

**Project Title: Amherst Community Land Trust (ACLT) First Time Home Buyer Assistance Program**

**CPA funding category:** Check all that apply

**X Community Housing**

Open Space

Historic Preservation

Recreation

**Amount of CPA Funds Requested:** \$266,200

**Submitting Entity:** Amherst Community Land Trust (ACLT)

**Contact Person:** Janet Keller 401-374-3229 and Maurianne Adams 413-253-3479

**Please complete this form in its entirety and include the following in your proposal. See complete form and appendices below**



AMHERST COMMUNITY LAND TRUST

## **Amherst Community Land Trust (ACLT)**

### **Proposal for CPA Funding FY2019**

#### **First Time Home Buyer Assistance Program**

##### **Overview of Proposal:**

Amherst Community Land Trust (ACLT) is requesting \$266,200 for a First Time Home Buyer Assistance Program to acquire the land on which two low or middle income (LMI) first time home buyers will be able to buy homes in Amherst. ACLT would use \$125,000 for the land associated with each of two properties and \$16,200 for ACLT to provide homebuyer assistance throughout the process.

ACLT will work with two LMI qualified buyers who meet credit worthiness and home ownership readiness standards to select and purchase houses in Amherst. By owning the land beneath the houses in perpetuity, ACLT will assure that the two properties always remain eligible for the Subsidized Housing Inventory. The home buyers will sign 99-year renewable ground leases with ACLT that assure the homeowners' rights to use the land and that limit equity value increases to assure affordable resale of the property in perpetuity.

ACLT is a private, 501(c)(3) non-profit organization created by Amherst residents in 2014 to address the shortage of affordable housing in Amherst and to strengthen year-round family neighborhoods. The CLT model maintains perpetual affordability by purchasing and holding the land in trust and requiring buyers to agree to sell the property affordably when/if the time comes. (See Appendix A for informa-

tion on ACLT and <http://www.amherstcommunitylandtrust.org>.)

### **Feasibility of the Proposal:**

**Related ACLT Experience** ACLT used a 2015 CPAC grant, together with a grant from Interfaith Housing Corporation to buy land for a successful multi-agency first time home buyer project on North Pleasant Street next to Simple Gifts Farm that will be completed in Spring 2018.

ACLT used the grants to buy 3/4 acres from the North Amherst Community Farm Trust (NACF), where Pioneer Valley Habitat for Humanity is building a two-unit duplex residence. Simple Gifts Farm, NACF and Coldham Architects contributed design, drainage and site improvements.

Low-income first time home buyers were selected by Habitat this Spring; and are helping build their own homes that are on target for completion by Summer 2018. At the time the families purchase the homes from Habitat they will enter into 99-year ground lease agreements with ACLT that assure perpetual affordability. When a homeowner is ready to sell their home, ACLT will work with them to market the home to income qualified buyers using a resale formula agreed to in the lease.

**ACLT FY19 CPAC Proposal.** ACLT will conduct the following activities to recruit and support two LMI first time home buyers:

- Provide widespread general marketing about the program.
- Provide access to financial counseling that includes information on affordable mortgage options, negotiating or subsidizing down payments, navigating financial and legal processes, working with real estate brokers and lawyers, and working with ACLT to negotiate home repairs with the seller as needed.

- Work with the buyers to select a home in locations that suit the families needs (e.g. access to public transportation, schools etc) and are consistent with the ACLT mission.
- Obtain certification of household income for eligibility for assistance.
- Apply for Mass Housing or other LMI loan programs as appropriate.
- Explain the elements of the ACLT model including the terms of the ground lease, the resale formula, and ongoing ACLT membership.

ACLT is working with agencies that can provide first time home buyer counseling services as needed; and building relationships with bankers, realtors, government and social service agencies who provide services to LMI first time home-buyers.

The following numbered items follow the CPAC proposal format.

**1. CPA funding, other sources of funding, timeline for this proposal:**

**a) CPA Funding** ACLT will use \$250,000 from CPAC funds to subsidize the purchase of two residential properties, acquiring for the Land Trust the land associated with the two properties. The land subsidy would make the properties affordable for a family of four with monthly income of \$5,333 or annual income of \$64,000 within the 80% AMI range. Based on the recent offering of a \$235,000 property with 3 bedrooms and 1½ baths, we estimate a monthly payment of \$1,075, given a land subsidy of \$117,500 (See Appendix B for details of this example.)

ACLT is requesting \$16,200 in CPAC funds to conduct outreach and provide support services to first-time home-buyers as they

move through the legal, real-estate and mortgage challenges as needed. ACLT will offer counseling services directly through ACLT or through other agencies on a fee-for-service basis.

b) **Other Funding Sources**

1. **Other Agencies.** ACLT will raise additional funds for the First Time Home-Buyer project, as we did three years ago when we raised \$20,000 from another private non-profit to augment CPAC's allocation for the North Pleasant Street duplex land.

A credit union will work with ACLT to provide affordable mortgage rates. ACLT may raise additional funds if a low-interest loan or subsidy is needed toward down payment for home-buyers who otherwise qualify for affordable mortgages.

ACLT will also help families determine whether the Massachusetts Housing Partnership One Mortgage program is appropriate for them and whether they qualify for the program's rebate or deferral of their three percent down payment requirement.

2. **ACLT Volunteer Services.** ACLT will contribute volunteer services from members and board members to supplement professional fee-for-services for outreach and first time homebuyer support.

c) **Estimated Project Timeline:**

The First Time Homebuyer Assistance Program will begin immediately upon execution of a contract with the Town of Amherst and is expected to be completed within 12 months of the start date. If the contract is complete on July 1, 2018, the program would begin then and is expected to end on June 30, 2019. Given a July 1, 2018 start date, the tentative schedule is:

- **July 2018:** Create mortgage applications, marketing and infor-

mational materials

- **Mid-July through Mid-October 2018:** Conduct marketing to widely advertise the First Time Homebuyer Assistance Program.
- **Mid-October 2018:** Deadline for submission of applications
- **Mid-October 2018 to Mid-March 2019:** Certify and choose two LMI qualified homebuyers
- **Mid-October 2018 to Mid-March 2019:** Help buyers: to find suitable property; qualify for a mortgage, Mass Housing and other assistance; and negotiate with homeowner on repairs,
- **Mid-April 2019:** Deadline for buyers to place a property under agreement. ACLT will provide upfront funding for the land portion of the down payment. The ACLT funding for the down payment will be recovered by payment from the CPA grant at closing.
- **Mid-April to Early-June 2019:** Work with buyers to prepare for and close on their homes.

## **2. Urgency of the Project:**

The Amherst CPA Community Housing Profile and Goals, excerpted below (2017, pp. 9-10), Town of Amherst Affordable housing documents, and Realtor Reports outline the urgent need for a variety of affordable housing solutions including the ACLT First Time Homebuyer project, which meets CPAC goals 4 and 6.

### **Except from Amherst CPA Community Housing Profile a.Profile**

The Pioneer Valley, with its diverse array of cultural attractions, scenic landscapes, accessible public lands, and lack of congestion, is one of the most desirable residential locations in New England. Within the Valley, Amherst holds a special ap-

peal: as the home of two colleges and a major research university; it is the cultural and intellectual center of western Massachusetts and offers public schools that are among the best in the area.

But the very desirability of our town has placed tremendous stresses on the availability of affordable housing for the elderly, disabled, low income, young families and locals who wish to remain in their home town. Much of this stress can be traced to the overwhelming presence of students residing in Amherst's rental inventory. Because students often rent units on a per bedroom cost, thereby driving up rents beyond what a typical family can afford, landlords are incentivized to market their units to college students.

Many single-family homes in residential neighborhoods—precisely the housing that serves the cohorts mentioned above—have been dedicated to student housing over family housing. The current housing market in Amherst has changed significantly in the past 25 years with a dramatic decline in families (a decrease of over half the 1990 population), decline in the average household size, lower median household income and an aging population. The result is a stratified market with an increase in aging homeowners and many college-aged residents, who price out young families for the limited supply of rental housing.

This skewed housing market threatens Amherst's ability to maintain the economic diversity that is central to our character as an inclusive community. The Town has preserved housing for seniors and income-eligible residents downtown with the Ann Whalen and Chestnut Court Apartments, has bought and maintained low-income housing in Echo Hill and Rolling Green Apartment Complexes, in addition to various Habitat for Humanity sites throughout Amherst.

b. **Goals: Goals 4 and 6 of the Amherst CPA Community Housing Profile and Goals**, excerpted below (2017, pp. 9-10) speak directly to the ACLT goals in this proposal:

**(4) Affordable homeownership for low and moderate income households.**

**(6) Housing with permanent, affordability restrictions.**

The Amherst Housing Production Plan Table below corroborates that market conditions have placed home buying beyond the means of low and moderate income households in Amherst and identifies unmet needs for 575 units for low/moderate income (LMI) households and 3,430 units for families.

<b>Unmet Housing Needs</b>			
<b>Population in Need</b>	<b>Units Available</b>	<b>Unmet Need in Housing Units</b>	<b>Housing Production Plan Recommendation</b>
Extremely low income (<30% AMI)	2,490	1,970 (includes 1,500 students)	200 units (83% of 5-yr production goal of 48 units/yr)
Very low income (30-50% AMI)	1,190	505	
Low to moderate (50-80% AMI)	1,050	575	40 units

Families	3,430	870	150 units
Seniors	1,860	830	50 units
People with disabilities	253	2,200 (census)	25 units
Homeless	18 + 8	15 estimate	Part of 200 above

Further corroboration comes from Zillow and the Town Assessor. Zillow cites the median home price in Amherst in September 2017 at **\$316,600** and rising. Amherst home values have gone up 3.7% over the past year and Zillow predicts they will go up another 2.4% in 2018 to a median listing price of \$375,00 <https://www.zillow.com/amherst-ma/home-values/>.

The Principal Assessor of Amherst has set the average assessed value for a single family house at **\$353,500** for 2018. Click link: Apartment complexes lead valuation rise in Amherst

Given these factors, entry level University or Town workers like firefighters, police, and school and clerical staff who earn between \$32,836 and \$59,929 cannot afford to live here.

The high home property tax burden in Amherst<sup>1</sup> pushes the cost of home ownership even further out of range for LMI residents. ACLT will apply for a tax exemption on the land associated with the two properties in the First Time Homebuyers Assistance Program as we

---

<sup>1</sup>Patrick Johnson of *MassLive* cites Amherst's high taxes in "Interactive Map: What is the Average Residential Property Tax Bill in Massachusetts" January 13, 2016. Longmeadow is first among communities with the highest yearly residential tax bills in western Massachusetts, ranking 43rd statewide at \$7,977; Amherst is second ranking 56th statewide at \$7,088. Leverett is third ranked 79th statewide at \$6,229; and Northampton ranks much lower at 147 statewide at \$4,865.

did for the North Pleasant Street duplex, to reduce the carrying costs of the properties by nearly half as we did for the earlier project.

**3. Estimated timeline from receipt of funds to Project completion.**

**See 1.c) above.**

**4. Acquisition or preservation of threatened resources:**

A unique feature of ACLT affordable housing projects lies in dual property ownership through purchase and lease of the land agreed to in the ground lease. The 99 year ground lease ensures continuous ownership of the land by ACLT, providing not only perpetual affordability but also perpetual preservation of residential land and stabilization of historically residential neighborhoods.

**5. Population(s) to be served by the Project.**

The ACLT First Time Homebuyer Program will help LMI families seeking homeownership in Amherst residential neighborhoods. ACLT intends to promote this opportunity to Town of Amherst, the University of Massachusetts, and Amherst and Hampshire Colleges.

**6. How will the CPA investment in your property, facility or project be maintained over time.**

As outlined above, ACLT's permanent ownership of the land and the 99 year ground lease provide the main protection of the CPA investment in the property.

ACLT will also enter into an agreement with the Town outlining ACLT's agreement to maintain ownership of the land and affordability of the properties.

ACLT will also maintain ongoing relationships with owners of the ACLT properties as described in the ground lease.

## **7. Which relevant Town committees and/or commissions are you working with?**

ACLT will ask the Amherst Municipal Housing Trust and the Amherst Housing Authority to place us on their December or January agendas to discuss the proposal.

### **APPENDIX A - ACLT FY2019 PROPOSAL FOR CPA FUNDING**

#### **NARRATIVE DESCRIPTION OF ACLT ACTIVITIES (written 2014 for Incorporation and IRS approval, revised 2017)**

##### **What is the Amherst Community Land Trust?**

The Amherst Community Land Trust (Trust) is a private, nonprofit, 501C3 charitable organization, incorporated in Massachusetts, to help address the shortage of affordable housing in Amherst and strengthen existing residential neighborhoods in Amherst threatened by high prices, absentee ownership, and loss of families and community.

The Trust acquires and holds residential land in perpetuity, making the housing on the land available for purchase and the land itself available for lease to low- or moderate-income buyers for the long term. Owners of Trust houses agree to limit equity increases in the event of resale in order to maintain the property's affordability for future low- or moderate- income resident owners. The maintenance of affordability is built into the home-owner's ground lease which includes an affordability clause governing a resale formula.

##### **Why create an Amherst Community Land Trust?**

Amherst is a small historic community that is home to a large public university and two small colleges. Housing prices are greatly inflated due to factors related to the off-campus student population of over 29,000 (77%) out of a total population of 37,817. Resultant high housing prices and taxes are made worse by a seven-month student-centered economy that fails to provide enough year-round living-wage jobs. <http://amherstma.gov/DocumentCenter/View/19975>

Individuals, couples, families, and students all have difficulty finding and affording decent housing in Amherst, while Amherst residents struggle to maintain their neighborhoods and the Town struggles to fund essential services. These challenges have been documented in the *Town of Amherst Housing Production Plan (HPP)* (March 2013)

and the *Amherst Housing Market Study (HMS)* (March 2015), both of which point to the growing age (students and retirees) and income gap among homeowners in Amherst.

Homes are owned or being purchased by retirees and by incoming faculty at local colleges, but not by lower-paid staff or town workforce. There is also a vigorous absentee owner market which maintains student rentals both in multi-united mixed use developments built within the past few years and through the purchase of larger homes (capable of housing 8 students in two rental units) by developers for rental purposes.

The *HPP* notes that households “with higher incomes, earning more than \$75,000, increased ... 14.4% in 1989, to ... 40.4% by 2012” (2013, p. 21). The *HPP* data show that one-third householders age 25-44 have incomes below \$25,000, although that population is not adjusted to differentiate shorter-term student residents from longer-term 12-month working families (2013, p. 23). The *HMS* confirms this data, noting that the “2010 median value of an owner-occupied house in Amherst was \$340,000” and that “almost all of the net increases in owner-occupied housing over the last decade occurred in homes valued at \$300,000 or more in Amherst” (2015, p. 4-16).

With these concerns in mind, the ACLT was created by Amherst residents to address affordable housing issues and also to stabilize year-round residential family neighborhoods throughout Amherst, through a community land trust model that encourages the purchase of family homes by low- and moderate-income resident-owners rather than by developers and investors.

### **How does the Amherst Community Land Trust work?**

The Trust follows the National Community Land Trust. [National Community Land Trust Network](#). dual ownership model that maintains affordability in perpetuity by buying and retaining house lots and facilitating purchase of the houses with long-term lease of the land to income-qualified buyers. There are 330 Community Land Trusts in the United States. [PROGRAM DIRECTORY](#) By owning the land, the Trust retains control over how the land will be used in the future with Trust members represented by elected officers and elected Board of Trustees.

The Trust assures homeowners that their properties will be theirs so long as they stay within the terms of their ground leases. Owners buy only the house or other improvements to the land, significantly reducing purchase costs.

In exchange for purchase at below-market home value, home owners agree to sell the home back to the Trust or to another income-qualified family should they decide to sell their home. The resale price is based on a resale formula, established by the ACLT Board, that allows homeowners to keep part of any increase in value and assures that ACLT properties remain affordable for the next income-qualified buyers.

## **Who are the Trust members?**

The Trust is a community and resident-based private charitable 501C3 organization, incorporated by the Commonwealth of Massachusetts and governed by an elected Board of Directors made up of one-third Trust property residents, one-third Amherst community members, and one-third people with expertise in areas that promote the work of the Trust. The Board is directly accountable to the community it serves. Low- and moderate-income eligibility is determined by Amherst Area Median Income AMI levels or other appropriate guidelines.

The purpose of the Trust is to stabilize the long-term occupancy and residential character of Amherst neighborhoods in addition to making housing affordable for residents of low- or moderate- income.

<b>APPENDIX B: Scenario for property valued at \$235,000 (house and land)</b>	
3 bedroom and 1 1/2 bath home	
Purchase Price	\$235,000.00
Price ACLT pays for land/house lot with CPA Funds	117,500.00
Amount to be mortgage by qualified buyer	117,500.00
Down Payment from savings and gifts	5,875.00
Loan Amount	111,625.00
Approximate Total Monthly Payment with:	
Interest rate of 3.875%	
Term of mortgage: 30 years	
Monthly Principal & Interest	524.90
Real Estate Taxes	415.58
Homeowners Insurance	79.17
*Private Mortgage Insurance (PMI) required if down payment =< 20% of purchase price	54.88
<b>Total Monthly Payment</b>	<b>\$1,074.53</b>
To qualify for this mortgage the borrower would need a minimum monthly income of at least \$3,223.59, equivalent to a yearly salary of \$38,683.08 or a hourly wage of \$19.00 an hour.	
Associated closing costs for this purchase: \$6930.16, including closing fees and pre-paid items for insurance and tax escrow.	
The Area Median Income for Amherst is:	
	\$57,600 is 80% AMI for a family of 3

\$64,000 is 80% AMI for a family of 4
---------------------------------------

Appendix C  
Amherst Community Land Trust  
First Time Homebuyer Program/Subsidy Assistance Program  
July 1, 2018 - June 30, 2019

Communication, Marketing Outreach	\$ 2,600
First Time Homebuyer Assistance	\$ 8,900
Other	
Travel	\$ 100
Advertising	\$ 250
Legal (Groundlease, CPAC agreement, closing assistance)	\$ 1,750
Audit, accountant, insurance	\$ 1,200
Lead Testing	\$ 1,400
Total Program Expense	\$ 16,200
Land acquisition	\$ 250,000
Total	\$ 266,200