



## Memorandum

**To:** Sonia Aldrich & Members of the Amherst CPA Committee  
**From:** Elizabeth Bridgewater, Executive Director  
**Re:** Proposed funding for Hawthorne Farm  
**Date:** January 21, 2014

Thank you for considering our proposal for \$80,000 in CPA funds for the construction of 2 units of affordable housing at 235 East Pleasant Street (Hawthorne Farm). Below are the answers to the questions posed in an email from Sonia Aldrich dated January 15, 2014.

1. **Sketches and footprint of housing units requested** – Attached
2. **What is the status of the RFP for the land? What conditions did the Town put on Habitat?** On December 27, 2013, the Town of Amherst released a RFP for the development of two units of affordable housing on the site of the former Hawthorne Farm with all responses due on Monday, January 27, 2014. The RFP contained several requirements which include:
  - The project is limited to 2 units, either rental or homeownership
  - If the project is to be homeownership, that the units be condominiums
  - Washer/Dryer hooks-ups to be included in the design
  - Notice of intent to be filed with the conservation commission and an order of conditions received.
  - A pedestrian easement to be granted in order to allow access to adjacent open space. The easement to be lined with trees and a fence
  - The chicken coop and farm equipment to be removed.
  - That that the selected developer attend at least one public hearing with the Housing & Shelter Committee and one public hearing with the Historic Commission in order to present concept designs
  - That the selected developer obtains the building permit within 12 months of signing the contract with the Town.
  - That the homes are made affordable to households earning at or below 80% of area median income as defined by HUD.

There were also preferences articulated in the RFP including the preference for 3 bedrooms and 1.5 baths, energy efficient building specifications and design elements that fit the characteristics of the existing neighborhood.

3. **Are two units the maximum number on the site?** – The RFP requires 2 units on this site.
4. **What restrictions would the Town and Habitat place on the homes? Please provide the details of the deed restriction and the resale formula used to keep the affordability preserved in perpetuity.** The RFP requires that the homes are made available to families earning at or below 80% of area median income as defined by HUD and be subject to a permanent deed restriction approved by the Mass Department of Housing and Community Development. The chart below was recently provided by DHCD and contains the most up to date income limits with the local action unit program (within the LIP program).

**Hampshire & Franklin Counties**

**Median Income Limits for LIP Program**

**JANUARY 2014**

**Service Area for Pioneer Valley Habitat for Humanity**

<b>Family Size</b>	<b>50%</b>	<b>60%</b>	<b>80%</b>
<b>1</b>	<b>\$27,969</b>	<b>\$33,563</b>	<b>\$44,750</b>
<b>2</b>	<b>\$31,969</b>	<b>\$38,363</b>	<b>\$51,150</b>
<b>3</b>	<b>\$35,969</b>	<b>\$43,163</b>	<b>\$57,550</b>
<b>4</b>	<b>\$39,938</b>	<b>\$47,925</b>	<b>\$63,900</b>
<b>5</b>	<b>\$43,156</b>	<b>\$51,788</b>	<b>\$69,050</b>
<b>6</b>	<b>\$46,344</b>	<b>\$55,613</b>	<b>\$74,150</b>
<b>7</b>	<b>\$49,531</b>	<b>\$59,438</b>	<b>\$79,250</b>
<b>8</b>	<b>\$52,719</b>	<b>\$63,263</b>	<b>\$84,350</b>

Pioneer Valley Habitat for Humanity has historically targeted households earning at or below 50% Area Median Income as defined by HUD but is considering also targeting families earning up to 60% area median income. Either of these targeted household groups will conform to the requirements of the RFP and are in accordance LIP guidelines.

DHCD provides the deed restriction and re-sale price certificate as part of the LIP Program and each of these documents are filed with the Hampshire County Registry of Deeds at the time of the closing on the unit. The deed restriction set the term of the restriction "in perpetuity" and articulates the eligibility requirements for re-sale which include income limits, first time homebuyer status and owner-occupied status. It also articulates how the price is established and what fees are permissible to add to the price of the house at the time of re-sale. Finally, the deed restriction indicates the monitoring agent for the property. The monitoring agent is the entity who is responsible for marketing the unit at time of resale and ensuring that the requirements of the deed restriction are met. The re-sale price certificate is a separate document that articulates the actual multiplier that will be used at the time of the sale. The re-sale price multiplier is calculated by dividing the original sales price of the Property by the area median income (at the time of the sale) for an X person household with X equal to the size of the household that is appropriate for the size of the unit being sold.

- 5. What would home owners pay for the property?** Pioneer Valley Habitat for Humanity sets the price of its homes to correspond to its actual costs minus any Federal Home Loan Bank Grant funds allocated to the project. Prices range from approximately \$115,000 to \$125,000 and are often dependent on site costs and whether or not solar panels are utilized in the specifications. The draft price is then analyzed utilizing a tool provided by DHCD to ensure that the projected monthly housing costs do not exceed 30% of the buyer's monthly income. If the projected monthly housing costs exceed 30% of the buyer's monthly income, the term of the loan may be extended to lower the

monthly burden for the buyer. (This extension doesn't cost the buyer any more in financing charges because we provide financing at 0%.) However, if an adjustment in the term does not reduce the monthly housing costs to under 30% of the buyer's monthly income (and assuming the buyer's income has remained at the same level as it was at the time of application), the price is adjusted downward.

Below is a sample of the price limit calculator utilizing a price of \$125,000 and family size of 4 with an income of no more than 60% Area Median Income. As you may see, the chart calculates the income needed to support this price. This number is compared to the buyer's actual income to ensure that the price reflects 30% of the buyer's income. The final calculator is sent to DHCD prior to the sale so that they may verify the price and create the deed restriction and re-sale price certificate.

<b>Estimated Purchase Price Limit</b>	
<b>235 East Pleasant Street, Amherst, MA</b>	
<b>Housing Cost:</b>	
<b>Estimated Sales Price</b>	\$125,000.00
<b>Down payment</b>	\$700
Mortgage	\$124,300.00
<a href="#">Interest rate</a>	<b>0.00%</b>
Amortization	20
Monthly P&I Payments	\$517.92
<a href="#">Tax Rate</a>	<b>\$20.97</b>
monthly property tax	\$218
<b>Hazard insurance (included in condo fee below)</b>	
PMI	
<b>Condo/HOA fees (if applicable)</b>	<b>\$200</b>
<b>Monthly Housing Cost</b>	<b>\$936</b>
<b>Necessary Income:</b>	\$37,454
<b>Household Income:</b>	
# of Bedrooms	3
Sample Household size	4
60% AMI/"Low-Income" Limit for family of 4	\$47,925
<b>Target Housing Cost (60%AMI)</b>	<b>\$1,198</b>
10% Window	\$41,934
<b>Target Housing Cost (60%AMI)</b>	<b>\$1,048</b>