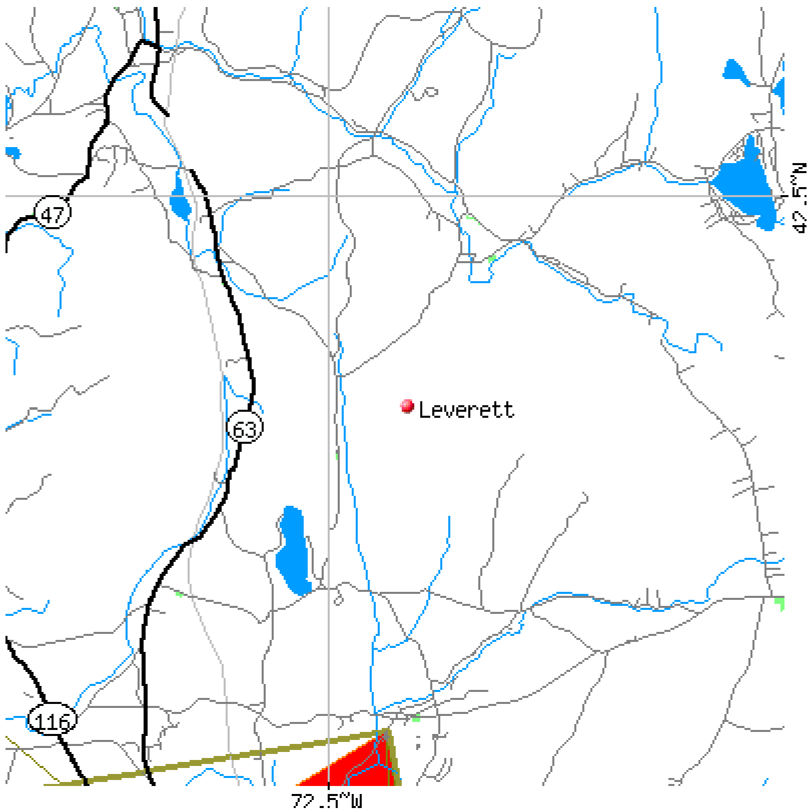
TOWN OF LEVERETT
STRATEGIC HOUSING PLAN



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- Members of Leverett's former Affordable Housing Committee
- D'Ann Kelty, Acting Town Clerk
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- Deb Little, Franklin County Housing and Redevelopment Authority
- Wendy Foxmyn, Interim Town Administrator

It is also important to note that this Plan incorporates work that was completed as part of other housing-related studies and plans including the Leverett Community Preservation Plan and Report (March 2010).

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Executive Summary

The Leverett Selectboard has prepared this Strategic Housing Plan to accomplish several important objectives in its efforts to promote affordable housing including:

- Meet range of local housing needs including those of families, seniors, Town employees, and the disabled;
- Provide clear and concise guidance on the eligibility requirements and implementation process of specific housing strategies to begin meeting these needs;
- Offer priorities for investing CPA funding for housing, leveraging this important resource to the greatest extent possible and insuring that all program activities meet CPA eligibility criteria;
- Provide support for homebuyers (mortgage assistance/buy-down program, down payment and closing cost assistance), current property owners (rehab loan program, affordable deed restriction program), and renters (accessory apartments), focusing on the existing housing stock;
- Offer housing support for those earning a range of incomes; and
- Allow the Town to formulate its own program guidelines as long as the use of funds is in compliance with all CPA eligibility criteria.

Besides these important objectives, the Strategic Housing Plan involves several major premises for promoting effective and efficient approaches to promoting affordable housing including:

1. Affordable units will meet local needs and priorities but will not meet all state requirements under the Local Initiative Program (LIP). This will mean that Leverett can target program resources to existing residents or those who work in Leverett, still insuring compliance with Fair Housing laws and regulations.
2. The hiring of professional support through what could be called a housing coordinator or affordable housing specialist is key to program implementation and management. Most communities are securing these professional services through CPA funding, preparing a scope of services for the work to be conducted, and selecting a consultant through a Request for Proposals (RFP) process.
3. Other existing regional or state housing programs and services are important as they not only complement the proposed local initiatives but also leverage the Town's limited CPA funds. The Town will make every effort to refer residents to these resources through community education.

The specific programs that are proposed through this Strategic Housing Plan are directed to the existing housing stock, providing subsidies in exchange for long-term affordability restrictions or the repayment of subsidies upon sale or transfer and include the following:

1. Accessory Apartment Initiative – promotes small rental units in existing homes to help diversify the housing stock and meet other important public policy goals.
2. Down Payment and Closing Cost Assistance Program –provides subsidies to help pay down payment and closing costs for homebuyers.
3. Rehabilitation Loan Program – offers technical and financial assistance to property owners to make necessary home improvements as a complement to other existing programs.
4. Homebuyer Assistance Program – converts existing housing to long-term affordability by subsidizing the purchase price in exchange for deed restrictions. A variation of this approach is to provide a subsidy to an existing lower income homeowner in exchange for

a long-term deed restriction to both maintain the property as affordable and to allow the owner to afford to remain in their home and the Leverett community.

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1. Introduction

The Leverett community has traditionally advocated for protecting open space and maintaining the rural character of the community, but the desire for social and economic diversity, and thus for more affordable housing, has continued to also attract considerable local support. There is a growing recognition that young people who grew up in Leverett are no longer able to return to raise their own children locally; that older residents living on fixed incomes are experiencing difficulties affording rising housing costs related to taxes, insurance and utilities; and people who work for the Town cannot afford to rent or own housing in Leverett. Lower wage earners are virtually shut out of the community, and handicapped accessible units, or those with supportive services for special needs individuals and seniors, are extremely limited or nonexistent. Because much of Leverett's housing stock is older, some property owners are encountering difficulties keeping up with home maintenance problems, and the town's increasingly aging population needs property modifications so they can continue to live safely in their homes.

Building affordable housing is particularly challenging in Leverett due to a number of land use and infrastructure constraints including:

- Lack of water and sewer services that limit the density or economies of scale that are typically necessary to make affordable housing financially feasible;
- Limited rental housing and no apartment complexes that were developed as subsidized housing or that might be acquired and converted to long-term affordability;
- No opportunities for converting nonresidential buildings, such as vacant or underutilized factory or institutional buildings, to residential use;
- Lack of a concentration of services, public buildings and commercial properties towards which to appropriately direct development, enabling residents to walk to available services;[1] and
- No public transportation.

Despite these constraints, the Town has made progress in augmenting its capacity to produce affordable housing. First, Leverett was among the first communities in the state to adopt the *Community Preservation Act (CPA)*. At the 2002 Annual Town Meeting, CPA was approved at the 3% level, the highest amount possible, exempting property owned and occupied by low- and moderate-income residents as well as the first $100,000 of assessed valuation on residential properties. Since the Town adopted CPA, it has received about $1 million in funding, approximately half from the state and half from the taxpayers. The local revenue raised in FY 2009 was $79,024. Thus far, approximately $100,000 has been spent, including $77,570 for the Affordable Housing Trust.[2] Leverett has received a 100% state match every year, even last year when Leverett was among only eight (8) communities to receive the full match.

The state's Community Preservation Act allows resources to be directed to those earning up to 100% of area median income, defining units directed to those earning at or below 80% of area median income as low-income housing and those earning between 80% and 100% AMI as moderate-income housing. The targeting of housing assistance to those up to the 100% AMI range is generally referred to as the

[1] For example, the only place to buy groceries in town is miles from the library and even further from the Post Office and Town Hall.
[2] Town of Leverett Community Preservation Report and Plan, 2010.

"community housing".[3] Annual income is a family or person's gross annual income as determined by the process used by housing authorities or DHCD. Regulations also require long-term deed restrictions for affordable housing on property that is purchased with CPA funding.

Second, in 2004 the Town established the *Affordable Housing Committee* with a charge "to work with the Selectboard, other Town committees and boards as warranted, and the Franklin County Regional Housing and Redevelopment Authority to determine, in a timely fashion, the Town's best avenues for providing affordable, community-supported senior and family housing". The Affordable Housing Committee undertook a considerable amount of research into local housing needs, including a senior housing survey and housing needs assessment, and identified the priority needs of providing affordable housing to seniors, families and Town employees as well as sustaining an economic mix in town. It also explored what other communities were doing with respect to affordable housing production and began pursuing potential development opportunities. For example, the Committee began working with a local landowner, the Franklin County Regional Housing and Redevelopment Authority, and several consultants on a proposal to create housing on a large parcel that the landowner agreed to donate in return for infrastructure to serve the owner's remaining land. On the basis of this considerable work, the Selectboard finally determined that the project was likely infeasible, largely due to the high cost of the infrastructure.

Third, in 2008 Leverett approved the establishment of an *Affordable Housing Trust* at its Annual Town Meeting. This decision evolved both from the local recognition that a dedicated housing fund would boost community efforts to produce affordable housing and the passage of state legislation, called the Municipal Affordable Housing Trust Fund Act, which simplified the process of establishing such funds. More than 50 communities have adopted these trusts to date and many more have plans to do so. Previously, cities could create trusts through their own resolution, but towns had to get approval from the state legislature through a home rule petition. The law provides guidelines on what trusts can do and allows communities to collect funds for housing, segregate them out of the general budget into an affordable housing trust fund, and use these funds without going back to Town Meeting for approval. It also enables trusts to own and

[3] A general definition of "affordable housing" is housing that costs less than 30% of gross household income, including principal, interest, taxes and insurance (PITI) in the case of homeownership and rent and utilities in the case of rentals. The state defines affordable units as those that are subsidized by an eligible state or federal program; subject to a long-term use restriction limiting occupancy to income-eligible households earning at or below 80% of area median income (see table below) for a specified period of time (at least 30 years or longer for newly created affordable units and at least 15 years for rehabilitated units); and subject to an Affirmative Fair Housing Marketing Plan. Only units that meet all of these requirements are eligible for inclusion in the state's Subsidized Housing Inventory (SHI) and thus can count towards the state's 10% affordability goal under Chapter 40B. At this time Leverett has no housing that qualifies as affordable based on this specific state definition. The income limits below are based on a percentage of area median income for Franklin County provided by HUD (80% limits) and the Community Preservation Coalition (100% limits).

2011 INCOME LEVELS FOR AFFORDABLE HOUSING IN FRANKLIN COUNTY

Number of persons in household	80% of area median income	100% of area median income
1	$44,950	$47,390
2	$51,400	$54,160
3	$57,800	$60,930
4	$64,200	$67,700
5	$69,350	$73,116
6	$74,500	$78,532
7	$79,650	$83,948
8	$84,750	$89,364

manage real estate, not just receive and disburse funds. The law further requires that local housing trusts be governed by at least a five-member board of trustees, appointed and confirmed by the Board of Selectmen, in the case of towns, and including a member of the Board of Selectmen or the Town Administrator.

Fourth, the Selectboard has assumed primary responsibility for promoting affordable housing. Building on work that was accomplished by the Affordable Housing Committee, the Selectboard has prepared this *Strategic Housing Plan* to accomplish the following objectives:

- Meet range of local housing needs including those of families, seniors, those who work in Leverett, and the disabled;
- Provide clear and concise guidance on the eligibility requirements and implementation process of specific housing strategies to begin meeting these needs;
- Offer priorities for investing CPA funding for housing, leveraging this important resource to the greatest extent possible, and insuring that all program activities meet CPA eligibility criteria;
- Provide support for homebuyers (mortgage assistance/buy-down program, down payment and closing cost assistance), current property owners (rehab loan program, affordable deed restriction program), and renters (accessory apartments);
- Offer housing support for those earning a range of incomes, in some cases up to 100% area median income; and
- Allow the Town to formulate its own program guidelines as long as the use of funds is in compliance with all CPA eligibility criteria.

A premise of this Strategic Plan is that the affordable units will meet local needs and priorities but not necessarily all state requirements under the Local Initiative Program (LIP). In the absence of compliance with all state mandates, the units will not be eligible for inclusion under the state's Subsidized Housing Inventory (SHI), and thus help the town make progress towards meeting the 10% housing affordability goal under Chapter 40B. This will mean that Leverett can target program resources to those who live or work in town, still insuring compliance with Fair Housing laws and regulations. It will also provide for the more expeditious implementation of programs and ongoing program operations.

2. Community Profile[4]

Located in the Pioneer Valley of West Central Massachusetts, Leverett is a small community bordered by Montague on the north, Wendell on the northeast, Shutesbury on the southeast, Amherst on the south, and Sunderland on the west. With approximately 23 square miles, the population of approximately 1,706, according to Town records, enjoys country living in comfortable proximity to other more urban communities, such as Northampton, as well as top-flight colleges and universities as part of the "Five-College" system. This proximity has brought a diversity of skills and lifestyles to the community, but it has also boosted property values that are in general unaffordable to those without substantial financial assets and income.

Demographic Characteristics and Trends

- *Growing population with projected declines* -- Leverett's population increased from 1,589 residents in 1980 to 1,663 by 2000, a gain of 74 residents or 5%. Town records indicate that the community has continued to grow by another 43 residents to 1,706 residents through mid-2010, a growth rate of 2.6%. Projections, on the other hand, suggest declines to 1,509 residents by 2020.

[4] Data on demographic and housing characteristics and trends is from census data unless otherwise noted. Projected data comes from the Massachusetts Institute for Social and Economic Research (MISER) of the University of Massachusetts (2020 projections) or the Nielsen Claritas, Inc. proprietary database, 2009 (2014 projections).

- *Increasing older population* -- Approximately 7% of Leverett's population was over the age of 65 in 1980, growing to about 11% by 2000, and projected to increase to almost 30% by 2020. Leverett's population is also slightly older on average than the county and state with a median age of 43.8 years as opposed to 39.5 years and 36.5 years, respectively.
- *Declining percentage of children* -- Children under the age of 20 are decreasing as a proportion of the population, declining from about 27% in 1980, down to 25% by 2000, and projected to fall to less than 18% by 2020.
- *Decreasing numbers of young adults* -- Young adults, age 20 to 29, have been declining over time, making up 18% of the population in 1980, less than 10% by 2000 and projected to remain at that level through 2020.
- *More families* -- The average household size was 2.58 persons in 2000, compared to 2.38 persons for Franklin County and 2.51 for the state, reflective of more children per household. Also, in 2000, almost 30% or 183 of Leverett's 632 households were non-family households, meaning that they were comprised of single individuals or unrelated household members, 5% of whom were over the age of 65 and living alone (33 individuals). This level of non-family households is considerably less than the 36% level for the state.
- *Higher incomes* -- Income levels in Leverett have been relatively high with the 2000 median income at $63,203 compared to the median of $40,768 for Franklin County and $50,502 for the state. The estimated median income for 2009 was $79,167, projected to increase to $87,621 by 2014.
- *Households with limited financial means remain in the community* -- There is still a population in Leverett with limited incomes including 40 total households earning below 30% of area median income (8 renters and 32 owners, including 12 elderly homeowners), another 70 households earning between 30% and 50% of area median (including 26 renters and 44 owners of which there were 4 elderly renters and 16 elderly homeowners), and 90 earning between 50% and 80% of area median income (including 26 renters and 64 owners with 22 elderly owners). Consequently, at the time there were 200 households earning within 80% of area median income, representing almost one-third of all Leverett households. The 2000 census indicated that there were 89 individuals living in poverty at the time, and with rising housing costs since then, it is unlikely that many of these residents are faring much better economically.

Housing Characteristics and Trends

- *High level of homeownership* -- In 2000, 81% of Leverett's 648 housing units were owner-occupied as opposed to 19% that were renter-occupied.
- About two-thirds of the town's 246 rental units were in single-family detached or attached structures in 2000, and another 74 or 30% were in two-family dwellings.
- *Very low vacancy rates* -- The vacancy rates for homeownership and rentals have been very low, at 0.8% and 3.2%, respectively in 2000. Any rate below 5% represents very tight market conditions.
- *Older housing stock* -- Almost half of the housing stock in 2000 was built before 1970, some of which is therefore likely to have traces of lead-based paint and/or deferred maintenance problems.
- *High housing costs* -- New housing units are universally unaffordable to even those earning at the median income level with the average cost of new homes above $500,000 and a median assessed value of $360,000.[5] However, the median single-family home

[5] Town of Leverett Community Preservation Report and Plan, 2010.

was selling for considerably less at $259,500 as of the end of 2009, based on a dozen sales.[6] This median house price would require an income of $62,000 based on conventional lending criteria,[7] which is unaffordable to approximately 38% of all residents based on estimated 2009 income data for the community.[8] Higher down payment and closing costs are creating additional financial challenges to purchasers, widening the affordability gap.

- *Some households have been experiencing housing cost burdens* -- In 2000, 31.5% of all Leverett households were experiencing some housing problems (including spending more than 30% of their income on housing, were overcrowded, or without complete kitchen or plumbing facilities), and 9.4% were spending more than half of their income on housing, including 8.5% of all owners (48 owner households) and 13.4% of all renters (18 renter households). See Appendix 2 for a breakdown of households by type of household, tenure and housing problems.
- *Significant amount of undeveloped land* -- Much of Leverett is undeveloped, with 7% of the land permanently restricted from development and another 48% under temporary restrictions.

These demographic and housing trends indicated five (5) clear *priority housing needs* including:

1. Assistance for a growing segment of Leverett's population – seniors.
2. Help for those lower income households, to enable them to remain in the community without having to spend more than a reasonable share of their income on housing.
3. Support for younger adults and families, to help them afford to live in Leverett.
4. Assistance to those who work in Leverett who now live outside of town because they have not been able to find affordable housing in Leverett.
5. Help upgrade the housing stock including necessary home improvements for those with more limited incomes and deferred maintenance needs or requiring handicapped accessibility modifications.

3. Housing Strategies – CPA Support Focused on the Existing Housing Stock

This Strategic Housing Plan focuses on the existing housing stock with four (4) basic programmatic approaches involving the use of CPA subsidies in exchange for affordability restrictions on units or the repayment of the subsidy funds at the time or sale or transfer. These four (4) programs will promote housing affordability for units to be either purchased (Homeownership Assistance Program and Down Payment and Closing Cost Assistance Program), fixed-up (Housing Rehabilitation Program), or renovated to create an accessory apartment and are described below.

The focus on these programs is based on discussions with the Leverett Selectboard, prior work of the Affordable Housing Committee, and the above identified housing needs. Given limited resources, it will be difficult to implement all of these strategies at one time. Instead the Selectboard will review each of the strategies and determine how best to prioritize them. *A significant housing policy goal would be for the Town to approve the allocation of at least 10% of its annual CPA funding for community housing purposes, to be deposited into the Leverett Affordable Housing Trust with the potential of approving additional funding based on need and*

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[6] The median single-family home sales price was down to $155,000 as of July 2010, however, this was based on the very small sample of five (5) sales where some significant skewing of this price is likely.
[7] Figures based on 80% financing, interest of 5.5%, 30-year term, annual property tax rate of $15.80 per thousand (fiscal year 2010), insurance costs of $1.25 per $1,000 of combined valuation of dwelling value (value x 0.5), personal property ($100,000 fixed), and personal liability ($100,000 fixed).
[8] Nielsen Claritas, Inc. data source.

availability. Housing represents an opportunity to not only meet pressing local needs but to also best leverage limited CPA funds.

Key to program implementation and management will be hiring of professional support through what could be called a housing coordinator or affordable housing specialist. Most communities are securing these professional services through Housing Trust and/or CPA funding, preparing a scope of services for the work to be conducted, and selecting a consultant typically through a Request for Proposals (RFP) process.

Program options for the Leverett Selectboard to consider are described below in order of how much subsidy is required, from lowest to highest per unit maximum subsidy levels.

3.1 Accessory Apartment Initiative

Priority Needs Met: All five needs

Current Status: Leverett's Zoning By-law allows accessory apartments that are approved through a special permit "for the purpose of providing small additional dwelling units to rent without adding to the number of buildings in the Town or substantially altering the appearance of the Town, and for the purpose of enabling owners of single family dwellings larger than required for their present needs, particularly elderly homeowners, to share space and the burdens of home ownership".[9] The Board of Appeals is the permit granting authority, and the basic requirements for obtaining a special permit are as follows:

- A plot plan or mortgage inspection survey;
- Review and approval of the Board of Health to insure conformance with Title V of the State Environmental Code regarding wastewater disposal;
- Certification that one of the units will be owner-occupied;
- Not more than one accessory apartment per lot;
- The accessory unit must not be larger than 800 square feet;
- The unit must be located within an existing residential structure and cannot involve more than a 15% increase in the gross floor area of the structure existing as of April 27, 1991;
- The exterior appearance cannot be significantly altered by the accessory unit;
- Any new access or egress, including stairways, must be enclosed, screened or located to minimize visibility from the public way; and
- Parking for at least one (1) vehicle.

The permits are granted for a two-year period, after which the owner must certify by affidavit that the unit has not been enlarged to increase its original dimensions. Data on the number of actual permitted accessory apartments does not currently exist, however it is generally recognized that there are unpermitted accessory apartments in town beyond those that have received permits.

Accessory units are helpful in meeting a number of public policy objectives including the following:

- They enable homeowners to capture additional income, which is particularly important for elderly homeowners or single parents where such income may be critical to remaining in their homes. Also, some young families or moderate-income households might be able to afford homeownership if they could count on income from an accessory apartment.

[9] Leverett Zoning By-law, Section 2410.

- They provide appropriately sized units for growing numbers of smaller households.
- They are inexpensive ways of increasing the rental housing stock at lower cost than new construction and without loss of open space, without significant impact on the surrounding neighborhood, and without additional Town services such as streets or utilities. There are, however, issues regarding the adequacy of the existing septic system when a new bedroom is added.
- Tenants in accessory apartments can also provide companionship, security and services for the homeowner, from shoveling the sidewalk for an elderly owner to babysitting for a single parent.
- They offer good opportunities for keeping extended families in closer contact.
- New accessory units typically generate tax revenue in a locality because accessory units add value to existing homes.

It is also important to note that zoning is a powerful tool for not only directing future growth and development in a community, but for insuring that certain public benefits are met such as incentives for promoting greater housing choices and affordability.

Basic Program Design: In order to promote new accessory units and thus small rental units in owner-occupied dwellings, the Town should consider amending its Zoning By-law as follows:

- Enable owners of new residential properties to incorporate accessory units;
- Allow accessory units as-of-right based on specified conditions of the by-law;
- Extend use to detached structures or more substantial separate additions (this is particularly relevant to families who want to have their elderly parents or relatives live with them or for accommodating a single parent with a small child);
- Extend availability to investor-owned properties; and
- Consider amnesty provisions for existing accessory dwellings that do not have special permits.

There are also opportunities to promote accessory apartments that provide some incentive for property owners to create these units. There are a couple of approaches that might be considered that have been implemented in other communities and are summarized in Appendix 8. Technical and financial assistance through a housing rehabilitation program might also be helpful as described in strategy 3.3.

Next Steps: In regard to the by-law changes, the Planning Board, with support from the Housing Trust, should explore other by-laws and work on an amendment that will best meet the needs of the community and promote affordability. The by-law would require Town Meeting approval.

Additionally, if the community was interested in implementing any of the incentive programs described in Appendix 8 (the Newton or Wellfleet models), it would have to go through a similar process of implementing the programs as described in strategy 3.4 based on the following steps:

- *Funding approval*: The Housing Trust must obtain CPA funding through an application to the Community Preservation Committee and Town Meeting approval. The information in this Plan could be appropriately reformatted for the actual application.
- *Preparation of documents*: The program's mortgage and note would be prepared based on sample documents that can be obtained from the Newton or Wellfleet communities. These documents should be reviewed and approved by Town Counsel prior to the commencement of program operations.
- *Preparation of marketing materials*: A marketing plan should be prepared that includes the

marketing process that will be used as well as the application package and marketing flyers, advertisements, etc.

- *Implementation of the marketing plan*: The housing coordinator, working with the Housing Trust, would be responsible for implementing the marketing plan.
- *Begin accepting applications*: The housing coordinator can begin scheduling appointments with interested applicants after the deadline for submitting the applications, working with the Building Inspector and BOH agent. Applications will be accepted on a first-come, first-served basis, marked with the date and time of receipt.
- *Inspect properties*: The housing coordinator would communicate with the Board of Appeals and Health Agent to inspect the properties and indicate what, if any, improvements are necessary to bring the property into compliance with HUD Housing Quality Standards and Title V. If improvements are necessary, the inspector should estimate their costs and work with the housing coordinator and property owner to put the work out to bid, select a contractor, and enter into a contract for work to commence right after the Town's approval has been granted. If the Town introduces a housing rehab program, the inspections and funding for this work could come from this source. Also, the Franklin County Housing and Redevelopment Authority administers a Deferred Loan Housing Rehabilitation Loan Program that is described in Appendix 8 for those property owners with incomes within 80% of area median income.
- *Prepare acceptance letters*: After the accessory apartment application has been determined complete and the applicant determined eligible, the housing coordinator should coordinate with all parties for the Board of Appeals hearing.
- *Prepare documents*: The housing coordinator should prepare the closing documents including the mortgage and promissory note if any subsidy is necessary.
- *Record documents*: The housing coordinator should record the mortgage and note at the Registry of Deeds if any subsidy is involved.
- *Annual updates*: The housing coordinator would obtain annual certifications from the property owners regarding rent and income levels of the tenants if the Wellfleet or Newton models were adopted.
- *Maintain records:* The Building Department should maintain up-to-date records of all permitted accessory units in Leverett.

Resources Required*:* Time of the Planning Board, Board of Appeals and Housing Trust to prepare the zoning amendment and coordinate the necessary approvals. In regard to the potential of implementing incentive programs, in addition to the donated time of members of the Housing Trust, the housing coordinator would be required to prepare the implementation strategy and operate the program. Also, some CPA funding might be necessary if the Town decides at some point to offer rehab assistance (see Section 3.3 regarding a discussion regarding CPA eligibility for such assistance) although the Housing Rehab Program operated by the Franklin County Housing and Redevelopment Agency provides funding for improvements related to the creation of accessory apartments, which should be promoted. Moreover, if there is interest in pursuing a home rule petition to the state legislature to allow a property tax exemption on the accessory apartment, there would be some additional time required by the Housing Trust and Selectboard.

3.2 Down Payment and Closing Cost Assistance Program

Priority Needs Met*:* All five priority needs

Current Status*:* Most cities have provided down payment and closing cost assistance for qualifying first-time homebuyers through federal HOME funding that has been accessed through the federal American Dream Downpayment/Closing Cost Assistance Program (HOME ADDI Assistance). This Program will no longer be available, however, such assistance is eligible for

HOME Program funding, which most cities will allocate for these activities. Leverett does not receive an annual allocation of this funding, as is the case for most cities or those communities that belong to a HOME Consortium.

More recently, some communities, like Lexington and Carver for example, are exploring the use of Community Preservation funding for this down payment and closing cost assistance. There appears, however, to be some difference in opinion regarding providing CPA funds for the acquisition, creation, preservation and support of deed-restricted units versus directly to income-eligible individuals. At this time, the use of CPA funding is clearly incontrovertible when the unit is deed restricted and becomes a long-term community asset, affordable in perpetuity. Without the deed restriction, the term "support" is subject to interpretation by local counsel and leadership. While it is probably safer to combine CPA-funded down payment and closing cost assistance with an existing housing program or development that requires the deed restriction at this time, there are quite a few communities that are providing direct assistance to individuals. In the last legislative session, specific legislation to eliminate any concern about using CPA funding for direct assistance to individuals, referred to as Senate Bill 90, was proposed but time ran out before the legislation could be adopted. It is hoped that this legislation will be reintroduced and approved during the next legislative session.

It should also be noted, that since the recent financial crisis closing costs have increased significantly. A recent article in Banker & Tradesman indicated that "compared to 2009, Massachusetts' closing costs rose to $4,025 from $2,821 on a $200,000 loan".[10] Increases are generally reflective of increased regulation. This 43% increase over the last year creates a wider affordability gap for those with more limited income and assets and hence a need for this type of assistance.

Basic Program Design*:* This Housing Plan proposes adopting most of the program components that are shared by most such programs (see Appendix 8 for details on other program requirements). Some of the most obvious components of this program that could be adopted by a local Leverett initiative include:

Type of Subsidy

- 0% deferred loans secured by a Mortgage and Promissory Note and due in full upon transfer, resale or when the purchaser is in violation of program terms and conditions (such as the unit is no longer the primary residence);
- Maximum subsidy of what is needed for the transaction with a maximum of 5% of the purchase price (or $12,500) and a requirement that the purchaser contribute at least $750 in cash at closing; and
- Maximum purchase price level based on the highest house valuation at the lowest quartile of Leverett's residential properties, about $250,000 in 2010, which can be adjusted annually or biannually.

Eligibility Criteria

- Income at or below 100% of AMI with income;
- LIP asset requirements with a maximum of $75,000 at the time of application;
- Purchasers must obtain a 30-year, fixed rate mortgage;
- The household must use the property as their principal residence;

[10] Sullivan, Colleen, "As Local Home Sales Stumble, Closing Costs on the Rise", *Banker & Tradesman*, August 30, 2010.

- The property must meet HUD Housing Quality Standards and lead-based paint laws[11];
- Requirement that in addition to all buyers completing a CHAPA-certified homebuyer education program prior to closing, they also attend a post purchase class within six (6) months of closing;
- Funding available on a first-come, first-served basis; and
- Program assistance contingent upon the availability of funding in any year.

Next Steps: The same basic program implementation process that is described in strategy 3.5 would be used for this program as well. Also, based on the experience of other communities, it is likely that participants in the Homeownership Assistance Program would also apply for this down payment and closing cost assistance. In regard to funding, assuming a maximum subsidy of approximately $12,500 (5% of the maximum purchase price of $250,000), a maximum allocation of $24,000 would be required to assist two (2) purchasers per year although not all will need the maximum amount.

The program's mortgage and note would need to be prepared, and sample documents from another comparable programs can be reviewed and adapted. These documents, once adapted to the Leverett program, should be reviewed and approved by Town Counsel prior to the commencement of program operations.

It may be worthwhile to arrange meetings with local lenders to discuss a program similar to Haverhill Bank's Equity Builder Program, perhaps with the bank matching the Town's CPA assistance. The lenders would be able to obtain credit for this program through the Community Reinvestment Act (CRA) that requires lenders to meet the needs of borrowers in all segments of their chartered communities, including the needs of low- and moderate-income residents. The Selectboard should schedule appointments with these lenders to discuss what the Town is trying to do to encourage affordable housing and provide them with a copy of this Housing Plan as well as a short written proposal for assistance modeled after the Haverhill Bank grant program.

Resources Required: The donated time of members of the Selectboard/Housing Trust and some administrative coordination from the proposed housing coordinator to finalize the implementation strategy and coordinate program operations.

3.3 Rehabilitation Loan Program

Priority Need Met: Need #5

Current Status: At this time, qualifying property owners in Leverett are eligible to participate in the Deferred Payment Housing Rehabilitation Loan Program administered by the Franklin County Housing and Redevelopment Authority (HRA) that is described in Appendix 8. This program is directed to those earning at or below 80% AMI to help them bring their homes into compliance with building codes, also assisting rental property owners in improving units that are occupied by income-eligible tenants (this requires the execution of a 15-year restriction that enforces the rental to low- and moderate-income tenants). The Program also addresses home modifications to make the units more accessible to the elderly and disabled.

Basic Program Design: The Leverett approach includes two (2) components, the first is to refer qualifying property owners to existing rehab programs to the greatest extent possible. These programs are described in Appendix 8. The second approach is a local rehab program to support

[11] If the property is already subject to a deed rider, these requirements would have already been fulfilled.

property owners earning above the 80% AMI limit but within 100% AMI who might also benefit from technical and financial assistance in making needed home improvements, including septic improvements, deleading, home modifications to improve handicapped accessibility, code-related repairs, etc. Other program design and eligibility requirements include the following:

- A no-interest, deferred payment loan, the amount not to exceed $30,000 and to be repaid upon the sale or refinancing of the property (subsidy to be secured by a mortgage and note that must be recorded).
- The household must use the property as their principal residence or have tenants with incomes at or below 80% AMI;
- Funding available on a first-come, first-served basis with the needs of seniors, handicapped and single parents given priority consideration for funding; [12]and
- Program assistance contingent upon the availability of funding in any year.

These program options could potentially dovetail nicely with other proposed housing strategies including the Homeownership Assistance Program (strategy 3.4), Down Payment and Closing Cost Assistance Program (3.2), and accessory apartment initiative (strategy 3.1). There may even be opportunities to engage HRA in providing some professional support on a fee for service basis, especially the inspectors, perhaps even administrating the Leverett program.

It should be noted that there are varying opinions regarding the eligibility of CPA funding for housing rehabilitation where the property has not been acquired with CPA funds. Some local counsels and leaders have determined that the statute does not provide them the authority to fund housing rehab for properties under existing ownership, while others have interpreted the CPA statute more broadly based on the reference to CPA being used for the acquisition, creation, **preservation and support** for community housing.[13] It is anticipated that proposed state legislation regarding a number of CPA issues, will clarify this ambiguity at some point in the near future.

Next Steps: The Deferred Payment Housing Rehab Loan Program and state-supported programs should be included in the Resident Housing Resource Manual described in Appendix 7 – Community Education and Engagement. In regard to introducing and managing a local housing rehab program, the same basic program implementation process that is described in strategy 3.4 would be applicable although the Town may want to wait until state legislation passes that clarifies the eligibility of CPA funding for this purpose, making every effort to refer residents to the HRA's existing program.

Resources Required: The donated time of members of the Housing Trust and some administrative coordination from the proposed housing coordinator or HRA to finalize the implementation strategy and coordinate program operations. If the town decided to engage another entity to administer the program or provide specific services, it would have to use a Request for Proposals (RFP) process. Funding of a maximum of $30,000 per unit, although many properties are likely to involve less than the maximum amount.

[12] Applications from these priority groups will be bounced to the top of the list of applications.
[13] Massachusetts General Laws, Chapter 44B, Section 5(b)(2).

3.4 Leverett Homeownership Assistance Program

***Priority Needs Met**:* All five priority needs

Current Status: There are a number of communities that are using CPA funds and other funding sources to convert existing housing units to long-term affordability. A summary of program requirements from currently operating programs is attached as Appendix 3. It is important to note that the timing for such a housing strategy is good as market prices have declined somewhat over the past several years with Leverett's median single-family house price dipping from $325,000 in 2007 to $259,500 by the end of 2009, the lowest level since 2002. As of September 2010, the median was down only a bit more to $258,375 based on eight (8) sales. Consequently, the affordability gap has decreased and thus the need for less subsidy per purchaser.

***Basic Program Design**:* Perhaps the simplest approach involves the Mortgage Assistance Program design, where the Housing Trust markets the available subsidy/program,[14] qualifies applicants on a first-come, first-served basis, has the applicant locate an appropriate home, and provides the subsidy at the mortgage closing. The buy-down approach requires the sponsorship of a non-profit organization, which the Town would select through a Request for Proposals (RFP) and is described in Appendix 8. More details on the proposed program design are highlighted below.

Type of Subsidy

- 0% deferred loans secured by a Mortgage and Promissory Note as well as a deed restriction in perpetuity;
- When the property is sold, refinanced or transferred, the full amount of the subsidy would be repaid and deposited back into the Housing Trust;
- Maximum subsidy of $50,000 or what is needed for the transaction, whichever is less;
  [Here are some options to consider. A household of three (3) earning at 80% of area median income could afford a house costing approximately $205,000 without private mortgage insurance (PMI), assuming participants could get financing that did not require it (such as Soft Second Loan Program, USDA mortgages, MassHousing mortgages), and $197,000 with PMI. The 80% threshold would provide some marketing window lower than the maximum income of 100% AMI. The difference between the upper limit of the lowest quartile of Leverett's housing stock, about $250,000, and this window, of about $200,000, would then be approximately $50,000. Going down to 70% AMI would result in purchase prices of about $180,000 without PMI and $170,000 with PMI and suggest a maximum subsidy of $75,000.][15]
- Maximum purchase price levels based on the lower quartile of Leverett property values, currently about $250,000 (this level can be reviewed and modified on an annual basis). Information on assessed values of residential properties in Leverett is

[14] Because units will not be counted as part of the Subsidized Housing Inventory (SHI), the Town is not subject to all of the marketing requirements included in the state's Local Initiative Program (LIP) but will still prepare and implement a marketing plan. Outreach will include information sessions on the particular program and notices in local and regional papers, newsletters, church bulletins, regional housing organizations and the Town's website as well as flyers in visible locations throughout the community including Town Hall, the library, and other places where residents congregate. Leverett's affordable housing programs will be advertised to minority groups through minority publications or other means.

[15] Figures based on 95% financing, interest of 5.5%, 30-year term, annual property tax rate of $15.80 per thousand, insurance costs of $1.25 per $1,000 of combined valuation of dwelling value (value x 0.5), personal property ($100,000 fixed), and personal liability ($100,000 fixed), and private mortgage insurance estimated at 0.3125 of loan amount.

summarized in Appendix 4. A summary of maximum purchase prices from other programs is included in Appendix 8.
- A requirement that the purchaser have adequate resources to purchase the property, contributing at least 3% of the purchase price at the time of closing;
- Funding available on a first-come, first-served basis; and
- Program assistance contingent upon the availability of funding in any year.

Eligibility Criteria
- Income at or below 100% of AMI (see footnote #3 for these income levels);
- Purchased property must be located in Leverett;
- Town resident and those who work in Leverett (All other considerations being equal and without limiting or otherwise discriminating against classes of persons protected under the law, including racial and ethnic minorities, Town residents will be preferred);
- A maximum of $75,000 in documented financial assets for each applicant at the time of application using the state definition of what types of assets to count;
- Requirement that in addition to all buyers completing a CHAPA-certified homebuyer education program prior to closing, they also attend a post purchase class within six (6) months of closing;
- Purchasers must obtain a 30-year, fixed rate mortgage and will be encouraged to apply for mortgages offered by the USDA and state (Soft Second Loan Program, MassHousing options);
- The household must use the property as their principal residence; and
- The property must meet HUD Housing Quality Standards and lead-based paint laws[16] prior to occupancy for those families with young children.

Next Steps*:* The program would involve the following implementation process:
- *Funding approval*: The Housing Trust must obtain CPA funding through an application to the Community Preservation Committee and Town Meeting approval. The information in this Plan could be appropriately reformatted for the actual application. Assuming a maximum purchase price of $250,000, representing approximately the top of the lowest quartile of all Leverett residential property values, a maximum subsidy of $50,000 is proposed. This recommendation assumes that the program would serve those earning up to 100% AMI, however in order to have a marketing window, the estimated price of the house to be purchased is based on what a household of three (3) earning 80% AMI could afford or no more than about $200,000 based on the following assumptions:

    - A 30-year fixed mortgage at an interest rate of 5.5%.
    - Ability to access at least 95% financing through the state's Soft Second Loan Program, MassHousing or USDA mortgage programs, which do not require private mortgage insurance.
    - Tax rate of $15.80 per thousand.
    - Insurance costs of $1.25 per $1,000 of combined valuation of dwelling value (value x 0.5), personal property ($100,000 fixed), and personal liability ($100,000 fixed).
    - No need for home improvements.

  Given that some participants may require additional funding to eliminate code violations, delead, or make modifications to the property to improve accessibility, it makes sense to increase the

[16] If the property is already subject to a deed rider, these requirements would have already been fulfilled.

subsidy to what is required for the transaction but no more than $50,000. Not all participants will need the maximum amount.

- *Preparation of documents*: The program's mortgage, note and deed rider would be prepared based on sample documents from existing programs. These documents should be reviewed and approved by Town Counsel prior to the commencement of program operations.
- *Preparation of marketing materials*: A marketing plan should be prepared that includes the marketing process that will be used as well as the application package, marketing flyers, advertisements, etc. These marketing materials will fully describe the outreach activities that will be used (information sessions, advertising, flyers and notices to appropriate local and regional agencies and organizations); the application process, including the telephone number or email address that should be used to schedule an appointment with the housing coordinator (see resources required below); the type of subsidy; all eligibility requirements; how participants will be selected; and requirements for selecting a property, obtaining mortgage financing, and finally obtaining the subsidy.
- *Implementation of the marketing plan*: The housing coordinator, working with the Housing Trust, will be responsible for implementing the marketing plan.
- *Begin accepting applications*: The designated housing coordinator can begin scheduling appointments with interested applicants after the deadline for submitting the applications. Applications will be accepted on a first-come, first-served basis, marked with the date and time of receipt with a preference for applicants who live or work in Leverett.
- *Prepare acceptance letters*: After the application has been determined complete and the applicant determined eligible, the housing coordinator will send a certified letter to the applicant indicating their formal acceptance into the program and specifying next steps. These applicants should be given a specified period of time, say no more than four (4) months, to locate a property that meets all program requirements.[17] The applicant should contact the housing coordinator and discuss the property prior to entering into a contract. Once given the go-ahead, the purchaser must forward the executed Purchase and Sale Agreement to the housing coordinator.
- *Maintain Ready Buyers List*: The housing coordinator would maintain a list of eligible applicants in the order in which they submitted their application, to be used as more funding becomes available. This list can also be updated on an annual or biannual basis to keep a ready list of interested and eligible purchasers. The list can also be tapped in the case of any resales that will require, per the deed rider, the house be sold to eligible purchasers.
- *Inspect properties*: The program should enter into a professional services contract with an inspector who will be available as needed to inspect properties and indicate what, if any, improvements are necessary to bring the property into compliance with HUD Housing Quality Standards. The costs for these inspections should not be substantial in any single year. If improvements are necessary, the inspector should estimate their costs and work with the housing coordinator and prospective purchaser to put the work out to bid, select a contractor, and enter into a contract for work to commence following closing of the property and before occupancy. If the Town introduces a housing rehab program, funding for this work could come from this source. Also, the Franklin County Housing and Redevelopment Authority administers a Deferred Loan Housing Rehabilitation Loan Program that is described in Appendix 8 and could be

[17] Some communities have interpreted state Chapter 30B procurement rules to require that the Town issue a notice to Request for Proposals (RFP) to local property owners, asking those owners who might be interested in selling their properties in line with stated program terms and conditions to respond. Notice of this RFP would be included in local and regional papers, the state's Central Registry, real estate agents, etc. The RFP would ask prospective sellers to provide basic information on their property. In the case of Leverett, the Housing Trust would then evaluate homes based on price and needed repairs, selecting the most advantageous homes available and matching them with the applicants. The Housing Trust should confer with Town Counsel on the implications of 30B on this program.

accessed if the purchaser has an income at or below 80% AMI and meets other requirements. Appendix 8 also summarizes state property improvement programs that might also be accessed.

- *Prepare documents*: The housing coordinator should prepare the closing documents including the deed rider, mortgage and promissory note.
- *Coordinate closing with lender*: Working with the purchaser, the closing attorney and the lender, the housing coordinator should help schedule and attend the closing, when it will execute the necessary documents.
- *Record documents*: The housing coordinator should insure that the deed rider, mortgage and note are recorded at the Registry of Deeds. Typically the purchaser's closing attorney records these documents.[18]

Resources Required: The donated time of members of the Housing Trust as well as professional time from a consultant, a housing coordinator, to oversee the implementation process and ongoing program operations. The Housing Trust will have to apply for funding to hire this person, whose compensation would be based on a scope of services. The program can charge an administrative fee to offset costs somewhat, but this should not be more than $300. It is important to note that this program could dovetail well with the down payment and closing cost assistance and rehab loan program assistance described in strategies 3.2 and 3.3, respectively.

Possible Variations of This Strategy: The Selectboard might also consider adapting this programmatic approach to other types of housing including a buy-down approach that would involve some entity, potentially even the Housing Trust, acquiring a property, making necessary improvements and converting it to limited equity cooperative housing, congregate housing for seniors or those with special needs, or even rental housing that would be managed by a capable entity. All these approaches would require some transfer of ownership to a developer, selected through a Request for Proposal (RFP) process, as well as use restrictions that would maintain the units as affordable in perpetuity. They would also likely require additional sources of public funding, and the state's Housing Innovation Fund (HIF) would be a useful resource for any cooperative or congregate housing options. See Appendix 8 for more information on the buy-down approach.

Another variation of this approach, also referred to in Appendix 8 under the Equity Conversion Homeownership Programs (ECHO – also known as Affordable Deed Restriction Programs*)* involve the purchase of a restriction on housing occupied by an income-eligible senior or other lower income household, providing public assurance (deed restriction) that the house, when resold, will remain affordable and offering residents cash for rehab plus an annuity or lump-sum subsidy. While ECHO initiatives have been popular in communities, including Bedford, Marion, and Westport, for example, which provided set-asides of funding; there have not been any affordable units created through this strategy to date as they discovered that homeowners, particularly the elderly, are extremely resistant to selling the equity in their homes. Nevertheless, this approach might serve a need in Leverett, allowing a lower income homeowner to afford to remain in their home and community while insuring that the unit itself will be affordable in perpetuity.

Still another option within the Affordable Housing Deed Restriction approach would be for the Town to offer a maximum subsidy for those who are willing to sell their home with an affordable housing deed restriction. For example, if a seller was planning to put their home on the market for $250,000, if they agreed to sell it with a deed restriction insuring long-term affordability, they would receive a subsidy of $50,000. The home would be placed on the market for the affordable purchase price using the same basic

[18] It should be noted that if the deed rider was similar to the one used by the state and approved by Fannie Mae and the lending community, the deed rider would not survive foreclosure if the community, state or some other entity did not agree to purchase it and maintain it as affordable.

procedures as outlined above under “next steps”, referring eligible applicants to this new market opportunity.

Appendix 1
Local and Regional Housing Resources

Leverett Affordable Housing Trust
Pursuant to Chapter 44, Section 55C of the Massachusetts General Laws, the Town of Leverett established the Leverett Affordable Housing Trust Fund in 2008 to provide for the creation and preservation of affordable housing in the town for the benefit of low and moderate-income residents. The Board of Trustees must include five (5) to nine (9) members, appointed by the Selectboard, and at least one (1) of the trustees must be a member of the Selectboard. As set forth in the Town's by-laws, the Board of Trustees is not permitted to purchase, sell, lease, exchange, transfer or convey any interest in real property or expend more than $50,000 without prior approval of the Selectboard but have the following additional powers:

- To accept and receive CPA and Town funding;
- To establish criteria and/or qualifications for recipients of funding;
- To establish criteria for expenditures;
- To monitor the expiring use of any affordable housing; and
- To compensate the Town for Town employees' services including but not limited to staff dedicated to the Board of Trustees.

In pursuit of its mission, the Leverett Selectboard is preparing this Strategic Housing Plan and will oversee the implementation of local housing initiatives, working with the Housing Trust. Contact Info: Marjorie McGinnis, Administrator, 413/548-9699

Leverett Affordable Housing Committee
The Affordable Housing Committee was established in 2004 to advise the Selectboard about ways to promote affordable housing in Leverett, and was disbanded in 2008 after undertaking a considerable amount of research into local housing needs, including a senior housing survey and more general housing needs assessment, and identified the priority needs of providing affordable housing to seniors, families and Town employees as well as sustaining an economic mix in town. It also explored what other communities were doing with respect to affordable housing development. It received a state Priority Development Fund grant of $10,000 to explore the feasibility of new housing production and explore a number of potential development options. For example, the Committee began working with a local landowner, the Franklin County Regional Housing Authority, and several consultants on a proposal to create housing on a large parcel that the landowner agreed to donate in return for infrastructure to serve his remaining land. As other preliminary feasibility analyses in the past, despite considerable work, the Selectboard finally determined that the project was likely infeasible, largely due to the high cost of the infrastructure.

Franklin County Regional Housing and Redevelopment Authority (HRA)
The Franklin County Regional Housing and Redevelopment Authority (HRA) serves the housing and community development needs of the Franklin County and North Quabbin regions. The organization was the state's first regional public housing authority and remains the state's only regional redevelopment authority. HRA works with municipalities to deliver a wide range of affordable housing and community development programs and services including the following:

- Owns and manages public housing for seniors, families and disabled residents;
- Provides rental vouchers to help lower income residents find affordable housing in the private sector by subsidizing the difference between Fair Market Rents (FMRs established by HUD) and what these residents can afford;

- Manages housing developed by private sponsors including rental units, single room occupancy units and sober housing;
- Operates a Rehabilitation Loan Program (see strategy 3.3);
- Provides education and support to renters (information on security deposits, leases, fair housing, lead hazards and other code violations as well as help with searches for housing), landlords (how to address lead hazards and other code violations and property management) and homebuyers (how to find and finance a home including low-interest mortgages, training on purchasing multi-family housing, Section 8 to homeownership program, post-purchase education, home repair resources, foreclosure prevention); and
- Provides additional resources in support of the development of infrastructure, public facilities, social services and economic development.

Contact Info: 413/863-9781

Rural Development, Inc. (RDI)
Rural Development, Inc. (RDI) is a non-profit organization operating in the Franklin County and North Quabbin area of the state. Created as a subsidiary of the Franklin County Housing and Redevelopment Authority (see above), RDI identifies needs, develops strategies, and accesses resources to develop, build, and/or undertake substantial rehabilitation of distressed properties to produce affordable housing. RDI also works with the Franklin Regional Economic Development Initiative to help advance key economic and commercial development opportunities.
Contact Info: 413/863-9781

Pioneer Valley Habitat for Humanity
Habitat for Humanity is an ecumenical, non-profit Christian ministry dedicated to building simple, decent homes in partnership with families in need that has grown over the past two decades into one of the largest private homebuilders in the world. The organization has almost 1,600 U.S. affiliates and over 2,000 affiliates worldwide, including one based in Northampton that serves communities in the Pioneer Valley. Affiliates are operated by multi-denominational and multi-racial local leadership and with community volunteers who construct or rehabilitate houses that are sold without profit and interest to selected families in the area. Thus far the Pioneer Valley Habitat has provided permanent housing to 24 families.
Contact Info: 140 Pine Street in Florence; 413/586-5430

Western Massachusetts Network to End Homelessness (WMNEH)
WMNEH is a collaboration of multiple service providers and agencies as well as civic and business leaders throughout Hampden, Hampshire, Franklin and Berkshire Counties, led by a Leadership Council and funded by a $1.1 million grant from the Massachusetts Interagency Council on Housing and Homelessness (ICHH). The organization represents a regional public health approach to ending homelessness for both individuals and families that prioritizes prevention and the rapid response provision of permanent housing with supportive services, including economic opportunity. The network seeks to change the traditional response to homelessness by adopting a Housing First model. This strategy introduces the meaningful assessment of the needs of the homeless at key locations where those at risk of homelessness or the homeless seek help, the coordination of appropriate services to meet their needs, and the provision of housing. WMNEH is currently compiling a regional directory of all homelessness-related resources in the region.
Contact Info: Pamela Schwartz, Director of Regional Coordination; 413/219-5658

Pioneer Valley Planning Commission (PVPC)
PVPC is the regional planning agency for the 43 towns and cities in the Pioneer Valley region. It provides a wide range of planning services to municipalities and sponsors regional planning efforts on issues related to transportation, housing, economic development, energy, and infrastructure. PVPC is also the fiscal agent for the Western Massachusetts Network to End Homelessness (WMNEH), described above.
Contact Info: 60 Congress Street in Springfield; 413/781-6045

Mass Fair Housing Center
The Mass Fair Housing Center (MFHC) is a private, non-profit organization working to eliminate illegal housing discrimination in Central and Western Massachusetts. The organization provides education and community outreach on fair housing issues, investigates fair housing complaints, and provides legal advice and representation to victims of discrimination.
Contact Info: 57 Suffolk Street in Holyoke; 413/539-9796 ext. 101

Appendix 2
Housing Cost Burdens in Leverett

Type of Households by Income Category and Severe Cost Burdens*, 2000

Type of Household	Households Earning < 30% MFI/ # with severe cost burdens	Households Earning > 30% But < 50% MFI/# with severe cost burdens	Households Earning > 50% But < 80% MFI/# with severe cost burdens	Households Earning > 80% MFI/ # with severe cost burdens	Total/ # with severe cost burdens
Elderly Renters	0/0	4/0	0/0	4/0	8/0
Small Family Renters	0/0	4/0	14/0	29/0	47/0
Large Family Renters	0/0	0/0	4/0	8/0	12/0
Other Renters	8/4	18/10	8/4	33/0	67/18
Total Renters	8/4	26/10	26/4	74/0	134/18
Elderly Owners	12/4	16/0	22/0	73/0	123/4
Small Family Owners	8/8	12/4	22/4	263/4	305/20
Large Family Owners	0/0	4/4	12/0	32/0	48/4
Other Owners	12/8	12/4	8/4	59/4	91/20
Total Owners	32/20	44/12	64/8	427/8	567/48
Total	40/24	70/22	90/12	501/8	701/66

Source: U. S. Department of Housing and Urban Development (HUD), SOCDS CHAS Data, 2000.
MFI indicates median family income.
* Severe cost burdens indicate that households are spending more than 50% of their income on housing.

- More than half of all households earning at or below 30% of area median income were spending more than 50% of their incomes on housing, involving 24 households whether they be owners or renters.
- Of the 70 households earning between 30% and 50% of area median income, almost one-third or 22 households (including 12 owners and 10 renters) were spending more than 50% of their income on housing.
- Almost 30% of those earning at or below 80% of area median income were spending more than half their income on housing.
- Of the 60 renters earning at or below 80% of area median income, 18 or 30% were

experiencing severe housing affordability problems or cost burdens.

- Of the 140 owners earning at or below 80% of area median income, 40 or about 29% were experiencing severe housing affordability problems or cost burdens.

Because housing costs have significantly escalated since 2000, it is likely that many of these households are experiencing even greater cost burdens or have been forced to move outside of the community in search of more affordable living conditions.

Appendix 3
Summary of Other Homebuyer Assistance Programs

See next two pages

SUMMARIES OF FIRST-TIME HOMEBUYERS 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 unit	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	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	3	Yes*	Yes	$60,000	At or below 80% AMI
Chatham Balfour Lane project	Buy-down LCCCDC	$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 HAC	$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

* Initial units did not qualify but subsequent ones will.

Appendix 4
Assessed Values of Residential Properties in Leverett

The following information is based on Town Board of Assessor data for fiscal year 2010.

Assessed Values of Single-family Units by Price Range

Assessment	Number of Single-family Units	Percentage of Units
0-$99,999	3	0.5
$100,000-$199,999	48	8.2
$200,000-299,999	240	41.2
$300,000-399,999	180	30.9
$400,000-499,999	73	12.5
$500,000-599,999	27	4.6
$600,000-699,999	7	1.2
$700,000-799,999	1	0.2
$800,000-899,999	2	0.4
$900,000-999,999	1	0.2
Over $1 million	0	0.0
Total	582	100.0

This data indicates that most of the properties in Leverett are relatively affordable with half of the single-family homes valued below $300,000. Further analysis shows that about one-quarter of all housing units are assessed below approximately $250,000. Consequently, there should be ample opportunities to implement a homeownership program without having to provide very deep subsidies per participant.

In addition to single-family homes, other residential properties included the following:

- One (1) mixed-use property that is primarily residential assessed for $437,000;
- Two (2) condos at Long Plain Road valued at $154,300;
- Eighteen (18) mobile homes with assessments ranging from $39,000 to $374,000;
- Twenty-six (26) two-family homes ranging in value from $198,500 to $589,400 with 13 properties assessed for less than $300,000;
- There are 44 miscellaneous multiple use properties that include housing in tandem with industrial, agricultural, recreational, etc. uses that range in value from four (4) properties below $200,000 and to as high as two (2) properties above $900,000 with the remaining properties assessed between $200,000 and $450,000.
- Five (5) properties that involved multiple homes on one (1) parcel that ranged in value between $243,300 and $507,400.

This information indicates that Leverett has 634 total residential properties and 660 units, suggesting an increase of 28 units since the 2000 census.

Appendix 5
Possible Future Projects -- Scattered Site New Development Options

Many communities are looking for opportunities to create affordable housing through efforts that will not only spread the impacts of new housing production throughout the community so as not to overburden any particular neighborhood, but also comply with smart growth principals of building in existing neighborhoods as opposed to disturbing "greenfields"[19]. *This strategy does not require that a separate new initiative be created but instead that the Town respond positively to opportunities as they arise by working cooperatively with developers who are interested in building affordable and/or special needs housing in support of local needs.*

The Selectboard? Affordable Housing Trust, should be the first place that any developer should go to present its plan, even in the very conceptual phases. The Town, through the Affordable Housing Trust, can work with for profit and non-profit developers as well as with abutters of vacant land to develop new infill housing on available vacant sites scattered throughout town. The Housing Trust can then provide the developer with some initial feedback and begin a process of working together that results in a feasible development.

It should be noted that the Town of Leverett, through its former Affordable Housing Committee, has responded in the past to several attempts to develop small affordable housing projects which were finally determined infeasible due to the high costs developing the necessary infrastructure. Nevertheless, other communities that lack water and sewer services are creating some new affordable housing and some similar future opportunities might become available in Leverett.

The Town can play a helpful role in supporting developers in several ways including:

- Providing CPA funds for preliminary feasibility analysis on properties that might be suitable for affordable housing development;
- Investing CPA funds as gap financing that makes up the difference between the total costs of development and an affordable purchase price or rent for at least some of the units in a development, leveraging other public and private funding as well;
- Identifying Town-owned property that might be developed and prepare a Request for Proposals (RFP) to select a developer;
- Providing letters of support to developers who are applying for state and federal subsidies to insure that at least some of the units are affordable;
- Working with developers who are interested in "friendly" Chapter 40B projects through DHCD's Local Initiative Program;
- Allowing the development of starter housing on nonconforming lots; [20] and

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[19] "Greenfields" applies to undeveloped, vacant land without any previous use except open fields, pastures, or farm land.

[20] There are parcels of vacant land that at this time cannot be developed because they do not meet all of the dimensional requirements of the Zoning By-law such as minimum lot size as well as front, rear and side yard provisions. It is likely that some, if not many, of these parcels could in fact be suitably developed as housing. Smaller lots will encourage the construction of smaller homes under appropriate guidelines to provide some housing options that are not currently being created by the private market as starter housing. The Housing Trust, in coordination with the Planning Board, should explore what other communities are doing with respect to these undersized lots and prepare a zoning amendment to enable these lots to be developed based on specific criteria. One consideration might be to decrease the minimum lot requirement for two-family homes where one of the units is affordable. Another potential model is to adapt a by-law that has been approved in Dennis to allow "affordable lots" that enables nonconforming lots to be built on by special permit if they meet the following conditions:

- Contains at least 10,000 square feet and satisfies other Board of Health requirements.

- Encouraging abutters to create affordable housing on vacant adjacent lots with either a CPA subsidy or a tax abatement (such tax changes would require a home rule petition and state legislative approval).

The non-profit organization, Habitat for Humanity, for example, continues to look for donated public and private land on which to build. This organization was offered an opportunity to build a house on a particular lot, but had to turn down the project because of high infrastructure costs. Organizations that support special needs housing are also active throughout the area and may have an interest in developing group homes in Leverett.

If a *publicly owned* property or properties are identified as appropriate for some amount of affordable housing development, the Selectboard should pursue the necessary approvals for the conveyance of such properties, including Town Meeting approval. It will also need to work with the Town's Chief Procurement Officer and a housing consultant on a Request for Proposals (RFP) to solicit interest from developers based on the Town's specific project requirements and select a developer based also on identified criteria included in the RFP. Projects are likely to require densities or other regulatory relief beyond what is allowed under the existing Zoning By-law, and this might be obtained through normal regulatory channels, if community support is assured, or through the use of the "friendly" comprehensive permit process through DHCD's Local Initiative Program (LIP) or other subsidizing agency. Additionally, the Town will need to be involved in helping the selected developer secure the necessary financial, technical and political support. Evidence of municipal support is critical when seeking financial or technical assistance from regional, state or federal agencies.

It should be noted that the Town has investigated the availability and use of Town-owned property for many years, and has largely found that most parcels had conservation restrictions or would not be suitable for development. It is likely that some of the restrictions are not permanent, and the Town should inventory and monitor all Town-owned property and their restrictions.

It will be helpful for the Housing Trust to support such efforts and, when possible, make scattered Town-owned parcels available for affordable housing development through Requests for Proposals. The use of CPA funding, as noted above, may be needed as development opportunities arise and programs terms are finalized and negotiated.

- Has safe and adequate access to a public or private way.
- Is similar in size and shape to surrounding lots.
- The dwelling cannot have more than three bedrooms with a minimum of 500 square feet per bedroom.
- The applicable front, rear and side yard requirements are determined by establishing an average setback based on the homes adjacent to and across the street from the lot in question.
- Where two lots are in common ownership, one of the two lots must be deed restricted to insure permanent affordability and where more than two lots are held in common ownership, the second, third and fifty percent of the remaining lots to be built upon shall be deed restricted as permanently affordable (the fourth lot may be market rate, fifth affordable, sixth market rate, etc.).

Appendix 6
Opportunities to Capitalize the Affordable Housing Trust

Leverett established its Affordable Housing Trust Fund in 2008 to oversee issues related to affordable housing including the management of a Trust Fund dedicated to meeting local housing needs. Currently there is $77,570 available in the Trust Fund in support of housing initiatives. It will be important to explore a wide range of possible fundraising options to capitalize the Leverett Affordable Housing Trust Fund, potentially including the following:

- *CPA:* The Town of Leverett is already committing 10% of its annual CPA allocation to the Housing Trust, but it will be necessary to obtain more than this amount annually to make much progress on this Strategic Housing Plan.

- *Private Sector Donations:* The Town will also pursue private sector donations. This process of securing private support not only provides financial benefits for local housing efforts, but it is also a vehicle for raising awareness of affordable housing and generating interest and political approvals for new housing initiatives. Other communities, such as Chatham and Orleans for example, have separate local organizations that have effectively raised private funds for affordable housing (Friends of Chatham Affordable Homes and Friends of Orleans Affordable Homes), and the Housing Trust will approach them to learn more about their efforts to date.

  Many communities are reaching out to residents for private donations of land to promote housing affordability. Habitat for Humanity has relied on private donations – property, funds, goods and services – for most of the homes they have built. It should be mentioned that this has been very challenging in Leverett to date. Over the years a number of requests were placed in the local newsletter for land or available housing that could be donated or purchased for affordable housing, which received not a single response. Also, a property became available to Habitat for Humanity, but was determined to be too costly to develop.

  Faith-based affordable housing initiatives are also widely viewed as effective, as reported by the organization World Vision.[21] The Housing Trust will also reach out to local churches on some additional activities that focus on affordable housing, including, for example, donations to the Housing Trust Fund, perhaps during Fair Housing month.

- *Inclusionary zoning*: Inclusionary zoning, which is not currently included in Leverett's Zoning By-law, has been adopted by more than one-third of the communities in the state to insure that any new development project over a certain size includes a set-aside in numbers of affordable units or funding from the developer to support the creation of affordable housing. This by-law applies to development that meets local zoning requirements, but many communities have wisely determined it appropriate to incorporate density bonuses in their inclusionary by-law. Most of the by-laws include mandated percentages of units that must be affordable, typically 10% to 15% and density bonuses[22]. Some also allow development of affordable units off-site and/or cash in lieu of actual units. This cash in-lieu of actual units would be deposited in the Housing Trust Fund,

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[21] Shabecoff, Alice. Rebuilding Our Communities: How Churches Can Provide, Support, and Finance Quality Housing for Low-Income Families, World Vision: Monrovia, California.
[22] Density bonuses allow increased densities beyond what is allowed under the Zoning By-law.

available to support other local affordable housing initiatives. It is important, however, that the formula used for calculating the cash in-lieu of units be sufficient to fully subsidize actual units.

It should be noted that Leverett has a flexible development by-law that provides incentives for developers incorporating certain public benefits into their subdivision proposals including the preservation of open space and the inclusion of affordable housing.[23] This by-law does not, however, offer the option of a cash in-lieu of units alternative that could potentially help capitalize the Housing Trust Fund.

- *Chapter 40B:* Developers of Chapter 40B projects have made additional contributions to Housing Funds if the purchase prices for the market units turn out to be higher than the prices that were projected in their comprehensive permit applications and profits are more than the 20% allowed under Chapter 40B. The Housing Trust will have to carefully monitor these developments to determine if any of these situations arise should any 40B projects be undertaken in Leverett.

CPA funding in support of affordable housing initiatives to be negotiated on a project-by-project basis. Other resources include the donated time of volunteers to coordinate fundraising activities with some possible support from the proposed housing coordinator.

[23] Section 4852.a of the Zoning By-law states that "if a minimum of 10% of the dwelling units will be affordable and will be made available for a minimum of thirty (30) years via sale, lease, or deed restrictions to persons or families qualifying as low or moderate income as defined by the Executive Office of Communities & Development of the Commonwealth and such unit(s) count towards the 10% requirements of Chapter 40B then the developer may be eligible for bonus lots of up to 20% of the Basic Maximum number. Such bonus lots may provide for either affordable or market rate housing.

Appendix 7
Community Education and Engagement

Because most of the housing strategies rely on local approvals, including those of Town Meeting, community support for new initiatives has and will continue to be essential. Strategic efforts to better inform residents on the issue of affordable housing in general as well as specific new initiatives can build local support that will help generate a greater understanding of the benefits of affordable housing, reduce misinformation, and dispel negative stereotypes. These outreach efforts are mutually beneficial as they provide useful information to community residents and important feedback to local leaders on resident concerns and suggestions.

The presentation of this Strategic Housing Plan offers an opportunity to bring attention to the issue of affordable housing, offering information on housing needs and proposed strategies that can help attract community support for affordable housing initiatives and requesting greater community support. Other community education and engagement opportunities that should be pursued include:

- *Public information on existing programs and services -- A Leverett Housing Resource Manual*
  Despite a sluggish housing market, high housing costs are still creating problems for low-income residents. The Town should get the word out about existing programs and services that support homeownership, property improvements or help reduce the risk of foreclosure including homebuyer and foreclosure prevention counseling. This information could be compiled in a Housing Resource Manual and made available to all resident households. It may even be possible to obtain some funding support for such a Manual from a local business, lender, civic organization, or resident. Efforts to obtain existing program brochures and housing information from other regional entities, such as the Franklin County Housing Redevelopment Authority, should be a priority, with such information included on the Town's website and offered during community events and at key Town locations.

- *Forums on specific new initiatives*
  As the Town develops new housing initiatives, the sponsoring entity should hold community meetings to insure a broad and transparent presentation on these efforts to other local leaders and residents, providing important information on what is being proposed and opportunities for feedback before local approvals are requested.

- *Annual housing summits*
  Most communities lack an effective mechanism for promoting regular communication among relevant Town boards and committees on issues related to affordable housing. Having a forum to share information on current housing issues would help foster greater communication and coordination among these entities. Additionally, inviting residents can help build community interest, improve communication and garner support. Many communities are sponsoring such events, at least on an annual basis. For example, Truro organized a panel discussion on housing issues, inviting representatives of other towns on the Cape and organizations involved in affordable housing. Yarmouth held a spaghetti dinner and offered an update on their affordable housing initiatives with opportunities for feedback from local leaders and the public.

- *Educational opportunities for board and committee members*
  Local boards such as the Selectboard, Community Preservation Committee, Housing Trust, Board of Appeals, Planning Board and other interested local leaders, should be able to receive ongoing training on affordable housing issues. Well advised and prepared board and committee members

are likely to conduct Town business in a more effective and efficient manner. New members without significant housing experience would benefit substantially from some training and orientation. Moreover, requirements keep changing and local leaders must keep up-to-date. Funding for the professional development of staff, including the Town Administrator and any designated housing professional, would also help keep key professionals up-to-date on important new developments, best practices and regulations.

The University of Massachusetts Extension's Citizen Planner Training Collaborative (CPTC) offers classes periodically throughout the year and will even provide customized training sessions to individual communities. The Massachusetts Housing Partnership conducts at least annually the Massachusetts Housing Institute, which is "an educational program to support municipalities and local participants to better understand the affordable housing development process and have an effective role in initiating and implementing local solutions to increasing housing choices". Other organizations and agencies, such as DHCD, MHP, CHAPA, and the Community Preservation Coalition, also provide conferences and training sessions on a wide variety of housing issues that would be useful for local officials and staff persons to attend. In addition, there are numerous written resources for localities. For example, DHCD has prepared a procedural "how to" booklet for local communities on the development process, MHP has many technical guides for localities, and CHAPA has a wide variety of reports on many issues related to affordable housing as well.

- *Support from local lenders*
  As noted in strategy 3.2, **a**nother possible opportunity to further leverage limited local funds is to explore funding from a local lender such as Northampton Co-op Bank or Greenfield Savings Bank. For example, the Haverhill Bank offered grants of up to $10,000 to help first-time homebuyers with down payment and closing costs, as well as homebuyer counseling, through its Equity Builder Program (EBP), and a similar program could be recommended to local lenders. The Haverhill Bank grants were offered on a first-come, first-served basis to households earning up to 80% of area median income. The Selectboard should schedule appointments with these lenders to discuss what the Town is trying to do to encourage affordable housing and provide them with a copy of this Housing Plan as well as a short written proposal for assistance modeled after the Haverhill Bank Equity Builder Program. Local lenders might also be helpful in underwriting the costs of various activities directed to promoting affordable housing including a Resource Manual or special forums.

The volunteer time of members of the Selectboard would be required to sponsor the necessary forums, track training opportunities and inform appropriate local leaders, as well as request support from local lenders. The Selectboard would coordinate public meetings on zoning-related efforts involving affordable housing with the Planning Board and Board of Appeals.

Appendix 8
Housing Program Models

This Strategic Housing Plan provides detailed information on how the Town can implement key housing programs to promote affordable housing, focusing on the existing housing stock instead of building new units. There are useful models that the Town can review to inform the development of local programs that are summarized below. Additionally, information on existing programs that can be tapped by residents to complement locally proposed programs and leverage limited local funding is also provided below.

Homeownership Assistance Program Options
There are a variety of program strategies that convert existing dwelling units to long-term affordability rather than building new ones including the following:

- *Mortgage Assistance Programs*: Mortgage Assistance Programs (also referred to as Homebuyer Assistance Programs) provide subsidies to qualified homebuyers to fill the gap between the market purchase price and an affordable one, typically the purchase price that is allowed under the state's Local Initiative Program (LIP) based on a state formula. Such programs have been adopted in a number of towns and cities in the state. For example, the Town of Chatham has introduced the First Time Homebuyers Assistance Program that uses up to $60,000 in CPA funds per household to fill the gap. Purchasers are pre-qualified through the Program before they are able to search in the private housing market for a qualifying home and deed restrictions are required. Purchasers are also required to attend homebuyer classes and encouraged to explore more affordable mortgage financing such as loans through the state's Soft Second Loan Program. The Chatham Housing Authority administers the Program. Comparable programs are also available in Marshfield, Acton, Cambridge, Newton, and Bourne, largely subsidized through Community Preservation funding. Most of these efforts have been implemented during the last several years.

- *Buy-down Programs*: This program involves the purchase of one or two-family structures or other housing types, renting or reselling one (or possibly both/several) of the units subject to a deed restriction that assures permanent affordability. Buy-down programs have proven to be viable strategies in a number of communities including the Sandwich Home Ownership Program (SHOP) implemented several years ago that produced seven (7) affordable housing units under the coordination of the Housing Assistance Corporation (HAC), the Cape's regional non-profit housing organization. Buy-down programs are usually coordinated by a non-profit housing organization and have also been implemented in Cambridge, Newton, Bedford and Arlington, for example. A number of communities – including Sandwich, Barnstable and Lexington – have had their Housing Authorities or another non-profit organization acquire properties that they continue to own and manage as rentals.

- *Hybrid Programs*: Some communities have combined the above two (2) approaches such that the program sponsor identifies the properties for acquisition, places an option on the property, identifies the purchaser from a pre-approved and ranked Ready Buyers List, and offers its subsidy at the mortgage closing. For example, the Sudbury Housing Trust searches the market for a property within its "price point", at about $350,000, which is at the lowest end of the market in this community. This market price, plus consideration for some repairs, creates a gap of approximately $200,000 given the maximum affordable purchase price of about $175,000 when using state LIP requirements. Thus $200,000 has been the maximum per unit subsidy for the program. The Housing Trust has also subsidized additional units in private comprehensive permit projects to create more affordable units in these developments.

- *Equity Conversion Homeownership Programs (ECHO – also known as Affordable Deed Restriction Programs):* This approach involves the purchase of a restriction on housing occupied by an income-eligible senior or other lower income household, providing public assurance (deed restriction) that the house, when resold, will remain affordable and offering residents cash for rehab plus an annuity or lump-sum subsidy. While ECHO initiatives have been popular in communities, including Bedford, Marion, and Westport, for example, which provided set-asides of funding; there have not been any affordable units created through this strategy to date. The Town of Stow indicates that it has interested participants but its program design was been under review by DHCD for months and ultimately not approved.[24] A number of communities have discovered that homeowners, particularly the elderly, are extremely resistant to selling the equity in their homes.

Summaries of how communities have approached these types of programs are included in Appendix 2. Because housing values vary considerably from one community to another and because these assistance programs fill the gap between market prices and affordable ones, the maximum purchase price allowed is an important program component. Information on maximum purchase prices from some of these programs is included in the following table. This Strategic Housing Plan suggests using the high range of Leverett's lowest quartile of its housing stock or $250,000, that can be adjusted as the market changes over time. This level is well below those of most communities that rely on the maximum purchase prices of the federal Section 203B program and well above the program offered in nearby Springfield.

Maximum Purchase Prices for Other Programs[25]

Program	1-family/Condo	2-family	3-family	4-family
WestMetro Program HOME Consortium	$523,750	$670,500	$810,450	$1,007,200
Framingham	$397,575	$508,982	$615,240	--
Salem	$362,790	$461,113	$560, 231	$646,421
Barnstable County HOME Consortium	$362,790	$438,700	$533,000	--
Springfield ADDI Program	$159,600	$204,322	$246,978	$306,933

[24] The program design received substantial comments from DHCD that indicated that any units created through this approach would likely not be eligible for inclusion in the Subsidized Housing Inventory (SHI).
[25] Many of these are based on FHA Section 203b standards that appear high for Leverett while the Springfield maximums seem low (the contact did not know how they were indexed.)

Down Payment and Closing Cost Assistance Program Options

A summary of some of the program requirements from a selected group of existing down payment and closing cost assistance programs is provided in the table below.

Summary of Other Program Requirements

Program	Type of Subsidy	Max. Subsidy	Term of Subsidy	Other Requirements
Springfield ADDI Program	0% deferred loan	Amount necessary to complete transaction, not to exceed 5% of the purchase price	Forgiven after 5 years if property not sold, refinanced or transferred; if property is sold, refinanced or transferred within 5 years, the full amount of the subsidy must be repaid	Purchaser must obtain a mortgage for no less than 90% of the purchase price; assets of no more than $25,000 at time of application; each purchaser must commit at least $750 of own funds; lower maximum purchase prices
WestMetro HOME Consortium HOME/ADDI	0% deferred loan	$10,000	5 years; full repayment is required if property sold or refinanced within 5 years; fully forgiven after 5 years	Amount of loan determined by ability to pay based on a 33% income to debt ratio; 2 different recapture procedures; use of Sec. 8 criteria for determining income; min. of $1,500 cash from borrower
Framingham	0% deferred loan	Up to $5,000 match	5 years; full repayment is required if property sold or refinanced within 5 years; fully forgiven after 5 years	Primarily for participants of their buy-down program; additional funding for lead-paint abatement
Salem	0% deferred loan	$6,500 match +$1,000 with course completion	Due upon sale/transfer of property	Use combination of HOME and CDBG funding; have rehab program for needed repairs
Cambridge	Grant	Up to 6% of the purchase price	20% of the grant is forgiven each year over 5 years	No restrictions limiting resale price
Barnstable County HOME Consortium	0% deferred loan	Up to $10,000	Due upon resale and refinancing or obtaining a 2nd mortgage under certain conditions	Have the ability to add another $10,000 to cover rehab costs

All of these programs have substantial similarities and variations in program terms and conditions as described below.

Similarities among these programs:

- Income at or below 80% of AMI;
- First-time homebuyer as defined by LIP (except Cambridge and Springfield[26]**);**
- The household must use the property as their principal residence;
- The term of the lien is five (5) years, typically due upon transfer, resale or when the purchaser is in violation of program terms and conditions (such as the unit is no longer the primary residence) with the exception of Cambridge;
- The property must meet HUD Housing Quality Standards and lead-based paint laws;
- Funding available on a first-come, first-served basis;
- Program assistance is always contingent upon the availability of funding in any year; and
- There are no deed restrictions involved that restrict resale price.

Major variations among these programs:

- Type of subsidy, however most involve 0% deferred loans secured by a Mortgage and Promissory Note that are forgiven after five (5) years;
- Maximum subsidy levels (range from $5,000 to 6% of purchase price);
- Maximum purchase price levels ($159,600 to $523,750 for a single-family house or condo for example);[27]
- Some difference in determining income eligibility (Section 8 versus LIP criteria);
- Level of assets that are allowed varies from $25,000 to $75,000;
- Some programs tie participation primarily to inclusion in the local mortgage assistance or buy-down program;
- Some programs execute final documents for the subsidy prior to the primary mortgage closing, others simultaneously;
- Variation in time needed to submit the application and obtain approval prior to closing;
- Administrative fees vary from zero to $1,000 per loan;
- Some also offer rehab and/or lead paint abatement assistance;
- Most require that the property be up to HUD Housing Quality Standards and have no trace of lead paint prior to closing;
- One program relies on the property inspection by the lender;
- All promote fixed rate mortgages although one requires participation in the Soft Second Loan Program or 3½% FHA program and another allows adjustable rate mortgages if it is the lender's affordable housing product;
- Some require post-purchase counseling in addition to the pre-purchase workshops; and
- Application and closing materials vary somewhat but are fairly standard.

The recommendations included in strategy 3.2 are derived by looking at these similarities and differences in programmatic approaches, and choosing those that are likely to be best suited to a Leverett initiative.

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[26] Springfield defines first-time homebuyer as someone who has not owned a home in the past three (3) years.

[27] Springfield's maximum purchase prices were significantly lower than the other programs at $159,600 for a single-family or condo, $204,322 for a two-family, $246,978 for a three-family and $306,933 for a four-family property. Most other programs were based on FHA Section 203b maximums.

Housing Improvement Program Options
The Housing Rehabilitation Program described in strategy 3.3 suggests a two-pronged approach to providing services. First, the Town will work to disseminate information on existing housing rehab programs and make appropriate referrals to those looking for such assistance to the HRA program as well as those provided by the state through local lenders. Second, the Town can introduce a locally-funded program for those who are not eligible for these existing programs including those earning up to 100% AMI.

At this time, qualifying property owners in Leverett are eligible to participate in the Deferred Payment Housing Rehabilitation Loan Program administered by the Franklin County Housing and Redevelopment Authority (HRA). The goal of the program is to enable low- and moderate-income homeowners (earning at or below 80% AMI) to bring their homes into compliance with building codes, also assisting rental property owners in improving units that are occupied by income-eligible tenants (this requires the execution of a 15-year restriction that enforces the rental to low- and moderate-income tenants). In addition to improvements that are related to code violations, the removal of lead-based paint and home modifications to improve handicapped accessibility are also eligible improvements. Funding is also available for those interested in creating an accessory apartment but a rental agreement is involved to insure that tenants are income-eligible.

Participants are eligible to receive up to $30,000 per unit in subsidy in the form of a no interest, deferred payment loan, although up to $35,000 can be available for those with serious code violations, including the existence of lead paint or asbestos. The loan is due upon the sale or transfer of the property and is secured by a mortgage that is recorded. The program also requires the execution of a promissory note.

HRA submits annual applications to the state for Community Development Block Grant (CDBG) funding for the program, representing a number of communities in the region, including Leverett. In 2007, the goal for Leverett was five (5) participants, and six (6) property owners in fact received assistance averaging $25,000 per loan. In 2009, the goal is also five (5) participants and HRA has closed on three (3) thus far for an average loan amount of $20,000 and there are additional applicants in the program pipeline. HRA has inspectors that inspect the property, prepare a work write-up and estimate costs, with the property owner bidding out the work.

There are also state-supported programs funded by MassHousing and administered through local banks or rehab agencies that include:

- *MassHousing Home Improvement Loan Program (HLP)*
  The MHFA Home Improvement Loan Program (HILP) is targeted to one- to four-unit, owner-occupied properties, including condominiums, with a minimum loan amount of $10,000 up to a maximum of $50,000. Loan terms range from five (5) to 20 years based on the amount of the loan and the borrower's income and debt. MassHousing services the loans. Income limits are $92,000 for households of one or two persons and $104,000 for families of three or more persons. To apply for a loan, applicants must contact a participating lender.

- *Get the Lead Out Program*
  MassHousing's Get the Lead Out Program offers 100% financing for lead paint removal on excellent terms that are based on ownership status and type of property. An owner-occupied, single-family home may be eligible to receive a 0% deferred payment loan up to $20,000 that is due when the house is sold, transferred or refinanced. An owner-occupant of a two-family house could receive up to $25,000 to conduct the de-leading work. Maximum income limits for owner-

occupants are $74,400 for one and two-person households and $85,500 for three or more persons. Investor-owners can also participate in the program but receive a 5% fully amortizing loan to cover costs. Non-profit organizations that rent properties to income-eligible residents are also eligible for 0% fully amortizing loans that run from five to 20 years. Applicants must contact a local rehabilitation agency to apply for the loan, the Franklin County Housing and Redevelopment Authority in the case of Leverett.

- *Septic Repair Program*
  Through a partnership with the Massachusetts Department of Environmental Protection and Revenue, MassHousing offers loans to repair or replace failed or inadequate septic systems for qualifying applicants. The interest rates vary according to the borrower's income with 0% loans available to one and two-person households earning up to $23,000 and three or more person households earning up to $26,000 annually. There are 3% loans available for those one or two person households earning up to $46,000 and three or more persons earning up to $52,000. Additionally, one to four-family dwellings and condominiums are eligible for loan amounts of up to $25,000 and can be repaid in as little as three years or over a longer period of up to 20 years. To apply for a loan, applicants must contact a participating lender. A number of Leverett residents have participated in this program.

Accessory Apartment Program Options
There are also opportunities to promote accessory apartments that provide some incentives for property owners to create such units. In addition to referring property owners to the HRA Deferred Payment Housing Rehabilitation Loan Program that provides subsidies for accessory apartments, there are a couple of approaches that the Town might be consider adapting that have been implemented in other communities, including the following:

- *Newton Accessory Apartment Incentive Program*
  The program offered grants or loans of up to $90,000 (the Leverett model could reduce this amount considerably) to develop an accessory apartment in their home and insure it is up to code. Beyond actual construction-related costs, expenses related to design and surveying were also allowed. Participating owners agreed to enter into a deed restriction to maintain the unit as affordable in perpetuity and rent to income-eligible tenants earning at or below 80% of area median income. Owners were free to select their own tenants, and the City checked to insure that the tenants met income requirements. The program was designed especially to appeal to seniors who were house rich and living on limited, fixed incomes but wanted to remain in their homes and community. It should be noted that the City did not receive a great deal of interest in this program and eliminated funding support.

- *Wellfleet Accessory Dwelling Program*
  Leverett's Zoning By-law might promote housing affordability based on Wellfleet's Program that does not require deed restrictions or the rigorous affirmative marketing requirements mandated by the state, and thus the units are still affordable but ineligible for inclusion in the Subsidized Housing Inventory. Wellfleet has established the following process for approving Affordable Accessory Dwelling Units:

    - Property owner applies for a special permit.
    - Building Inspector and Board of Health visit and inspect the unit to determine if there are any health and safety violations that must be corrected prior to the owner obtaining the special permit. Those whose incomes are below 100% of area median are eligible for participation in Wellfleet's Affordable Accessory Dwelling Unit Loan Program that

provides no interest loans to support necessary improvements. (Property owners could conceivably be eligible for the Leverett Rehab Loan Program described in strategy 3.3 if not another available home improvement program.)

- The ZBA reviews the application as well as those reports submitted by the Building Inspector and Board of Health, holds a public hearing, and grants the special permit.
- The Building Inspector issues a Certificate of Occupancy prior to the unit being occupied.
- Prospective tenants must submit income information to the Assistant Town Administrator that documents that they have incomes within 80% of area median income and qualify for the units. Once qualified, property owners will be officially notified of the monthly rent they are able to charge based on HUD Fair Market Rents. A list of qualified tenants is available to property owners, or owners may be able to select their own.
- The Town Assessor issues a tax abatement to the property owner based on a specified formula, without the need for the owner to submit to a separate application process (this requires a home rule petition and state legislative approval).
- The property owner is required to annually submit forms that document the continued eligibility of the tenant and use of HUD Fair Market Rents.

If a property owner decides at some point to opt out of the special permit, they must inform the Building Inspector and remove the kitchen in the accessory unit. They are allowed to convert the space to other uses such as a "private guest house" or office.