



Community Opportunities Group, Inc.

129 Kingston Street, Third Floor
Boston, Massachusetts 02111
Tel: 617-542-3300
Fax: 617-542-3302

February 13, 2006

Ms. Nancy Tavernier
Acton Community Housing Corporation
Acton Town Hall
472 Main Street
Acton, MA 01720

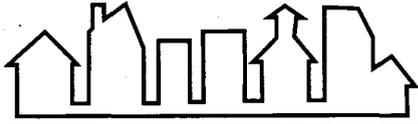
Reference: Condominium Buy-down Program

Dear Ms. Tavernier:

Community Opportunities Group, Inc. (COG) would be pleased to provide technical assistance to the Acton Community Housing Corporation (ACHC) to explore options for establishing a condominium buy-down program in Acton. We understand that the ACHC would like to offer buy-down assistance to qualified low- or moderate-income homebuyers, secure long-term housing affordability through a deed restriction, and create a program that makes existing housing eligible for the Subsidized Housing Inventory under applicable regulations of the Local Initiative Program (LIP). Below please find our proposed scope of work and fee for these services.

Task	Fee
1. Preparation for and attendance at initial program planning meeting with realtors, condominium association representatives, bankers	\$720.00
2. Conduct research/data collection for a sample of other condominium buy-down programs in New England	\$2,250.00
3. Meet with ACHC to present/review program design recommendations, based on the results of the initial planning meeting and program research	\$540.00
4. Prepare technical memorandum with recommendations and a suggested plan of action for the ACHC	<u>\$1,080.00</u>
Total Not-to-Exceed Fee	\$4,590.00

We will submit monthly invoices for our services, billed on an hourly basis at \$90.00/hour, plus reimbursement for direct costs (e.g., mileage) at 1.15 times actual cost. If our proposal is acceptable to you, please sign the attached acceptance page and return a copy of this letter to us.



As President of Community Opportunities Group, Inc., I am authorized to submit this letter of interest and to bind the firm to an engagement with the ACHC. If you have any questions, please contact me at (617) 542-3300, ext. 304, or Judi Barrett, who will serve as Project Manager for this contract. Thank you for your consideration.

Sincerely yours,

COMMUNITY OPPORTUNITIES GROUP, INC.

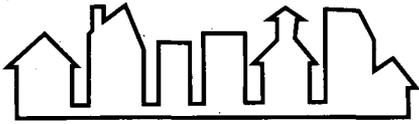
Peter D. Sanborn
President

Accepted by:
ACTON COMMUNITY HOUSING CORPORATION

Nancy Tavernier, Chair

3/1/06

{Date}



**Acton Community Housing Corporation
Contract Status**

Date	Invoice #	Invoice Amount	Prof. Services Amount	Balance Remaining
<i>Contract</i>				<i>\$4,590.00</i>
12/1/06	0646-01-066	\$4,050.00	\$4,050.00	\$540.00

Acton Community Housing Corporation

Nancy Tavernier, Chairman

TOWN OF ACTON

Acton Town Hall

472 Main Street

Acton, Massachusetts, 01720

Telephone (978) 263-9611

achc@acton-ma.gov

TO: Maureen O'Hagan, MCO Associates
FROM: Nancy Tavernier, Chair, ACHC
SUBJECT: Request for Quote for Lottery
DATE: October 20, 2006

The ACHC is considering establishing a program for condo buy-down's using CPA funds. The plan is to do a pilot program at one of the Acton Condo developments (Briarbrook). We would approach sellers about allowing ACHC to subsidize the selling price to make it affordable to households at 60-70% of the AMI, place a deed restriction on it, and get it approved by the DHCD for inclusion on the Subsidized Housing Count.

Before we start the program, we think we need to not only measure the interest of potential buyers but also get a lottery list in place so that we can move quickly when we identify a unit.

We propose to generate a lottery list using the DHCD LIP requirements for income eligibility, Affirmative Action, and Outreach without requiring DHCD's approval at this point. Their approval would be sought at the time of the purchase of the unit or for the program in general once we get it up and running.

We would like to seek a quote from you for the generation of this lottery list. The task would include the preparation of an information packet, application, outreach, information session, and lottery. The lottery list would cover the full range of incomes 50-80%AMI, all household sizes, and would be ranked in order of the usual selection process. What is missing is the approval process for LIP, we would plan to do that in the future. First we need to measure the local interest. I have a refined mailing list that could be used to jump start the outreach too.

Please let me know if you would be interested in this assignment and what you would charge ACHC for the task.

Thank you.

To: "Judi Barrett (Home Office)" <judith.barrett@cloverset.org>
From: Nancy Tavernier <ntavern@comcast.net>
Subject: Re:
Cc:
Bcc:
Attached:

Hi Judi,

We had our meeting last night and a long discussion on the buy-down options. At first the members seemed to be willing to try the pilot acquisition/disposition model. We calculated each transaction might cost \$10,000 for legal, inspection, upgrades, taxes and fees. We considered the high subsidy required to move the unit price to something affordable to the 60% AMI group we had originally wanted to target given the high condo fees that have to be factored into the equation. It looked to us like we could only do 1 unit a year and perhaps 2. Without the Somerset Hill condo project yet ready for sale (we will have 3 units to sell to FTHB at \$130,000 and \$145,000), we have no way of knowing the interest and income groups ready to buy condos but we assume there will be a market. It was when I asked who would like to head up this undertaking and was met with silence that we all realized this is just too daunting a task, this model at least. So we would like to focus on only the Purchase Price buy-down option and would like to ask you to redo your memo to focus only on that option. If you could include in that a suggested Action Plan, perhaps based on what other communities have done, that would be helpful. The idea being having a document that could be followed every time we wanted to do a buy-down. We decided to pursue having a lottery that would meet all the outreach requirements of LIP so we can generate a list of interested households, pre-qualified, in the 50-80% AMI range. This list will be good for a year so we would probably try to have it done before town meeting so we can demonstrate we are moving forward. Not only will this allow us to measure interest but it will allow us to move quickly on units should we decide to go ahead.

The sense of urgency for this is the CPA application deadline of Nov. 13 but we have decided to simply seek more funds (up to \$100k) to be added to our Community Housing Program Fund that can be used for condo buy-downs and other ideas we have. Last night we also decided to set up a Down Payment Assistance program for Town and School employees buying in Acton, meeting income guidelines of up to 100% AMI. We would propose paying 5% or a maximum of \$10,000 which would become a grant after 5 years and would have to be paid back if the property sold within 5 years. It would be a first-come first-served program with a maximum of \$50,000 per year. This too would be funded out of the Program Fund. We would follow the models being used by some of the nearby communities using HOME funds.

So that is the request and assignment we seek from you. Is this doable?

Very interesting about the Globe articles, did you read yesterday's NW weekly article zeroing in on Acton and Jimmy Fenton who did Crossroads and got "caught" in Boxboro? See it here:
http://www.boston.com/news/local/articles/2006/10/19/builders_may_have_to_repay_town/

I have had several conversations with the reporter and finally let loose the other day asking her how a developer could break rules that don't even exist. Our Finance Director and Dan Hill went into the IG's office Wed. to ostensibly be shown the audit and the back-up for Crossroads, they weren't. It was stuffed in some box and they were promised a copy. We shall see. I am sure Jimmy owes the town money but no where near the \$700k that is being touted by the IG who appears to me to be on an anti-40B crusade. But in the meantime, last March ACHC demanded to be released from the monitoring responsibilities for profit analysis and then again in June. Finally this week, the BOS agreed to remove us so we are relieved of that nastiness. We just hated being the nice guys on the front end and then the police on the back so now the town will hire Tod McGrath to initial reviews of cost certifications and then a CPA will be hired to do the rest if required. Whatever, good luck to them. We have yet to ever have a 40B audit.

So that's it from here. Just one downer piece of news. The BOS recently used the new Policy to deny a 2 unit 40B (2 single family homes on an existing house lot with the existing house staying). They sided with the neighborhood who said it was not walkable to anything and therefore did not meet the intent of the policy. I just sat with my mouth hanging open. Just goes to show you, nothing is perfect.

Nancy

At 11:45 PM 10/19/2006, you wrote:

Hi Nancy,

I wasn't sure if you were in town or away, so I figured I should check in. Have you had a chance to think more about the condo buydown program? What can I do to help?

What did you think of the Boston Globe stories?

Judi Barrett
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COMMUNITY OPPORTUNITIES GROUP, INC.
129 Kingston Street Third Floor
Boston, Massachusetts 02111
(617) 542-3300

MEMORANDUM

To: Nancy Tavernier

From: Judi Barrett

Date: September 23, 2006

Subject: Condominium Buy-Down Assistance

For Review Please Comment Please Reply Copy For Your Files

Below please find the information we obtained about condominium buy-down programs, followed by a conceptual pricing analysis of each option and some recommendations for you to consider.

1.0 BUY-DOWN PROGRAMS

Although many communities seem interested in establishing a buy-down program, relatively few have created or implemented one. The buy-down assistance programs that do exist vary quite a bit in program design and sources of subsidy. The following models exist elsewhere in Massachusetts or in other parts of the country, for purchasers of condominiums or single-family homes.

- ◆ Purchase price buy-down: A payment to the seller at the time of closing, which effectively reduces the principal amount of a first-time homebuyer's mortgage. This form of assistance can be subsidized with CPA revenue, federal Home Investment Partnership Program (HOME) or Community Development Block Grant (CDBG) funds, or a local housing trust fund, e.g., the fund used to account for fees paid by developers under an inclusionary zoning bylaw.
- ◆ Temporary (graduated) interest rate buy-down: A payment made to the lender (and sometimes a payment *deferred* by the lender) to reduce the homebuyer's monthly mortgage payment for the first few years of the mortgage term. When subsidized by sources other than the lender, this type of program is usually administered by non-profit organizations that use housing trust fund receipts or private sources to finance the temporary write-down. Following guidelines established by FreddieMac, lenders often provide their own graduated interest-rate buy-down programs to help first-time homebuyers afford the cost of entry to homeownership and meet standard underwriting requirements for housing expense-to-income ratio.
- ◆ Permanent interest rate buy-down: A payment made to the lender to reduce the homebuyer's monthly mortgage payment for the life of the loan. These programs are almost always administered by non-profit organizations that serve low- or moderate-income people. The

subsidy source is typically a housing trust fund, which obtains resources from inclusionary housing fees, developer or corporate contributions, other non-profit organizations and occasionally, government agencies. HOME funds may also be used for this type of assistance. In high-barrier markets such as the Boston area, however, HOME can be difficult to work with: the maximum purchase price or after-rehab value of HOME-assisted units may not exceed Section 203(b) mortgage limits unless the community conducts a market analysis that meets HUD requirements. (The Section 203(b) single-family home mortgage limit in the Boston area is currently \$362,790.)

- ◆ Acquisition-disposition buy-down: A unit purchased at market value by a public agency or non-profit organization, placed under an affordable housing deed restriction, and resold at an affordable purchase price. (A variation of the same model has been used in rent-to-own programs.) CPA funds may be used for this purpose; HOME funds are frequently used in this kind of program, subject to compliance with the HOME purchase price limit.

In addition to Boxborough's FHLB program, the City of Newton and the Towns of Bedford, Chelmsford, Lincoln and Sudbury have used CPA funds for buydown assistance. The latter (town) programs operated on a fairly small scale, and as we understand it, Bedford is the only town that continued to offer condominium buydown assistance for more than one year. We also understand that most if not all of these towns used an acquisition/disposition approach to secure units for moderate-income first-time homebuyers. Easton is considering a similar model. Newton provides both downpayment and buy-down assistance with CPA and HOME funds; Cambridge finances downpayment and buydown assistance with HOME funds. Community-financed buy-down assistance can be (and often is) paired with the Massachusetts Housing Partnership's SoftSecond™ Loan Program.

2.0 SUBSIDY CONSIDERATIONS

Pricing buy-down subsidies depends on several factors, but a primary consideration is the income group targeted by a particular program. The cost of a buy-down subsidy for moderate-income (80% AMI) homebuyers will be much less than for low-income (50%) homebuyers, as discussed below. Furthermore, the total amount of subsidy could affect the homebuyer's eligibility for a loan under secondary mortgage market underwriting criteria. This is due to upper limits on the amount of assistance that buyers may receive from gift or grant sources, and the limits affect all types of homebuyer assistance: downpayment and closing costs, purchase price buy-downs, and interest rate subsidies. For example, buy-down assistance and interest rate subsidy caps of \$15,000-\$20,000 are fairly common in the programs we found. Still, the City of Cambridge does allow single-family home and condominium subsidies as high as \$130,000, subject to HOME Program purchase price limits. Technically, the North Suburban HOME Consortium (Malden) allows the same upper-limit on buy-down assistance, but they rarely if ever have approved one, and the buy-downs in Malden usually operate as a development subsidy, not direct assistance to homebuyers.

Subsidy
or
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Secondary mortgage underwriting criteria partially explain the pricing methodology for many first-time homebuyer program buy-down payments, which tend to result in amounts that help moderate-income people more than low-income people. An advantage to the acquisition-

disposition model is that since the unit is resold at its restricted value (affordable) instead of full market value, the amount of the homebuyer's loan, the underwriting criteria relating to the borrower's income and indebtedness, and the debt-to-value ratio are shaped by the affordable price that must be met with a combination of the buyer's funds, the mortgage loan, and homebuyer assistance. The disadvantage is that acquiring units at market value and restricting them prior to resale requires significantly greater up-front resources than providing a buy-down grant or loan. As units are purchased and resold, however, the subsidy cost to acquisition-disposition programs evens out and begins to approximate the subsidy cost of purchase price buy-down or "gap filler" assistance. Either way, buy-down programs can be an expensive way to provide affordable housing, not only because of the per-unit homebuyer subsidy in high-barrier markets but also because the programs are difficult to administer – as you heard from the realtor who worked on Boxborough's program.

3.0 ACTON CONDOMINIUM SALES

According to the housing sales database on Banker & Tradesman's web site, 57 condominiums were sold in year-to-date (YTD), arm's length transactions in Acton from January 1-July 27, 2006.¹ This represents a lag behind YTD condominium sales in the same period over the last two years, which is consistent with trends throughout the eastern side of Middlesex County. The softening of the regional real estate market has been attended by somewhat reduced sales activity, longer absorption periods and a slower rate of sale price growth, yet condominium sale prices in Acton remain strong and seem to be improving – a condition that is also consistent with trends throughout eastern Middlesex County.² The median condominium sale price this year substantially exceeds the YTD median sale price in 2004-2005.

Table 1: Condominium Sales Data, Acton: 2004-2006

	Year-to-Date			Calendar Year	
	2006	2005	2004	2005	2004
Number of Sales	57	65	96	124	161
Sale Prices					
Upper (3 rd) Quartile	\$292,450	\$282,000	\$295,000	\$282,750	\$295,000
<u>Median</u>	<u>\$193,000</u>	\$179,900	\$175,000	\$184,750	\$199,900
Lower (1 st) Quartile	\$150,000	\$143,000	\$139,975	\$146,500	\$150,000

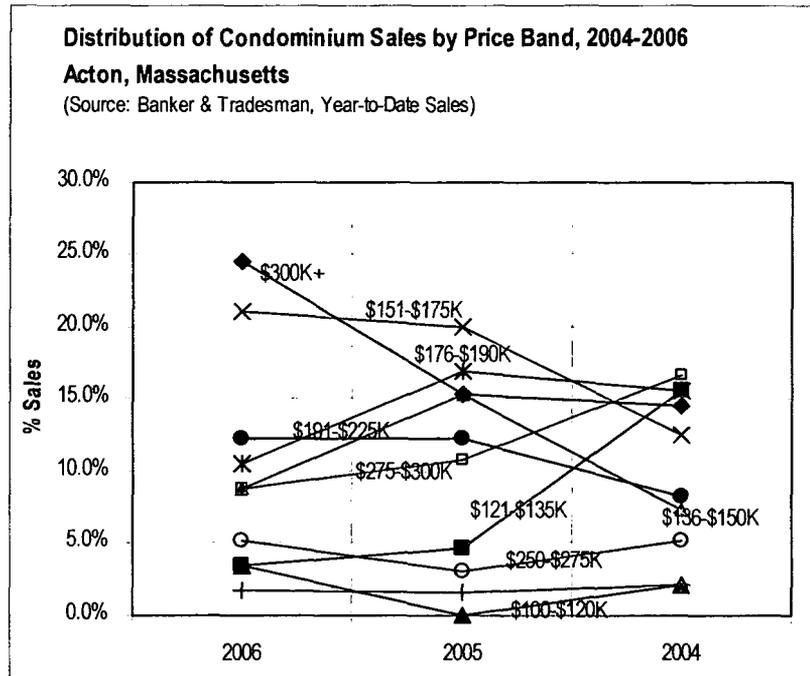
Source: Banker & Tradesman.

¹ For purposes of this analysis, we selected a Banker & Tradesman database query [Real Estate Records Search Engine] for condominium units that sold for more than \$100,000. As a result, the statistics referred to above may omit some sales. We note that the YTD median derived from our database query is lower than the YTD median for all condominium sales published by The Warren Group, at <www.thewarrengroup.com/Templates/HomePage.aspx>. However, our condominium query excluded townhouses and detached single-family homes in developments with Exclusive Use Areas (EUA).

² Massachusetts Association of Realtors, Quarterly Home Sales and Price Data, 2005-2006, at <www.marealtor.com/content/2006fdata.htm>, and HUD, U.S. Housing Market Conditions, 2004-2006, at <www.huduser.org/periodicals/ushmc.html>.

As the number of sales declined and sale prices increased, the overall distribution of sales by price band also changed. For example, during 2006, about 23% of all YTD condominium sales have occurred in price increments from \$176,000-\$225,000, but one year ago, nearly 30% of the condominium sales fell into the same band, and 24% in 2004. However, the percentage of sales in the lower end of the band, i.e., from \$176,000-\$190,000, is smaller this year than two years ago (10.5% v. 15.6%). Meanwhile, the percentage of sales above \$300,000 has increased from 15% in 2004 to 25% in 2006.³

Conditions in Acton largely mirror trends reported by industry sources: condominium sales and sale prices have dropped more dramatically in Boston than in outlying suburbs.⁴ The good news is that Acton still has condominiums



selling in a price range within reach of moderate-income homebuyers, particularly if they can obtain downpayment and closing cost assistance or a modest buy-down grant. The bad news is that the pool of units is small, the lower-priced units tend to be small in number of bedrooms and total floor area, and the percentage of higher-priced unit sales (over \$275,000) has recovered from the decline that occurred one year ago. In 2004, these units comprised approximately 31% of Acton condominium sales (YTD); in 2005, 26% and in 2006, 33%.

better to serve lower AMI if 80% can buy market

4.0 SUBSIDY OPTIONS

We estimated buy-down subsidies for two-, three- and four-person households using current LIP guidelines and HUD income limits, and one- and two-bedroom condominiums with purchase prices at the YTD median and upper (third) quartile. To estimate the maximum affordable purchase price for low- or moderate-income homebuyers, we assumed a 30-year, fixed-rate

³ Statistics for some years may be skewed by affordable unit sales, e.g., Franklin Place in 2005, but the Banker & Tradesman database does not contain a field for affordable housing restrictions. Further, growth in upper-end unit sales appears to be influenced, at least in part, by sales in recently built over-55 developments.

⁴ Quarterly Home Sales and Price Data, 2005-2006.

mortgage at 6.25%, a 5% downpayment, and a monthly condominium fee of \$250. Table 2 (next page) summarizes the results. However, please note that the three-bedroom median and third-quartile sale prices shown in Table 2 are based on a very small sample and the statistics may not be representative of the market.

Table 2: Purchase Price Buy-Down Estimates by Unit and Household Sizes

(A) Unit & Household Size Assumptions	(B) Income Limit	(C) Affordable Purchase Price	(D) Buy-Down at YTD Median	(E) Buy-Down at YTD Third Quartile
1-Bedroom Unit			\$144,500	\$153,750
1-Person				
70% AMI	\$40,513	\$87,123	\$57,377	\$66,627
80% AMI	\$46,300	\$105,675	\$38,825	\$48,075
50% AMI	\$29,450	\$51,662	\$92,838	\$102,088
2-Person				
70% AMI	\$46,331	\$105,775	\$38,725	\$47,975
80% AMI	\$52,950	\$126,991	\$17,509	\$26,759
50% AMI	\$33,650	\$65,125	\$79,375	\$88,625
2-Bedroom Unit			\$212,000	\$300,000
3-Person				
70% AMI	\$52,106	\$124,287	\$87,713	\$175,713
80% AMI	\$59,550	\$148,148	\$63,852	\$151,852
50% AMI	\$37,850	\$78,588	\$133,412	\$221,412
3-Bedroom Unit			\$315,000	\$333,000
4-Person				
70% AMI	\$57,881	\$142,799	\$172,201	\$190,201
80% AMI	\$66,150	\$169,304	\$145,696	\$163,696
50% AMI	\$42,050	\$92,051	\$222,949	\$240,949

Driarbrook
3BR \$210k

Sources: Banker & Tradesman (YTD median sale prices by unit size); HUD, Section 8 Income Limits, 2006. 70% AMI refers to LIP Maximum Affordable Purchase Price Guidelines.

The purchase price buy-down values in columns D-E assume that no other resources are available to the homebuyer, e.g., MHP's SoftSecond™ Loan Program or a conventional lender's temporary interest rate buy-down. If the ACHC opts for a program design that relies entirely on local funds, the program costs per unit would most likely approximate the buy-down values shown above. For example, if you acquired a one-bedroom condominium with a market-rate sale price of \$153,750, you could reasonably expect to sell it as an affordable, deed-restricted unit for \$126,990 to a two-person household with income at 80% AMI, and the program's net subsidy cost would be \$26,760 (rounded). Similarly, if you wanted to limit your investment to a buy-down subsidy for a pre-qualified homebuyer who purchases the market-rate unit for \$153,750, your subsidy cost would still be \$26,760. There are important differences between these two program design models, however, and each has advantages and disadvantages. In general, however, a purchase price buy-down accomplishes three objectives: it permanently reduces the amount that

2,
 a homebuyer has to borrow to purchase a home, it reduces the homebuyer's downpayment obligation (because of the lower sale price used to calculate the loan amount), and because the subsidy applies to the dwelling unit, it leverages a perpetual affordable housing deed restriction. 3,
 Accordingly, a buy-down unit would be eligible for the Subsidized Housing Inventory, assuming the ACHC used DHCD's standard LIP deed rider to regulate resales.

Another way to approach buy-down pricing is to consider committing local resources to an established service like the SoftSecond™ Program. This would not work for all homebuyers, but for a homebuyer at the upper end of the allowable income range (80%) and a high probability of future household income growth, using CPA funds to subsidize the interest payments on a SoftSecond™ loan could be a cost-effective way to stretch the Town's resources and allocate more funds to assisting lower-income households. Compared to the cost of buying down the purchase price of a condominium at the point of sale, a SoftSecond™ loan is less expensive to subsidize: about \$9,400 for a two-person household at 80% AMI, purchasing a one-bedroom unit in the third-quartile price band, or \$12,000 for a three-person household at 80% AMI purchasing a two-bedroom unit in the third-quartile price band (see Table 2). A potential disadvantage to this approach is that since the subsidy applies to the homebuyer, not the unit, condominium purchases assisted with a SoftSecond™ loan would not produce units eligible for the Subsidized Housing Inventory.

When we met in March, you indicated that Briarbrook Village might be advantageous to work with because the development has adequate wastewater disposal capacity and on-site property managers. I looked at some of Briarbrook's recent sales and found the following information. About 47 condominiums have been sold at Briarbrook since 2004, or 17% of the development's total units. For four of these transactions, Banker & Tradesman's records are incomplete. Of the 43 sales for which complete data are available:

Table 3. Briarbrook Village Condominium Sales, 2004-2006

	One-Bedroom Units			Two-Bedroom Units		
	# Sales	Avg. Sq. Ft.	Sale Price	# Sales	Avg. Sq. Ft.	Sale Price
2004	14	676	\$136,250	6	880	\$179,500
2005	10	640	\$138,950	7	819	\$190,000
2006	5	685	\$155,000	1	865	\$193,000

Source: Banker & Tradesman (median sale prices by unit size and year sold). Note: statistics for 2004-2005 represent calendar-year sales, not YTD.

There are enough sales at Briarbrook to pilot a small condominium buy-down program there with purchase subsidies ranging from \$28,000 to \$65,000, that is, for one-person and two-person households with incomes at 80% AMI, purchasing one- or two-bedroom units. Assisting a three- or four-person household to purchase a two-bedroom unit would require a buydown of about \$24,000-\$40,000. It seems to me that since Acton does not have a buy-down program today, there would be nothing out of line in starting the program on a "pilot" basis and extending it later to other developments if the program succeeds. Town Counsel may disagree with me, but I am not aware of anything in state law (including G.L. c. 30B) that would prevent you from conducting outreach to condominium owners in one development. I say this for two reasons: the program's

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financial assistance targets the homebuyer, not the seller, and real estate transactions carried out with CPA funds are exempt from Chapter 30B (G.L. c.44B, § 5(f)). There is no question that you would have to conduct an open lottery to attract prospective homebuyers, but as for the sellers, I think you can start by working with a single complex and expanding at some point in the future.

You also may wish to target your program to lower-income households, e.g., households with incomes in the 50-60% AMI range. I offer two cautions. First, the buy-down will be expensive – potentially \$90,000 for a two-person household purchasing a one-bedroom unit – and second, it can be extremely difficult for low-income homebuyers to meet all aspects of the secondary mortgage market's underwriting criteria, notably total debt-to-income. A SoftSecond™ loan could facilitate a low-income homebuyer's eligibility by reducing the principal amount of the first mortgage, but a question for lenders is whether the homebuyer's income is likely to increase enough over time to absorb payment of the first and second mortgage by the 11th year of homeownership. This is where blending a purchase price buy-down with a SoftSecond™ loan could be very advantageous, however, because if you buy-down the purchase price enough to make the first mortgage very affordable, the cost impact of the second mortgage – both the initial interest-only payments and the full payments thereafter – could be reduced significantly.

5.0 RECOMMENDATIONS

- ♦ I think you should verify with Town Counsel whether he will have any special requirements or expectations that the ACHC must meet, before you proceed. The methods used in other communities may be moot if Town Counsel wants you to take a different approach. For example, I recommend that you determine whether he wants to review and approve program documents, the master deed restriction (LIP deed rider), and individual transactions. He may want you to have an attorney representing the program even if another town did not use one.
- ♦ Assuming Town Counsel will not require you to conduct a Chapter 30B procurement process to identify prospective condominium sellers (or prospective properties), I recommend that you work through Briarbrook's property manager to contact condominium owners and determine their interest in participating in a buy-down program in which the ACHC would locate eligible homebuyers and provide financial assistance to facilitate the purchase of units. A written inquiry followed by an informational meeting makes the most sense, since it will be hard for many existing owners to understand whether the program will benefit them unless they have a chance to ask questions. Moreover, their questions might lead you to some program design decisions that respond to concerns of home sellers.
- ♦ If one of the program's goals is to create units eligible for the Subsidized Housing Inventory, the program design will have to include not only DHCD's lottery requirements and use of the LIP deed rider, but also home inspections to verify that the units meet Section 8 Housing Quality Standards and/or the State Sanitary Code. This includes a lead inspection for any two-bedroom units built prior to 1978, since those units could eventually be sold to homebuyers with young children (under 6). If the Acton Housing Authority has an inspector on staff or inspectors under contract, I see no reason why the ACHC could not contract directly with the Housing Authority for inspectional services. (This kind of agreement

should be exempt under Chapter 30B as well, but again, you will need to confirm with Town Counsel.)

- ◆ You could follow a simple procurement process to establish a list of pre-qualified lead inspectors or engage a single lead inspector to support your program as needed. The sample applies to procuring for a realtor, whose services should be paid for as a fee per unit sold, not as a percentage of the sale price.
- ◆ The program should be designed to provide purchase price buy-down assistance and potentially some unit rehabilitation assistance, perhaps through a rehabilitation reserve account. You may wish to limit unit rehabilitation grants to low-income (50%-60% AMI) condominium buyers.
- ◆ Programmatically, the effect of buying down a unit's purchase price to an amount affordable to low- or moderate-income people is that you would be "buying" the right to restrict future resale prices. The LIP deed rider should be an adequate instrument to achieve this end, particularly since it incorporates by reference the requirements of G.L. c. 184, §§ 31-33, but Town Counsel may prefer some additional documentation.
- ◆ I strongly recommend that you initiate this program as a pilot with sufficient subsidy to assist not more than three or four homebuyers. The challenges reported by Boxborough's representative have been expressed by representatives of other communities that tried to carry out a buy-down program, although we understand that communities using the acquisition-disposition model had fewer problems (because they had site control). If you keep the program small, work with one experienced lender, develop fairly rigorous lottery requirements – including that the buyers complete a homeownership education course and enter the lottery with a pre-qualification letter – will help to keep the program manageable.

Arguably, the more rigorous your lottery requirements, the more likely it is that you will exclude some eligible homebuyers. However, for a new program that ought to have at least two years to work through issues that other towns have found so difficult, you would be wise to start by accounting for some of the known problems.

- ◆ If I were setting up a program like this, I would adopt an acquisition-disposition model. First, an acquisition-disposition program reduces the risk of losing sellers (and therefore losing units) because locating, processing and assisting eligible homebuyers are time-consuming steps. Second, an acquisition-disposition program eliminates the risk that some buyers may have trouble meeting secondary mortgage market underwriting requirements because the unit's sale price will already be restricted. The only disadvantage I see in an acquisition-disposition program is that you will need more funds "up front" to purchase the first and possibly second units. Once those units are sold and the proceeds repay a portion of your initial investment, the net program cost should not be greater than the cost of a buy-down or "gap-filler" subsidy for market-rate units.

COMMUNITY OPPORTUNITIES GROUP, INC.
129 Kingston Street Third Floor
Boston, Massachusetts 02111
(617) 542-3300

MEMORANDUM

To: Nancy Tavernier

From: Judi Barrett

Date: November 10, 2006

Subject: Condominium Buy-Down Assistance

For Review Please Comment Please Reply Copy For Your Files

Per our conversation last week, I understand that the ACHC wishes to establish a housing subsidy program that helps low- or moderate-income households purchase condominiums in Acton. The subsidy would operate as a purchase price buy-down and require an affordable housing restriction to limit the resale price in perpetuity. This memorandum follows up on our conversation and my earlier report (September 23, 2006) to the ACHC.

1.0 OVERVIEW

A purchase price buy-down program involves a payment to the seller at the time of closing, which effectively reduces the principal amount of a first-time homebuyer's mortgage. This form of assistance can be subsidized with CPA revenue, federal Home Investment Partnership Program (HOME) or Community Development Block Grant (CDBG) funds, or a local housing trust fund, e.g., the fund used to account for fees paid by developers under an inclusionary zoning bylaw. Community-financed buy-down assistance can be (and often is) paired with the Massachusetts Housing Partnership's SoftSecond™ Loan Program.

Pricing buy-down subsidies depends on several factors, but a primary consideration is the income group targeted by a particular program. The cost of a buy-down subsidy for moderate-income (80% AMI) homebuyers will be less than for low-income (50%) homebuyers. Further, the total amount of subsidy could affect the homebuyer's eligibility for a loan under secondary mortgage market underwriting criteria. This is due, in part, to upper limits on the amount of assistance that buyers may receive from gift or grant sources. Of the programs we reviewed in other communities, buy-down assistance and interest rate subsidy caps of \$15,000-\$20,000 were fairly common. However, the City of Cambridge does allow single-family home and condominium subsidies as high as \$130,000, subject to HOME Program purchase price limits. The North Suburban HOME Consortium (Malden) allows the same upper-limit on buy-down assistance, but buy-downs in Malden usually operate as a *development* subsidy, not direct assistance to homebuyers.

2.0 ACTON CONDOMINIUM SALES

According to the housing sales database on Banker & Tradesman's web site, 57 condominiums were sold in year-to-date (YTD), arm's length transactions in Acton from January 1-July 27, 2006.¹ This represents a lag behind YTD condominium sales in the same period over the last two years, which is consistent with trends throughout the eastern side of Middlesex County. The softening of the regional real estate market has been attended by reduced sales activity, longer absorption periods and a slower rate of sale price growth, yet condominium sale prices in Acton remain strong and seem to be improving – a condition that is also consistent with trends throughout eastern Middlesex County.² The median condominium sale price this year substantially exceeds the YTD median sale price in 2004-2005.

Table 1: Condominium Sales Data, Acton: 2004-2006

	Year-to-Date			Calendar Year	
	2006	2005	2004	2005	2004
Number of Sales	57	65	96	124	161
Sale Prices					
Upper (3 rd) Quartile	\$292,450	\$282,000	\$295,000	\$282,750	\$295,000
Median	\$193,000	\$179,900	\$175,000	\$184,750	\$199,900
Lower (1 st) Quartile	\$150,000	\$143,000	\$139,975	\$146,500	\$150,000

Source: Banker & Tradesman.

As the number of sales declined and sale prices increased, the overall distribution of sales by price band also changed. For example, during 2006, about 23% of all YTD condominium sales have occurred in price increments from \$176,000-\$225,000, but one year ago, nearly 30% of the condominium sales fell into the same band, and 24% in 2004. However, the percentage of sales in the lower end of the band, i.e., from \$176,000-\$190,000, is smaller this year than two years ago (10.5% v. 15.6%). Meanwhile, the percentage of sales above \$300,000 has increased from 15% in 2004 to 25% in 2006.³

¹ For purposes of this analysis, we selected a Banker & Tradesman database query [Real Estate Records Search Engine] for condominium units that sold for more than \$100,000. As a result, the statistics referred to above may omit some sales. We note that the YTD median derived from our database query is lower than the YTD median for all condominium sales published by The Warren Group, at <www.thewarrengroup.com/Templates/HomePage.aspx>. However, our condominium query excluded townhouses and detached single-family homes in developments with Exclusive Use Areas (EUA).

² Massachusetts Association of Realtors, Quarterly Home Sales and Price Data, 2005-2006, at <www.marealtor.com/content/2006fddata.htm>, and HUD, U.S. Housing Market Conditions, 2004-2006, at <www.huduser.org/periodicals/ushmc.html>.

³ Statistics for some years may be skewed by affordable unit sales, e.g., Franklin Place in 2005, but the Banker & Tradesman database does not contain a field for affordable housing restrictions. Further, growth in upper-end unit sales appears to be influenced, at least in part, by sales in recently built over-55 developments.

Conditions in Acton largely mirror trends reported by industry sources: condominium sales and sale prices have dropped more dramatically in Boston than in outlying suburbs.⁴ The good news is that Acton still has condominiums selling in a price range within reach of moderate-income homebuyers, particularly if they can obtain downpayment and closing cost assistance or a modest buy-down grant. The bad news is that the pool of units is small, the lower-priced units tend to be small in number of bedrooms and total floor area, and the percentage of higher-priced unit sales (over \$275,000) has recovered from the decline that occurred one year ago. In 2004, these units comprised approximately 31% of Acton condominium sales (YTD); in 2005, 26% and in 2006, 33%.

3.0 SUBSIDY REQUIREMENTS & PROGRAM DESIGN

3.1 Cost of Buy-down Subsidies

We estimated buy-down subsidies for two-, three- and four-person households using current LIP guidelines and HUD income limits, and one- and two-bedroom condominiums with purchase prices at the YTD median and upper (third) quartile. To estimate the maximum affordable purchase price for low- or moderate-income homebuyers, we assumed a 30-year, fixed-rate mortgage at 6.25%, a 5% downpayment, and a monthly condominium fee of \$250. Exhibit 1 summarizes the results. However, please note that the three-bedroom median and third-quartile sale prices shown in Exhibit 1 are based on a very small sample and the statistics may not be representative of the market. The purchase price buy-down values assume that no other subsidies are available to the homebuyer, e.g., MHP's SoftSecond™ Loan Program or a conventional lender's temporary interest rate buy-down. For example, if your program subsidizes the purchase price of a one-bedroom condominium with a market-rate sale price of \$153,750, the buydown program's cost should be about \$26,760 (rounded).

As you know, it is possible to pair local funds with an established service like the SoftSecond™ Program. Without any purchase price buy-down, the SoftSecond™ loan could be helpful to moderate-income homebuyers with a strong probability of future income growth. Depending on the ACHC's objectives, a potential disadvantage to this approach is that since the subsidy applies to the homebuyer, not the unit, condominium purchases assisted with a SoftSecond™ loan would not produce units eligible for the Subsidized Housing Inventory. With a purchase price buy-down, however, the SoftSecond™ loan may enable you to provide buy-down support to lower-income households that qualify for a mortgage.

3.2 Pilot Program Opportunities

When we met in March, you indicated that Briarbrook Village might be advantageous to work with because the development has on-site property managers and adequate wastewater disposal capacity. I looked at some of Briarbrook's recent sales and found the following information. About 47 condominiums have been sold at Briarbrook since 2004, or 17% of the development's

⁴ Quarterly Home Sales and Price Data, 2005-2006.

total units. For four of these transactions, Banker & Tradesman's records are incomplete. Table 2 reports information on the 43 sales for which complete data could be obtained.

Table 2. Briarbrook Village Condominium Sales, 2004-2006

Calendar Year	One-Bedroom Units			Two-Bedroom Units		
	# Sales	Avg. Sq. Ft.	Sale Price	# Sales	Avg. Sq. Ft.	Sale Price
2004	14	676	\$136,250	6	880	\$179,500
2005	10	640	\$138,950	7	819	\$190,000
2006	5	685	\$155,000	1	865	\$193,000

Source: Banker & Tradesman (median sale prices by unit size and year sold). Note: statistics for 2004-2005 represent calendar-year sales, not YTD.

Briarbrook seems to have enough sales to pilot a small condominium buy-down program with purchase subsidies ranging from \$28,000 to \$65,000, that is, for one-person or two-person households with incomes at 80% AMI, purchasing one- or two-bedroom units. Assisting a three- or four-person household to purchase a two-bedroom unit would require a buydown of about \$24,000-\$40,000. It seems to me that since Acton does not have a buy-down program today, it makes sense to start on a "pilot" basis, working with a single condominium development, and expand later to include other developments if the program succeeds.⁵

Since Briarbrook's sale prices tend to run below the condominium prices reported for most other developments in Acton, you may want to target some of your program's resources to lower-income households, e.g., households with incomes in the 50-60% AMI range. This would certainly address needs identified in Acton's housing plan. Two caveats come to mind, however. First, the buy-down will be expensive – potentially \$90,000 for a two-person household purchasing a one-bedroom unit – and second, it can be extremely difficult for low-income homebuyers to meet secondary market underwriting criteria. A SoftSecond™ loan could facilitate a low-income homebuyer's eligibility by reducing the principal amount of the first mortgage, but a question for lenders is whether the homebuyer's income is likely to increase enough over time to absorb payment of the first and second mortgage by the 11th year of homeownership. In some cases, however, it may be very advantageous to blend a purchase price buy-down with a SoftSecond™ loan: if you buy-down the purchase price enough to make the first mortgage very affordable, the cost of the second mortgage repayments – both the initial interest-only payments and full payments thereafter – could be reduced significantly.

⁵ Town Counsel may disagree with me, but I am not aware of anything in state law (including G.L. c. 30B) that would prevent you from conducting outreach to condominium owners in one development. I say this for two reasons: the program's financial assistance targets the homebuyer, not the seller, and real estate transactions carried out with CPA funds are exempt from Chapter 30B (G.L. c.44B, § 5(f)). There is no question that you would have to conduct an open lottery to attract prospective homebuyers, but as for the sellers, I think you can start by working with a single complex and expanding at some point in the future.

4.0 IMPLEMENTATION

4.1 Program Design Recommendations

- ◆ Initiate a pilot condominium buy-down program with sufficient subsidy to assist not more than three or four homebuyers. Keeping the program small, working with an experienced lender, and instituting fairly rigorous lottery requirements will help to keep the program manageable. Arguably, the more rigorous your lottery requirements, the more likely it is that you will exclude some eligible homebuyers. However, a new program ought to have a year or two to work through issues that other towns have found troublesome and you would be wise to start by accounting for known problems.
- ◆ Maintain a small reserve fund for housing rehabilitation assistance. You might limit unit rehabilitation grants to low-income (50%-60% AMI) condominium buyers, but you should have some funding available to address issues identified in the property inspection reports. While code-related improvements should be the seller's obligation, you may want the flexibility to help finance some improvements where necessary to keep the initial sale price down or to preserve the asset's value upon resale.
- ◆ Use the LIP deed rider to secure long-term affordability, subject to Town Counsel's review. Since it incorporates by reference the provisions of G.L. c. 184, §§ 31-33, the LIP deed rider should meet the statutory requirements for expending CPA funds to purchase an interest in real property.
- ◆ Obtain written confirmation that DHCD will add your condominium buy-down units to the Chapter 40B Subsidized Housing Inventory, if this is one of the program's essential goals.

4.2 Program Support Recommendations

- ◆ The program needs a realtor, lottery agent, property inspector and possibly a lead paint inspector.
 - ◆ Seek quotes from three qualified realtors and home inspectors, and select contractors based on the most advantageous price; or issue a simple Request for Proposals and select contractors based on price and non-price criteria. Structure the compensation for realtors as a lump sum fee, not as a percentage of the sale price.
 - ◆ The rates charged by experienced lottery agents seem to be fairly standard, so if the Town does not require you to procure for lottery services, I think you could engage any of the agents active in your area. As you probably know, CHAPA's web site includes a consultant directory and most of the well-known lottery agents are listed there.

- ♦ The program should require a lead paint inspection for any unit suitable for families when located in a building constructed prior to 1978. Toward this end, you could maintain a list of pre-qualified lead inspectors or engage a single lead inspector to support your program on an as-needed basis.
- ♦ Contact one or more local banks with experience in first-time homebuyer mortgages and confirm their interest in participating in your program. Although having a few “preferred” lenders is not required for the program’s success, you will be able to work much more efficiently if you can refer homebuyer applicants to banks that have a demonstrated commitment to first-time mortgages, including portfolio mortgage products.

4.3 Program Outreach & Marketing Recommendations

- ♦ Conduct an outreach process to communicate with condominium owners at Briarbrook. A letter to the owners followed by an informational meeting makes the most sense, since it will be hard for many existing condominium owners to understand whether the program will benefit them unless they have a chance to ask questions. Moreover, their questions might lead you to make some refined program design choices that respond to concerns of home sellers. I also recommend that you ask your realtor and possibly a mortgage loan officer to attend the informational meeting with you.
- ♦ Conduct a lottery to solicit applications from income-eligible first-time homebuyers. As you know, an affirmative marketing plan is among the state’s requirements for accepting affordable housing units on the Subsidized Housing Inventory. Since the marketing and lottery process would be your lottery agent’s responsibility, it doesn’t need further elaboration here. However, I recommend that you consider the following:
 - ♦ Limit eligibility for the lottery to households that have completed a first-time homebuyer course and obtained a mortgage pre-qualification letter from a recognized lender, under terms and conditions that comply with Local Initiative Program (LIP) regulations.
 - ♦ Obtain written confirmation of the maximum wait period that DHCD will accept between the lottery date and the date that a unit becomes available for purchase by an approved first-time homebuyer.

EXHIBIT 1

Purchase Price Buy-Down Estimates by Unit and Household Sizes				
(A)	(B)	(C)	(D)	(E)
Unit & Household Size Assumptions	Household Income Limit	Maximum Affordable Purchase Price	Buy-Down at YTD Median	Buy-Down at YTD Third Quartile
1-Bedroom Unit			\$144,500	\$153,750
1-Person				
70% AMI	\$40,513	\$87,123	\$57,377	\$66,627
80% AMI	\$46,300	\$105,675	\$38,825	\$48,075
50% AMI	\$29,450	\$51,662	\$92,838	\$102,088
2-Person				
70% AMI	\$46,331	\$105,775	\$38,725	\$47,975
80% AMI	\$52,950	\$126,991	\$17,509	\$26,759
50% AMI	\$33,650	\$65,125	\$79,375	\$88,625
2-Bedroom Unit			\$212,000	\$300,000
3-Person				
70% AMI	\$52,106	\$124,287	\$87,713	\$175,713
80% AMI	\$59,550	\$148,148	\$63,852	\$151,852
50% AMI	\$37,850	\$78,588	\$133,412	\$221,412
3-Bedroom Unit			\$315,000	\$333,000
4-Person				
70% AMI	\$57,881	\$142,799	\$172,201	\$190,201
80% AMI	\$66,150	\$169,304	\$145,696	\$163,696
50% AMI	\$42,050	\$92,051	\$222,949	\$240,949

Sources: Banker & Tradesman (YTD median sale prices by unit size); HUD, Section 8 Income Limits, 2006.
 70% AMI refers to LIP Maximum Affordable Purchase Price Guidelines.

**ACTON COMMUNITY HOUSING CORPORATION'S
CONDOMINIUM BUYDOWN PROGRAM
SELECTION CRITERIA**

- 1). One or two-bedroom units within the Town of Acton will be considered. DHCD minimum square footage requirements will guide the selection of units.
- 2). The units should be in move-in condition. Only refurbished or updated units will be considered. Refurbishing will be considered as any combination of the following.
 - Replacement of carpeting, drapes or floor tile
 - Painting of woodwork, walls or ceilings
 - Refinishing of floors
 - Replacement of wallpaper
 - Updated kitchens and baths
- 3). Units must be in a condition such that no rehabilitation work or replacement is necessary on the following
 - Electrical appliances such as stove, refrigerator or air-conditioning unit
 - Plumbing appliances such as toilets, sinks, bathtub or shower stall
 - Electrical wiring
 - Plumbing, i.e., the pipes, valves, etc. servicing the unit
 - Windows, doors, walls, floors, sills and/or the associated framing, joists, and bearing partitions
- 4). Unit location within the building will not qualify or disqualify a unit from consideration
- 5). Unit will be subject to inspection by a qualified Home Inspector contracted by ACHC. A lead paint inspection will also be required.
- 6) There must be no deed restrictions that would exclude children under the age of 18. Master Deed, other Condo documents, and Condo budget must be made available for ACHC review.
- 7) Special assessments or other major capital improvement plans must be disclosed.
- 8). The Acton Housing Corporation may, at its discretion, negotiate certain conditions notwithstanding the above, which, in its judgment will serve to meet the goals of the Program.

Acton Community Housing Corporation
TOWN OF ACTON
Nancy Tavernier, Chair
(978) 263-9611
achc@acton-ma.gov

CONDOMINIUM BUYDOWN PROGRAM

In 2007, the Acton Community Housing Corporation (ACHC) received DHCD approval for a Condominium Buy-Down program. The ACHC chose a Purchase Price Buy-Down model to apply to existing condominium housing units or new construction units in non-40B developments in Acton.

- Purchase price buy-down program involves a payment to the seller at the time of closing, which effectively reduces the principal amount of a first-time homebuyer's mortgage.
- The unit is sold for a pre-determined affordable level to income eligible households below 80% of the Area Median Income.
- In exchange, a deed restriction is placed on the property to keep the unit affordable into perpetuity, to restrict re-sales to eligible households, and to insure the unit will be added to the Subsidized Housing Inventory.
- Community Preservation Funds and Housing gift funds are used for the subsidies.

ACHC began with a small pilot program to place buyers in two units. The first step was generating the Ready Buyer List.

- A lottery agent administered the affirmative and fair marketing plan for a Ready Buyer List good for up to two years.
- A lottery was conducted for income-eligible first-time homebuyers and twelve eligible applicants were placed on the list in rank order of lottery draw.
- The affordable selling price was calculated using the market condo fees since they cannot be discounted in the case of existing condo units. With typical fees at \$300 a month, this drove down the selling price.
- ACHC identified appropriate units for sale and entered into negotiations with owner with an offer for purchase if they were willing to have a prolonged process
- Purchase and sale was contingent on finding an eligible buyer, the buyer getting financing and DHCD approval of the unit and buyer
- Contacted Ready Buyer list until first qualified household is found to purchase the unit
- Apply to DHCD for approval of selected Local Action Unit and schedule a visit if required.
- Verify income and mortgage eligibility for prospective unit buyer, get DHCD LIP approval of buyer, and assist with closing process
- At closing, ACHC pays seller the negotiated subsidy and the new owner will take possession of property, record deed rider and title
- ACHC never takes title to the property

CONDOMINIUM BUYDOWN PROGRAM SELECTION CRITERIA

1). One or two-bedroom units within the Town of Acton will be considered. DHCD minimum square footage requirements will guide the selection of units.

2). The units should be in move-in condition. Only refurbished or updated units will be considered. Refurbishing will be considered as any combination of the following.

- Replacement of carpeting, drapes or floor tile
- Painting of woodwork, walls or ceilings
- Refinishing of floors
- Replacement of wallpaper
- Updated kitchens and baths

3). Units must be in a condition such that no rehabilitation work or replacement is necessary on the following

- Electrical appliances such as stove, refrigerator or air-conditioning unit
- Plumbing appliances such as toilets, sinks, bathtub or shower stall
- Electrical wiring
- Plumbing, i.e., the pipes, valves, etc. servicing the unit
- Windows, doors, walls, floors, sills and/or the associated framing, joists, and bearing partitions

4). Unit location within the building will not qualify or disqualify a unit from consideration

5). Unit will be subject to inspection by a qualified Home Inspector contracted by ACHC. A lead paint inspection will also be required.

6) There must be no deed restrictions that would exclude children under the age of 18. Master Deed, other Condo documents, and Condo budget must be made available for ACHC review.

7) Special assessments or other major capital improvement plans must be disclosed.

8) Preference given to units that include heat in condo fee, that do not have electric heat, are well run complexes, and are either on sewers or package treatment systems, not septic.

9). The Acton Housing Corporation may, at its discretion, negotiate certain conditions notwithstanding the above, which, in its judgment will serve to meet the goals of the Program.

6/12/08



Description of Proposed Work

MCO Housing Services will provide the following scope of services to the Acton Community Housing Corporation (ACHC) for the Condominium Buy Down Program in Acton, MA:

- Two meetings with ACHC to discuss and define its Condominium Buy Down program and the targeted applicant pool
- Preparation of Affirmative Fair Marketing & Outreach Plan/Lottery Plan and Lottery Application that is acceptable to ACHC, based upon DHCD LIP Action Unit program guidelines
- Preparation and submission of LIP Action Unit Application to DHCD
- Develop and Distribute Application and project related Materials to interested applicants/organizations
- Post project information and lottery application on-line at www.mcohousingservices.com
- Implement Marketing Program to secure applicants for units
- Hold Public Information Meeting for interested applicants
- Collect, review, accept and classify applications
- Conduct lottery in conjunction with Local officials for each lottery pool
- Notify applicants of their lottery ranking
- Provide final list of ranked applicants to ACHC upon completion of lottery

Optional Task(s):

- Apply to DHCD for individual LIP Action Unit Approval for each condominium purchased through the Condominium Buy Down Program

Additional Services, if requested:

- Collection and review of applicants' financial documents to determine program eligibility
- Submission of financial documentation to DHCD for applicant approval into program
- Follow through with applicant on DHCD mortgage approval



Schedule to Complete Lottery

- Preparation of LIP Application and submission to Town for Approval** 2 weeks
- **Includes:**
Marketing and Outreach Plan/Lottery Plan
Lottery Application
Affordability Analysis
- Submit to DHCD with Town Approval** within 2 days of receipt of Town Approval
- **Note:** DHCD can take up to 60 days to review and approve the LIP Action Unit application
- Marketing and Advertising of Lottery** 75 days
- **Includes:**
Creating and Placing Advertising
Posting on MCO Housing Service Website
Printing and Mailing Applications
Application distribution to Town
Conducting Public Information Meeting
- Lottery Preparation** 1 week
- Conduct Lottery and Post Lottery Notification** 1 week
- **Includes:**
Notification of Ranking to Lottery participants
Delivery of final ranked lottery list to ACHC with supporting documents



Description of Proposed Work

Cost Breakdown

MCO Housing Services will provide the following scope of services to the Acton Community Housing Corporation (ACHC) for the Condominium Buy Down Program in Acton, MA:

Two meetings with Town	4 hours @ \$65	\$ 260
Public Information Meeting	2 hours @ \$65	130
Lottery	2 hours @ \$65	130
Pre/Post Lottery Work	16 hours @ \$65	1,040
Preparation and Submission of LIP Application		1,200
Advertising – Preparation, Placement, Payment		1,600
Printing and Postage		575
Website Posting		400
Supplies		200
Total		\$5,535

Optional Task(s):

- Apply to DHCD for individual LIP Action Unit Approval for each condominium available through the Condominium Buy Down Program.
Includes: submission of Town of Acton approval letter and Affordability Analysis

Fee: \$300 per unit

Additional Services, if requested:

- Collection and review of applicant(s) financial documents
- Submission of financial documentation to DHCD for applicant approval into program
- Follow through with applicant on DHCD mortgage approval

Fee: \$1000 per unit

Please Note: There can be movement on the Ready Buyer List which will necessitate contacting additional applicants to fill the units as they become available.

MARSHFIELD

HOUSING OPPORTUNITY PURCHASE PROGRAM

ROUND 3

The Marshfield Housing Partnership is accepting additional applications from qualified applicants for grants to assist them in purchasing an existing market rate home or condominium in Marshfield. A deed restriction will be recorded on each unit purchased with a grant to secure affordability in perpetuity. **MHOPP grants are separate from and are in addition to the Economic Stimulus First-Time Homebuyer Tax Credit.**

MAXIMUM GRANT AMOUNTS

1 Bedroom	2 Bedroom	3, 4 and 5 Bedrooms
\$45,000	\$60,000	\$80,000

MAXIMUM HOUSE/CONDOMINIUM AMOUNTS

BEDROOMS	SALE PRICE	MAXIMUM GRANT	NET PRICE AFTER GRANT
1 BR Condo	\$172,000	\$45,000	\$127,000
2 BR Condo	\$202,500	\$60,000	\$142,500
2 BR House	\$237,250	\$60,000	\$177,250
3 BR Condo	\$248,000	\$80,000	\$168,000
3 BR House	\$277,000	\$80,000	\$197,000
4 BR House	\$293,000	\$80,000	\$213,000
5 BR House	\$308,500	\$80,000	\$228,500

MAXIMUM ANNUAL HOUSEHOLD INCOME

1 person	2 person	3 person	4 person	5 person	6 person	7 Person	8 Person
\$46,300	\$52,950	\$59,550	\$66,150	\$71,450	\$76,750	\$82,050	\$87,350

Net family assets may not exceed \$75,000.

Households interested in applying should attend one of the two informational sessions being provided. Informational sessions will be held at the following locations:

Saturday, September 12, 2009, 10:00 AM: Marshfield Town Hall, Hearing Room # 2, 780 Moraine Street, Marshfield
 Thursday, September 17, 2009, 7:00 PM: Marshfield Town Hall, Hearing Room # 2, 780 Moraine Street, Marshfield

A lottery will be held on Thursday, October 8, 2009 at 7:00 PM at the Marshfield Town Hall, Hearing Room # 2, to select grant recipients. Successful grant recipients are required to have at least one family member attend and complete a Homebuyer Education Workshop.

For additional information or to receive an application contact either the Marshfield Housing Authority (781-834-4333) or the Marshfield Housing Coordinator (781-834-1051). Applications are also available at the Marshfield Town Hall. **All applications must be received and date stamped by the Marshfield Housing Authority no later than 4:00 PM on Thursday, September 24, 2009.**

**Marshfield Housing Authority
 12 Tea Rock Gardens
 Marshfield, MA 02050**

(Equal Housing Opportunity Logo)

CONDO BUYDOWN PROGRAM
 CHART OF EXISTING UNITS ON MARKET
 JUNE 2010

Condominium Name*	# Bedrooms	Square footage	Condo Fee/mo	Selling Price	Affordable price at 70%AMI	ACHC subsidy (buydown)	Comments
Briarbrook	1	628	\$238	\$106,000	\$110,000	None needed	Less 50% owner occ.
Briarbrook	1	631	\$233	\$124,900	\$110,000	\$14,900	Same above
Yankee Village	2	807	\$296	\$149,900	\$120,000	\$29,000	Carport, location
Woodvale	1	818	\$405	\$179,900	\$100,000	\$79,900	Heat incl
Redstone	2	858	\$250	\$188,000	\$125,000	\$63,000	location
Elm St.	2	1000	\$360	\$189,900	\$120,000	\$69,900	septic
Somerset Hill	2	760	\$212	\$189,900	\$130,000	\$59,900	Elec. heat
1 Central	1	1058	\$195	\$195,000	\$120,000	\$75,000	train
Redstone	2	1080	\$250	\$199,000	\$130,000	\$69,000	Lgr unit
Yankee Village	3	1168	\$443	\$215,000	\$130,000	\$85,000	3BR, location
287 Central	2	853	\$200	\$228,975	\$135,000	\$93,975	West Acton Vill
Woodvale	2	981	\$441	\$245,000	\$110,000	\$135,000	Heat incl
Drummer Farm	2	1195	\$384	\$248,000	\$110,000	\$138,000	townhse
Nagog Woods	2	1303	\$340	\$249,900	\$120,000	\$129,900	townhse
Drummer Farm	2	1655	\$392	\$299,900	\$115,000	\$184,900	townhse
Faulkner Mill	2	1200	\$180	\$299,900	\$135,000	\$164,900	New construct.

1BR average subsidy (3 units): \$56,600 2BR average subsidy (11 units): \$87,952 3BR average subsidy (1 unit): \$85,000

*Only those condos in complexes that meet ACHC criteria for quality (on sewer, heat included, no electric heat if possible, no large capital assessments, etc.)

**Affordable unit acquisition costs
June 2010**

Category	New Construction 40B 2BR non-profit developer	New Construction 40B 3BR non-profit developer	New Construction 40B 2BR unit For-profit	New Construction 40B 3BR unit For-profit	New Construction non-40B, local action unit 2BR	Condo buydown existing unit 2BR
Development and Year of occupancy	Lalli Terrace 2010 442 Mass. Ave. 3 afford. units	Willow Central (ACHC) 2008 28 Willow 3 afford. units	Blanchard Place 2008 139 Prospect St.	Richardson's Crossing 2010 113 Central	Faulkner Mill 2009 8 High St.	Parker Village 2007 5 Drummer Rd.
Affordable Selling Price	\$154,000	\$167,675	\$154,400	\$170,000	\$145,000	\$100,000
Unit Construction cost* or market price if not 40B	\$260,500	\$307,595	\$256,350	\$470,462	\$300,000 (market price)	\$155,000 (market price)
Unit Square footage	1710 sf x 3 = 5130	1526 x 3 = 4578	1672 sf	2600 sf	1200 sf	860 sf
Cost per square foot	\$152 189,900/5130 = <u>37</u>	\$201 199,800/4578 = <u>44</u>	\$153 2550/1672 = <u>1.5</u>	\$184 0/2600 = <u>0</u>	\$250** 8400/1200 = <u>7</u>	\$180** 60,000/860 = <u>70</u>
ACHC (CPA) contribution or housing gift funds	\$2500 (closing costs)	\$11,000 (buydown and closing costs)	\$2550 (closing costs)	\$0	\$8400 (buydown and closing costs)	\$60,000 (buydown and closing costs)
Out of pocket expense to Town (ACHC) CPA or Gift Funds Cost per unit	Total project CPA funds for 3 units: \$190,000 (sewer fees, AHA unit purchase, closing costs) \$63,300/unit x 3 = 189,900	Total project CPA and gift funds for 3 units: \$200,000 (land, legal, buydowns and closing costs) \$66,600/unit x 3 = 199,800	\$2550/unit	\$0/unit	\$8400/unit	\$60,000/unit

*Information from Application for Comprehensive Permit, actual cost may be different

** Market price used

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June 2010**

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X-CAA-SPAM: F00000

X-Authority-Analysis: v=1.1 cv=GAI+IVIRjUKvrKhwDgO3O4Vs10ZD3jNOE/O8c1mFrI=c=1 sm=1 a=8nJEP1OIZ-IA:10 a=2M0mdFS4bWgkPmzHhyPLA==:17 a=C_IRinGWAAAA:8 a=0NB8Ok38AAAA:8 a=m2AleWnwsMnSSqJ-74A:9 a=T5QZMXnL_hhEYEN2F0A:7 a=vg-cKEG0_oeSqvLcsRTI_msX3dwA:4 a=wPNLvFGTeEIA:10 a=si9q_4b84H0A:10 a=kDowV0qYYVIA:10 a=3/WH8PpJujpUXcquVD0W2A==:117

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X-Mailer: YahooMailClassic/10.1.11 YahooMailWebService/0.8.100.260964

Date: Wed, 5 May 2010 05:14:36 -0700 (PDT)
From: Daniel Gaulin <dan@elmwoodhomesllc.com>
Subject: Re: Marshfield
To: Nancy Tavernier <ntavern@comcast.net>

Nancy,

The program continues to be well supported by our Housing Partnership and Community Preservation Committee. Our latest round attracted 3 decent buyers and since we have money we are open again.

What is clear is that our amounts are just enough to induce people to buy. Fortunately, our prices are such that those amounts are enough to give people a choice of a dozen or so condos and a dozen or so small houses. As it turns out, most buyers have been single women (both with and without kids).

Our amounts are \$45,000 for someone qualifying for a 1BR; \$60,000 for a 2BR and \$80,000 for a 3BR. To me, that is a fair tradeoff for having to agree to the deed rider with its strict resale requirement. You (and we) could go a little higher (\$5 to 10,000) which would increase the interest. Depending on your housing stock, you may need to go higher to be able to reach a decent range of properties.

The thing that would be interesting is if anyone could combine it with fix-up money. I'd love to see a buyer try to do that. Our program does not offer a way to use any portion of the money for rehab. At some point, we may revisit that.

The frustrating thing has been dealing with banks - it is not great on foreclosures and it is hell on short sales.

Feel free to call or write with questions.

Dan

--- On Wed, 5/5/10, Nancy Tavernier <ntavern@comcast.net> wrote:

> From: Nancy Tavernier <ntavern@comcast.net>
> Subject: Marshfield
> To: "Daniel Gaulin" <dan@elmwoodhomesllc.com>
> Date: Wednesday, May 5, 2010, 7:26 AM
> Hi Dan,
>
> I wanted to check in with you to see how your buydown
> program is working assuming you still have it going
> on. I would think with the depressed sales prices, it
> might be more popular since people can get more house for
> the money. We need to address condo buydowns again in
> Acton, primarily to shut up that awful selectwoman.
> We'd like to do something that works and would attract
> buyers to make it worth our time.
>
> Thanks.
>
> Nancy
>
>

X-CAA-SPAM: F00000

X-Authority-Analysis: v=1.1 cv=i8s2ENBGsYGTwhMyj08ogkeCYp+faT6/N9AexAFGxTk=c=1 sm=1 a=qU5ZuYy1v4MA:10 a=N659UExz7-8A:10 a=3eaMoKsRWWztqd7VPb/oDg==:17 a=PCBHcJzyAAAA:8 a=C_IRinGWAAAA:8 a=vQZANrTFC7vYPeMgSDIA:9 a=zT3mkKlujfxztnD4rTwa:7 a=3MnqbgTFVYMjs_tvVpCAuBY0z9oA:4 a=pLLNOxqGKmlA:10 a=e7vXELWwNW4A:10 a=ag7m0Z3OiY0A:10 a=rHUjaoU1vskA:10 a=Pv0kDx0mP8sA:10 a=Eb6gqTcxqVcA:10 a=dO-N2_KIMrcA:10 a=si9q_4b84H0A:10 a=xbTekr0cl9j8EPBj:21 a=ZZbf5QEZZalJJIUU:21 a=3eaMoKsRWWztqd7VPb/oDg==:117

From: "DiMicco, Christopher" <Christopher.DiMicco@ironmountain.com>

To: Nancy Tavernier <ntavern@comcast.net>

Date: Thu, 3 Jun 2010 16:54:17 -0400

Subject: RE: Acton info

Thread-Topic: Acton info

Thread-Index: AcsBkNCyniHSaUuNRsa740sr+G5pFgBzKMYA

Accept-Language: en-US

X-MS-Has-Attach:

X-MS-TNEF-Correlator:

acceptlanguage: en-US

X-MC-Unique: 110060316542600501

Hi Nancy,

Based on the figures at this time we are estimating there are approximately 9,000 images. If you do the prep work for the scanning the cost will be approx .14/image which will come to about \$1,260.

If Iron Mountain does all the preparation the cost will be approximately .166/image and the cost will be around \$1,494.

The rates are all inclusive to include pickup of the documents, indexing, preparation (for project 2), 60-90 days quality assurance storage hold, and then destruction upon request.

Please let me know if you have any questions. I will call and follow up with you tomorrow.

Have a great night.

Christopher M. DiMicco

Regional Account Executive

Iron Mountain

745 Atlantic Avenue

Boston, MA 02111

Mobile (781) 552-9079

E-Fax (781) 658-2316

Christopher.DiMicco@ironmountain.com

www.ironmountain.com

-----Original Message-----

From: Nancy Tavernier [<mailto:ntavern@comcast.net>]

Sent: Tuesday, June 01, 2010 9:46 AM

To: DiMicco, Christopher

Subject: Acton info

TOWN OF ACTON – Acton Community Housing Corporation

Name of Program: Condo Buydown Program

Type of Program: Purchase Price Buydown - Homebuyers purchase properties identified by the Town's affordable housing committee, Acton Community Housing Corporation. The ACHC makes an offer on the unit contingent on finding an eligible buyer, DHCD approval of unit and buyer, passing a home inspection and review of condo docs. The ACHC nominates a buyer who then enters into the Purchase and Sale Agreement with the seller who is given the buydown subsidy directly at the closing.

Contact: Nancy Tavernier, Chairman of the Acton Community Housing Corp. (ACHC), 978-263-9611, achc@acton-ma.gov

Funding Commitments: \$300,000 in Community Preservation funding has been approved to date as well as some additional funding from developers of non-40B projects, a developer of a 40B project in an abutting town, and a local foundation.¹

Current Status: The ACHC² has assisted with the purchase of eight (8) units to date through the program with some units purchased by eligible homebuyers and others by the Acton Housing Authority for rental to qualifying low-income tenants. To date, approximately \$280,000 in subsidy funds have been spent. ACHC has found that most of the demand for these units has come from singles and single mothers with children. In addition, funds have been used for closing costs and down payment assistance by five first time homebuyers of these and other 40B units.

Summary Description: The program is directed to subsidize the cost of purchasing an identified condominium in town to enable a qualifying purchaser earning between 60% and 80% of area median income to become a first-time homeowner. The subsidy reduces the principal amount of the mortgage and is provided to the seller at the time of the closing. The affordable purchase price is based on the state's Local Initiative Program (LIP) formula and, factoring in the condo fees, the maximum purchase price has been about \$110,000, assuming a \$300 monthly condo fee. The subsidy amount can range from \$25,000 to \$150,000. ACHC has targeted \$60,000 per unit for garden style units selling at market prices of \$150,000-175,000.

¹ Each year the Town allocates CPA funding to the Community Housing Program Fund, administered by the ACHC. Funding is requested each year at various levels with several eligible uses such as the Condo Buy-down Program. A local foundation has also provided about \$100,000 in funding towards the Town's affordable housing efforts and from a local developer another \$400,000 was donated to the Town for affordable housing. The CPA and Foundation funds are held by ACHC with BOS approval for expenditure.)

² The Acton Community Housing Corp. administers the program, which is the Town board charged with providing "affordable housing opportunities for working families with modest incomes" and facilitating local affordable housing initiatives and working with developers on new development. This is a quasi-public body that was created by a home rule petition in 1996 that grew out of a private non-profit housing organization created in 1986. The Board of Selectmen appoints all members.

Initially, ACHC contracted with a lottery agent to do the DHCD required marketing and lottery to create a Ready Buyers List that met all LIP requirements. After extensive outreach, this lottery only attracted 12 applicants at the program's inception.³ ACHC then worked with a local real estate agent to identify properties to purchase, focusing on the most affordable segment of Acton's housing market, garden-style condos, and those developments that were not reliant on septic systems.⁴ ACHC put two of these condominiums under agreement with contingencies (e.g., an eligible buyer would be found, unit would be approved by DHCD, property would meet inspection standards) for participation in the program, however, no one on the list was interested in purchasing this type of unit. The units were then made available on a first-come, first-served basis with additional outreach, and finally a buyer was found for one of the units while the seller backed-out of the other. This initial condo was on the market for \$155,000 and sold for \$100,000, requiring a \$55,000 subsidy.

ACHC found that applicants were not interested in purchasing this type of condominium. Units that were more desirable, such as townhouses, were selling for at least \$235,000 that would require a subsidy of about \$135,000 due to the high condo fees. While the program has the flexibility to go up to \$150,000 in subsidy, the ACHC was reluctant to provide this amount of subsidy to just one household.

The program has maintained some flexibility to be able to respond to opportunities as they arose including:

- Twenty new condominiums were being developed that included one (1) affordable unit as a result of the Town's negotiations with the developer who requested a sewer connection. The unit will be sold for \$160,000 while the market units are priced at \$330,000, beyond what the Town could "buy-down" for additional affordable units. The Ready Buyer list will be used for this unit. The ACHC may buy down the price further to help the buyer meet the affordability requirements.
- Another opportunity arose when the developer who was converting a garden-style apartment complex to condominiums was required by the Town to create four (4) affordable units including a 1BR unit for the Acton Housing Authority. The developer hired a lottery agent to market the units and hold a lottery, no applicants were found so the units went first-come, first-served. Two single household buyers were found to purchase two condos, a one-bedroom priced at \$115,000 and a two-bedroom priced at \$130,000. The Housing Authority purchased the remaining two (2) units, the one that was earmarked for them and a second with ACHC buydown funds. The Housing Authority owns and manages both units, renting them to eligible tenants. The subsidy amount for these four units was \$160,000, averaging \$40,000 per unit.

³ This summer ACHC sent letters to all those on their Ready Buyer List and determined that only three were interested in remaining on the List and in possibly participating in the program.

⁴ It should be noted that about one-third of Acton's housing stock is comprised of multi-family dwellings most of which are apartments that have been converted to condominiums.

- ACHC also subsidized three units in a Chapter 40B development. The units were sold to first time homebuyers for \$150,000 (1 BR) and \$167,000 (3BR) and a 3BR unit was sold to the Acton Housing Authority for \$270,000. The program subsidy of \$76,000 came from the Foundation funds.

Eligibility Criteria: All units are expected to be counted as part of the Subsidized Housing Inventory as LIP Local Action Units, and consequently must meet all state LIP requirements and be deed restricted.

Application and Selection Process: The ACHC engaged a consultant, Maureen O'Hagan, to conduct the marketing and lottery per LIP requirements. A Ready Buyers List was initially created that included 12 qualified applicants. DHCD ruled the list could stay active for 2 years due to the sporadic nature of the program. After that a whole new affirmative marketing and lottery procedure has to be initiated. When everyone on the List indicated that they were not interested in purchasing the units that ACHC had put under agreement, the organization began to identify prospective purchasers on a first-come, first-served basis. At this point there are only three (3) persons on the current Ready Buyer List.

Property Inspection: ACHC hired an independent home inspector to inspect properties and identify any needed repairs, including those in common spaces. Thus far only one unit needed a significant repair, the replacement of an electrical box, and the seller and ACHC split the costs. Lead paint has not been an issue to date, and if lead was found ACHC would likely back away from the deal or insist that the seller do the deleading prior to the closing.

Success Factors in Adoption and Implementation:

As ACHC was processing applications, it found that applicants were having difficulty affording the associated closing costs and down payments so they established a program to provide up to a \$10,000 grant to qualifying first-time homebuyers to offset the purchase of a unit. A half dozen have participated in the program since it was introduced in 2007, three from the Condo Buy-down Program.

ACHC has also maintained the flexibility and foresight to respond to opportunities as they arose such as entering into an agreement on units sold to the Housing Authority rather than have the AHA go through a lengthy RFP process.

Issues to Consider/Do Differently:

The main problem with Acton's Condo Buydown Program was the product itself. The affordable market units are all older garden style units, they are roughly 850 square feet two bedroom units with some amenities such as swimming pools but no inside parking or storage and no washer/dryers in the units. Because Acton has so many condo units, there are always more desirable units on the market such as townhouses but at prices that would require a subsidy greater than politically practical (\$150,000+).

In a down market, the gap between the market price and affordable price is not that great, making it less attractive to a first time homebuyer, who not only gives up that eligibility for future 40B units, but also takes on a deed restricted unit with accompanying red tape and documentation of income, assets, etc. and a lack of equity building. There is also strong competition with the current rental market, the large Avalon project has attracted this clientele as has lower market rents in general. It is cheaper to rent than to own in the current market, that reduces the motivation to buy a unit.

Acton's high tax rate is also a factor in the affordability analysis as are the high condo fees. All of the units considered by ACHC had condo fees that included heat and hot water, those fees are destined to rise every year. ACHC also only considered units on sewers or with treatment plants due to the frequency of special assessments for septic repairs. Having to use the market condo fee has a huge impact on the affordability but the fees cannot be adjusted per the Master Deed of the Condo Associations. This is a major hurdle in the success of the program. Townhouse units typically have condo fees of over \$400 a month. The typical total monthly housing cost is limited to \$1200 per DHCD affordability requirements.

One revision could be to work with each applicant on the Ready Buyer List and take them around to units on the market to see if they would select something they considered desirable and then work with them to come up with a reasonable subsidy. New construction units are definitely on the top of every buyer's list, buying those down would be a winner for the buyers but not for the longevity of the program. The funds would soon be depleted especially since CPA funding is expected to drop.

9/15/08

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Contact: Nancy Tavernier, Chairman of the Acton Community Housing Corp. (ACHC), 978-263-9611, achc@acton-ma.gov

Funding Commitments: \$300,000 in Community Preservation funding has been approved to date to use for this program as needed.

Current Status: The ACHC has assisted with the purchase of eight (8) units to date through the program with some units purchased by eligible homebuyers and others by the Acton Housing Authority for rental to qualifying low-income tenants. To date, approximately \$280,000 in subsidy funds have been spent. ACHC has found that most of the demand for these units has come from singles and single mothers with children. In addition, funds have been used for closing costs and down payment assistance by five first time homebuyers of these and other 40B units.

Summary Description: The program is directed to subsidize the cost of purchasing an identified condominium in town to enable a qualifying purchaser earning between 60% and 80% of area median income to become a first-time homeowner. The subsidy reduces the principal amount of the mortgage and is provided to the seller at the time of the closing. The affordable purchase price is based on the state's Local Initiative Program (LIP) formula and, factoring in the condo fees, the maximum purchase price has been about \$110,000, assuming a \$300 monthly condo fee. The subsidy amount can range from \$25,000 to \$150,000. ACHC has targeted a subsidy of \$60,000 per unit for garden style units selling at market prices of \$150,000-175,000.

ACHC contracted with a lottery agent to do the DHCD required marketing and lottery to create a Ready Buyers List that met all LIP requirements. After extensive outreach, this lottery only attracted 12 applicants at the program's inception.¹ ACHC worked with a local real estate agent to identify properties to purchase, focusing on the most affordable segment of Acton's housing market, garden-style condos, and those developments that were not reliant on septic systems.² ACHC put two of these condominiums under agreement with contingencies (e.g., an eligible buyer would be found, unit would be

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- ACHC also subsidized three units in a Chapter 40B development. The units were sold to first time homebuyers for \$150,000 (1 BR) and \$167,000 (3BR) and a 3BR unit was sold to the Acton Housing Authority for \$270,000. The program subsidy of \$76,000 came from local Foundation funds.

Eligibility Criteria: All units are expected to be counted as part of the Subsidized Housing Inventory as LIP Local Action Units, and consequently must meet all state LIP requirements and be deed restricted for future resales.

Application and Selection Process: The ACHC engaged a consultant to conduct the marketing and lottery per LIP requirements. A Ready Buyers List was initially created that included 12 qualified applicants. DHCD ruled the list could stay active for 2 years

due to the sporadic nature of the program. After that a whole new affirmative marketing and lottery procedure has to be initiated. When everyone on the List indicated that they were not interested in purchasing the units that ACHC had put under agreement, the lottery agent began to identify prospective purchasers on a first-come, first-served basis. At this point there are only three (3) persons on the current Ready Buyer List.

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ACHC has also maintained the flexibility and foresight to respond to opportunities as they arose such as entering into an agreement on units sold to the Housing Authority rather than have the AHA go through a lengthy RFP process.

Issues to Consider/Do Differently:

The main problem with Acton's Condo Buydown Program was the product itself. The affordable market units are all older garden style units, they are roughly 850 square feet two bedroom units with some amenities such as swimming pools but no inside parking or storage and no washer/dryer hook-ups in the units. Because Acton has so many condo units, there are always more desirable units on the market such as townhouses but at prices that would require a subsidy greater than politically practical (\$150,000+).

In a down market, the gap between the market price and affordable price is not that great, making it less attractive to a first time homebuyer, who not only gives up that eligibility for future 40B units, but also takes on a deed restricted unit with accompanying red tape and documentation of income, assets, etc. and a lack of equity building. There is also strong competition with the current rental market, the large Avalon project has attracted this clientele as has lower market rents in general. It is cheaper to rent than to own in the current market, that reduces the motivation to buy a unit.

Acton's high tax rate is also a factor in the affordability analysis as are the high condo fees. All of the units considered by ACHC had condo fees that included heat and hot water, those fees are destined to rise every year. ACHC also only considered units on sewers or with treatment plants due to the frequency of special assessments for septic repairs. Having to use the market condo fee has a huge impact on the affordability but

the fees cannot be adjusted per the Master Deed of the Condo Associations. This is a major hurdle in the success of the program. Townhouse units typically have condo fees of over \$400 a month. The typical total monthly housing cost is limited to \$1200 per DHCD affordability requirements. This means all the other housing costs (mortgage, insurance, taxes, etc.) would have to be no more than \$800 per month.

One revision could be to work with each applicant on the Ready Buyer List and take them around to units on the market to see if they would select something they considered desirable and then work with them to come up with a reasonable subsidy. New construction units are definitely on the top of every buyer's list, buying those down would be a winner for the buyers but not for the longevity of the program. The funds would soon be depleted by the large subsidy required especially since CPA funding is expected to drop.

Karen Sunnarborg, Housing and Planning Consultant

Nancy Tavernier, ACHC

9/15/08

Lexington Housing Partnership Survey of Affordable Homeowner Assistance Programs

Community	Type	Funding	Status	LIP	Deed Rider	Max. Subsidy	Target Market
Acton	Hybrid*	\$300,000 CPA plus other funding	8	Yes	Yes	\$150,000 (average is much less)	At or below 80% AMI
Bedford	Buy-down	\$161,200 CPA	1 in 2002	No for 1st	Yes	Not set	At or below 80% AMI
Bourne	Hybrid*	\$298,000 CPA	Recently implemented; no units to date	Yes	Yes	\$20,000/bedroom	At or below 80% AMI
Brookline	Mortgage Assistance Program (MAP)	\$400K to \$700K in HOME and CDBG	61	No	For condos in 6+-unit condo associations	\$100K to \$175K depending on type of unit	At or below 80% AMI
Cambridge	MAP	\$4.6 million in own funds	41	No	Yes	\$130,000	At or below 100% AMI
Chatham	MAP	\$255,000 CPA	1 to date	Yes*	Yes	\$60,000	At or below 80% AMI
Chatham Balfour Lane project	Buy-down, Lower Cape Cod CDC	\$285,000 CPA	4	Yes*	Yes	NA	At or below 80% AMI
Chilmark Aff. Housing Mortgage Interest Asst. Program	MAP	\$60,000 CPA Funding reallocated to Helm Home Loan	0	No	Yes	1/3 of monthly mortgage interest payments	At or below 100% AMI
Chilmark/Martha's Vineyard Helm Home Loan	Hybrid*	\$265,000 CPA and IAHF	9	No	Yes	Up to \$25,000 piggy-back to Land Lease Program	At or below 140% AMI
Martha' Vineyard Land Lease Program	Land lease	Funding from AIHF and CPA	22	No but some 40B's	Yes	Varies by project	At or below 140% AMI
Marshfield	MAP	\$485,000 CPA	Working with 2 purchasers	Yes	Yes	\$45,000-\$75,000 depending on # bedrooms	At or below 80% AMI
Newton	MAP	\$1.8 million CPA, HOME and CDBG	26	No	Yes	\$115,000	At or below 80% AMI
Sandwich	Buy-down Housing Assist. Corp.	\$1,442,500 in subsidies	7	Yes	Yes	NA	At or below 80% AMI
Sudbury	Hybrid*	\$500,000 CPA	2	Yes	Yes	\$200,000	At or below 80% AMI
Waltham	MAP	\$270,000/year HOME funds	94	No	No	\$62,000	At or below 80% AMI

*Hybrid represents a mix of techniques, such as the town setting up properties for purchase with the qualified homeowners given a subsidy at closing.

Similarities and Differences with Lexington

Community	Similarities	Differences	Findings
Acton	ACHC operates like LexHAB, allocated CPA funds Provide \$10K Down Payment Assistance	Condos not stand alone homes Uses Housing Authority to manage rentals	New construction preferred Homeownership tax advantages not widely known
Bourne	Works with pre-approved Ready Buyers List Establishes Approved Properties List Inspects properties, follows DHCD guidelines	Housing Specialist Can use Dept. of Agriculture Mortgages \$20,000 per bedroom subsidy limit	Only Condos so far Considering increasing subsidy limits
Brookline	Loan assistance to qualified buyers Buyers locate own unit Authorized 4 loans per year \$460,000 property limit, 80%AMI	Housing Development Manager and Housing Project Planner HOME and CDBG funds no CPA Large population of Condos	Loan limits recently increased
Cambridge	Loan assistance to qualified buyers, CPA funds First-Time Homebuyers locate own unit \$130,000 grant ceiling, deed restriction, 100%AMI Equity sharing and allowance for capital improvements	Homebuyer Coordinator Buyers responsible for inspections	City able to formulate own requirements 40 of 41 participants chose condos
Chatham	Inspects properties, follows DHCD guidelines Seller pays required fixups inc. lead paint rem.	Chatham Housing Authority (\$15K CPA funds) \$60K Subsidy, max market price \$240K	Rigorous affirmative mktg and buyer pre-qual implemented now
Chatham Balfour Lane project	Chatham preference (non SHI now, maybe later) 4 80% condo units (3 mkt units) CPA and Private Funds	Lower Cape Cod CDC managed redevelopment	Moving to fair marketing and 70% Chatham for future owners
Chilmark Aff. Housing Mortgage Interest Asst. Program	Mortgage interest subsidies, deed restriction	Now using Island Afford. Housing Fund	Incentive insufficient with deed restriction
Chilmark/Martha's Vineyard Helm Home Loan	Subsidy thru IAHF (30 yr 1 %int. loan) Ground leasing (80%-100%AMI) and 2nd Mortgage CPA and private funds	Regional IAHF Management and matching funds Island Housing Trust and Dukes County Regional Housing Authority Helm Home Loan involved	Success based on \$1.3M raised annually
Martha' Vineyard Land Lease Program	Homeowner owns improvements Land Trust controls use and sale 50%-140% AMI, \$140K-\$330K sale prices CPA funds from participating communities	Island Housing Trust develops properties Trust acquires property @ \$25-\$35K per unit Housing Authority would manage rentals	Program tweaked as lessons learned
Marshfield	CPA funding, Housing Partnership administers program Uses Mansfield Housing Authority for applic./selection Bedroom based grants for house or condo Grant doesn't apply to SHI units Follows DHCD LIP procedures, comprehensive inspection rules	Marshfield Housing Coordinator and fHousing Consultant Inclusionary Zoning ByLaw contributes funds	Plan to extend life of Ready Buyer list Tightening credit rules Considering including homes that require a modest amount of work
Newton	HOME, CDBG and CPA funds CPA funds used with Newton preference (80%AMI)	Newton Community Development Authority Well staffed Newton Housing Office	

	Similarities	Differences	Findings
Community	Deferred loan up to \$100,000, Purchase Limits to \$570K Forgiven at 20% per year over 5 yrs. Deed rider with some allowance for improvements Not constrained by LIP requirements Forgivable closing cost grant (up to \$15K)	Newton housing office inspects properties Newton Connection (NX) Program has no purchase price limit	Considering modifying resale conditions
Sandwich	Units purchased and rehabbed CPA subsidy per unit \$200K HOME and Fedl Home Loan Bank Funds used 1st Time Homebuyers 80%AMI, LIP process	Cape Cod Commission Housing Assistance Corp. Used \$1.25M in lieu of affordable housing	Developer produced 3 added affordable units
Sudbury	Town locates property and pre-qualifies unit CPA funds to \$200K per unit, LIP 80%AMI Property purchase point around \$350K Town inspects and pays for mods	Sudbury Housing Trust used to make purchase offer Housing Specialist	Added 40B development units are considered Need to work with Assessor re. Property taxes
Waltham	Loan 17% of Purchase Price up to \$62K No interest deferred loan to 1st time homebuyers 80%AMI, HOME funds \$270K per year.	Waltham Housing Division Experienced housing specialists on staff	Considering deed restrictions in the future May raise asset limits to \$75K in future

To: Maureen M. O'Hagan
From: Nancy Tavernier <ntavern@comcast.net>
Subject: condo transactions
Cc: Betty
Bcc:
Attached: C:\Documents and Settings\Nancy Tavernier\My Documents\ACHC\Condo buydown Drummer 3-pers 70%AMI.xls; C:\Documents and Settings\Nancy Tavernier\My Documents\ACHC\Condo buydown Briarbrook 3-pers 70%AMI.xls;

Hi Maureen,

We are ready to move on the first 2 condo units and we want to discuss the needed work with you and get a price. I am sending it in writing first so you can read it over, then please call me to discuss and talk about the fee. 978-263-9611

We have offers accepted on 2 condo units, both 2 BR. One is at Parker Village and one at Briarbrook. That is one you saw with us that had the wallpaper that has been subsequently removed. We will price both units at \$110,000. I am attaching the affordability analysis that I did, if you have corrections to it feel free to chime in.

I have contacted the first two local people on the ready buyer list. Elizangela Da Silva is going to visit the 2 units with Betty and Joan Meyer on Tuesday afternoon, she gets to choose the unit since she is a household of 2. We will give her 48 hours to decide. The second person Noemi Ladino-Lopez will look at the unit that is not chosen next Sunday, Sept. 9. Elizangela is very nervous, this was total surprise to her. She will need to have her hand held all the way. Noemi is fine with it since her daughter does all the work for her, she has already called me. Apparently her husband does real estate work so they will figure it all out. They are all thrilled to hear the price. If either declines we will move down the list but the next one up is Pam Shuttle and that may take some time since we will have to submit a waiver request to DHCD to accommodate her high medical bills that would offset her income. She may decline anyway and the next person is a young single woman very anxious to buy a unit, she grew up here. Jennifer Husmer.

ACHC has hired a lawyer to help with the paperwork, deed filings etc. She (Hillary Domer) will also assist the buyers so we will share the Closing costs with them. I have told each winner that they will be expected to make a deposit of 1 1/2% (\$1650) sometime in late September, probably once their financials are approved and before the mortgage. Then they will need to do the other 1 1/2% at Closing I guess, I am fuzzy about all of this.

Here is the schedule for the transactions:

1. home and lead paint inspections are scheduled for Sept. 5
2. We hope to get Erin to inspect the units for DHCD next week.
3. ACHC will sign the P&S by Sept. 19, assuming all is well with the inspections and initial financial review of the buyers.
4. Closing is scheduled for Oct. 30 at the latest so the mortgage paperwork has to get to DHCD by Oct. 15.

These are the tasks needed to complete the sales and who will do them, hopefully.

ACHC will do:

1. Get DHCD approval for the 2 units as to physical condition, size, and results of inspection.
2. Will submit financial information collected for both buyers to DHCD for approval of buyers.

Not needed

We would ask you to do:

1. Collect and review the financial documents from 2 buyers
2. Assuming the income and asset information is in order, submit the financial documents to ACHC. (to Betty)

if before Sept. 14 or to me if after). ACHC will review and approve and then send on to DHCD.

3. Work with the 2 applicants to get mortgages. *Send info to ACHC*
4. Get the final mortgage documents, lawyer name, etc. to DHCD two weeks before Closing.

The contract that we had with you included these tasks for the first unit only as part of the contracted amount paid as \$5835. For the first unit, you agreed to do the following:

1. secure necessary sign off from DHCD (ACHC will do this)
2. Work with applicants and banks to ensure appropriate mortgage
3. Get mortgage documents to DHCD

We are now asking you to handle 2 units with your primary focus on the financials of the buyers and their mortgages.

We would propose to pay you \$1000 for items 1-4 above. Can you please review this proposal and let me know what you think?

I am going to be out of town Sept. 4-13 but will have some email contact. Betty McManus can be reached in my absence by email or phone 978-263-3738.

Thanks.

Nancy

Acton Community Housing Corporation

Nancy Tavernier, Chairman

TOWN OF ACTON

Acton Town Hall

472 Main Street

Acton, Massachusetts, 01720

Telephone (978) 263-9611

achc@acton-ma.gov

TO: Board of Selectmen
FROM: Nancy Tavernier, Chair
SUBJECT: Condo buydown units permission
DATE: August 31, 2007

At your June 4, 2007 meeting you approved in advance ACHC's anticipated expenses for the acquisition of condo units for the Condo Buydown Program. This is an excerpt from the memo ACHC sent for that meeting requesting expenditure approval for several items.

*1. **Condo Buydown Program** – We have already received permission from the Board (January 2007) to proceed with the spending on this program that leads up to the unit purchase. We are currently in the process of doing marketing and outreach for the lottery to create a Ready Buyer List. The lottery will be held on July 31 and we hope to have a condo unit available immediately thereafter. ACHC has been viewing potential units to be made available to eligible buyers at a reduced price, subsidized by ACHC. We have promised to return to the Board prior to negotiating a purchase and sale agreement. ACHC does not intend to own the unit but rather be the conduit from the seller to the buyer. We are receiving legal advice from a local attorney for the P&S process and he will help us prepare an offer when we find an appropriate unit. We anticipate having to make a deposit for the unit quickly if an offer is made. **We seek Board approval for this anticipated deposit expenditure and related expenses such as inspections.** As promised, we will return to the Board for the specific unit purchase once it has been approved by DHCD. Just a reminder, the ACHC has a Community Housing Program Fund, with CPA funds totally approximately \$300,000, to use for affordable housing initiatives such as this one.*

To update the Board, we held the lottery on July 31 and have a list of 11 eligible households on the Ready Buyer List. Six of these are one person households, an unmet need in the world of affordable housing. In view of the identified housing need for small households, we sought permission from DHCD to place one person households in the more desirable 2BR units. We had not found any 1BR units that met the program standards of either ACHC or DHCD. Permission was granted for placing the small households in 2BR units. This is a real breakthrough for DHCD and we were very pleased.

We moved immediately to line up two 2BR units. On August 27, we made offers on a unit at 5 Drummer Rd. and 15 Davis Rd. Both offers were accepted, we have made a deposit on each, home and lead paint inspections are scheduled for Sept. 5, and a DHCD inspection is in the process of scheduling. We will be prepared to sign a purchase and sale agreement on Sept. 14. The accepted price for the Drummer Rd. unit is \$156,000 and for Davis Rd., \$160,000. Each will be sold to eligible first time homebuyers for \$110,000. The difference will be the

subsidy to the seller provided through the Community Housing Program Fund held by the ACHC. The Closing is expected to take place on October 30.

As promised, we are returning to the Board for its approval of the subsidy and related expenditures prior to the signing of the P & S.

We are in the process of contacting the households on the Ready Buyer List and should have their acceptance of the units by September 10. We are optimistic that everything will go smoothly. We will evaluate the program after the completion of these first two units to decide whether or not to proceed with more. DHCD will also be looking for reports on our experience since (once again) we appear to be the first town doing such a program, at least the first town that has actually carried it out.

We ask for your approval of these final expenditures.

Acton Affordable Housing – Rare opportunity to buy in Acton

The Acton Community Housing Corporation is contacting all Town Board members and Town employees to make a very special offer to some lucky household ready to buy a home. Through our Condo Buydown program, we have a lovely 2 Bedroom unit at Parker Village. The unit is 842 square feet with new windows on three sides of the unit on the second floor of a three floor, 6 unit building. The unit is in excellent condition, sunny and light, and has passed a home and lead paint inspection. The kitchen has ceramic tile floors, the living room, dining area, and second bedroom have Pergo (wood laminate) floors while the master bedroom has parquet floors. This complex is on town sewers and the condo fee of \$294/month includes heat, hot water, and sewer charges.

Here is the Special Offer: The unit is being sold for \$100,000 as an affordable deed restricted unit to an income eligible first time homebuyer. It can be sold to a 1, 2, or 3 person household. The MA DHCD has made a special allowance to allow 1 person households to purchase a 2 bedroom unit, this is a rare opportunity. The way this program works ACHC finds a desirable unit on the market, makes an offer to the seller with the stipulation that we will find a qualified buyer. At Closing, ACHC will subsidize the price to the Seller using Community Preservation Funds. This allows us to offer the home at an affordable price to you, a family member, your friends, or neighbors. They do not have to be living in Acton.

This is the criteria used to qualify as a First Time Homebuyer:

You may not have owned a home for the past 3 years

Your gross household (everyone living in the unit) income may not exceed:

- \$46,300 for a 1 person household
- \$52,550 for a 2 person household
- \$59,550 for a 3 person household

Total household assets may not exceed \$50,000, including some portion of retirement funds

You must be able to obtain a fixed rate, 30 year mortgage with a minimum of 3% down payment, half of which must be your own funds

Applications are available at the Town Clerk's office or by contacting Nancy Tavernier, Chair ACHC at ntavern@comcast.net or 978-263-9611. Photos of the unit can also be emailed to anyone who is interested and a visit can be arranged through Nancy. This offer is available to anyone in the community but we are contacting our loyal employees and volunteers first. The first person to be qualified will have the chance to buy the unit, this will not require a lottery. The unit is ready for immediate occupancy. We hope you will spread the word! Completed Applications can be put in the ACHC mailbox at Town Hall or mailed to: ACHC, Acton Town Hall, 472 Main St. Acton, MA 01720. THE APPLICATION DEADLINE IS NOVEMBER 5, 2007 BUT REMEMBER, IT IS FIRST-COME, FIRST-SERVED.

10/16/07

Condo Buydown Program

Why it is not working

10/26/07

1. Prefer new construction over existing units
2. Apartment conversion garden style units not desirable.
3. Poor credit, large credit card debt
4. Mortgage crisis fears
5. No savings for closing and down payment
6. Not ready for the responsibility of home ownership
7. This may be only property they can own, they want it to be the right opportunity
8. Willing to wait for lotteries and take their chances for a new construction unit
9. Negative press on 40B's and affordable housing in general
10. Large 40B rental projects are driving down market rents, making it more affordable to stay in a rental and opening up luxury affordable units
11. Tax advantages of home ownership are not widely known
12. Households with incomes below \$35,000 cannot get mortgage
13. Households with incomes over \$66,500 cannot qualify for affordable unit but cannot afford the prices of available market units
14. It's just easier to maintain the status quo
15. Wrong time of year to make a move
16. Job insecurity, no prospect for increasing income
17. Program might work for townhouses or duplexes
18. No washer or dryer in unit which is OK for an apartment but not for a Condo.
19. Acton Schools not such an attraction since school systems in general are improving in more affordable communities.
20. High taxes

21. Inability to grow equity
22. Deed restricted unit
23. Red tape for income, assets, mortgages
24. Reluctance to provide financial documents, in this identity theft era, even though information kept confidential

Pilot Buy Down Program

Acton, MA

AFFORDABILITY ANALYSIS

	<i>2 bedroom/50%</i>	<i>2 bedroom/60%</i>	<i>2 Bedroom/70%</i>
Home Price	\$ 71,400	\$ 94,300	\$ 105,400
<i>Interest Rate</i>	6.43%	6.43%	6.43%
<i>Down Payment (%)</i>	5.00%	5.00%	5.00%
Down Payment (\$)	\$ 3,570.00	\$ 4,715.00	\$ 5,270.00
Mortgage Amount	\$ 67,830.00	\$ 89,585.00	\$ 100,130.00
Monthly Expenses			
<i>Principal & Interest</i>	\$ 425.61	\$ 562.12	\$ 628.29
<i>Real Estate Taxes</i>	\$ 86.75	\$ 114.57	\$ 224.41
<i>Private Mortgage Insurance</i>	\$ 43.81	\$ 57.86	\$ 64.67
<i>Estimated Association Fee</i>	\$ 350.00	\$ 350.00	\$ 350.00
<i>Hazard Insurance</i>	\$ 23.80	\$ 31.43	\$ 35.13
TOTAL Monthly Expenses	\$929.97	\$1,115.99	\$1,302.50
Minimum Income Required	\$ 37,199	\$ 44,639	\$ 52,100

50% of Median = \$37,220

60% of Median = \$44,664

70% of Median = \$52,106

NOTES:

Acton Residential Tax Rate \$ *14.58 per thousand*

Acton Community Housing Corporation

Nancy Tavernier, Chairman

TOWN OF ACTON

Acton Town Hall

472 Main Street

Acton, Massachusetts, 01720

Telephone (978) 263-9611

achc@acton-ma.gov

Condo Buydown Program

Unit #1: 5 Drummer Rd., C-4

12/5/07

Accounting – Community Housing Program Fund (CPA)

1. Subsidy to sellers to bring affordable sales price to \$100,000	\$57,000.00
2. One half of electrical repairs to replace panel (Maclean Electric)	237.50
3. ACHC lawyer Hillery Dorner (offer, P&S, deed, closing)	1,300.00
4. One half of buyer's lawyer Malcolm Houck	400.00
5. Lender lawyer and title insurance Mark Scheier	1,180.00
6. Home and Lead paint inspection (Tiger, Panther	565.00
TOTAL spent for 5 Drummer Rd., C-4	\$60,682.50

Additional program spending

1. Judi Barrett, consultant who developed action plan	4,590.00
2. Maureen O'Hagan, lottery agent for ready buyer list	5,535.00
3. Home and Lead paint inspection for 15 Davis Rd. (A-1)	565.00
GRAND TOTAL to date:	\$71,372.50