household	\$ 76,750	\$ 16,168.83	Y
<u>AFFORDABILITY @ 70% AMI</u>	<u>70% AMI</u>	<u>INCOME WINDOW</u>	
1 person household	\$41,216	\$ (19,365.17)	N
2 person household	\$ 46,284	\$ (14,297.17)	N
3 person household	\$ 52,017	\$ (8,564.17)	N
4 person household	\$ 57,820	\$ (2,761.17)	Y
5 person household	\$ 62,434	\$ 1,852.83	Y
6 person household	\$ 67,048	\$ 6,466.83	Y

<u>Sales Price</u>	\$400,000		
<u>Unit Sales Price Analysis:</u>	5/28/2008		
<u>BREAKDOWN</u>			
Price less subsidy	\$115,000	\$285,000	
Downpayment 3%	\$12,000		
Amount to be Financed		\$273,000	
<u>MONTHLY HOUSING PAYMENT</u>			
First Mortgage (Principal & Interest)		\$1,508	5.250%, 30 years
Taxes (2008 Rate \$9.70/\$1000)		\$311	
Condo Fee (estimate)			
Insurance (\$650/annually)		\$54	
TOTAL MONTHLY PAYMENT		\$1,873	
MINIMUM INCOME REQUIRED		\$68,097	33% front end ratio
<u>AFFORDABILITY @ 80% AMI</u>	<u>80% AMI</u>	<u>INCOME WINDOW</u>	<u>Affordable (Y/N)</u>
1 person household	46,300	(21,797)	N
2 person household	\$ 52,950	\$ (15,147.31)	N
3 person household	\$ 59,550	\$ (8,547.31)	N
4 person household	\$ 66,150	\$ (1,947.31)	N
5 person household	\$ 71,450	\$ 3,352.69	Y
6 person household	\$ 76,750	\$ 8,652.69	Y
<u>AFFORDABILITY @ 70% AMI</u>	<u>70% AMI</u>	<u>INCOME WINDOW</u>	
1 person household	\$41,216	\$ (26,881.31)	N
2 person household	\$ 46,284	\$ (21,813.31)	N
3 person household	\$ 52,017	\$ (16,080.31)	N
4 person household	\$ 57,820	\$ (10,277.31)	N
5 person household	\$ 62,434	\$ (5,663.31)	N
6 person household	\$ 67,048	\$ (1,049.31)	N