AFFORDABLE HOUSING MARKETING PLAN
FOR
TOWN OF BELMONT

Prepared by
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I. Introduction

In the early spring of 2000, the Town of Belmont, in coordination with its Fair Housing Committee, commissioned the preparation of an Affordable Housing Strategy to better understand the challenges and opportunities for developing affordable housing in Belmont and to obtain detailed action plans on how the town can promote the acquisition, development and preservation of affordable housing throughout the community. This Strategy was completed in June of 2001.

A major component of the Strategy was specific recommendations on public and private housing resources that might become available to help the town create affordable housing. The Town has been pursuing a number of these proposals including:

- Development of 1.34 acres of land for affordable housing in the McLean final plan.
- Designation of 30 units in the Continuing Care Retirement Community, also a part of the McLean final plan, as affordable to residents earning a range of incomes of up to 120% of median income.
- Participation in the HOME Program through the Newton-based Consortium involving the availability of almost $100,000 annually towards meeting affordable housing needs.
- Access to the State's Soft Second Loan Program that offers a more affordable mortgage financing option to qualifying first-time homebuyers.
- Passage of an inclusionary zoning amendment that would require the set-aside of affordable units in a new residential development or a cash payment in lieu of the actual units to be deposited into a Housing Trust Fund and used to support another affordable housing activity.

In order to implement the above projects and programs in Belmont, as well as additional future initiatives, the Town needs to have a plan in place to insure fair access to new housing resources, including new housing units, based on clear community objectives, housing needs, and the requirements of funding programs. It is essential that access to limited housing resources be clearly articulated so that all potential applicants have a thorough understanding of program or project requirements to know if they are eligible, how to apply, what benefits are offered, and how individuals are selected. This process cannot be perceived as capricious, mysterious or discriminatory; but must be viewed as open, understandable, and applied fairly to all based on clear eligibility criteria and a standard selection process. Moreover, most housing subsidy programs require written marketing plans as a part of any contract negotiations to insure that all recipients of funds, whether they be municipalities or organizations, are sufficiently prepared to undertake this important activity in compliance with government requirements.

II. Marketing Process

This Plan defines the marketing process as those activities that "get the word out" about the availability of housing resources, whether it be actual housing units or special funding to make housing more affordable. The process includes the preparation of program or project materials and the distribution of these materials. There is no substitute for clear information that is widely and affirmatively disseminated throughout the area.

A. Preparing Outreach Materials

There are different formats that support the marketing of a new housing program or project including:

- *Flyers* – Flyers are typically one page notices of the availability of a new opportunity that briefly summarize key program/project information or an event. Flyers are excellent vehicles for alerting key constituencies to special one-shot offerings or events. They can be easily distributed through the mail, inserted with other information, posted in businesses and leafleted at events or meetings. They can be produced relatively inexpensively and in bulk for wide dissemination.

- *Brochures* – Brochures involve printed information, typically folded to fit into envelopes or to be easily displayed. They tend to contain more information than a flyer and are usually of better quality – professionally designed and printed. Because of the greater investment in producing brochures, they are typically prepared for on-going programs that remain available over a prolonged period of time or large developments.

- *Advertisements* – Advertisements are excellent vehicles for informing a wide audience, as well as targeted audiences (publications directed to particular interest groups), about the availability of a particular resource. Information should be presented concisely as publications charge by the number of words or lines in the ad.

- *Press Releases* – Press releases are announcements that briefly describe the new housing resource for insertion in local or regional newspapers, newsletters, other publications, as well as local cable or radio stations. Press releases should present the most relevant information as succinctly as possible to lend themselves to inclusion in media publications or programming with limited space and time.

- *Feature Articles* – Feature articles offer a story or anecdotal information on the housing resource to be publicized. Such articles often involve a human-interest story, focusing on an individual or family who has benefited or is likely to benefit from the new opportunity or particular initiative. Articles in the local newspaper, the Belmont Citizen Herald, can be a particularly compelling method of informing the community.

- *Editorials* – The Fair Housing Commission has effectively used editorial comments to raise awareness on particular issues. The weekly editorials in the Belmont Citizen Herald during Fair Housing month are examples. News articles can offer a compelling argument in support of new housing initiatives, help provide legitimacy to an effort, and reach a wide audience.

- *Inserts in Church Bulletins or Other Organizational or Institutional Literature* – Inserts in church bulletins or other organizational or institutional literature represent opportunities to inform fairly large audiences on the new housing resource. For example, a notice in a bank newsletter or a Chamber of Commerce report may allow for significant exposure to key constituencies.

- *Posters* – In some cases posters can be made to hang in places where the community tends to congregate or in local businesses. While flyers can also serve this purpose, posters tend to be better designed and more visible, typically attracting greater notice.

- *The Application Package* – The application itself should include sufficient descriptive information to insure that all applicants are well acquainted with program/project benefits and requirements before they complete an application. In addition to detailing program terms and conditions, the application should also include a summary of the entire application screening, pre-qualification and participant selection process.

- *Community Presentations* – Presentations can be prepared either through the development of flip charts, overhead materials, or power point slides to explain the new housing opportunity, to be conducted through local organizational meetings or specially arranged forums.

There are several rules of thumb that should be considered when preparing these materials including:

- *Know your market* – Think specifically about to whom you want to market the initiative and develop materials accordingly to maximize interest from this specific group. For example, you will want to develop a different "pitch" for potential residents of assisted housing for senior citizens than for possible participants in a first-time homebuyer program – diverse groups respond best to materials specifically designed to address their particular needs and interests.

- *Keep the information clear, accurate, and to the point* – If you want people to read the materials make sure that they are as short and to the point as possible, without rambling and unnecessary information. It is wise to distribute the draft material to contacts within all of the sponsoring organizations, institutions and agencies for review and comment prior to final printing. This review and comment period helps eliminate inaccuracies and makes sure that all parties remain "in the loop" about what will be distributed in the community.

- *Make sure to include a contact person with an address and phone number* – It is unnecessary to include every piece of relevant information on a new housing opportunity in every outreach material. Therefore, it is essential that a contact person be identified for those who want to obtain more information on the offering. This contact person must be available to respond to each inquiry, answering questions and forwarding more detailed information upon request. At a minimum, a dedicated phone line with an answering machine or an email address should be provided, with designated individual(s) charged with the follow-up of all inquiries.

- *Strive for good design* – Good design involves creating a piece that is well-organized, eye-catching, highlights the most important information, and looks professional. It is not necessary to hire a professional designer for the less expensive materials, such as flyers, but the more expensive per item materials, such as brochures or posters, require greater expertise in preparing. A professional designer will likely be an enormous help in laying out the material to best advantage and finding the most cost-effective options for printing.

- *When appropriate, include fair housing/equal opportunity references* – For government supported initiatives, printed outreach materials should include the fair housing/equal opportunity logo.

- *Make references to all sources of funding and the organizations and institutions that are sponsoring the program or project* – Materials that are developed for wide distribution should include references to all those who support the project financially. It is appropriate, however, to highlight the lead sponsor or developer acknowledging the entity with primary responsibility for the effort.

B. Conducting Outreach

While outreach materials are being developed, it is also important to prepare an outreach plan of action to guide the distribution of the materials and draw attention to the marketing effort. Individuals can make a significant impact in spreading the word, however, harnessing the media and working collaboratively with other local and regional public and private entities offers the best results.

Before discussing the specifics of the outreach effort there are several important concepts to keep in mind when developing the outreach plan. As alluded to above with respect to the preparation of materials, it is important to *know your market.* For example, you will want to work with different organizations in support of marketing assisted living opportunities to seniors versus potential first-time homebuyers. Also, it is important to *cast a wide net.* Look to maximizing opportunities for the marketing effort to affirmatively reach beyond the town of Belmont and to utilize available resources – both locally and regionally – involving the media and key organizations, institutions, agencies, and employers. Funding sources will give higher consideration to programs with wider applicant pools when scoring applications for funding.

Major components of any outreach plan should include the following:

- Basic description and purpose of the program/project;
- Outreach goals including potential numbers of applicants;
- List of media contacts for advertising including projected costs, schedule and person responsible for coordinating;
- Linkages with other local and regional organizations, institutions, agencies and employers including who will make these contacts, what requests will be made in support of the outreach process and the projected schedule including any estimated costs;
- What materials to be used for what particular purposes;
- Plan for answering inquiries; and
- Plan for accepting applications.

The key components of any outreach plan are advertising, marketing of the new housing resource through linkages with other entities that have an interest in supporting the effort, and holding information sessions. These are discussed below.

1. *Advertising*

Advertising in newspapers and other publications about the availability of a housing resource is not only an extremely effective way to reach a wide audience, but certain funding sources, such as state and federal housing subsidy programs, require it – particularly in the case of new housing production. In fact affirmative marketing, required by many such programs, specifies that outreach efforts should be designed to reach all segments of the eligible population within the housing region, and the funding agencies will want to see written marketing plans that include information on the variety of media that will be used to advertise the available housing including:

- The names of specific newspapers with circulation throughout the housing region. Therefore, beyond advertising in the Belmont Citizen Herald, advertisements should also be placed in The Boston Globe, at a minimum, and potentially the Boston Herald and/or other metropolitan newspapers.
- The names of other publications circulated within the housing region that are likely to be read by low and moderate income and minority households, such as neighborhood oriented weekly newspapers, religious publications and organizational newsletters. In addition to the Belmont Citizen Herald these publications should include the Bay State Banner, Boston Tab, etc.

As mentioned above, housing production programs typically have specific requirements for the marketing of new housing units, advertising in particular.

For example, documents regarding the HOME Program and Housing Stabilization Fund administered by the Massachusetts Department of Housing and Community Development (DHCD) specify, "The marketing process for available units shall begin at least four months prior to expected occupancy. In implementing the marketing program, there shall be at least one paid advertisement in a pre-approved newspaper of general circulation within the housing region during the first week of marketing. The developer/sponsor shall submit a copy of the proposed marketing material for approval before publishing. Such advertisement and/or brochure shall include, but not be limited to the following:

- Location of the units;
- Directions to the housing units;
- The size, as measured by the number of bedrooms in the units;
- Sales prices and/or rent levels;
- Maximum income permitted to qualify;
- The location and business hours for obtaining an application;
- Dates of the application process;
- Telephone number of the management or sales agent; and
- Fair housing logo."

It may also be useful to add other important program or eligibility requirements, beyond income, to help maximize the numbers of applicants who will be qualified for the particular housing opportunity.

2. *Linkages with Other Organizations, Institutions, Agencies, and Employers*

No one individual or organization typically has the amount of time and energy to wage a marketing campaign alone. Instead, alliances with other public and private partners are useful to help spread the word to key constituencies. These alliances are not only time and cost effective, but funding sources typically require the involvement of other parties in a marketing effort, particularly in the case of new housing production. These requirements include:

- The names of specific community and regional organizations that will aid in soliciting low and moderate income applicants. Such organizations may include, but are not limited to, non-profit, religious, governmental, fraternal, civic, and others.
- The names of employers throughout the housing region that will be contacted to post advertisements and distribute flyers regarding available low and moderate income housing.
- The names of radio and TV stations (cable) that can be helpful in promoting the new housing opportunity through press releases, announcements, or broadcasting feature events/forum.

For most new housing opportunities the following entities should be contacted and drawn into the outreach process:

- Belmont Fair Housing Committee
- Belmont Housing Trust
- Belmont Metco Program
- Local Lenders
- Local Realtors
- Belmont League of Women Voters
- Belmont Clergy Association and/or local churches directly
- Belmont Housing Authority
- Belmont Against Racism
- Town Government (to reach municipal employees)
- Council on Aging for housing opportunities for seniors
- West Suburban Elder Services for housing opportunities for seniors
- Belmont Citizens Forum
- Business Associations (Belmont Center and Cushing Square)
- Boston National Black MBA Association
- Boston Fair Housing Commission

A list of contacts within each of these organizations is included in Attachment 1.

Contacts with these organizations can be made initially by phone or in writing, at a minimum asking the entity to make referrals to the effort. It is essential that written materials be made available to adequately inform these groups about the initiative. In some cases presentations might be arranged. For example, a presentation to the League of Women Voters, the Belmont Citizens Forum, Belmont Clergy Association or church-related committees, Committee Against Racism, and other town-based organizations, boards and committees can help present information and answer questions to specific audiences that are likely to have an interest in the new initiative or generate applicants. Special events or forums can also be planned and taped by the local cable network, providing an opportunity for the wider community to learn specifically about the new housing resource.

In regard to affirmative marketing, there should be a special effort to involve those organizations that have regular contact with minorities or whose mission is closely related to promoting diversity. Such groups include the Belmont Fair Housing Committee and the Belmont Committee Against Racism. Other organizations in close proximity to Belmont that might be helpful include the WATCH CDC in Waltham, Watertown Community Housing, Inc., Just a Start and Homeowner's Rehab in Cambridge.

3. Information Sessions

It is important to hold one or more information meetings to educate the public about any particular development projects and the application/selection process. These meetings should include local officials, the developer or contractor, and local bank or finance officials. The times, dates and locations of these meetings should be published in ads or flyers that publicize the availability of program/project applications. The meetings are usually held in a Town building, school, library or public meeting room. Meetings are also usually held in the evening and at least one weekend day in order to reach as many potential applicants as possible. Attendance at a meeting should not be required. Presentations can be prepared either through the development of flip charts, overhead materials, or power point slides to explain the new affordable housing opportunity and requirements.

The purpose of the meeting(s) to present information on the project and answer questions that are commonly asked by project applicants. Sometimes a Town official will welcome the participants and describe the Town's role in the affordable housing project. The project sponsor can provide an overview of the application and selection process and answer questions about the lottery. The developer or contractor should be present to describe the development and to answer specific questions about projects plans, the affordable units in particular. Lastly, it is helpful to have a local banker or financial representative present to answer questions about qualifications for the financing of affordable units. The number of meetings needed is usually related to the interest in the development throughout the community and size of project.

III. Application/Intake Process

The general goal of any housing marketing process is to obtain a significant number of applications for the new initiative, to the greatest extent from eligible applicants, based on a sound outreach process with well-designed marketing materials. While the outreach process is being conducted, applications can be simultaneously processed to verify completion and eligibility.

Application processing is labor intensive and most programs require a rigorous process for calculating annual income, verifying income, and determining eligibility. While programs vary in regard to these requirements, this section will focus primarily on HOME Program regulations given Belmont's prospective participation in that program.

As was the case with the outreach process, it is important that the sponsoring organization/locality prepare a summary of how it will manage the application process, indicating the parties responsible for each activity and how income will be defined.

A. Managing the Application Process

There are several key ingredients to any application or intake process. First, a clear and concise application is required, providing sufficient information for potential applicants to determine whether they are interested and might qualify for the new opportunity. The major components of an application include the following:

- An introduction to the purpose of the project including objectives and program sponsors;
- Description of the housing initiative;
- Eligibility requirements;
- Buyer/tenant selection process, including all selection preferences/policies;
- Key contact person(s) for inquiries;
- Where and when to submit applications;
- Location of the project site(s);
- Income guidelines for buyers and/or tenants;
- Applicant questionnaire (to determine unit preferences and how they heard about the project. This form can be expanded to incorporate an application for rental projects);
- Uniform Residential Loan Application for homeownership projects; and
- Lottery Disclosure Statement.

Rents and sales prices must be "locked-in" at the time of the initial marketing of the affordable units. Therefore, the prices of the homes/units should not be increased once the outreach process begins, even if interest rates and HUD income guidelines change during this period.

Second, through the information meetings and general outreach, particularly through linkages with other entities, the sponsor of any program or development project should insure the affirmative distribution of application materials.

The application period should be at least 60 days with a specific deadline by which all required materials must be submitted. The level of documentation that is required by the applicants varies. Some developers simply allow the applicant to "self qualify" based on information obtained form the information meetings and materials. Other projects require that applicants obtain a "pre-qualification" letter from a lender and submit income tax returns and other documentation to be eligible for the lottery. Typical requirements include the following:

- First-time Homebuyer Questionnaire.
- Uniform Residential Loan Application.
- Approval letter from a participating lending institution.
- Copy of most recent credit report.
- Two to five most recent pay stubs.
- Copies of Federal tax forms for the last three years.
- Signed Lottery Disclosure Statement.
- Homebuying Workshop Completion Certificate.

A sample application, this particular one for a small new homes program for first-time homebuyers sponsored by the City of Brockton, is included as Attachment 2.

Another essential ingredient to any well-managed intake process is a key contact person(s) responsible for answering inquiries and reviewing applications for completion. This person must be knowledgeable about the specific project and should have relevant experience in real estate finance and/or government assisted housing programs. Under certain circumstances several contact persons can be designated to help share the responsibilities in the application and pre-qualification processes. For example, a local lender or group of lenders can volunteer to undertake the pre-qualification process, and as such assume intake responsibilities as well. Residential real estate lenders may be receptive to this activity, particularly if they have the opportunity to provide permanent financing for the project as well.

B. Pre-qualifying Applicants

Ideally, the person or persons responsible for intake will also be available to pre-qualify applicants. In the case of homeownership projects, purchase prices will have to be determined. The following methodology is typically used on Chapter 40B projects to determine the maximum sales prices of the affordable units:[1]

1. To determine household size: for one-bedroom units, use household size of 2; for two-bedroom units, use household size of 3; for three-bedroom units, use household size of 4.
2. Establish a "window: of eligibility: One way of doing this is to use 70% of median income. This is calculated by finding 80% of median income on HUD's area median income chart and taking 7/8ths of this number.
3. Calculate 33% of gross income for housing expenses, which includes mortgage payments, real estate taxes, homeowners insurance, condo fees (if applicable), and private mortgage insurance (if applicable).
4. Subtract the estimated taxes (based on the locality's tax rate), insurance, condo fees, and private mortgage insurance (PMI) to determine how much is available to support mortgage payments, (PMI is .078% of the loan amount).
5. Use the prevailing interest rage, then add ¼% above the currents rate and a 30-year term to determine mortgage amount.
6. Assume 5% down payment to arrive at the maximum sales price.

Those projects that do not involve a Comprehensive Permit should also try to insure an adequate "window" of eligibility, balancing the quality and design of the new homes with affordability and making sure that purchase prices are well within the range of households earning between 60% to 80% of area median income. Program subsidies from the HOME Program, other State and federal programs, and the Federal Home Loan Bank Board's Affordable Housing Program, for example, can be used to maximize affordability.

Program or project sponsors should prepare written materials specifying eligibility criteria, which will vary somewhat from project to project. For example, homeownership initiatives will involve an affordability analysis detailing the maximum and minimum

[1] Citizen's Housing and Planning Association, Guidance on Holding Lotteries for Chapter 40B Homeownership Developments, 2002. This piece was used as a reference in various sections throughout this document.

income required to purchase each homebuyer unit. Down payment, real estate taxes, mortgage insurance, condo fees, and rental income (in the case of small multi-family properties) must be taken into consideration, where applicable. For rental projects, a description of the income eligibility requirements should be clearly articulated including income guidelines, how income will be defined, and the criteria used for determining affordability. Minimum thresholds for determining basic qualifications include the following:

- Total household gross income cannot exceed 80% of the area median income as defined by the U.S. Department of Housing and Urban Development (HUD) for units to officially qualify as part of the town's Affordable Housing Inventory, but some programs specify other lower income thresholds. These income guidelines are updated annually and vary according to household size.
- If the program or the Comprehensive Permit requires the sale of affordable units to first-time homebuyers, a general rule is that the qualifying homebuyers should not have owned a home in the past three years from the time of application.
- In the case of homeownership, the buyers must have funds to cover down payments and closing costs, as determined by lending industry standards. This can be verified after the lottery result. Frequently, there are many more applicants than available units, and it makes more sense to process down payment and mortgage qualification items for the successful lottery applicants only. However, every applicant should have a lottery position (assigned a number) so that if any earlier applicants are determined ineligible, there will be assigned alternates to move up into those positions.
- It is generally recommended that buyer's income, in the case of homeownership, should be able to support at least 50% of the price of the home. No more than 50% of the purchase price should be provided in cash.
- The project sponsor, the developer and ZBA can choose to impose an asset limit if one is not already imposed through subsidy program requirements. The Local Initiatives Program (LIP) has a $50,000 asset limit. At a minimum, it is generally recommended that household assets over $5,000 be calculated as imputed income using the current HUD approved passbook rate (currently at 2%). See the attachments for information on asset calculations for other programs.
- Non-household members should not be permitted as co-signers of the mortgage.
- Household size should be appropriate for the number of bedrooms in the home such as those required by DHCD outlined in the following chart.

DHCD REQUIREMENTS FOR MATCHING UNIT SIZE BY HOUSEHOLD SIZE

Unit Size Based on Number of Bedrooms	Minimum Number of Persons	Maximum Number of Persons
SRO	1	1
0	1	1
1	1	2
2	2	4
3	3	6
4	4	8
5	5	10
6	6	12

For example, a one-bedroom unit can be sold or rented to a single person or a two-person household, if these persons are a couple or a single parent with an age appropriate child. A two-bedroom unit can be rented or sold to a two-person household that is not a couple or a three-person household. A three-bedroom or larger unit can be rented or sold to a three-person household that has no couple or a household with a couple and an acceptable number of age appropriate children. If the developer/sponsor cannot locate a household of appropriate size to match a particular unit, DHCD has the flexibility to consider matching the unit with a household of a smaller size. For this matching process, an adult is defined as someone 18 years or older. Also, children of the opposite gender may have separate bedrooms.

The process of pre-qualifying applicants involves a determination of whose income to count, a review and verification of income and a determination of whether this income falls within program guidelines. As mentioned above, as requirements vary somewhat from program to program, this marketing plan uses the HOME Program criteria for calculating eligibility as an example. Under HOME, communities have a choice of three definitions of annual income to determine whether households are eligible for participation in the HOME Program including 24 CFR Part 5, annual income as reported under the Census Long Form for the most recent decennial census, and adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 Series for individual federal annual income tax purposes. The HOME Program offers the flexibility of using any one or all three of the definitions in its entirety, however, it is essential that all applicants are treated equitably and that the same definition is used for any specific program or activity. For example, it may not use the Part 5 definition for one applicant and the Census Long Form for another in the same program.

1. *Calculating Annual Income: 24 CFR Part 5 Definition*

The annual income definition found under 24 CFR Part 5 is typically used by a number of Federal housing programs including Section 8, public housing and the Low Income Housing Tax Credit Program. Annual income is not only used to determine eligibility, but in some cases to determine the level of benefits. This definition has been commonly referred to as the Section 8 definition.

Determining Whose Income to Count
Program regulations typically require that the income of all adult family members be used in the determination of income, the HOME Program included. The Part 5 definition offers some additional guidance on this matter. For example, the earned income of minors (age 17 and under) is not counted. However, unearned income attributable to a minor such as child support, AFDC, and other benefits paid on behalf of a minor is included. Additionally, the income of unrelated live-in aides, paid by the family or a social service program, is not counted.

Family members living apart from the family must also be considered in the income verification process. The income of temporarily absent members of the family must be counted. However, the head of the household can determine whether to include the income of family members who are permanently absent from the family or to specify that the person is no longer a member of the household. If an adult student is counted as a member of the household in determining household size for income eligibility purposes, the first $480 of the student's income must be counted in the family's income. This $480 limit does not apply to a student who is head of the household or a spouse, as their full income must be counted.

Calculating Annual Income
The definition of annual income is the gross amount of income of all adult household members anticipated during the coming 12-month period. Annual income includes the following sources:

- The full amount of all job compensation including wages, salary, tips, bonuses, commissions, fees, etc. before any payroll deductions;
- Net income from the operation of a business or profession;
- Interest, dividends, and other new income of any kind from real or personal property;
- The full amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts;
- Payments in lieu of earnings such as unemployment and disability compensation, workers compensation and severance pay;
- Welfare assistance;
- Periodic and determinable allowances such as alimony and child support payments and regular contributions or gifts received from organizations or those living outside the home; and
- All regular pay, special pay and allowances of a member of the Armed Forces (if not exposed to hostile fire).

Income that is typically excluded for eligibility purposes includes the following:

- Income from children under 18 years of age, including foster children;

- Payments received for the care of foster children or foster adults;
- Lump-sum additions to family income such as an inheritance or insurance payment, capital gains and settlements for personal or property losses (except payments in lieu of earnings such as disability payments or workers compensation);
- Payments from family for medical expenses for any member of the household;
- Income of a live-in aide;
- Student financial assistance;
- Special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
- Earnings and benefits received from a variety of public programs (e.g., HUD training programs, resident service stipends, qualifying state and local employment training programs, amounts set-aside under a Plan to Attain Self-Sufficiency Program);
- Temporary, nonrecurring or sporadic income including gifts;
- Reparation payments paid to persons who were persecuted during the Nazi era;
- Earnings in excess of $480 for each full-time student 18 years or older (excluding the head of household or spouse);
- Adoption assistance payments in excess of $480 per adopted child;
- The earnings and benefits from those participating in the employment training and support services programs offered to public housing tenants through the Family Support Act of 1988;
- Deferred periodic payments through Social Security or SSI benefits received in a lump-sum or in prospective monthly amounts;
- Refunds or rebates received from a municipality for property taxes paid;
- Amounts paid by a state agency to a family member with a developmental disability for services and equipment to help the member remain in the home; and
- Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs (e.g., food stamps, Native American settlements Acts, tax credits).

A sample format for calculating annual income through the Part 5 definition allowed in the HOME Program is included as Attachment 3.

Under the Part 5 definition, rental income would also be computed into the determination of income from assets. Therefore, in the case of a homeownership project involving the sale of two- or three-family homes, the net income must be counted. Refer to Attachment 4 for an example provided by DHCD for calculating net income for a three-family house.

Calculating Assets

An asset is generally a cash or noncash item that can be converted to cash. Some programs require that families "spend down" assets before they can participate. The HOME Program, for example, has no asset limitation for participation. However, the income from assets is counted as part of a household's annual income. It is the income earned on an asset, such as interest on a savings account, that is counted for eligibility purposes not the entire amount of the asset. It is important to obtain clarification on this issue when calculating eligibility for a particular program or project.

Typically assets include the following:

- Cash held in savings accounts (use the current balance), checking accounts (use the average six-month balance), homes, safe deposit boxes, etc.;
- Cash value of revocable trusts available to the applicant;
- Equity in rental property or other capital investments estimated by the current market value less the unpaid balance on all loans secured by the asset and all reasonable costs (under the HOME Program the equity in one's principal residence is not considered in the calculation of assets);
- Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts;
- Individual retirement and Keogh accounts;
- Retirement and pension funds;
- Cash value of life insurance policies available to an individual before death;
- Personal property held as an investment such as jewelry, gems, special collections;
- Lump-sum or one-time receipts including inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements, etc.; and
- Mortgages or deeds of trust held by an applicant.

Those assets that are excluded from the calculation of income include:

- Necessary personal property such as clothing, furniture, cars, etc.;
- Interest on Indian trust lands;
- Assets not effectively owned by the applicant (such as when they are held in an individual's name but income benefits someone else who is not a member of the immediate household and who is responsible for income taxes incurred on the income of the asset);
- Equity in cooperatives in which the family lives;
- Assets not accessible to and that provide no income for the applicant;
- Term life insurance policies; and
- Assets that are part of an active business.

A sample format for calculating annual income from assets through the Part 5 definition allowed in the HOME Program is included as Attachment 5.

2. Calculating Annual Income: Census Long Form Definition

Every ten years, the U.S. Bureau of the Census conducts a complete enumeration of all residents in the United States. This process involves gathering extensive information about people and where they live through the use of a detailed questionnaire, referred to as the Long Form. A major section of this Long Form includes questions regarding household income, and the definition of annual income used in this Form can be used for determining annual income.

Determining Whose Income to Count

HOME Program regulations require that income of all family members be included in the determination of income, as do most other programs.

Calculating Annual Income

The list of income inclusions under this option is very similar to the list under the Part 5 definition. Additional inclusions are farm self-employment net income (after business expenses), railroad retirement income (before Medicare deductions). The income exclusions include the following:

- In-kind pay such as food, free rent, etc.
- Profit (or loss) of incorporated businesses owned by the applicant;
- Profit (or loss) of incorporated farm businesses owned by the applicant and amount of rent for any land;
- Refunds or rebates of any kind;
- Withdrawals from savings of any kind;
- Capital gains (or losses) from the sales of homes, shares of stock, etc.;
- Inheritances or insurance settlements;
- Any type of loan; and
- Assistance to pay for heating or cooling costs.

Calculating Assets

The primary difference between the Part 5 definition and the Long Form is the treatment of assets, the Long Form not requiring the same separate asset calculation. Nevertheless, certain income from assets still must be counted under the Long Form including:

- Interest;
- Dividends;
- Profit from royalties or real estate; and
- Income from payments from an estate or trust fund.

Some types of assets are not counted under the Long Form definition including:

- Withdrawals of savings;

- Capital gains (or losses) from the sale of homes, stock and other property;
- Insurance settlements; and
- Assets disposed for less than fair market value within two years prior to application.

Refer to Attachment 6 for a sample format for calculating annual income under the Census Long Form definition. It is very similar to that used under the Part 5 definition except the asset calculation piece is missing.

3. Calculating Annual Income: IRS Form 1040 Adjusted Gross Income Definition

Citizens of the United States and resident aliens with incomes above a certain level are required to file an income tax return to the U.S. Internal Revenue Service (IRS) annually. This tax return is officially called the Form 1040. The HOME Program uses the long form of the 1040, not the short form, known as the 1040EZ.

Like the other two definitions, the Form 1040 requires the reporting of certain kinds of income that are added together to obtain a gross income figure. The 1040 definition goes one step further by deducting certain categories of income to arrive at an "adjusted gross income" number. It is this adjusted figure that is used to determine eligibility in the HOME Program.

Determining Whose Income to Count

HOME Program regulations require that income of all family members be included in the determination of income, as do most other programs.

Calculating Adjusted Gross Income

Gross annual income includes the following sources:

- Wages, salaries, tips, etc.;
- Taxable interest;
- Dividends;
- Taxable refunds, credits or offsets of State and local income taxes;
- Alimony;
- Business income (or loss);
- Capital gain (or loss);
- Other gains (or losses) such as assets used in a trade or other business venture;
- Taxable amount of IRA distributions;
- Taxable amount of pension and annuity payments;
- Rental real estate, royalties, partnerships, S corporations, trusts, etc.;
- Farm income (or loss);
- Unemployment compensation;

- Taxable amount of Social Security payments; and
- Other income such as prizes, awards, winnings, fees, reimbursements for amounts deducted in previous years, rental income if not in the business of renting such property, and income from an activity not engaged in for profit.

There are only a couple of income sources that are excluded under this definition including child support, inheritances, and life insurance proceeds resulting from someone's death.

Once the gross annual income figure is computed the following deductions should be subtracted to arrive at the adjusted gross income number:

- IRA deduction;
- Medical savings account deduction;
- Moving expenses;
- One-half of self-employment tax;
- Self-employment health insurance deduction;
- KEOGH and self-employed SEP and SIMPLE plans;
- Penalty on early withdrawal of savings; and
- Paid alimony.

If an applicant's Form 1040 is less than six months old, adjusted gross income can be taken directly from this form, but the applicant must complete and sign an IRS From 4506 "Request for Copy of Tax Form". Also when using a filed form for determining adjusted gross income it is necessary to make sure that circumstances have not changed or are unlikely to change over the next 12 months, otherwise adjustments must be made. It is essential that all family members be represented through the use of the tax return.

Calculating Assets

The Part 5 requirement of a separate calculation of assets is unnecessary under the Form 1040 definition. However, income from certain assets must still be considered in calculating gross annual income including:

- Taxable interest;
- Dividends;
- Prizes, awards; and
- Gambling, lottery or raffle winnings.

Income from some types of assets is not considered under the Form 1040 definition including life insurance proceeds and inherited money or property.

A sample format for calculating adjusted gross income under the Form 1040 definition is included in Attachment 7.

4. Comparisons of the Three Definitions of Annual Income

The three most significant differences between the three definitions include:

- Child support payments are not included in the IRS Form 1040 definition of income;
- The Form 1040 allows the deduction of alimony payments; and
- Inheritances and insurance settlements are included in the Part 5 definition and not the others.

While the Part 5 definition does appear most cumbersome, this definition is typically used for rental housing programs. It was also the only process allowed prior to 1996, therefore many communities are now comfortable with this option, having well established forms and systems in place.

5. Anticipating Income

It can typically be assumed that current income will continue for another 12 months unless there are compelling verifiable reasons to believe otherwise and to adjust current levels.

6. Verifying and Assessing Income

Income must be verified by examining source documents such as wage statements, tax returns and interest statements. Programs can also develop their own verification forms as long as source information is secured and send them to third-party income sources (e.g., employers, Social Security Administration, public assistance agency) for verification. A variety of verification forms for the HOME Program are included as Attachment 8 including forms to verify employment, income from business, Social Security benefits, pension and annuities, Veterans Administration benefits, unemployment benefits, public assistance benefits, child support payments, alimony or separation payments, recurring cash contributions, income from military service, assets on deposit, and assets disposed. Additional forms related to the verification process include a program eligibility release form, which is a general consent form completed and signed by the applicant allowing the release of source income information, and a record of oral verification, which documents information received through conversations permissible under the HOME Program.

Additional verification forms for use with the Part 5 definition are included in Attachment 9. These forms verify full-time student status, medical expenses, transportation to medical treatment, prescription/nonprescription expenses, and child care/dependent care.

In addition to verifying income, it is also necessary to assess the information received in calculating income. For example, it is important to understand the basis on which employees are paid – hourly, weekly or monthly, with or without overtime. An employee who provides a pay stub and says he is paid twice a month may be paid 24 times a year or every two weeks at 26 times a year. It is also important to determine whether overtime is sporadic or predictable in calculating income. Additionally, an annual salary is counted as annual income despite payment schedule – a teacher 's annual salary is a certain amount whether paid on a 9-month or 12-month schedule.

7. Comparing Annual Income to Published Income Limits

Once income has been established and verified, it must be compared to the income requirements for the particular program/project to determine eligibility for participation in that activity. HUD annually publishes the median income level for each metropolitan area and makes adjustments by family size and percentage of median for particular programs. The 2002 figures were recently released by HUD for the Boston metropolitan area and are as follows:

HUD Income Limits as of January 2002
For Boston Metropolitan Area
Percent of Area Median Income by Family Size

% of Median Income	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
30%	$15,600	17,800	20,050	22,250	24,050	25,800	27,600	29,480
50%*	$25,950	29,700	33,400	37,100	40,050	43,050	46,000	48,950
60%	$31,140	35,640	40,080	44,520	48,060	51,660	55,200	58,740
80%**	$40,800	46,650	52,500	58,300	63,070	69,650	72,300	77,000

Fiscal year 2002 median family income = $74,200
* Referred to as the very low income limit
** Referred to as the low income limit

The first thing to do is determine family size making sure not to count the following household members for income limit purposes:

- Foster children;
- Live-in aides;
- Children of live-in aides;
- Unborn children; and
- Children being pursued for legal custody or adoption who are not currently living with the household.

To compare a household's annual income to the above HUD income limits it is essential to find the column that corresponds to the number of persons in the household then compare the verified income of the household with the appropriate income limit for that household size. For example, the HOME Program requirement for participants in a first-time homebuyer program is 80% of area median income; therefore a four-person household must have an annual income at or below $58,300. Alternatively, participation in a HOME Program rental project requires that 90% of occupants have incomes at or below 60% of median income and at least 20% of the HOME-assisted units in a project of five or more HOME-assisted units must be occupied by households earning at or below 50% of median income. Therefore, a three-person household in a HOME-assisted rental project would have to earn at or below $40,080 (60% of area median income) or $33,400 (50% of area median income) to qualify for participation, depending on the project configuration.

8. Calculating Adjusted Income (Rental Projects Only)

For HOME-assisted tenant based rental projects, annual income is used to determine eligibility as discussed in Section III.B.7 above, and adjusted income is used to calculate the amount of subsidy an eligible household can receive. This adjusted income is used to determine total tenant payment (TTP), which is a measure of a household's ability to pay housing costs. Under the HOME Program adjusted income is needed for calculating the following:

- The subsidy and tenant's share of rent under a HOME-funded tenant based rental assistance program, calculated when the tenant first receives assistance and whenever income is recertified;
- The rent for a tenant in a HOME-assisted rental unit whose income increases above 80% of median income; and
- A household's eligibility and amount of assistance provided in cases of needed relocation.

Under HOME rental housing programs, the rent is calculated not by ability to pay, but according to the "high" or "low" HOME rents that are established for each unit in the project, the family paying the specified rent established for the unit they will occupy. HOME Program regulations do allow programs to use rents are based on an household's ability to pay, however, adjusted income must still be used in its rent calculation. Adjusted income must be used regardless of which definition is used to determine initial eligibility.

Adjusted income is calculated by subtracting any of five deductions (or allowances) that apply to the household from the annual gross income. Not all households are eligible for all deductions, but are determined by whether the household qualifies as elderly, disabled or a family (non-elderly, non-disabled). An elderly household is defined as the head of household, spouse or sole member who is 62 years of age or older; two or more persons who are at least 62 years of age and live together; or one or more persons at least 62 years of age who are living with one or more aide(s). A disabled household is defined as one in which the head, spouse or sole member is a person with disabilities; two or more persons with disabilities living together; and one or more person with disabilities living with one or more live-in aides.

The applicable deductions by type of household are presented in the following table.

Allowable Deductions by Household Type

Deduction Permitted	Elderly or Disabled	Non-elderly Non-disabled/Family
Elderly or Disabled Household	*	
Dependent	*	*
Child care	*	*
Medical expenses	*	*
Disability assistance expenses	*	*

* Refers to an allowable deduction

The deductions are calculated as follows:

- *Elderly or Disabled Household Deduction*
  A household that meets this definition is entitled to a deduction of $400 per household from annual income.

- *Dependent Deduction*
  A deduction of $480 from annual income for each household dependent is allowed. HUD defines a dependent as any household member who is not the head, co-head or spouse, but is under the age of 18 years or disabled (of any age) or a full-time student (of any age).

- *Child Care Expenses Deduction*
  Reasonable child care expenses can be deducted from annual income for the care of a child age 12 or under if they enable an adult family member to actively seek employment, be gainfully employed or further his/her education and if the expenses are not reimbursed. Child care expenses cannot exceed the income generated by that household member. Also, documentation is required to identify children to be cared for; identify the family member who is enabled to work, look for work or go to school because of the child care; demonstrate that no other adult household member is available to care for the child; and identify the child care provider and cost information.

- *Medical Expenses Deduction*
  Elderly or disabled households that have no disability assistance expenses may claim medical expenses in excess of 3% of annual income. Allowed medical expenses include all medical expenses anticipated to be incurred

during the coming year that are not covered by insurance. Some anticipated expenses can be documented such as Medicare and other medical insurance premiums, ongoing prescriptions and payment agreements for accumulated medical bills. Using the previous year's medical bills is not appropriate because some previous medical problems are unlikely to reoccur and some new problems may develop. But the previous year's history is a useful basis for projecting the next year's costs. Allowable medical expenses are established at the time of income certification, and a household may request a reexamination of medical expenses in the case of a major illness or emergency. While medical expenses are permitted only for elderly and disabled households, once a household qualifies as an elderly or disabled household, the medical expenses of all household members are considered.

- *Disability Assistance Expenses Deduction*
  Disability assistance expenses can be deducted from annual income to the extent they exceed 3% of annual income, recognizing the expenses related to the care of a disabled family member. Disability assistance expenses may include costs associated with a care attendant and/or auxiliary apparatus that enable a household member, including the disabled member, to work. Expenses can only be deducted if they are reasonable, are not reimbursed from another source such as insurance, do not exceed the amount of income generated by the person enabled to work, and are in excess of 3% of annual income.

When both medical and disability expenses apply, the allowable amount is the combined expenses that exceed 3% of annual income.

A sample format for calculating adjusted income is included in Attachment 10.

9. Calculating Affordability

Rental Projects

Once it is determined that a household's income is within HUD limits adjusted by family size, the area and the income level assigned to a particular unit (50% versus 60% of area median income), it is necessary to establish that the household can afford the project rent. The general rule of thumb is whether 30% of the household's adjusted monthly gross income (refer to Section III.B.8 above) can cover the rent. If this 30% figure is less than the specified rent the household cannot afford the unit unless a rental assistance payment can be secured through either the Section 8 Program, HOME or other rental subsidy program.

Even those households who apply for market rate units in a sponsored mixed-income rental development must demonstrate that 30% of their adjusted monthly (gross) income covers the projected rent.

Homeownership Projects

After it is established that a household's income is within 80% of area median income, adjusted by family size, a determination must be made as to whether the household can afford the unit to be sold within a particular project. Affordability is based on the housing expense to income ratio used, credit history, and the terms of the mortgage.

The typical underwriting standard is that housing expenses should be no more than 28% to 29% of the borrower's income for conventional mortgages, including principal, interest, taxes and insurance (PITI). Other housing-related expenses include condominium fees and private mortgage insurance, if applicable. Many financing programs developed specifically to assist first-time homebuyers have somewhat relaxed underwriting standards allowing borrowers to spend up to 30% to 33% of income for housing and permit a debt to income ratio of 38% or higher.

Also, in order to qualify for a mortgage, a household must meet the credit history requirements of the underwriters. If there are significant credit problems, lenders typically require two years of good credit before they will provide financing.

The types of financing vary considerably including the amounts of down payment required, the mortgage term, whether private mortgage insurance is required, and the interest rate. It is typically necessary to come up with 5%, 10% or 20% of the purchase price as a down payment plus cash for closing costs and a two-month reserve of mortgage payments. With the exception of the Soft Second Loan Program, most lenders require private mortgage insurance with down payments of less than 20%, adding to a household's monthly housing expenses. Some mortgage programs directed to first-time homebuyers offer much lower interest rates, such as 3% for the FHA Program and even 0% for some Fannie Mae mortgages and the State's new financing program for municipal employees.

If the property to be purchased includes a rental unit, then some portion of the projected rental (usually calculated at 75% of projected rent) is added to the applicant's gross income in terms of determining whether the household will be able to afford to purchase the unit.

Several examples of incomes required for affordable homeownership opportunities

A household would need an income of approximately $35,400 to afford a $120,000 single-family home, assuming the following:

- 7% interest on a 30-year fixed rate mortgage with no points;
- 5% down payment requirement;
- Residential property tax rate of $11.19;
- Insurance of $1.25 per $1,000 of combined valuation of dwelling (value x 0.5), personal property ($100,000 fixed), and personal liability ($100,000 fixed); and
- An underwriting ratio of 30% of housing expenses to income.

A two-family house selling for $175,000 would require $22,500 in annual income, assuming a rent of $1,000 (75% counted for underwriting purposes or $750) using the above assumptions. The rental income from the two-family house makes this type of housing extremely affordable as compared to the single-family.

An affordable condominium selling for $125,000 would require an income of $42,800 assuming monthly condo fees of $150.

The State's Soft Second Loan Program also has specific underwriting criteria that it uses for calculating affordability. These guidelines are included in Attachment 11.

10. Calculating Assistance Amounts (Rental Assistance Projects Only)
Localities have some discretion in the determination of amounts of assistance that can be provided to households receiving rent subsidies through the HOME Program. The subsidy cannot be greater than the locality's payment standard (rent standards by unit size such as HUD Fair Market Rents or 110% of Fair Market Rents if approved) and 30% of the household's adjusted monthly income. The locality should also specify a minimum tenant contribution, usually 10% of monthly gross income.

11. Certifying Income (Rental Projects Only)
Once an applicant is determined to be income eligible, he/she must received income certification before assistance can be provided. This certification process should not be completed too far ahead of projected occupancy or the commencement of assistance, to avoid becoming outdated. Typically, the HOME Program requires that certification be conducted no earlier than six months before assistance is required.

12. Recertifying Income (Rental Projects Only)
Income certifications are conducted at the time eligibility is initially determined, but in the case of benefits for rental projects, income recertification is required on an annual basis – one year from the start of assistance or last recertification date (the "anniversary" date). To meet this timetable the actual recertification process should begin 60 to 90 days prior to the anniversary date to insure that all information is secured on time. The information that is required for recertification can be secured through one of the following three methods:

- A review of the same source documentation, updated for the current year, which was used for initial certification.
- A written statement from the household regarding their current household size and income. Household's must certify that this information is complete and accurate and state that they will provide all necessary source

documentation upon request. However, every sixth year all source documentation must be reviewed for each participating household.

- A written statement from another governmental agency that also provides the household with benefits indicating current household size, income and that this income does not exceed the income eligibility limits. Every sixth year all source documentation must be reviewed for each participating household.

IV. Resident Selection Process

It is important for any sponsoring organization/locality to develop a clear and fair selection policy that has the advantage of input from the community and those institutions involved in financing the project/program. Some policy considerations that should be debated locally include:

- *Should there be a local preference and how should this be defined?* As a general rule the State will allow a locality to set-aside a certain proportion of units for those who have some connection to the community. The State will usually approve a community preference set-aside of up to 70% of the units per the requirements of the Local Initiatives Program (LIP). It is important to obtain clarification on this percentage from the funding agency as only 50% was permitted for a project in Brockton. The community should determine what groups should be considered for inclusion in the community preference category potentially including current residents (documentation of residency should be provided such as rent receipts, utility bills, census listing or voter registration listing), children or parents of current residents, municipal employees, Metco families, those who have graduated from area schools, applicant or co-applicant born in the community, other employees working in the community, etc.

- *Should there be a preference for applicants who receive homebuyer counseling?* Many localities require that all applicants for homeownership projects complete and receive a certificate from a homebuyer counseling workshop conducted by an organization or institution that has received accreditation from the Massachusetts Housing Finance Agency (MHFA), Massachusetts Housing Partnership Fund (MHP), U.S. Department of Housing and Urban Development (HUD), and/or Citizens Housing and Planning Association (CHAPA). Many nonprofit housing development organizations are conducting these workshops throughout the state as well as area banks. A list of MHFA certified housing counseling agencies is included in Attachment 12. In Belmont's case, it will be useful to make contact with the Waltham Alliance to Create Housing Community Development Corporation (WATCH CDC), which is also an accredited MHP (for Soft Second Loan Program) and CHAPA counseling agency or Watertown Community Housing, Inc. Other approved counseling agencies in close proximity to Belmont to which potential applicants can be referred include Just a Start and Homeowners' Rehab in Cambridge.

- *Should there be preference for families?* Once again, it is important to understand the market and what types of households you are targeting for any particular project. Many localities specify in their outreach plan and program requirements that they have a strong preference for families as opposed to individuals, particularly if the unit sizes are larger. For example, it is appropriate to state a preference for families when marketing a small new homes development for first-time homebuyers. On the other hand, the creation of one-bedroom units or studio spaces suggests a priority for individuals or couples that should be specified in program requirements and outreach materials. One way of dealing with this issue is to state a priority for households that have at least as many people as bedrooms.

- *How can the project encourage diversity?* Communities also can determine whether they would like to set-aside additional units for members of minority groups. Minority classifications are: Native American or Alaskan Native, Asian or Pacific Islander, African-American, Hispanic/Latino, or Cape Verdean. If a community chooses to have this option, it should work closely with DHCD to comply with regulations and standards. For example, Brockton has set-aside 10% for pre-qualified minority applicants in addition to the approved 50% community preference for a small new homes project for first-time homebuyers. If a locality decides to include a preference for people with disabilities, Chapter 151B of Massachusetts General Laws defines a person with a disability as any person who: 1) has a physical or mental impairment which substantially limits one or more major life activities; 2) has a record of such impairment; and 3) is regarded as having such an impairment.

When debating these issues it is important to keep in mind the following State guidelines:

- The selection process cannot exclude non-residents, and the community must create a pool of non-resident applicants who are eligible for the available housing.
- Communities that establish a community preference set-aside must also create an affirmative action or minority set-aside unless the locality can demonstrate that it is sufficiently diverse racially so that the community preference will not have a negative impact on minority participation.
- DHCD will give higher consideration to communities that establish wider applicant pools when scoring applications for State funding programs.

The methodology chosen to select program/project beneficiaries should be detailed in writing and described in a lottery and affirmative marketing plan to be submitted to the agency that will be monitoring the selection process (e.g., funding agencies such as DHCD, MHP, MassHousing). Information should include the parties responsible for each task, how the units will be assigned, definitions of each pool, all priorities for consideration in each pool, date and place of the lottery, how names will be pulled, and the applicant notification procedure. Other items that should be included in this document include the following:

- Sales prices of the affordable units,
- Maximum income eligibility and size of households applying for the affordable units,
- Marketing and outreach plan to ensure affirmative fair marketing is being undertaken,

- Deed riders specific to a municipality's terms, and
- Sample advertisements to be used and list of publications where ads will be placed.

Prior to submitting the plan to the monitoring agency, the project or program sponsor should make sure that the municipality (Housing Trust, ZBA or other designated Board or Committee) and developer, if applicable, has an opportunity to review and approve it. Once these parties and the monitoring agency approve the plan, the project sponsor should receive a written letter of approval from the monitoring agency. In the case of a Chapter 40B project, the lottery should be conducted after the expiration of all appeals of the Comprehensive Permit and other required permits, such as but not limited to the following:

- Zoning Board of Appeals
- Conservation Commission
- Sewer extension permits
- MEPA
- Water permits
- Title V permits

If the project does not involve a Chapter 40B permit, the lottery should be conducted after all building permits have been secured and construction is ready to begin. Implementation of the lottery activities should be scheduled approximately four to six months prior to the anticipated date of occupancy of the first affordable home. Time is needed for special outreach, advertising, and conducting homebuyers workshops, review of homebuyer applications and completion of the mortgage approval process. The mortgage application process is typically conducted after the lottery unless lenders are involved in determining eligibility and provide mortgage pre-approval. Larger developments (50 or more units) may require more than one lottery, particularly if a project is being built in phases and may necessitate changes in sales prices and income guidelines. If the lottery will occur in phases, the monitoring agency must approve the adjusted sale prices and any other modifications to the marketing plan. It is also important to note that income verification must occur within a certain period of time to remain viable, typically six months of date of occupancy, or updated income documentation will be required to recheck eligibility.

The Belmont Housing Trust has already grappled with these issues in the development of its draft inclusionary zoning ordinance, which includes the following definition of community preference:

> "To the extent practicable, Belmont residents shall be given preference for 70 percent of the affordable housing units created under this bylaw."

And a Belmont resident is defined as:

> "a. An individual or family maintaining a primary residence (resides in property at least nine months out of the year) within the Town of Belmont; or

b. An individual who is employed at least 30 hours per week within the Town of Belmont; or

c. A parent or guardian with children attending the Belmont public schools; or

d. A person who, within the ten years immediately preceding application for a Belmont affordable housing unit, actually attended the Belmont public schools."

As is the case with outreach and the application process, the methodology chosen to select program/project beneficiaries should be detailed in writing. Information should include the parties responsible for each task, how the units will be assigned, definitions of each pool, all priorities for consideration in each pool, date and place of the lottery, how names will be pulled, and the applicant notification procedure.

A. Creating Pools of Pre-Qualified Applicants

After the selection criteria have been determined, as discussed above, and once all required information has been received, each pre-qualified applicant should be assigned a number if selecting applicants through a lottery. Typically, communities have at least two drawing pools – one for at large applicants (those applicants who are not eligible for preference) and one for local preference applicants (usually up to 70% of the affordable units). However, some communities want to establish additional pools. For example, if a project established a community preference standard of 60% and a minority preference of 10%, three pools would be created – one for racial minorities, one for those who meet the requirements of the community preference pool, and a third for all other applicants. The first pool would include all those applicants that are defined as belonging to a racial minority group, and the winners of 10% of the units would be drawn from this pool. The remaining applicants in this minority pool would then be divided into either the community preference pool or the other pool, depending on the definition for receiving community preference. The winners of the next 60% of the available units would then be drawn from the community preference pool. Then the remaining applicants from the community pool would be combined with the at large pool and the winners of the remaining 30% of the units would be selected. After all available units have been matched with lottery "winners", the drawing of names should continue with each applicant receiving an assigned number regarding the order of the draw and its place in the lottery selection process if and when alternates are required.

Additionally, separate pools can also be established by income range. For example, specified numbers of units can be made available to particular income ranges to accommodate a range of incomes in a project as long as Chapter 40B or other relevant program requirements are satisfied. Separate pools of pre-qualified applicants would be created by income range and the winners selected within each of these income pools. If it was determined to also build in a community preference and/or minority preference pool(s), these separate pools would have to be established within each of the income pools. Additionally, there may be different house types and the locality may also want to offer applicants a preference on type of home (e.g., single versus two-family, design, two versus three bedroom). This preference can be undertaken by further coding the applicants in any particular pool. For example, single-family homes preferences can be coded with a red sticker and two-family with a blue sticker in envelopes that are inserted in the various pools.

B. Conducting the Lottery Process

The lottery should involve collaboration between the municipal entity designated by the Town and the developer or project sponsor. The actual lottery process must be conducted openly and publicly announced, to insure that there are no questions concerning legitimacy. Localities vary with respect to how the lottery is conducted. For example, those communities that have extensive lists of pre-qualified applicants have computerized their system to establish the pools and to randomly select applicants who will then be notified that they have been selected. Most projects are smaller and do not warrant the creation of a special computerized system. These are likely to be the type of projects in which Belmont will be involved. The project sponsor will be responsible for processing the applications and then coding the pre-qualified applicants and dividing them into the appropriate pools.

V. Post-Selection Support Process

Once project beneficiaries have been selected, follow-up is essential to insure that the winners have adequate information concerning how and when they can receive program benefits or occupy their assigned unit. Once again the specifics of this support process should be put in writing including who is responsible for each task and the timeframe for providing benefits or occupancy.

A. Homeownership

Once the lottery has been completed and all pre-qualified applicants have been assigned a lottery number, winning applicants should be given a time period in which they must apply and receive approval for a mortgage – usually three weeks to 30 days. This notice as well as all other post-lottery instructions should be presented to the prospective purchasers in writing. Most projects allow lottery winners to choose the lender of their choice, however, some projects identify a particular lender that is providing mortgages at particularly advantageous rates or terms specifically for the project. Lenders should be able to review the deed rider, which contains the long-term affordability restrictions.

When the lender provides a preliminary approval, the applicant should be instructed in writing to contact the project sponsor to enter into a Purchase and Sale Agreement. The executed Purchase and Sale Agreement is submitted to the lender who then will issue a firm financing commitment.

Prior to a Purchase and Sale Agreement being executed, the project sponsor should submit each applicant's income documentation to the monitoring agency. Income verification should include tax returns from the past year (for some programs federal tax returns from the past three years are required) and five most recent pay stubs. The monitoring agent will then verify that the household's income does not exceed 80% of the area median income according to household size or other income requirement pursuant to program regulations.

Deed restrictions will also have to be finalized that typically limit resale prices to maintain the unit as affordable for a specified period of time into the future and enforce other program terms and conditions. The project sponsor should also submit the signed deed rider to the monitoring agent. The Belmont Housing Trust has defined deed restriction as follows in its draft inclusionary bylaw:

> "A provision, acceptable in form and substance to the Town of Belmont, in a deed to real property that runs with the land in perpetuity or for the longest period of time allowed by law, so as to be binding on and enforceable against any person claiming an interest in the property. Any restriction created under this bylaw shall survive any bankruptcy, insolvency, or other action, and shall not be subject to nullification for any reason."

Examples of deed restrictions that have been used in other localities are included in Attachment 13. It should be noted that because of escalating market values, many localities are choosing to use deed restrictions that are indexed to HUD's median income figures instead of market values. One member of the Belmont Housing Trust suggested that the deed restriction might include a provision that would give the Town or Housing Trust the right of first refusal if a property comes up for sale. The Town/Housing Trust would then have control over the resale of the unit, ensuring that all resale requirements are strictly enforced without the possibility of side deals between the sellers and new owners.

The Town should also consider strategies for helping the first-time homebuyers remain in their homes over the long-term. A number of nonprofit organizations have specific programs to help sustain homeownership including foreclosure prevention counseling, and the Housing Trust can provide information and referral to such programs and services for all program beneficiaries. The Housing Trust can also reach out to the first-time homebuyers on a regular basis as a friendly way to find out how they are doing and whether they may require any special support.

B. Rental

Households selected for a rental project should receive clear written instructions regarding the execution of a lease, all specific project requirements such as income recertification and the projected time of occupancy.

The HOME Program does not have any standard lease for consideration. One particular item that is not standard to any other Massachusetts lease is that the HOME Program requires a 30-day notice prior to starting an eviction proceeding regardless of the reason for the action – the standard lease is approximately 14 days in the case of nonpayment of rent. Also, most affordable housing leases specify the requirement of annual income recertification.

The most important contributing factor to the long-term success of any rental development involves the quality of property management. In developing a rental project, the track-record of the property management team must be carefully scrutinized. Additionally, project amenities and good design serve as good incentives for keeping tenants in place.

VI. ATTACHMENTS

ATTACHMENT 1

Potential Contacts for the Outreach Process

Belmont Housing Trust
Art Heron, Chair
864-2400

Belmont Fair Housing Committee
Roger Colton, Chair
489-4569

Belmont Housing Authority
Donna Hamilton, Executive Director
484-2160

Belmont Against Racism
Bev Freeman, Chair
489-0042

Belmont League of Women Voters
Pat Dinneen, Chair
489-3457

Belmont Metco Program
Roz Johnson, Coordinator
489-7708

Belmont Clergy Association
Rev. Cheryl Minor, All Saints Episcopal Church
484-2228

Belmont Citizens Forum
Jim Graves, President
484-5057

Town of Belmont
Mel Kleckner, Town Administrator
489-8213

Belmont Council on Aging
Nava Niv-Vogel, Director
484-5501

West Suburban Elder Services
Sue Temper, Director
617/926-4100

Belmont Center Business Association
Jerry Dickhaut, Champion Sporting Goods
489-4930

Cushing Square Business Association
Steve Savarese, Adams Century 21
489-6900

WATCH CDC
Jennifer VanCampen, Executive Director
781/891-6689

Watertown Community Housing, Inc.
617923-3505

Just-A-Start
Gordan Gottsche, Executive Director
617/494-0444

Homeowners' Rehab
617/868-4858

Boston Fair Housing Commission
Michael Grant, Metro List Coordinator
617/635-4408

Boston Black MBA Association
617/989-0331

Local Lenders
Mary Green, Assistant Treasurer, Belmont Savings Bank
489-6722

James Barwell, Vice President and Senior Lending Officer,
Watertown Savings Bank
617/972-9316

Julie Connolly, Vice President and CRA Officer, Citizens Bank and Trust Company
617/725-5895

Encore Bank (no branch manager at this time)
484-2012

Margaret Keady, CRA Officer, Cambridge Savings Bank
617/864-6700

Sushil Tuli, President, Leader Mortgage Company
781/648-7900

Timothy Tuttle, Mortgage Account Executive, East Cambridge Savings Bank
354-7700

Anthony Visco, Senior Vice President, Medford Savings Bank
781/893-6488

Local Realtors
Katherine Brown, Hunneman Coldwell Banker
484-5300

Art Heron, American Dream
864-2400

Gerard Natoli, Natoli Real Estate
484-1900
Steve Savarese, Adams Century 21
489-6900

ATTACHMENT 2

Sample Application
(Purchaser Application for Phase One of the Pleasant/Prospect Homeownership Program Sponsored by the City of Brockton)

ATTACHMENT 3

Sample Format for Calculating Annual Income Through the Part 5 Definition

ATTACHMENT 4

Example of Calculating Net Income for a Three-family House

ATTACHMENT 5

Sample Format for Calculating Annual Income from Assets Through the Part 5 Definition

ATTACHMENT 6

Sample Format for Calculating Annual Income from the Census Long Form Definition

ATTACHMENT 7

Sample Format for Calculating Adjusted Gross Income From the Form 1040 Definition

ATTACHMENT 8

Sample Income Verification Forms for the Part 5 Definition

ATTACHMENT 9

Sample Expense Verification Forms for the Part 5 Definition

ATTACHMENT 10

Sample Format for Calculating Adjusted Income

ATTACHMENT 11

Underwriting Criteria for the State's Soft Second Loan Program

ATTACHMENT 12

MHFA Certified Homebuyer Counseling Agencies

ATTACHMENT 13

Examples of Deed Restrictions Used by Other Localities