

Condo Buydown discussion

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BASICS OF CONDO BUY DOWN PROGRAM

1. Original ACHC model

- Condo unit is identified as suitable for purchase by a first time homebuyer
- Offer is made on unit and sales price negotiated between ACHC and seller
- ACHC nominates eligible buyer and sets affordable price
- Home inspection and DHCD unit approval
- At closing, ACHC provides difference between the selling price and the affordable price so the seller is made whole
- A deed rider is recorded for the unit making it affordable into perpetuity which means it has to always be sold to an income eligible household for a pre-determined affordable price

2. Grant subsidy model (based on Marshfield)

- Only suitable 2 and 3 bedroom units would be identified, no 1 bedroom units. Preference for condos that are not apartment conversions
- Eligible buyers would qualify for a grant of \$60,000 for a 2 bedroom unit and \$80,000 for a 3 bedroom unit
- Buyers would do their own house hunting
- Buyers would make offer on the selected unit contingent on home inspection and on DHCD, and ACHC approval of the unit
- Buyers would negotiate the price and sign the P&S. The net price (price minus subsidy) would have to be no greater than the allowable affordable price
- At closing, buyers would receive grant to make sellers whole and a deed rider would be recorded for the unit
- In this model, the program administrator (ACHC) serves in a key counseling role, assisting the buyer through shopping, negotiations, rehab analysis, contingencies, escrow accounts, etc

Problems with both models

- Town houses or single family homes preferred by most buyers, they are more expensive and require larger subsidies
- Low buyer interest in program (current mailing list of 10, half are for rentals and most are 1 and 2 person households) NOT a waiting list since new Ready Buyer list must be created
- Units often need capital improvements and costly repairs or special assessments. First time homebuyers cannot be saddled with extraordinary expenses early on
- Buyers need hand holding, ACHC is all volunteer. Marshfield had a half time employee handle housing business including this program
- Clear standards for housing unit quality need to be set by ACHC to insure it is a good investment that will resell in the future

Current housing market creates opportunity for buyers and challenges for deed restricted units

GARDEN STYLE

- Thirteen 1-bedroom units, garden style, on market with price range of \$69,900 to \$125,000. The median price is \$114,000. Using a \$400 a month condo fee in the calculation, the affordable selling price would be \$114,000.
- Seven 2-bedroom units, garden style, are on the market with a price range of \$79,888 to \$167,500. The median price is \$127,500. The affordable selling price would be \$120,000.
- Two 3-bedroom units, garden style, are on the market for \$182,000 and \$199,500. The affordable price for these is \$150,000. These are desirable units that would need subsidies of \$32,000 and \$50,000 well within the \$80,000 grant for 3BR units.
- All of these units have been on the market for a long time, up to a year in some cases. Why? Lenders require 51% owner occupancy, difficulty in qualifying for a mortgage, prefer townhouse condos

TOWNHOUSES, most desirable units

- Seven, 2-bedroom town house units selling for \$139,000 to \$299,900 (new construction). The median selling price is \$224,000. The affordable price would be \$170,000. A subsidy of \$54,000 would be required.

SINGLE FAMILY HOMES

- Three single family homes on the market with 1, 2, and 3 bedrooms and possible major capital issues. Price range is \$269,900 to \$309,900 with the median price of \$274,900. Without a monthly condo fee, the affordable price could be \$200,000. Addressing the capital repairs and likely septic system replacements would be a challenge. Who pays for it?

NEXT STEPS

- ACHC must determine whether or not to proceed with a new model for condo buydown program. This is a time consuming activity, we need member commitment or will need to hire a consultant to do the work
- A new Ready Buyer list has to be established at a cost of \$5000+ for new lottery
- We would focus on Townhouse condos that were built to be condos, not apartment conversions
- All current available townhouse units are 2 bedrooms so a subsidy grant of \$60,000 each would work with the current market for most of the units
- Given current fund balance available for ACHC, we could do 2 units. Two more units could be added with additional funding request.

ALTERNATIVES

- Purchase a garden style unit for the Acton Housing Authority in a suitable condo development to use for their low income rental program. There is no “buydown”, the full selling price must be covered by ACHC. There is no AHA funding or DHCD funding for purchasing condo units.
 - 2 Bedroom units: \$167,000
 - 3 Bedroom units: \$200,000
- Given the current fund balance available to ACHC, we could not do one without wiping out our funds but with additional funding, we could afford to do one.