

PROPOSED WATERTOWN FY10 ANNUAL ACTION PLAN

Executive Summary

Program Year 5 Action Plan Executive Summary:

Watertown

- Priority #1: Increase the number of affordable rental and homeowner units for low- and moderate-income households.
- Continue to negotiate with developers for the provision of affordable units within proposed residential developments.
 - Provide HOME funds from the Affordable Housing Development Fund for 1060 Belmont Street an affordable housing development.
 - Continue to fund first-time homebuyers program.
 - Provide operating expenses to the local CHDO.
- Priority #2: Preserve existing affordable units in small structures through rehabilitation, de-leading, expanding accessible housing and helping the elderly stay in their homes.
- Seek to fund a housing rehabilitation program.
 - Continue to participate in the "Get the Lead Out" program.

Specific Housing Objectives

1. *Describe the priorities and specific objectives the jurisdiction hopes to achieve during the next year.*
2. *Describe how Federal, State, and local public and private sector resources that are reasonably expected to be available will be used to address identified needs for the period covered by this Action Plan.*

Priority #1: Increase the number of affordable rental and homeowner units for low- and moderate-income households

- Inclusionary zoning
In FY10, the Town, through its Housing Partnership, will continue to negotiate with developers for the provision of affordable units within proposed residential developments. The Town will finalize the negotiations for off-site affordable units or a cash payment to the Watertown Affordable Housing Development Fund for 4 units as a result of Bell Tower Estates and 134 Mount Auburn. In addition, preliminary plans for 2 large residential developments- Nalley Estates and 140 Pleasant Street- may provide up

to 7 additional affordable units. The Town revised and strengthened the Inclusionary Zoning Ordinance. A significant change is the requirement that developers list the affordable units in DHCD's Subsidized Housing Inventory.

- Housing development

During FY10, the Town of Watertown is allocating its FY10 Affordable Housing Development Fund to 1060 Belmont Street. This project addresses Watertown's HOME program local objective and priority need of providing housing opportunities for very low-, low- and moderate-income renters as identified in the FY06-10 Consolidated Plan. This \$5.08 million dollar project will consist of 18 affordable rental units purchased, redeveloped and managed by Watertown Community Housing. The project has been financed through multiple sources of funds - federal, state, local and private financing. However, because of the downturn in the economy, the tax credits traditionally used for this type of project are no longer available and additional HOME funds are needed.

As with other projects, part of the marketing effort for these units will be towards Watertown Housing Authority residents, thereby making additional public housing units available. The affirmative marketing plan for this project includes activities such as distributing news releases to local and minority newspapers and cable television stations; sending marketing materials to first-time homebuyer class attendees; and providing fliers to local community groups, places of worship, social service agencies, public housing authorities, minority organizations, real estate brokers, municipal buildings and other locations such as banks and supermarkets. The Town and Watertown Community Housing will continue to identify additional affordable housing development opportunities during FY10.

- First-time homebuyers program

The Town and Watertown Community Housing will continue to affirmatively market the First Home program to households in Watertown and throughout the greater Boston area to units resulting from the Town's inclusionary zoning. Marketing is conducted through area minority newspapers and local newspapers, churches, local cable television stations and Boston Metrolist, a central listing for low-income and minority tenants. The Housing Authority also conducts its own affirmative marketing using a state-approved affirmative marketing plan.

The Town has and will assist first-time homebuyers in the financing of local inclusionary zoning units through its CHDO, Watertown Community Housing (WCH). WCH serves as the marketing agent and lottery conductor for the affordable units.

- Community Housing Development Organization

The Town of Watertown will commit \$10,494 of its HOME funds to the operating expenses of Watertown Community Housing, the local CHDO whose efforts are invaluable in addressing the barriers to affordable housing. The organization runs the First Home program, the Home Improvement Program and oversees the development of affordable housing projects. It is a prominent activist in the affordable housing field.

Outcome Measure:

Objective: Providing decent housing

Outcome: Improving availability of accessibility of units or services

Indicators will include:

- Resources leveraged
- Number of households assisted
- Income levels of household
- Race, ethnicity and disability of households served

For new rental units

- Number of rental units constructed, including total number of units; number of affordable units; number of Section 504 accessible units; number subsidized by program; number of years of affordability guaranteed; number of units for persons with HIV/AIDS; and number of units for homeless persons and families.

For homeownership units constructed, acquired, and/or acquired with rehabilitation:

- Number of homeownership units constructed, including the number of affordable units; number of years affordability guaranteed; number meeting International Building Code Energy standards; number using Energy Star standards; number made Section 504-accessible; number of households previously living in subsidized housing; number of affordable units occupied by elderly; number of affordable units specifically designated for persons with HIV/AIDS; number of affordable units specifically designated for homeless and chronically homeless.

Priority #2: Preserve existing affordable units in small structures through rehabilitation, de-leading, expanding accessible housing, and helping the elderly stay in their homes

- Housing rehabilitation

During FY09, the Town reapplied for funding under DHCD's CDBG funding for housing rehabilitation. The program, if funded, will provide housing services to Watertown's elderly homeowners through the delivery of three distinct housing services:

- Stay in Place – a home improvement program that will provide approximately 10 deferred loans to income eligible elder homeowners who need modifications to their homes to safely and efficiently remain in their home. Such modifications may include: egress or bathroom modifications and energy efficiency improvements. It is anticipated that 5-10 loans will be made in the 18 month program period.
- Rental Rehabilitation Program – a rental improvement program that will provide approximately 10 deferred loans to income eligible elders who have underperforming rental units. The goal is to increase the economic self-sufficiency of the property owner by increasing their rental income. 5-10 loans will be made in the 18 month program period. Rental units assisted by the program have 15-year affordability restrictions placed upon them, thus furthering the number of affordable units.
- Your Housing Options workshops – a series of workshops open to all Watertown elders which will identify housing options available to seniors thinking about making a change in their housing situation – such as staying in the current home; moving to a public or privately subsidized housing development; or increase economic self sufficiency by renting underperforming rental property.
- De-leading
The Town of Watertown participates in the "Get the Lead Out" program administered by the Massachusetts Housing Finance Agency (MHFA). This program will continue to be offered. Staff will also be attending lead paint training.

Outcome measure:

Objective: Providing decent housing

Outcome: Improving availability or accessibility of units or services

Indicators will include:

- Resources leveraged
- Number of households assisted
- Income levels of household
- Race, ethnicity and disability of households served
- Number of rental units rehabilitated; number of affordable units; number section 504 accessible; number of units created through conversion of nonresidential buildings to residential buildings; number brought from substandard to standard condition (HQS or local code); number qualified as Energy Star; number brought into compliance with lead safe housing rule; of those affordable, number occupied by elderly; of those affordable, number subsidized with project-based rental assistance (federal, state or local program); number of years of affordability; number of housing units designated for persons with HIV/AIDS, including those units receiving assistance for operations; number of units for chronically homeless persons with HIV/AIDS; number of units of permanent housing for homeless persons and families, including those units receiving assistance for operations/of these units, the number for the chronically homeless

Barriers to Affordable Housing

1. *Describe the actions that will take place during the next year to remove barriers to affordable housing.*

In Watertown, the high cost of construction, the high cost of acquiring housing and the scarcity of vacant land are all major obstacles to creating additional affordable housing units. This has situation has been exacerbated with the downturn in the economy. Watertown does have an inclusionary zoning ordinance which requires developers of projects with more than five units to provide 10 percent of the units as affordable. In addition, with the revision of the Watertown Zoning Ordinance, Watertown Inclusionary Zoning efforts were strengthened by requiring developers to list the affordable units in DHCD's Subsidized Housing Inventory.

Barriers to affordable housing include:

- Lack of development sites—limited availability and high cost of parcels
Watertown has limited parcels of vacant land and only a few parcels that are suitable for redevelopment for housing. Whatever land is available has become very expensive. The high purchase prices for a recent affordable housing development in two two-family dwellings makes the development and provision of fair and affordable housing very difficult. The lack of developable land is also an issue in Watertown. Although there may be some potential large developments on former industrial land in the future, currently, it is mostly small projects scattered throughout the Town that are essentially redevelopment or rebuilds of existing properties. Watertown's land use by zoning district consists of 56.6 percent residential, 5.2 percent business, 19.1 percent industrial and 19 percent open space/conservancy.

- Environmental issues
An additional barrier to finding suitable sites for housing is environmental concerns. As mentioned above, the only potential for large developable parcels are the reuse of former industrial land. The former uses of these sites have created environmental problems that need to be resolved before they are suitable for housing. This adds costs and time as an additional barrier to their reuse as housing. For example, several developers have looked at the Haartz Mason site and found dimensional constraints and environmental problems which, to date, have made it too expensive to develop.
- Impact fees
Impact fees are generally negotiated with a developer as the project proceeds through the development process. For instance, recently, Beacon Properties agreed to pay for roadway improvements and traffic signals. Negotiating impact fees mitigates this issue.
- High cost of housing—ownership and rental affordability gap
As noted in previous sections, the cost of buying and renting is unaffordable for many Watertown residents. Discussion with local banks reveals that the current housing sales market is pricing individuals out of the market and has the impact of shrinking available rental housing because individuals and families are unable to make the transition from rental to homeownership.
- Low vacancy rate—ownership and rental
The vacancy rates for rentals and ownership units are extremely low. Based on the 2000 U.S. Census, the vacancy rate for rentals is 1.63 percent, and the vacancy rate for sales is .36 percent. The sheer tightness of the housing market is yet another barrier to affordable housing. Many existing two- to four-family homes are also being converted to condominiums, which puts even further limitations on available rentals.

HOME/ American Dream Down payment Initiative (ADDI)

1. *Describe other forms of investment not described in § 92.205(b).*
2. *If the participating jurisdiction (PJ) will use HOME or ADDI funds for homebuyers, it must state the guidelines for resale or recapture, as required in § 92.254 of the HOME rule.*

Watertown (Resale/Recapture of HOME/ADDI funds)

Watertown will employ either resale or recapture requirements depending on the amount of the loan. Under Watertown's affordable housing covenant, loans \$30,000 and lower are subject to recapture, and loans greater than \$30,000 are subject to resale to an income-eligible household with a maximum resale price.

The maximum resale price is the sum of the cost of the appraisal delivered with the conveyance notice, real estate agent fees if the owner is required by the covenant holder to hire a real estate agent, the purchase price paid by the owner, the documented total cost of improvements made by the owner at the time of the sale or transfer, excise taxes incurred by the owner in connection with the sale of the residence and a return on the owner's investment equal to the product of (i) the sum of the owner's original down payment plus one-half of the aggregate of regular principal payments made by the owner on the allowable secured debt on the residence multiplied by (ii) a fraction, the numerator of which shall be

the price index for the last month preceding the conveyance notice minus the price index for the month preceding the owner's purchase of the residence and the denominator of which shall be the price index for the month preceding the owner's purchase of the residence.

The resale requirement will ensure that the price at resale provides the original HOME-assisted owner a fair return on investment (including the homeowner's investment and capital improvements) and provide that the housing will remain affordable to a reasonable range of low-income homebuyers.

The restrictions in the covenant will run with the land. The Town will use purchase options and a right of first refusal to purchase the housing before foreclosure to preserve affordability. The affordability restrictions will be revived according to the original terms if, during the original affordability period, the owner of record before the termination event obtains an ownership interest in the housing.

The Town has the right to either purchase the residence at the resale price or to proceed to locate a low- or moderate-income household to purchase the residence. If the Town fails to locate a low- or moderate-income purchaser who purchases the residence within 120 days, the owner may convey the residence to any third party at no less than fair market value free and clear of all rights and restrictions contained herein, including, but not limited to the resale price, provided, however, all consideration and payments of any kind received by the owner for the conveyance of the residence to the third party which exceed the resale price (the "excess amount") shall be immediately and directly paid to the Town, as repayment of the combined housing subsidy under the first-time homebuyer program note and the ADDI program note (the "notes repayment"). The covenant will terminate upon foreclosure. The owner grants to the Town the right and option to purchase the residence upon receipt by the covenant holder of notice in any form of an impending foreclosure against the residence.

Impediments to Fair Housing

Watertown's Analysis of Impediments to Fair Housing was completed in May 2008. The major impediments were found to be:

- High cost of housing – ownership and rental affordability gap
The 2001 estimated median family income in Watertown (HUD data) was \$71,600, for a renter it's \$59,612. The maximum affordable monthly housing cost for very low-income families is \$537; \$895 for low-income families; \$1,432 for moderate-income families; and \$1,790 for middle-income families, according to the National Low Income Housing Coalition. The median rent in Watertown is approximately \$1,340. There is a significant gap between affordable rents and actual rents for very low-, low- and moderate-income families. Although it is noted that impediments to fair housing choice relate to impediments found while seeking housing in an affordable range, in Watertown, the rental and ownership costs are becoming so high that there are fewer and fewer choices available.

According to information from the Warren Group and Bankers and Tradesman, the median sales price in Watertown in 2007 \$457,000 has increased 35 percent from \$337,000 in 2001. Over the last five years, the median sales price has increased approximately 15 percent per year. Statistics compiled by the Citizens Housing and Planning Association (CHAPA) note that the affordability gap between median sales price and maximum affordable price is \$269,000 and \$132,000 for condominiums.

Discussion with local banks reveals that the current housing sales market is pricing individuals out of the market and has the impact of shrinking available rental housing

because individuals and families are unable to make the transition from rental to homeownership.

Information obtained from the fair housing survey (30 percent response rate) indicates that 68 percent of those surveyed believe that the cost of housing is an impediment to fair housing choice in the Town of Watertown. The high cost of housing not only affects those seeking a fair choice in homeownership but also affects renters because the owners of those units subsequently have to raise rents to help cover their costs as well.

- Lack of development sites – limited availability of parcels
Watertown has limited parcels of vacant land and a few parcels that are suitable for redevelopment for housing. Whatever land is available has become very expensive. The high purchase prices for a recent affordable housing development in two two-family dwellings makes the development and provision of fair and affordable housing very difficult. The lack of developable land is also an issue in Watertown, although there may be some potential large developments on former industrial land in the future, for now it is mostly small projects scattered throughout the Town that are essentially redevelopment or rebuilds of existing properties. Watertown's land use by zoning district consists of 56.6 percent residential, 5.2 percent business, 19.1 percent industrial and 19 percent open space/conservancy. Of Watertown's housing stock, 34 percent are single family; 24 percent are condominiums; 36 percent are two family; four percent are three family; and two percent are apartments/complexes.
- Low vacancy rate – ownership and rental
The vacancy rates for rentals and ownership are extremely low. Based on the 2000 U.S. Census, the vacancy rate for rentals is 1.63 percent, and the vacancy rate for sales is .36 percent. The sheer tightness of the housing market is yet another impediment to fair housing choice. Many existing two- to four-family homes are also being converted to condominium ownership, which puts even further limitations on available rentals. Additionally, the waiting lists for Watertown Housing Authority units are extensive.
- Lead paint issues – rentals to families with children
Almost 92 percent of Watertown's occupied housing stock was built prior to 1979, which means that most of that housing has some lead paint. Approximately 48 percent of the total housing stock was built prior to 1940. The fair housing survey revealed that 58 percent of respondents believe that the hesitancy of landlords to rent to families with small children is an impediment that exists and is related to the volume of units within Watertown that still contain lead paint. The Town does participate in the Get The Lead Out Program administered by MHFA, but the number of loans made through the program has been low.

Currently, the Town of Watertown takes the following actions to affirmatively further fair housing and will continue to do so in FY10:

- First Time Homebuyers Program
The Town and Watertown Community Housing have affirmatively marketed the First Home program for the resulting units from inclusionary zoning to households in Watertown and throughout the greater Boston Area. Marketing is conducted through

area minority papers and local papers, churches, cable television and Boston MetroList, a central listing for low-income and minority tenants. The Housing Authority also conducts its own affirmative marketing using a state-approved Affirmative Marketing Plan. In FY08-FY09, 7 affordable first time homebuyers were assisted by providing HOME funds to income eligible first time homebuyers purchasing units made available through inclusionary zoning.

- Inclusionary Zoning

The Zoning Ordinance was amended to require all specified zoning districts to provide 10 percent inclusionary affordable housing units whenever greater than five units are built.

- Housing Development

The Town of Watertown has committed over \$676,132 of HOME and \$250,000 of Town Affordable Housing funds to the development of 18 affordable units at 1060 Belmont.

- Housing Rehabilitation

The Town of Watertown reapplied to the state to fund a rehabilitation program for income eligible elderly homeowners for their owner-occupied units and their rental units. This program will not only provide needed modifications to the elder to remain in their home and income for self-sufficiency, but also it will increase the available affordable rental units.

- Community Housing Development Organization

The Town of Watertown commits a portion of its HOME funds to the operating expenses of Watertown Community Housing, the local CHDO whose efforts are invaluable in affirmatively furthering fair housing. The organization runs the First Time Homebuyers program, the Home Improvement Program and oversees the development of the affordable condominium project. They are prominent activists in the affordable housing field and are actively pursuing additional affordable and fair housing opportunities.

- De-leading

The Town of Watertown participates in the Get the Lead Out Program administered by the Massachusetts Housing Finance Agency.

- Environmental Issues

The Town of Watertown has rezoned Pleasant Street to allow mixed-use and denser developments which would provide additional opportunities for the creation of housing. In addition, an Economic Target Area was approved for Watertown which includes Pleasant Street and the Haartz Mason and Boston Scientific properties. This designation will provide financial incentives for developers interested in developing these more challenging sites.

Watertown is committed to affirmatively furthering fair housing through the continuation of the above efforts, as well as by identifying additional program and policy changes to meet the difficult challenge of providing fair housing options to those in need.

Conclusions and recommendations of the Analysis of Impediments to Fair Housing include:

- Continue to work with the local Community Housing Development Organization to develop affordable units, both owner and rental
- Continue to offer first-time homebuyers down payment assistance for the Town's inclusionary units
- Assist homeowners with obtaining financial assistance for the de-leading of units
- Education about fair housing choice, affordable housing and fair housing complaint procedures

Funds expected to be leveraged through HOME funds

Funds Leveraged	FY09 Amount Expected	Funding Source
Additional HUD Grant(s) Leveraged	\$800,000	CDBG funds through DHCD
Additional Federal Funds Leveraged	\$220,000	Home Loan Bank
Additional State Funds Leveraged	\$2,160,000	DHCD
Locally Leveraged Funds	\$250,000	Watertown Affordable Housing Development Fund
Grantee Funds Leveraged		
Other	\$1,650,000	Loan - Boston Community Loan Fund, Inc to Watertown Community Housing

Propose FY2010 HOME Projects and Funding Amounts:

Last minute adjustments because of an overall change in the Consortium's allocation will be made by Newton.

Program Year 5 Projects:

Project Name	Location	Description	Funding Amt
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1060 Belmont Street	1060 Belmont Street, Watertown, MA 02472	Funds to create 18 units of affordable housing	\$198,769.00
Watertown CHDO Operating Expenses	63 Mt. Auburn Street Watertown, MA	Operating expenses for Watertown's CHDO	\$10,495.00
Watertown HOME Administration	149 Main Street, Watertown, MA	Administration of Watertown's HOME program	\$14,693.00
Total Watertown FY10 HOME Allocation			\$223,957*

* due to the Economic Stimulus Plan the allocation includes a 10% increase from FY2009 funding. The additional funds were allocated to the 1060 Belmont Street project.