Town of Orleans
Condominium Purchase & Resale Study

Final Report

Completed by:
JTHaskell Consulting

James T. Haskell
Ipswich, MA
508/ 648-5548

January 28, 2009
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Section I

EXECUTIVE SUMMARY

In July 2008, JTHaskell Consulting was charged with the task of helping the Town of Orleans to understand the local condominium market and assess opportunities to purchase condominium units for either resale to qualified first-time buyers or rental to tenants as affordable housing. As we understood it, this idea had been discussed for many years as a potentially cost-effective way to meet the Town’s affordable housing goals without increasing overall housing density -- and provide affordable units more quickly than by new construction.

JTHaskell Consulting undertook to make recommendations for actions or an approach to establish a successful program for the purchase and resale or rental of condominiums based upon: an assessment of existing inventory, ownership, turnover, and demographics of owners, buyers, and tenants in Orleans.

In response to the requirements outlined by the RFP and subsequent communications with the Town Planner and the Joint Committee on Affordable Housing, JTHaskell Consulting respectfully submits the following report.

The report is divided into six sections, with the first section being this Executive Summary.

In Section II, Community and Housing Characteristics, we gather data from multiple sources that bring to light the demographics of residents of Orleans as well as the Town’s existing housing stock. Findings are presented in both chart and written form, and derived primarily from the 2000 United States Census and Warren Reports (among others).

The Consultants performed additional research to “drill down” the data -- focusing not just on all residents of Orleans, but condominium residents; and not just all housing stock, but condominiums actually on the market. This research consisted of a mail survey of condominium buyers and sellers in Orleans (2003-2008) and a series of property inspections of appropriately priced units being sold in Orleans. Both are reported in Section II.

Section II, then, consists of:

1. Community and housing characteristics (drawn from existing sources)
2. Characteristics of ownership of condo units in Orleans selling for under $250K (based on surveys of buyers/sellers)
3. Characteristics of existing condos selling for under $250K in Orleans (based on on-site property inspections)
Section III, **Needs & Assets Assessment and Targeting**, provides analysis of the community and housing data reported in the previous Section. Here, we look at the needs implied by the population demographics, the existing housing assets available to meet those needs, the targeting of the Town’s current affordable units, and the recommended targeting of the condominium program.

Section III discusses the following questions:
1. **Is there a need for affordable ownership housing in Orleans?**
2. **Is there a need for affordable rental housing in Orleans?**
3. **Given the Town’s demographic characteristics, what group would benefit the most from this program?**
4. **Given the Town’s inventory of available units, what group would be the most likely to reside in those units?**
5. **Given the Town’s existing restricted units, what group is most in need of this program?**

Using a number of indicators of need, and comparing Orleans’s demographic data against those indicators, a clear need emerges for both affordable ownership and rental housing in Orleans. The relatively high cost of housing and the relatively low income of many of its residents (and in particular, its renters) mean that many Orleans residents are struggling to remain in their current housing.

However, need alone does not necessarily translate into supply or demand. The study further analyzes the demographic data and arrives at the conclusion that Orleans could support a condominium purchase program. A large enough group of individuals and families exists here who are either lower-income renters or owners looking to downsize. This group has strong ties to the community both through long-term residency and locally based workplaces. Orleans also has a substantial stock of lower-priced condominium units consistently available on the market to create a potential supply of units for this program. While ideally a program would provide larger-sized units to offset the lack of those units in the Town’s current subsidized housing inventory, the lack of larger-sized units in the overall condominium inventory will mean that most units purchased through this program will have to be two bedrooms.

In Section IV, **Discussion of Existing Models**, we provide an overview of three affordable housing projects recently completed on Cape Cod based on information drawn from interviews with key players as well as written materials. These projects provide relevant lessons to the Orleans program.

The three programs under discussion in Section IV include:
1. **The Courtyards, Chatham** (a joint project of the Friends of Chatham Affordable Housing and Lower Cape Cod Community Development Corporation)
2. **Sandwich Home Ownership Project** (a project of Housing Assistance Corporation)
3. **Bourne Housing Opportunity Purchase Program** (a project of Bourne Housing Partnership)
The final two sections of this report describe two potential affordable housing condominium development models: Section V, **Proposed Purchase and Resale Program** and Section VI, **Proposed Rental Program**. We have drafted these sections such that each can be read independently. Since this program will be implemented over the long term, we provide both models so that either option may be utilized depending on market conditions.

We recommend that the Town seek a Program Administrator that could successfully implement either an ownership or rental program. Our goal is to provide the Town with a framework for making those decisions as well as a step-by-step description of the process the Administrator would follow for completing successful projects.

Sections V and VI are organized around a series of 20 steps. These sections are designed, first, to provide a means by which the Town can develop a mechanism for soliciting proposals from, and then choose, a program administrator; and second, to offer the Town a guide for monitoring the progress of that administrator during implementation of the program.
Section II

COMMUNITY AND HOUSING CHARACTERISTICS

Section II details findings from several sources that contribute to our understanding of the community and housing characteristics of the Town of Orleans. These are the facts that form the basis of our analysis and later recommendations.

Sources for this research include:
- 2000 United States Census
- 2007 Orleans Town Census
- Warren Reports, 2003-2008
- Town of Orleans Assessment Records
- Barnstable County Registry of Deeds
- Town of Orleans Comprehensive Plan

Additional research provided by the consultants includes:
- Property Inspections of Existing Units

Section II is organized as follows:

1. Community and housing characteristics (drawn from existing sources)
2. Characteristics of ownership of condo units in Orleans selling for under $250K (based on surveys of buyers/sellers)
3. Characteristics of existing condos selling for under $250K in Orleans (based on on-site property inspections)

1. Community and housing characteristics (drawn from existing sources)

According to the U.S. Census from the year 2000, the total population of Orleans is 6,341. The Town has a total of 5,096 housing units, with 3,087 of those considered to be occupied housing units.

The charts that follow highlight community and housing characteristics of Orleans according to the 2000 U.S. Census and the 2003-2008 Warren Reports.
The race/ethnicity of Orleans residents is 97.8% white and 99.6% non-Hispanic.

Orleans has 2.2% non-white population and 0.4% Hispanic/Latino population. Barnstable County as a whole reflects a slightly higher rate of diversity (5.7% non-white and 1.3% Hispanic/Latino). By comparison, the Massachusetts figures show 15.5% of residents who identify themselves as non-white and 6.7% who identify as Hispanic/Latino.
The median age of an Orleans resident is 55.9 years. The median age of female residents stands at 57.5 and the median age for male residents is 53.4.

The median age trends consistently lower as we look at Barnstable County as a whole (44.6), and Massachusetts (36.6).

The average household size in the Town of Orleans is 1.99 and the average family size is 2.54. The average household/ family size both trend consistently upward as we compare Orleans against Barnstable County as a whole (2.28 household/2.82 family), and then Massachusetts (2.51 household/3.11 family).
The household characteristics found in Orleans are consistent with a retirement community. Most remarkable, 57.6% of “householders” are 60+ years old, and 28.9% are 75+ years old. While 36.9% of residents live in 1-person households, only 15.7% of the total households have children. There are 33.2% female-headed households, but only 4.4% female headed households with children.

In the geographical comparison, several Town of Orleans characteristics stand out against those of the surrounding county. Most notably, significantly fewer Barnstable County “householders” are 60+ years old (44.4%); similarly, fewer residents of the county are 75+ years old (19.1%). A lower percentage (29.4%) of Barnstable County residents live in 1-person households and a higher percentage (25%) of the total households in the county have children. While the number of female headed households in the county is quite close (30.7%) to that of Orleans, there are more than twice the female headed households with children (9.2%) than in Town.

Statewide, 30.9% of householders are 60+ years old and 13% are 75+. 28% of the Massachusetts population lives in 1-person households, and 31.2% of households state-wide have children. The percentage of female-headed households in the state is quite close (31.5%), but a larger proportion (11.5%) of female headed households across the state have children.
Because of the high proportion of residents aged 55+, we looked at the percentage of grandparents living with children. The number turns out to be quite low for Orleans, with only 0.8% of Orleans households represented by this demographic. In Barnstable County, twice as many households (1.7%) are grandparents living with children and in Massachusetts overall the rate is 2.6%.

Orleans residents are likely to have been born in Massachusetts or the Northeastern segment of the U.S. Nearly half, or 48.6% were born in the state and another 34.2% were born in the Northeast. Another 12.4% were born in
other parts of the U.S. Only .4% of Orleans residents were born in U.S. territories and 4.3% are foreign born.

In Barnstable County as a whole, an even higher percentage of residents (65%) report Massachusetts as their place of birth. Fewer county residents (19.6%) were born elsewhere in the Northeast or in other parts of the U.S. (9.7%). The rates of those born in U.S. territories (.7%) and other countries (4.9%) are comparable to those of Orleans.

Statewide, the rate of Massachusetts residents who were born here looks a lot like that in Barnstable County (66.1%). Massachusetts has fewer residents who were born in the Northeast (12%) or other U.S. states (7.5%), and higher rates of residents born in U.S. territories (2.2%) and foreign born (12.2%).

Residents of Orleans were likely to have resided in the same house during the five year period between 1995 and the 2000 census. A slightly higher percentage of Orleans residents (61.9%) lived in the same house during this period than in Barnstable County (57.6%). The percentage of residents who had changed houses within the same town or the same county looked quite similar across residents of Orleans and Barnstable County.

Differences emerge among those who moved from within Massachusetts. A larger percentage (10.9%) of Orleans residents moved here from other places in the U.S., compared to 8.9% of Barnstable County residents who came from out-of-state.
About 80% of Orleans residents, much like their Barnstable County neighbors, drive alone to work. While fewer Orleans residents take part in carpools (3.6%) than in Barnstable County (8.1%), they walk/bike to work (4.9%) more than their neighbors across Barnstable County (3%) and at a rate slightly higher than in Massachusetts (4.7%). Residents of Orleans work at home (8.4%) at higher rate than people in both Barnstable County (5.2%) and Massachusetts (3.1%).

Nearly 67% of Orleans residents travel to work in less than 15 minutes. That figure breaks down to 8.4% who work at home, another 8.4% who travel for less than 5 minutes, and 49.8% who spend between 5 and 14 minutes getting to work. Another 21% of residents travel 15-29 minutes before reaching their place of
employment. Among remaining residents, 9.7% commute 30-59 minutes, 0.4% travel 60-89 minutes, and 2.4% travel more than 90 minutes.

The school-age population of the Town of Orleans is just 15.9%. Barnstable County’s school-age population stands at 22.1% and the rate of Massachusetts as a whole is 28.2%.
Median Household Income in the Town of Orleans stands at $42,594. The Median Family Income is $62,909. Per capita income is $29,553. The median income for Owners stands at $51,771 while median income for renters is $17,358. Most notable among these statistics is the Renter Median Income which, at $17,358, is significantly lower than that of renters in the surrounding county ($29,257) as well as renters across Massachusetts ($30,682).

The sources of income reported by Orleans residents reveal a significantly lower percentage of income coming from wages/salary (49.5%) than in Barnstable County (67.1%) or Massachusetts (77.7%). Orleans residents also report a higher percentage of income coming from self-employment (20%). The percentage of
income deriving from Interest/dividends/rent (56.1%), social security (52.1%), and retirement income (30.8%) are consistently higher in the Town of Orleans.

A look at the industries in which Orleans residents are employed shows some notable differences – not only with Massachusetts residents as a whole, but also with Cape residents. Orleans residents are much more likely to be employed in the Agriculture/Fishing, Construction, and Retail sectors – and also in the Arts, Entertainment, Accommodations and Food category. Most of the differences can be attributed to the Town’s location on the ocean (fishing) and the importance of tourism to its economy. The large number of construction workers is significant, and seems to indicate that Orleans attracts construction workers and companies particularly well.

Areas where Orleans workers are underrepresented are Manufacturing, Wholesale, and Education & Health. These differences are indicative of the general lack of manufacturing facilities on the Cape, and that Orleans is somewhat removed from both major hospitals and institutions of higher learning.
In the town of Orleans, 6.5% of families live in poverty. That number is comparable to the 6.9% poverty rate of families in Barnstable County and lower than the overall 9.3% across Massachusetts. The remaining bars show characteristics of those families living in poverty. In two categories — Age 75+ and people with a Disability — Orleans edges out Barnstable County by a small margin. According to the Census, family poverty for kids under 5 is non-existent in Orleans.

Most notable among these numbers is the high percentage of families living in poverty who are renters in Orleans. In Orleans, 23.2% of renters are living in poverty. That percentage is significantly higher than that of Barnstable County (16.5%), and higher even than that of Massachusetts (19.9%)
In our geographical comparison, Orleans has the lowest number of people per housing unit, at 1.23. Barnstable County has a slightly higher average, at 1.51, and Massachusetts has roughly double the Orleans average, with 2.42 people per unit.

Occupied units in the Town of Orleans stand at 60.5%, the lowest among our comparison group. In Barnstable County, 64.5% of units are occupied. In Massachusetts, 93.2% of units are occupied.
The vast majority of vacancies in Orleans, or 87.9%, are seasonal or occasional. The same is true for Barnstable County, where 91.1% of vacancies are seasonal or occasional. By comparison, seasonal/occasional vacancies make up 54.6% of vacancies across Massachusetts, with another 20% of vacancies statewide being housing units for rent. Units that are for rent make up just 6.1% of vacancies in Orleans.
In Orleans, 76.3% of housing is owner-occupied. At 77.8%, Barnstable County has a slightly higher rate of owner occupancy. The statewide percentage of owner-occupied housing stands at 61.7%.

The chart above and the one that follows further define the owner and renter groups identified in the chart entitled “Tenure” above. This graph looks at owner-occupied housing units, which make up 76.3% of occupied housing units. It is clear that the majority of ownership properties in Orleans and Barnstable County are single unit properties. In Orleans, 71.2% of occupied housing units are single-unit property while the Barnstable County percentage stands slightly higher, at 73.8%. The statewide figure is 51%.
Among the occupied rental units in Orleans, which make up 23.7% of occupied housing units, very few are in single-unit structures.
In Orleans, 40.8% of property owners moved in 6-20 years ago and another 30.3% moved in more than 21 years ago. Barnstable County as a whole has slightly more owners -- 41.8% -- who have lived in their homes 6-20 years, but fewer -- 23.6% -- who have spent 21 or more years at the same address. Massachusetts property owners show even greater stability, with 34.3% at the 21+ years category.

Among renters in Orleans, 20.1% moved in the past year and another 37.2% moved in 2-5 years ago. A large number of Orleans renters -- 33.5% -- moved within 6-20 years ago, compared with the totals for Barnstable County (24.7%) and Massachusetts (24.6%). At 9.3%, Orleans also leads in the percentage of renters who moved 21 or more years ago.
Property owners in Orleans heat predominantly by oil, at 68.3%, followed by gas at 15.6% and electric at 11.6%. In Barnstable County, heating fuel used by property owners is closely divided between gas at 49.2% and oil at 40.7%; only 6.7% heat by electric.

For renters, heating fuel type looks quite different. In Orleans, renters are more likely to heat by electric, at 37.8%, then oil at 30.3% and gas at 25.5%. In Barnstable County, renters are much more likely to heat by gas, at 48.1%, then oil at 27.8%. Half as many renters use electric heat across the County, at 18.2%, compared to renters in Orleans, at 37.8%
In Orleans, 50.2% of property owners have 3 bedrooms, 19.8% have 2, and 3.1% have 1. Another 8.6% own properties with 4 or more bedrooms.

Though Barnstable County and Massachusetts as a whole differ somewhat from Orleans in each of these categories, the most pronounced difference is in the number of 4+ bedroom properties. Compared to the 8.6% of 4+ bedroom properties under ownership in Orleans, Barnstable County has nearly three times the rate at 22.7% and Massachusetts has more than three times the rate at 28.4%.

Renters in Orleans live predominantly in 1-bedroom properties. Specifically, 44.9% of renters live in 1 bedroom units, 29.2% live in 2 bedroom, 18.4% live in 3 bedroom and 6.6% rent 4+ bedroom properties. The rate of 1-bedroom rentals in Orleans exceeds those in Barnstable County by 20 percentage points.
Median contract rent in Orleans stands at $492, compared to $637 in Barnstable County and $605 statewide. Median Gross Rent is $548 in Orleans compared to $723 in Barnstable County and $684 statewide.¹

About 55% of renters in Orleans spend 30% or less of their income on rent – somewhat less than the figure for the state (61%) but similar to the figure for Barnstable County in general (55%). While fewer Orleans renters have an extreme rent burden (i.e. are paying more than 50% of their income for rent), still about 45% of these renters are paying more than 30% of their income for rent – which is typically considered unaffordable by HUD and other housing programs.

¹ Gross Rent takes into account additional housing expenses such as utilities, while Contract Rent does not add in those additional expenses.
While the data represented above has come from the 2000 U.S. Census, the next several charts have been derived from an analysis of real estate transactions in Orleans between 2003 and 2008. This data has been obtained by subscription from the Warren Group.

The number of condo sales under $250K in Orleans per year has ranged from a low of 14 (in 2007) to a high of 31 (in 2005). Sales for 2008 are projected.

When condo sales under $250K are analyzed as a percentage of total condo sales over time, they range from a high of 70% in 2003 to a similar high of 62% projected for 2008, with a marked dip in the intervening years. However, in no year were they below 30% of the total number of condominium sales.
Building types for condo units under $250K in Orleans break down as follows: 76% are condo complexes, 12% are 40B/Affordable Housing projects; 7% are converted cottages; 2% are small multi-family conversions, and 3% are mixed-use.

The sales prices of condos selling for $250K or less in Orleans between 2003-2008 break down as follows: 20% sold for less than $150K, 11% sold for $150-$174K, 29% sold for $175-$199K, 15% sold for $200-224K, and 25% sold for $225-250K.
Of condos selling for under $250K in Orleans (2003-2008), 70% have 2 bedrooms, 20% have 1 bedroom, and 5% have 3 bedrooms.

The vast majority of condo units sold for under $250K in Orleans were built in the 1970s and 1980s. Chronologically, 4 were built pre-70s, 46 were built in the 1970s, 64 were built in the 1980s, none were built in the 1990s, and 17 were built in the 2000s.
2. Characteristics of ownership of condo units in Orleans selling for under $250K (based on surveys of buyers/sellers)

During August and September 2008, JT Haskell Consulting and associates conducted a mail survey to condominium owners in Orleans. The purpose of the survey was twofold: 1) to enhance the demographic picture provided by the census by seeking data directly from current owners; and 2) to obtain information unavailable through public sources.

We sought to answer several questions. Do condo owners fit the general characteristics of the census data – or do we see ownership trending toward one or another group within it. For example, will we see a similar rate of retired people? Will it emerge that a high proportion of female heads of household or families with young children are buying condos here? By seeking data directly from Orleans property owners, we sought to answer the basic demographic question -- Who is buying condos in Orleans?

Because we could request information unavailable through public records, this survey gave the Town the opportunity to get a snapshot of characteristics of use as well. We hoped to see not just who is buying, but how they are using these properties. We wondered how many condo owners are actually year-round residents of Orleans, seasonal residents, or investors (that is, owners who rent the property exclusively to others). If they’re not year-round residents, where do they live? If they are, do they have school age children?

We also sought to answer specific questions posed by the Town of Orleans prior to the start of this engagement.
Are the buyers already Orleans residents or did they come from other towns?
Of those who purchased condos, how long did they stay or did they take up residency in Orleans?
Of those who purchased condos and were not residents, were they investors or seasonal residents?
Of properties purchased by people who maintain residency elsewhere, are the properties occupied by renters in the off-season?
Of those who are residents, what is their age demographic and do they have school-age children?
Of those who sold condos, did they buy elsewhere in Orleans or did they leave town?

We developed two surveys, one for Current Owners and another for Sellers of Properties and developed a mailing list based on the following criteria:
- Condos bought or sold for up to $250,000
- Transactions between the years 2003 through 2008
The sources for the developing the mailing list were: Warren Reports, Barnstable County Registry of Deeds, Town of Orleans Assessors Department, Town of Orleans Town Clerk

The mailing package included a cover letter from the Town Planner, the survey itself, and a stamped reply envelope -- all sent out in envelopes from the Town of
Orleans Planning Department. The survey instruments are included as Appendix A to this report.

Survey Results

Of a total of 133 condos within that price range that changed hands during the specified time period, we located addresses for 110 buyers and 82 sellers (The seller addresses were much more difficult to come by.) We received responses from 63 Current Owners and 14 Sellers of Property. Both groups were tabulated but -- because two of the “Seller” properties turned out not to have sold, leaving just 12 respondents -- further analysis was completed only on the 63 returned surveys from Current Owners.

While we were very fortunate to attain a 47% return rate on the surveys (with much of the credit for that due to the Orleans Planning Department), the relatively small sample size means that the margins of error for these survey results are still quite high. Using a 95% “confidence level”\(^2\), these survey results have a margin of error of 9%.\(^3\) If a 90% confidence level is used, then the margin of error is reduced to 7.5%.

All dates of purchase for respondents fit within target dates (2003-2008).

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\(^2\) A 95% confidence level indicates that one can assume that in 95% of the cases, the survey data will be within the margin of error for that particular survey. For instance, in this case one can assume that for a published statistic such as “32% of current owners indicating they own a 2- or 3-bedroom townhouse”; there is a 95% probability that the actual number of owners owning a 2-3 bedroom townhouse is between 23% and 41% (the 9% margin of error). However, there remains a 5% probability that the actual number is either below 23% or above 41%.

\(^3\) All margin of error calculations have been obtained on the [www.isixsigma.com](http://www.isixsigma.com) website and are courtesy of Raosoft, Inc.
Property type
Of the 63 current owners responding:
- 32% indicated that they own a 2- or 3-level townhouse.
- 43% indicated that they own a single-level flat.
- 3% indicated that they own a cottage.
- 22% (14 respondents) left this item blank.

Form of ownership
Of the 63 current owners responding, 90% indicated "condo development" as the form of ownership for their unit. Another 5% indicated "condo conversion in multi-family building" and 5% left this item blank.
Unit square footage
Among the 63 units described by respondents:
- 6% were less than 700 square feet.
- 35% were between 700-899 square feet.
- 13% were between 900-1099 square feet.
- 17% were between 1100-1299 square feet.
- 6% were 1300+ square feet.
- 21% of respondents did not provide unit square footage.
Year built
Among the 63 units described:
- 3% were built in the 1960s
- 37% were built in the 1970s
- 25% were built in the 1980s
- 4% were built in the 2000s
- 16% were blank/unknown

None of the condo units were built in the 1990s. The remaining were buildings (1 each) dating to the '50s, '30s and 1900.

Number of bedrooms
Of the 63 units described, 13 (21%) were 1-bedroom units, 47 (75%) were 2-bedroom units, and 2 (3%) were 3-bedroom. One respondent (1%) indicated 6 bedrooms.
Number of bathrooms
Of the 63 units described by respondents:
- 59% had 1 bathroom
- 6% had 1-1/2 baths
- 30% had 2 bathrooms
- 3% of respondents did not supply a number of bathrooms
(One respondent reported 5).

Heating type
Of the 63 current owners responding, 32% indicated a central heating type and 49% indicated a unit heating type. Twelve (12) respondents (19%) left this question blank (indicating lack of knowledge or confusion about this question).

Heating fuel
Of the 63 current owners responding, 76% indicated heating by electricity, 2% by oil, 19% by natural gas, and 3% other/unknown.
Purchase price
Of the 63 current owners responding, 14% paid less than $150,000 for their unit; 33% paid between $150,001 and $200,000; 44% paid between $200,001 and $250,000; and 6% paid more than $250,000. The remaining did not indicate a price.

Owner's age
Of the 63 current owners responding, 13% were between the ages of 18-35; 14% were between the ages of 36-49; 40% were between 50-65; and 33% were over 65.
Owner's gender
Among the 63 respondents, 49% of owners were female, 29% of owners were male, and 22% were owned jointly by a female and male.

Owner's race/ethnicity
Of the 63 current owners responding, 94% indicated "white" as their race/ethnicity. Two respondents (3%) indicated African American and one (1.5%) indicated Latino/Hispanic. Another respondent chose "other" and wrote in "American."
Retirement status
Of the 63 current owners responding, 38% indicated that they were retired and 35% of them were retired at the time of purchase.

Employment status
Of the 63 current owners responding, 49% were employed full time, 14% were employed part time, and 8% were employed seasonally. NOTE: Some retired persons held PT or seasonal jobs, and some workers indicated multiple jobs.

Location of employment
Of the 41 owners who indicated some type of employment, 17% indicated they worked in Orleans and 20% indicated that they worked out of Town. The remaining respondents did not indicate location of employment.

Commuting distance
With only 8 respondents to this question -- and a broad range of commuting distances indicated -- no clear trend emerged with respect to length of commute. Two (2) indicated one-way commutes of less than 5 miles, 2 indicated commutes of 11-15 miles, 1 indicated a distance between 26-30 miles, and one each wrote 40, 60, and 250.
Residency
Sixty-two percent (62%) of respondents are residents of Orleans.

Residents with School Age Children (5-18)
Among the 39 respondents who indicated that they were residents of Orleans, only 4 (10%) had school age children (1 each).
Number in Year Round Household (Residents)
Among the 39 respondents who indicated that they were residents of Orleans, 59% reported one person in their year-round household, 36% reported two people, and 3% (1 respondent) indicated three people. One left this item blank.

Residents Over 55 Years
Among the 39 respondents who indicated that they were residents of Orleans, 84% reported that a member of their year round household was 55 or older.
Annual Household Income
The survey asked respondents to indicate their annual household income range by family size. The chart provided income ranges defined by HUD as percentages of the Area Median Income (AMI).

Among the 63 respondents,
- 24% indicated an income level below 50% AMI
- 11% indicated income between 50-79% AMI
- 24% indicated income between 80-119% AMI
- 37% indicated income at 120% or more of AMI.
Three (3) respondents did not supply their income level.

Use of property
Among the 63 current owners who returned the survey:
- 54% considered their unit their permanent residence
- 56% occupied their unit year round
- 27% occupy their condo seasonally
- 14% use their property for investment purposes (exclusively rent to others).
Characteristics of those who occupy units year round

Of the 35 owners who occupy their unit year round:
- 11% have lived in Orleans for a year or less;
- 57% had lived in Orleans between 2 - 5 years;
- 14% had lived in Orleans between 6-20 years; and
- 14% had lived in town 21 years or more.

One respondent did not answer.

Of the 35 owners who occupy their units year round, only 4 (11%) had children in the school system.

Of the 35 owners who occupy their units year round, 89% were registered to vote.
Characteristics of those who occupy units seasonally

Of the 17 owners who occupied their units seasonally, all had purchased their units within 5 years or less.

Of the 17 owners who occupied their units seasonally,
   53% had their other residence in Massachusetts.
   47% had their other residence outside Massachusetts (but within the US).
   Those states were: CA, FL, CT, NY, NJ, and MD.

Of the 17 owners who occupied their units seasonally, only 2 (12%) rented to others in the off-season.

Characteristics of those who own units as investments (rent exclusively)

Of the 9 owners who exclusively rent their unit for investment purposes, 78% have owned their units for 5 years or less. One had owned the unit 12 years, and another did not respond.

Of the 9 owners who exclusively rent their unit for investment purposes, 100% rent them year round. (One respondent checked both "rent summers" and "rent off-season," indicating a specific rental strategy.)
Of the 9 owners who exclusively rent their unit for investment purposes:
11% are residents of Orleans
44% are residents of Cape Cod
22% are residents of Massachusetts
22% are residents of other states (FL and MI).

**Residency prior to ownership**
Prior to this purchase:
- 17% of owners were residents of Orleans.
- 30% of owners were residents of Cape Cod.
- 21% of owners were residents of Massachusetts.
- 19% of owners were residents of another state. Those states were: NH, CA, NY, CT, PA, NJ, ME, and VT.
Property ownership prior to purchase
Prior to this purchase, 60% of owners had owned property.

Of the 38 who had owned property prior to this purchase:
- 29% (11) owned condos.
- 63% owned single-family homes.
- 8% owned multi-family properties.

Of the 11 owners who owned condos prior to this purchase, 2 (18%) owned 2- or 3-level townhouses and 8 (73%) owned single level flats. One respondent did not indicate the property type.
Current ownership of another property
Among all survey respondents, 25% indicated that they currently own another home in Orleans or elsewhere.
3. Characteristics of existing condos selling for under $250K in Orleans (based on on-site property inspections)

The consultants initiated a review of existing one- and two-bedroom condominiums in July 2008 with the assistance of the real estate firm Kinlin Grover GMAC of Orleans, MA. All subject condos were listed at $250,000 or less.

The condominiums at 190 Route 6A were built in the 1980s, are in generally good condition, and appear to meet the construction codes in place at the time the project was completed. The complex is professionally managed and has the appearance of a well-maintained property throughout.

The property inspector learned at the time of the visit that the condominium association has already begun a programmatic approach to replacing the windows and doors on all units as the original components have begun to fail. It was observed that the older thermal glazing has indeed begun to fail as expressed in the vapor trapped between glazing components, indicating that the seals have lost their integrity. No new windows and doors were inspected at the time of field review since it did not appear any were in place. It should be verified with the management company that this is in fact a planned capital project and that each unit shall benefit from the replacement of original windows and doors.

The other main developments reviewed were on Old Colony Way and were comparable in many ways to 190 Route 6A with a few distinctions. Some of the buildings at Old Colony way were served by elevators, making potential marketability to certain buyers more attractive. There were no programmatic or capital plans to replace windows and doors although it appears that some doors at rear balconies and rear patio areas have been replaced with quality units that add value to the property.

There were few if any ‘housing quality standards’ defects noted specific to the units reviewed. Housing Quality Standards (HQS) are a set of health and safety standards established by the US Department of Housing and Urban Development for the qualification of housing units for eligibility to receive housing assistance. There were some locations at the exteriors where loose and flaking paint was noted but it was generally minor in nature. There were also a few isolated locations where older light fixtures in proximity to bathroom sinks need to be disabled in order to eliminate shock hazards. Generally however, the units and overall property were in good condition.

Of note at both developments, however, was the lack of proper insulation depth in the flat attic floors above the dwelling unit ceilings. Approximately 6” of insulation was in place; about half of what if recommended by energy design standards and what is mandated by the Massachusetts Building Code (MBC).
Electrically heated dwelling units in Massachusetts require an effective rating of R-38 for attic insulation; the existing R-19 observed is not up to current standards. Additionally, there is substantial thermal bypass of the existing attic insulation due to the fact that none of the pull-down attic stairs are insulated.

In conjunction with the fact that the dwelling units at both Old Colony Road and 190 Route 6A are heated via electric baseboard, the lack of proper insulation depth will need to be addressed before any dwelling can be deemed truly affordable. A cost to properly insulate the units deemed for potential purchase will be included as Appendix B. It should be noted that all units in all electrically heated condominium dwelling units might also benefit from additional attic insulation.

The overall heating scheme – electric baseboard – is of direct concern regarding affordability as electric heat is by far the most costly means by which to heat living space and domestic hot water. It is thought that generally speaking, electric heat is common throughout Cape Cod’s vacation-oriented and second-home housing since it is comparatively quite inexpensive to install during the development and construction phase and has little impact on owner costs during the winter when typical second homes and vacation rentals are vacant. Although there is an advantage in that electric heat allows rooms to be individually heated through the use of a dedicated thermostat located in each room, year-round use – in contrast to seasonal use - is the anticipated goal of affordable housing so heating will be a concern throughout the winter heating season.

Projecting for an average, year-round occupancy of an 840 SF condominium in Orleans, MA, here is a rough cost comparison of electric heat versus both natural gas and oil heat based on market costs from July 30, 2008:

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>$/MBTU</th>
<th>YEARLY AVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>ELECTRIC</td>
<td>$64.46</td>
<td>$3,068.70</td>
</tr>
<tr>
<td>GAS</td>
<td>$19.47</td>
<td>$925.65</td>
</tr>
<tr>
<td>OIL</td>
<td>$44.41</td>
<td>$2,109.95</td>
</tr>
</tbody>
</table>

Although it would not be practical or inexpensive to convert the existing electrically heated dwelling units under consideration, it is worthwhile to note that based on the cost comparison above, the current fuel source will have a direct impact on affordability based on the cost to use alternative fuels, particularly natural gas. It was determined that there is a natural gas line immediately available to this Summerset housing development and is located on Route 6A directly in front of the property. While there may be a case made to remove the existing electric heat and install natural gas equipment, that analysis is not part of this study.
However, we would be negligent to not point out potential fuel-source based savings opportunities that will directly impact affordability for all owners and not just potential housing program beneficiaries. At some point the cost of electric heat combined with more year-round residents may compel fuel conversions to natural gas. Unfortunately, the mix of year-round residents versus seasonal use owners may impede fuel conversion since savings will not be accrued to all end-users equally where use is directly associated with occupancy patterns.
Section III

NEEDS & ASSETS ASSESSMENT AND TARGETING

Based on the Community and Housing Characteristics data reported in the previous Section, the Consultant provides the following assessment of the needs and assets of the housing market in the Town of Orleans, and the recommended targeting of the condominium program. This section examines the following questions:

1. **Is there a need for affordable ownership housing in Orleans?**

2. **Is there a need for affordable rental housing in Orleans?**

3. **Given the Town’s demographic characteristics, what group would benefit the most from this program?**

4. **Given the Town’s inventory of available units, what group would be the most likely to reside in those units?**

5. **Given the Town’s existing restricted units, what group is most in need of this program?**

   • • •

1. **Is there a need for affordable ownership housing in Orleans?**

   A guidebook published by the Massachusetts Housing Partnership\(^1\) provides a series of benchmarks by which a community can determine whether a need exists for affordable ownership housing. These benchmarks include:

   The estimated median renter household income for the community is not enough to purchase a local home in the lowest quartile of housing prices.

   According to the 2000 U.S. Census, the median renter income in Orleans was $17,358. Factoring in inflation, one can assume that the median renter

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Income in 2007 was $21,600. In 2007, there were 198 total real estate sales in Orleans, and thus the lower quartile of sales for 2007 would be the fifty lowest priced units for sale in Town. Only fourteen units sold for under $250,000 in 2007. With a median income of $21,600, a household could only afford housing costs (principal, interest, taxes, insurance and association fees) of $540 per month. Without doing further calculation, it is abundantly clear that a median renter household is not able to afford a home in the lowest quartile in Orleans at this time.

150% of the average local wage is not enough to purchase a local home in the lowest quartile of housing prices.

If rather than 150% of the average local wage we use the 2000 median household income of $42,594 and the CPI factors used above, we can presume that the median household income in Orleans in 2007 was $79,500. A household with this income should be able to pay $1,988 monthly for their housing costs, and after deducting insurance, real estate tax and fees of $481 – that household would have $1,507 available to pay principal and interest on a monthly basis. Assuming that the family would obtain a 30-year fixed rate mortgage at 6% with a 5% down payment, that family should be able to afford a home costing $264,000. Since in 2007 there were only fourteen sales for under $250,000, and 50 sales in the lowest quartile, we can deduce that a family with the median income in Orleans could not afford the homes selling in that lowest quartile.

Based on these two indicators, it is readily apparent that Orleans suffers from a shortage of affordable ownership housing for its residents.

2. Is there a need for affordable rental housing in Orleans?

The MHP guidebook also provides benchmarks on determining whether there is a need for rental housing.

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2 Based on a Consumer Price Index for 1999 (avg.) of 166.6 and a CPI for 2007 of 207.3 (Source: Bureau of Labor Statistics).

3 Source: The Warren Group

4 Calculation to be explained in Section V

A vacancy rate below 5% or limited rental availability as indicated by local agents.

The “for rent” vacancy rate for Orleans was 6.1% in 2000. Based on this factor, there is no indication of an abnormal need.

Little or no multi-family rental housing production in the last decade.

While Orleans has seen some development of accessory units above commercial spaces, there has been no significant development of multi-family housing during the past decade. This factor would indicate an abnormal need.

Rental housing that constitutes less than 30% of the community’s housing stock.

In Orleans, 76.3% of the housing stock is owner-occupied, so this measure does indicate a need for rental housing.

More than 30% of renters paying more than 30% of their income for rent.

About 45% of Orleans renters pay more than 30% of their income for rent, indicating a rental housing need in the community.

More than 15% of renters paying more than 50% of their income for rent.

In Orleans, 14.4% of renters pay more than 50% of their income for rent – nearly triggering this factor as an abnormal housing need.

More than 20% of renters living in single-family homes

Only 10.2% of renters in Orleans live in single-family homes, and thus no abnormal need is indicated.

Based on these various indicators, the need for additional rental housing is somewhat mixed. Some of the above indicators would suggest that more rental housing is very much needed, while others appear to fall within norms. Whether or not additional rental housing is needed, it is apparent that a substantial portion of the renter households are paying more than they should for their apartments.

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6 Source for Question 2 data: 2000 U.S. Census
3. Given the Town's demographic characteristics, what group would benefit the most from this program?

The most striking demographic characteristic in Orleans is the relative age of the population. The median age in Orleans is nearly 20 years greater than the median age for Massachusetts, and nearly 60% of households are headed by someone 60 years or older – two times the statewide average. While some communities may be criticized for targeting their affordable housing production towards elders as a means of avoiding an increase to their school-age population, an Orleans affordable housing program that did not provide opportunities for elderly residents would be ignoring the majority of households in the community.

In fact, Orleans has a significantly larger population of households in which the head of household is age 75 or older. While only about one in seven households in Massachusetts are headed by someone of this age, in Orleans nearly one-third of the households are headed by someone 75 plus.

The age of the population most likely has a spin-off effect of decreasing the number of people living in each household. A household in Orleans is about 20% more likely to be a single individual and about half as likely to have children as households in the state. While there are about the same number of female-headed households in town as in the state (roughly 30% of the total), far fewer female headed households have children. In Massachusetts about one-third of female headed households has children, but in Orleans only about one in seven does.

Orleans residents are also much more likely to work in their homes or near to their homes. Over eight percent of Orleans workers work from their homes – this is almost triple the statewide average. Furthermore, only one in eight workers commutes more than 30 minutes to and from his/her place of employment, as compared to 38% of workers statewide and 25% of workers in Barnstable County.

One implication of these characteristics is that there may be a relatively large cadre of aging residents who are looking to downsize. Over three-quarters of Orleans households own their own home (as opposed to less than two-thirds of households across the state), and 93% of those owners live in a single-family home.

Another group that might benefit from a condominium purchase and resale program would be long-term renters who are looking to purchase. Although renters make up less than one-quarter of the total number of households, almost
43% of these renters have lived in their apartment for six or more years. Statewide, the number of renters with that kind of longevity is less than 32% — and the figure for Barnstable County is under 30%.

While these long-term renters may be a logical market for an affordable condominium buy-down program, one factor to be addressed is the relatively low incomes that rental households have in Orleans. While per capita income in Orleans is 14% higher than the per capita income in Massachusetts (and 17% higher than for Barnstable County), the median income for renter households is 56% lower than the statewide median and 59% lower than for Barnstable County. Some of this disparity may be attributable to the high proportion of public housing units; these comprise over 30% of the rental housing market in Orleans. However the percentage of renters (45%) who are spending more than 30% of their income on rent (as compared to 39% statewide and 44% in Barnstable County) would indicate that a substantial number of renter households are not in subsidized housing and are struggling to meet their monthly rent obligations.

While incomes may be a concern, some significant advantages may exist in developing a condominium purchase program that would provide rental housing to very low income individuals and families. One of the primary reasons is the likelihood that a renter would already be living in a multi-unit apartment complex, and as a result would be better able to adjust to life in a condominium complex. In addition, almost 45% of Orleans renters live in a one-bedroom apartment (as compared to 34% in Massachusetts and 25% on Cape Cod). As a result, the purchase of one-bedroom condominiums through a rehabilitation and resale program could feed into a ready market of one-bedroom apartment dwellers who would be willing to purchase that size unit.

And finally, it should be noted that the number of minority families in Orleans is very small. Less than three percent of the population identifies itself as something other than white. This is less than half of the percentage who identify themselves as minority in Barnstable County, and about one-fifth of the percentage of minority families statewide. Any program developed to purchase and re-sell condominium units needs to have an outreach strategy to minority communities in order to encourage greater diversity.

4. **Given the Town's inventory of available units, what group would be the most likely to reside in those units?**

The real estate market in the Town of Orleans consistently includes condominium sales with a purchase price of less than $250,000. Over the six year period from 1/1/2003 through 12/31/08 (projected), there were a total of 140
units sold within this price range. The number of those sales per year has been very consistent – ranging from a low of 14 in 2007 to a high of 31 sales in 2005.

Sales at less than $250,000 represent about 43% of the total number of condominium sales during this six-year period. The percentage of sub-$250,000 sales has remained relatively consistent from year to year, with the lowest percentage (33%) occurring in 2005 (despite the fact that this was the year that witnessed the highest number of affordable sales) and the highest percentage being in 2003 with 70% of sales that year being within this price range.

There is a consistent range of prices even within these sales. During the 2003-2008 period, twenty percent of the lower-priced units were sold for less than $150,000, forty percent sold for between $150,000 and $200,000, and forty percent between $200,000 and $250,000.

While the sub-$250,000 units were purchased at different amounts, the units share two common characteristics. Most of the units have two-bedrooms (70%) and only 5% have three. There were no sales of 4+ bedroom condominium units in this price range during that period.

The other consistent element was the type of building in which these units are housed. Over three-quarters of the affordable units sold are located in condominium complexes that were constructed in the 1970s and ’80s.

These two factors lead one to conclude that the type of condominium units that are available for a purchase and resale program would typically not be suitable for a large family. Program restrictions would limit the number of occupants in a two-bedroom unit to four, and the only acceptable configuration for that kind of family would be two adults living in a unit with two children of the same sex (while it is possible to have opposite-sex pre-school age children share the same bedroom, the length of the deed restriction would make housing families with young children somewhat impractical). The more likely household configuration in a two-bedroom unit would be a single individual, two adults living together, or parent(s) living with a single child. In this latter case, the parents would presumably have made a decision not to have another child before committing to a two-bedroom unit for any length of time.

As compared to the averages across the state, Orleans has a very large number of units that the Census Bureau defines as vacant. While statewide about 7% of housing units are vacant, that number in Orleans is almost 40%. This alarming difference is due to the very large number of “seasonal or occasional” units that
serve as either second homes or seasonal rentals, and is not that much higher in Orleans than it is on Cape Cod as a whole, which has a 36% vacancy rate.

Seasonal units make up almost 35% of the total housing stock in town. However, our survey results from buyers of lower-priced units over the past six years indicate that a smaller percentage of those units are being used seasonally. In fact, among the 63 current owners who returned the survey, 27% indicated that they occupy their unit seasonally. Among the remaining owners of affordable condos surveyed, 56% occupy their unit year round and 14% use their property for investment purposes (exclusively rent to others).

Another point of interest is the low number of condo residents (within the study’s price range of less than $250,000) who have school-age children (age 5-18). Among the 39 respondents who indicated that they were residents of Orleans, only 4 (10%) had school-age children. These owners reported just one child each. The school-age population of the Town of Orleans is 16%.

Our study of existing conditions at target properties concludes that, in general, these units would pass Housing Quality Standards (HQS) inspections with only minor defects. Some units may require smoke detector upgrades, primarily in bedrooms, and some do not meet current code for insulation requirements for electrically heated dwellings.

While the heating cost burden will not show up in the affordability analysis for an affordable ownership program, the preponderance of electric heat as the primary heating source is a very practical liability to the affordability of these units. All of the units we inspected were heated by electricity (these were the units that were on the market and available for showing). As noted in the previous discussion of these inspections (Section II), electric heat costs approximately three times the cost of natural gas each year and one-and-a-half times the cost of oil.

5. Given the Town’s existing restricted units, what group is most in need of this program?

According to the Subsidized Housing Inventory (SHI) maintained by the Massachusetts Department of Housing and Community Development (DHCD), the Town of Orleans has 298 housing units that are “counted” on the SHI. The Commonwealth maintains that there are 3,317 total housing units in-town, and as such 9.0% of the town’s housing stock is on the SHI. While somewhat below the 10% threshold necessary to exempt the Town from the requirements of Chapter
40B, the Town of Orleans can take pride in the fact that it has the highest percentage of affordable housing units for any community on Cape Cod.\footnote{Source: Massachusetts Department of Housing and Community Development available at \url{www.mass.gov/dhcd}. Subsidized Housing Inventory updated as of 9/9/2008. For comparison, SHI percentages for other towns in Barnstable County are: Barnstable (town), 6.8%; Bourne, 8.0%; Brewster, 5.9%; Chatham, 4.9%; Dennis, 4.0%; Eastham, 2.2%; Falmouth, 5.5%; Harwich, 4.5%; Mashpee, 4.0%; Provincetown, 6.2%; Sandwich, 3.6%; Truro, .9%; Wellfleet, 2.7%; and Yarmouth, 3.2%}

The most recent published report detailing the units included on the Subsidized Housing Inventory is the most recent version of the Orleans Comprehensive Plan. The figures used in this plan were last updated in 2004\footnote{Orleans Comprehensive Plan – Adopted December, 1999/Amended October, 2006, p. 10-5.}, and they show that a total of 272 units were then included on the SHI. For the sake of providing sufficient detail to this analysis, the figures in the Comprehensive Plan will be discussed here; however, the discrepancy between the Town’s figures and DHCD’s should be explored to determine which additional units the state is counting towards the Orleans SHI.

Of the 272 units counted in the Comprehensive Plan, 227 (83.5%) are restricted to elderly or disabled individuals and families.\footnote{Tonset Woods, 100; Rock Harbor Village, 100; 181 Main Street, 8; 53 Meetinghouse Road, 8; Wise Living (ownership), 11.} While the town has a disproportionate number of elderly households (almost 60%), the number of subsidized units is still heavily weighted toward serving this population. Furthermore, all but 31 of these units are one-bedrooms\footnote{20 units at Rock Harbor Village (rental) and 11 units at Wise Living (ownership).} meaning that 72% of Orleans subsidized housing are one-bedroom units reserved for elderly or disabled individuals or couples.

There are even more units restricted to individuals or couples. An additional 14 units of subsidized housing are contained in two group homes, and there are four additional one-bedroom units. While these latter units are not necessarily restricted to elders, they certainly do not cater to family housing either.\footnote{Canal House, 8 residents; 3 Tonset Road, 6 residents; and, Windmill Plaza, 4 one-bedroom units.}
To summarize, 214 (79%) of Orleans subsidized housing is either one-bedroom units or bedrooms within a group setting. An additional 31 units (11%) are two-bedroom units where the head of household must be elderly or disabled. While some of these units may have school-age children, it is unlikely that the number of children in those units is very large. Thus, 90% of the subsidized housing in Orleans is not conducive to family housing.

Of the remaining 27 units that are more suitable for family housing, 17 are affordable ownership properties limited to families earning less than 80% of the area median income, and 10 are available for rental to families earning no more than 50% of the area median. This distribution of rental (37%) versus ownership is actually more heavily weighted toward rental than in the community as a whole where only about 25% of units are rented.

Based purely on an analysis of the units currently included on the SHI, there appears to be a shortage of housing for low-income families in Orleans. Over 40% of Orleans households are not headed by someone aged 60 or older, however only 10% of the subsidized housing inventory is conducive to housing these families.

However, since the current study focuses on the purchase of existing condominium units, the lack of units with more than two-bedrooms will mean that the units purchased under this program will likely be bought by either individuals or small families.

Once a program administrator has been selected (to be discussed in Sections V and VI), that administrator should be vigilant in seeking out opportunities to include large-sized units (3 or more bedrooms) for this program. However the administrator cannot limit the search to large-sized units, since the opportunities for those sales will unfortunately be few and far between.

The Town may wish to consider requiring developers of new housing projects (especially ones seeking a comprehensive permit through Chapter 40B) to include larger bedroom units within the affordable units being offered.

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12 Ownership: Opa’s Way, 12 units; Habitat for Humanity – Rt. 28, 2 units; and Finlay Road, 3 units. Rental: John Avellar Circle, 10 units.
Section IV

DISCUSSION OF EXISTING MODELS

This section describes three affordable housing projects successfully completed on Cape Cod that have the potential to serve as models for the Condominium Purchase and Re-sale Program envisioned by the Town of Orleans. While all of the projects differ significantly from the Orleans program, enough similarities exist that a discussion of lessons learned should be instructive to this study.

The research was completed through meetings with key individuals involved with these efforts as well as written materials (all cited within the footnotes).

The three programs under discussion include:

1. The Courtyards, Chatham (a joint project of the Friends of Chatham Affordable Housing and Lower Cape Cod Community Development Corporation)

The Courtyards substantially rehabilitated and then re-sold several condominiums (all located in the same building) to local low-income homebuyers. The resources used to fill the funding gap (the difference between the total development costs and the amount for which the units could be re-sold) were raised entirely from private or local sources.

2. Sandwich Home Ownership Project (a project of Housing Assistance Corporation)

For the SHOP program, a local non-profit purchased single-family homes, rehabilitated the homes to ensure that they met local, state, and HUD housing standards, and then re-sold them to low-income buyers who had been selected through a lottery process.

3. Bourne Housing Opportunity Purchase Program (a project of Bourne Housing Partnership)

The B-HOPP program initially seeks out income-qualified buyers, matches them with a loan program so they can obtain financing, and then assists those qualified buyers in locating a home that they can afford to purchase. The program can be used to purchase either a single-family home or a condominium unit.

...
1. The Courtyards, Chatham (a joint project of the Friends of Chatham Affordable Housing and Lower Cape Cod Community Development Corporation)

The Courtyards was formerly a mixed-use building with commercial space in the basement and first floor, and three residential units on the second floor. The commercial space (previously the offices of the Cape Cod Visiting Nurse Association), was purchased by Lower Cape Cod Community Development Corporation (CDC) and converted into four two-bedroom residential condominiums, which were sold to families earning less than 80% of the area median income.

The project was the brainchild of a Chatham developer who became aware of the impending sale of the Balfour Lane property and initiated the involvement of the Lower Cape Cod CDC and The Friends of Chatham Affordable Housing. The Friends raised approximately $300,000 from local residents, and the Town of Chatham voted to use $260,000 from its Community Preservation Fund to assist the project. A bank grant of $10,000 helped to enhance the “greening” of the building. Each of the units were sold for $154,156,000 and these revenues, combined with the private and local funding, allowed the CDC to cover the development costs totaling $1.2 million – or approximately $300,000 per unit.

The commercial space was converted into four 1,000 square foot units – each with two bedrooms and two baths. In addition to creating the new residential units, the CDC also improved the structural integrity of the building and its entire envelope. The CDC worked closely with the existing condominium unit owners in rewriting the condominium documents so that the new residential units could be included. The CDC provides ongoing support to the condominium association as it incorporates the new members within its governance structure.

The Lower Cape Cod CDC has extensive experience in developing affordable housing – having been involved in the development of 72 affordable ownership and rental housing units in the towns of Chatham, Harwich, Brewster, Eastham, Wellfleet, Truro, and Provincetown. In Orleans, Lower Cape CDC rehabilitated Canal House, and now jointly manages that property with another service provider. The CDC also worked with the Town of Orleans in performing a feasibility study which led to the creation of twelve affordable units at Opa’s Way.

The Chatham Housing Authority marketed the Courtyards property and administered the lottery. Preference was given to Chatham residents and all of the units were sold to Chatham families. Units are deed restricted in perpetuity. Because there were no federal or state funds used, and also because the lottery
gave a preference on all of the units to local residents, these four units are not included on the state’s Subsidized Housing Inventory.¹

Clearly there are differences between this project and the Orleans Condominium Purchase and Re-sale project; however, a number of lessons can be drawn:

- Local funding resources were instrumental in making this project a reality. In fact, all of the resources (except for the revenues earned from the re-sales) came from either private sources (Friends fundraising and bank grants) or from the locally controlled Community Preservation Fund (a combination of local tax revenues and state matching funds).

- If no state or federal funds are used in a project, a Town may choose not to open up the lottery process. However, doing so jeopardizes the inclusion of these units on the state’s Subsidized Housing Inventory – which is often a prime motivator for the Town in the first place.

- Development costs of $300,000 per unit are probably typical for this kind of project – especially in a very high-cost community such as Orleans or Chatham. In 2007-08, the median total development cost for affordable housing projects on the Cape was about $250,000 per unit.

- It is important to consider issues related to the condominium association as affordable units are developed. The Lower Cape Cod CDC worked extensively with the existing condominium association to successfully rewrite the condominium documents and then involve the new members in the association’s governance structure.

- Marketing and lottery administration are key elements to a project of this sort. In this case, the CDC could not take a “if we build it, they will come” approach to marketing the units. Actively seeking out interested buyers was key to success in selling the units to qualified buyers.

¹ Sources for this section include: Interview with Elizabeth Bridgewater, 8/21/08; Interview with Valerie Foster, 9/10/08; Lower Cape Cod Community Development Corporation website; “New Construction Rehab Development Projects Cost Analysis – 2002-08”, Cape Cod Commission, undated; “New homeowner gets buy with help from Friends”, Cape Cod Times 2/26/08; “Something to Be Proud Of”, Cape Cod Chronicle, 2/27/08; “CDC touts new affordable housing”, Cape Codder, 2/29/08
2. Sandwich Home Ownership Project (a project of Housing Assistance Corporation)

The Town of Sandwich received a substantial cash-in-lieu-of-development payment from a developer of a market-rate project that was under Cape Cod Commission (CCC) review. The Town and the CCC chose the Barnstable-based Housing Assistance Corporation (HAC) to administer the program.

The Sandwich Home Ownership Program (SHOP) involved the purchase of seven single-family homes. Some of the homes needed only minor renovations while others required a greater degree of rehabilitation. In addition to $1.25 million in cash-in-lieu funds, HAC was also successful in obtaining $100,000 in Barnstable HOME funds administered by the Cape Cod Commission, $52,000 of Affordable Housing Program funding from the Federal Home Loan Bank of Boston, and $25,000 from the Department of Housing and Community Development. Units were sold for $140,000 each which generated an additional $980,000 for the project.

The major project cost was acquisition ($2.2 million). The cost for unit repairs was a little over $50,000 (about $7,500 per unit), carrying costs were under $33,000, and costs associated with the due diligence phase and closings were less than $27,000. HAC received $105,000 to cover its administration of the project.

HAC was well positioned to administer this program. In addition to its extensive experience in developing housing throughout the Cape, HAC had real estate agents, housing counselors, and inspectors on staff. The organization had also developed relationships with a number of local contractors that could be tapped to undertake the renovations. HAC offers homebuyer education programs, can connect a homebuyer with a number of mortgage products, and maintains a “Ready to Buy” list of prospective income-qualified homebuyers. Therefore, HAC could administer all phases of the project – funding, initial purchase, rehabilitation, marketing, lottery administration, and sales.

HAC was very aggressive in administering SHOP and in 2006 was able to purchase, rehabilitate, and re-sell the units in a twelve-month period. In keeping with state requirements, there was a local preference on 70% (five) of the units. In the end, six of the seven end-buyers had connections to Sandwich. At the
time, HAC had 50 to 60 income-eligible and pre-qualified buyers on its Ready to Buy list.\(^2\)

The lessons learned from this project that might be useful to Orleans include:

- With the exception of the single-family homes, this project most closely mirrors how the proposed Orleans program would likely be administered. The non-profit that was chosen by the Town obtained additional funding sources; and then the non-profit acquired available properties, renovated them, marketed the units to prospective buyers, administered the lottery, and assisted chosen applicants in obtaining financing.

- Having an agency that is versed in all phases of the development process is very helpful in ensuring the success of a project, and enables the program to be administered in an efficient and cost-effective manner.

- If receiving funding from state or federal sources, a program must have provisions for non-local participation in a project. However, the project will probably be allowed to have a 70% local preference and sometimes an even larger percentage of local residents will benefit from the program. In addition, these projects will be counted in the state’s Subsidized Housing Inventory.

- Having an adequate pool of qualified applicants is key to the success of a project, since it will normally take many more applicants than available units to find enough qualified buyers.

3. **Bourne Housing Opportunity Purchase Program (a project of Bourne Housing Partnership)**

The Bourne Housing Opportunity Purchase Program (B-HOPP) is designed to help eligible first-time homebuyers over a two-year period to purchase and renovate (when necessary) single-family homes and condominiums that are available for sale. Applicants are selected by lottery – with a preference given to local applicants. Qualified applicants are then placed on a “ready to buy” list, and the Bourne Housing Partnership begins to work with those applicants as their names approach the top of the list. Properties are identified and approved by the Partnership after having passed inspection by a professional housing inspector.

\(^2\) Sources for this section: Interviews with Nancy Davison and Gael Kelleher, 9/11/08
While the Partnership is constantly monitoring the availability of eligible properties, this is not a project-based program. Applicants are given considerable latitude in choosing the property that they want to purchase, and in fact applicants have the opportunity to identify properties that are not on the Partnership’s list as long as they meet the overall criteria.

Applications for B-HOPP were made available at the end of February 2008, three information sessions were held during the spring, and the lottery was held on May 14th. There were 75 families who took out applications, however only 13 of these applications were submitted (17%). Of those who applied, six qualified for the program. The Bourne Housing Partnership is now working with those families.

B-HOPP provides a direct subsidy of $15,000 per bedroom for a single-family home and $20,000 per bedroom for a condominium unit. Bourne’s Community Preservation Fund provides the subsidy funding. The Partnership has worked closely with the U.S. Department of Agriculture to secure very low interest mortgage financing. However these funds are limited to the purchase of single-family homes, and to families earning 45% to 60% of the area median income ($29,600 - $44,400 for a family of four). USDA financing may be written at an interest rate as low as 1% for a term of 40 years. Financing through MassHousing is also available for families earning 60% and 80% of the area median income ($44,400 to $59,200 for a family of four), or for families wishing to purchase a condominium unit.  

A number of lessons can be drawn from the B-HOPP experience:

- It is possible to design a program that is not project specific. Unlike both the Chatham and Sandwich programs, the Bourne program did not specify the properties that would be included within the program.
- While B-HOPP gave applicants a degree of latitude in choosing their own properties, the Bourne Housing Partnership was still very much involved in identifying potential properties for inclusion in the program.

3 Sources for this section: Interview with Kerry Horman, 9/24/08; Bourne Housing Opportunity Purchase Program Information Package and Application, undated document available on the Town of Bourne website.
While there may be a significant amount of interest in a program, this does not guarantee a large number of applicants. And among those who apply, there will be even fewer who actually qualify.
Section V

PROPOSED PURCHASE AND RE-SALE PROGRAM

Sections V and VI describe two potential affordable housing development models: a condominium purchase and re-sale program and a condominium purchase and rental program. Volatility in the real estate market will determine the favorability of resale vs. rental over the long term, and the consultants recommend that the Town seeks a program administrator that could successfully implement either an ownership or rental program.

The intention of this section is not to provide the Town with a detailed guide for program implementation. Rather this section is designed to provide a means by which the Town can develop a mechanism for soliciting proposals from and then choose a program administrator. It also offers the Town a guide for monitoring the progress of that administrator through the implementation of the program on behalf of the Town.

We have drafted the next two sections with the intention that one could read each independently. As a result, these two sections contain redundancies where the process applicable for an ownership program is similar to that for a rental program. Although these redundancies will affect the readability of this report, they are inevitable.

Section V outlines a proposed condominium ownership program. It is organized around 20 steps that are crucial to successfully implementing such a program, includes a discussion of ownership vs. rental decision factors, and contains detailed information on sources of funding as well as development pro formas.

Step 1. Town Determines Program Requirements

To develop a Condominium Purchase and Re-sale Program (Ownership Program), the Town of Orleans must make a number of initial decisions on program design. Without clear-cut parameters on the following questions, the Town cannot properly plan an Ownership Program and/or a prospective Program Administrator cannot adequately respond to a Request for Proposals (RFP).
Who administers the Program?

The first question to be asked is whether this Program will be administered by the Town through one of its committees or by a designated program administrator. Our advice is that the Town adopts the latter approach, and issues an RFP for an organization to fill this role. One of the key elements for success in this process is designating an entity to administer the program that has the capacity to oversee most, if not all, of the program elements to ensure continuity and efficiency throughout the process.

• Should the program be limited to families, and if so what would be the optimal family size?

Given the large number of seniors who live in Orleans, one could make the demographic argument to target the Ownership Program to elderly applicants. However, it would be very difficult to make that case and have the Ownership Program comply with fair housing requirements. The condominium units and complexes that are most likely to qualify for this program are not senior-only, and the relative lack of public housing geared toward families would also be a detriment to designating Program units for seniors only.

However, it would also be imprudent to design the Ownership Program so that only families of a certain size could participate. Since the vast majority of units that are likely to be purchased through the Ownership Program are two bedroom, by definition only smaller families are going to qualify. Furthermore, small families that intend to remain small (i.e. one or two children) are likely to self-select for the Program, since a family looking to grow is unlikely to purchase a unit with a long-term deed restriction.

Thus, we would recommend that the program be open to a family of one to four persons for a two-bedroom unit, and that larger family requirements (probably three to six persons) be attached to three-bedroom units. Given the lack of four-bedroom or larger units in the Orleans affordable housing inventory, this report assumes that larger units will not be available through the Program.

• Special Needs?

One possible scenario is that the Program could enable a vendor working with special needs clients to provide housing for those clients. Given the small bedroom size of the units available, a Program of this type would likely be limited to relatively high functioning clients who could live in a semi-independent setting with minimal supports. For clients requiring more services, a condominium-
based program would not provide the economies of scale necessary for that vendor to provide intensive staff support.

Should the Town be interested in pursuing this option, it would be prudent to engage in further discussion with potential vendors to determine their interest.

- **Owners or Renters?**

The ownership vs. rental question probably deserves the most discussion, and the answers are more complex than those above. Should the Program be designed to provide housing to families wishing to purchase their own unit, or should the Program enable a property manager to purchase the unit and then rent it to income-eligible tenants?

One major consideration is the relative availability of non-CPA public subsidy for the creation of affordable ownership and rental units. While an ownership unit may require somewhat less subsidy than a rental unit, the sources and amounts of subsidy available for ownership units also tends to be much more restrictive than rental.

A number of pros and cons for both scenarios are detailed below.

Advantages of an ownership program:

- **Ease of administration** – Once the unit has been initially purchased, rehabbed, and re-sold, little ongoing administrative support is required. That being said, the role of the Administrator in an affordable purchase scenario may require a greater degree of involvement than would normally be the case with a condominium sale. Depending on the number of units in the condominium association, and the number of affordable owners, the Administrator may continue to play a role in advising the association regarding adequate budgets/reserves, and counseling/monitoring the efforts of unit owners regarding budgeting and management issues in general.

- **Lack of affordable ownership units in Orleans** – Most of the housing on Orleans’s subsidized housing inventory is targeted toward renters and special needs clients. Only twenty-five units in Orleans currently provide affordable ownership housing.

- **Less opposition and potential conflict within the condominium association** – While opposition to deed restricted units may arise within the condominium association and among condo residents, the
degree of opposition will likely be greater if those units are rented rather than owned.

Disadvantages of an ownership program:

- Marketability – In a market downturn, the number of prospective applicants for a relatively small unit located in an aging condominium complex may be fairly limited. One significant reason for this lack of interest will be length of the deed restriction and the years that a family will feel that they must remain in the unit in order to recoup some of their investment.

- Possibility of excessive increases in the association fee – A low-income buyer purchasing into an existing condominium complex will have little leverage should the association decide to upgrade the complex and increase the association fee. Such an increase could be more expensive than such owners can support, and they will realize no gain in equity value from improvements to the common areas.¹

Advantages to a rental program:

- Marketability – The Town can expect a longer waiting list of prospective tenants for the unit than prospective owners. In fact, the Orleans Housing Authority (OHA) maintains a waiting list of such applicants and would probably be able to match them to the new units. However the applicants on the OHA waiting list would typically have incomes below 50% of the area median income, and as

¹ There are certain protections available to condominium unit owners that might prevent exorbitant fee increases. Under Massachusetts General Laws (MGL c.183A: Sections 18 (a) and (b)), “if fifty percent or more but less than seventy-five percent of the unit owners agree to make an improvement to the common areas and facilities, the cost of such improvement shall be borne solely by the owners so agreeing. Seventy-five percent or more of the unit owners may agree to make an improvement to the common areas and facilities and assess the cost thereof to all unit owners as a common expense, but if such improvement shall cost in excess of ten percent of the then value of the condominium, any unit owner not so agreeing may apply to the superior court of the county in which the property is located, on such notice to the organization of unit owners as the court shall direct, for an order directing the purchase of his unit by the organization of unit owners at fair market value thereof as approved by the court. The cost of any such purchase shall be a common expense.”
such would normally require some form of rental assistance in order to afford the rent.

- Ability to assist families in greater financial need – Ownership programs are designed to assist families earning between 70% and 80% of the area median income. Rental programs are designed to assist families earning less than 60% of AMI, and often less than that. A subsidized rental unit can house families earning less than 50% of AMI, since they pay no more than 30% of their income for housing.

- Larger pool of prospective administrators – Entities such as the Orleans Housing Authority could submit a proposal to administer a rental program, in addition to several non-profits in the area that could administer either an ownership or a rental program.

- Professional representation on condominium association – Rather than having a relatively inexperienced new condo member under an ownership scenario, the representative on the condo association through a rental program would be a housing professional who could be a valuable resource in the procurement of goods and services on behalf of the association. While the Administrator will likely remain involved in the association in both ownership and rental scenarios, the Administrator’s role in an ownership situation will be somewhat diminished.

Disadvantages of a rental option:

- Tenants take less “ownership” of their units – Tenants are less likely than owners to make capital improvements on a rental unit since they will not realize the gain, while owners can realize a gain on improvements as long as those improvements are completed in compliance with the Affordable Housing Restriction.

- Greater resistance from other owners and the association – Rented units are more likely to meet opposition from other owners and the association because of perceived disadvantages to having those units occupied by renters versus owners. In fact, some condominium association by-laws may forbid the rental of units within the complex.

The owner versus renter issue is indeed a complex one, and largely dependent on external factors such as market conditions and funding availability. Our recommendation is that the Town need not choose categorically between
ownership and rental. Some of the units developed through the Program can be purchased as rental units, and others can be purchased as ownership units. The Town needs only to work with a program administrator who has the capacity to both manage rental units and facilitate the sale of ownership units to first-time low-income homebuyers.

- **Concentration of units**

Because of price, the units most likely to be purchased through this Ownership Program will be concentrated in a few condominium complexes in Orleans. We believe it would be detrimental to the future of the Program to have all of the units in any one funding round concentrated in any one complex. We recommend, therefore, that prospective administrators be limited as to the number of units purchased per complex, and that units be purchased at different complexes in each round.

As the Program develops, and additional rounds of funding become available, the Town will need to assess where previous units have been purchased and consider capping the number of units that may be purchased in the same complex.

- **Energy efficiencies to be built in – possible conversions?**

Controlling energy costs is paramount in maintaining affordability. The available condominiums in Orleans (selling for under $250,000) all feature electric heat and hot water, which for year-round residents could pose a cost burden. The units in our survey were also substantially under-insulated by current standards and need additional energy detailing, including potential window replacement and air-sealing. Whether the fuel source remains electric or conversion to natural gas is anticipated, substantial energy conservation opportunities exist within the current building envelope. These should be investigated fully by qualified energy professionals at an appropriate time in the program process. Realistic budgets should be developed for implementing a cost-effective roster of energy conservation measures for the long-term benefit of program participants. At a minimum, however, insulation upgrades should be mandatory for the attic spaces with an approximate cost of $2,000 per unit.

One obvious item for evaluation is fuel conversion from electric to high-efficiency natural gas. It is common for local suppliers to provide gas service to a property at no cost when there is an expressed interest by new customers and the opportunity for new accounts for the utility. Programmatic cost incentives offered for boilers and water heaters also reduce costs which can often be substantial for a new boiler and distribution system. There may be other lesser-known but fully
developed technologies, however, that could supplement the electric heat and replace the domestic hot water heat and deliver substantially lower installation costs than conventional central heating systems.

A full evaluation of all energy options is not part of this contract; however, a prospective cost range for fuel conversions could run from $6,000 for a new gas wall-furnace and on-demand water heater to over $15,000 for a conventional residential system. A cost-benefit analysis based on current year-round electric usage would be a good place to start when energy options are being evaluated as part of the program.

**Step 2. Town Issues RFP**

A number of excellent guidebooks have been developed to assist municipalities with developing affordable housing. These include *Developing Affordable Housing on Public Land: A Guide for Massachusetts Communities*, published by the Massachusetts Housing Partnership; and *CPA and Affordable Housing: A Guidebook on How Cities and Towns Can Use Community Preservation Act Funds to Support Local Housing Efforts*, published by the Massachusetts Housing Partnership and Citizens’ Housing and Planning Association. While neither provides an exact replica of the Ownership Program envisioned for the Town of Orleans, the basic process by which the Town would solicit proposals from prospective developers is encapsulated in these guidebooks (as would any subsequent guides by those entities).

Using some of the RFP models provided in these guidebooks, attached as Appendix C is a Model Request for Proposal that has been developed as a guide for the Town should it choose to initiate an ownership Program.

There are several good reasons why the Town should conduct a thorough procurement process in choosing an Administrator for this Program:

- There are several qualified potential program administrators in the region, and an RFP process would give all qualified applicants the opportunity to present their proposals.

- Should municipally-owned properties become available in the future (such as condominium units taken by tax title), then having selected an administrator through a 30B-compliant process should enable those units to be included under the program.
The Town should be able to justify its selection and show that there was no favoritism in the selection process.

Given the fluid nature of the statutory, regulatory, and legal framework for both public procurement and affordable housing development, the Town should seek advice of legal counsel prior to issuing an RFP to ensure that the RFP will conform to legal standards at the time of issuance.

Step 3. Town Reviews Responses & Selects Program Administrator

As would be typical for any proposal that is submitted in response to an RFP, the Town will need to develop a set of criteria to evaluate those proposals. Each component of the evaluation criteria should be rated as Highly Advantageous, Advantageous, or Unacceptable.

Since this Program does not pre-designate a particular building or unit to be developed, the selection of a Program Administrator should be based on that entity’s ability to assess and administer projects. The Committee should evaluate the proposing entity’s ability to administer all phases of the development and their experience in doing so. Although certainly not an exclusive list, the various components of administering this Program include the ability to:

- obtain additional program funding to augment CPA subsidies,
- develop a marketing plan that will comply with local and state fair housing requirements and provide a practical foundation from which to solicit potential program applicants
- advertise and conduct outreach to develop a list of prospective applicants, in a manner that is consistent with fair housing requirements
- conduct a property search for prospective units and inspect those units to determine their suitability
- develop a pro-forma to determine whether the acquisition, rehabilitation, and soft costs will not exceed the amount of funding that will be available to subsidize the purchase of the unit, and develop a realistic assessment of the carrying costs for the unit to ensure that any prospective buyer will have sufficient resources to afford the unit in the long-term
counsel prospective purchasers, provide them with comprehensive financial literacy training, and link them to mortgage products that will enable them to afford the unit they are purchasing

○ oversee the rehabilitation of the units so that the units will meet federal, state, and local housing standards

○ close on the sale or re-sale of the unit

○ troubleshoot possible owner interactions with the condominium association to ensure that the resident is able to remain in the unit for the long term.

While it is very important that the chosen administrator be well versed in all phases of this Ownership Program, the selection committee should be mindful that different administrators may choose different paths in undertaking their responsibilities.

**Step 4. Program Administrator Applies for Additional Funding**

The Program Administrator must bring to the Ownership Program the ability to apply successfully for additional funding to augment the Town’s allocation of CPA funds.

Rather than looking at CPA funding as the primary source of funding, the Program Administrator should be viewing the CPA as a local matching source that hopefully can then be multiplied several times over. The more subsidy that is available for the Program, the more units that can be purchased and re-sold. Conversely, the more subsidy programs the more complex the Program becomes and the more that overlapping requirements will impede the timing and potential marketing of the units.

A number of funding sources should be explored to subsidize an ownership Program. This list is certainly not exclusive, and is provided with the caveat that funding sources are sometimes phased out or shift their funding preferences.

- Orleans Community Preservation Fund – CPA funds are a necessary first component of any funding strategy, and will be the funding source for which the RFP is issued. As noted before, an excellent resource is *CPA and Affordable Housing* prepared by Massachusetts Housing Partnership and CHAPA.
HOME Investment Partnership Program (HOME Program) – HOME is a federal housing program through the U.S. Department of Housing and Urban Development (HUD) which provides funds for the development of ownership and rental housing for low-income and very low-income families. HOME funds are administered at the local level by the Cape Cod Commission. Currently, HOME funding is available on a rolling basis, and will provide a maximum of $25,000 per unit up to a maximum of $125,000 per project. For organizations that have been certified as Community Housing Development Organizations (CHDOs), the maximum per unit subsidy is $30,000 and the project limit has been upped to $150,000.

Private Fundraising – While not normally a significant source of funding for affordable housing projects of this type, the Chatham example indicates that private parties are sometimes willing to contribute to an affordable housing project.

In addition, the Massachusetts Department of Housing and Community Development (DHCD) offers numerous funding sources. These include:

1. Massachusetts HOME Program (“State HOME”)

   **Funder Name:** Department of Housing and Community Development (DHCD)

   **Eligible Applicants:** Non-profits and for-profits may apply.

   **Eligible Activities:** Constructing or rehabilitating housing, acquiring property or vacant land, making essential improvements – including energy-related repairs or improvements, improvements to permit use by persons with disabilities, abatement of lead-based paint hazards, repair or replacement of major housing systems in danger of failure, making utility connections, site improvements such as on-site roads and water/sewer lines, and demolishing existing structures. Reasonable and necessary soft costs are allowed, including financing costs, building permits, legal and developer fees, property appraisals, credit and title costs, engineering, architectural services, initial 18 month operating deficit reserves, audit, relocation, affirmative marketing, and staff and overhead costs.

   **Ineligible Activities/Restrictions on Use:** Minimum project size – 5 units. Project reserve accounts (beyond 18 months), operating subsidies, project-based rental assistance, non-federal matching constructions, public housing
operating subsidies, assistance to a previously funded HOME project within its period of affordability. Cannot be used for public housing modernization, projects funded under Title VI of the National Affordable Housing Act, and projects funded through the federal Rental Rehabilitation program.

**Maximum Grant:** $750,000. For projects in HOME entitlement or consortia communities, there should be a commitment of local funds – preferably a full match.

**Maximum Funding per Unit:** $50,000 in HOME entitlement and consortia communities; $65,000 in non-entitlement/consortia communities.

**Minimum Length of Affordability Restriction:** 30 years

**Underwriting/Scoring Criteria:** Funding priorities given for projects that: have official local support, are part of a comprehensive neighborhood planning effort, include Minority Business Enterprises on the development team, have low development costs, have low soft costs and developer fees, seek minimal DHCD assistance, target special needs groups and their intended customers, include market rate units in the project, have a commitment to an extended term of affordability (beyond 30 years), and utilize HOME funds in non-entitlement communities.

**Affordability Restriction Type:** The following distribution forms are allowed by HUD – low interest loans, zero interest loans, and deferred payment loans. An applicant may seek any of these, but the Commonwealth does not encourage grants.

**Income Group Targeted:** All HOME assisted ownership units must be affordable to persons at or below 80% of the median income.

**Application Process:** Submit a One-Stop application with a fee: $300 for non-profit sponsors and $600 for for-profit sponsors.

**Application Dates:** The State usually has one funding round per year, during the summer.

2. **Massachusetts Housing Stabilization Fund – Rehabilitation Initiative (HSF)**

**Funder Name:** Department of Housing and Community Development (DHCD)
Purpose: Support the acquisition, rehabilitation and re-use of distressed, foreclosed or abandoned properties so that they can be re-used as affordable rental or ownership housing. Can also be used for other properties in need of rehabilitation or suitable for new construction, but priority is given to distressed, foreclosed and abandoned properties.

Eligible Applicants: For-profit or non-profit developers, local housing authorities, and municipalities in cooperation with for-profit or non-profit developers.

Eligible Activities: Acquisition, rehabilitation, new construction

Ineligible Activities/Restrictions on Use: Minimum project size is 5 units. HSF can’t be combined with State HOME funds, but can be combined with local HOME funds

Maximum Grant: $750,000

Maximum Funding per Unit: $50,000 in HOME entitlement and consortia communities, $65,000 in non-HOME entitlement/consortia communities.

Minimum Length of Affordability Restriction: 50 years and DHCD retains a purchase option on the property at the end of the restriction period.

Underwriting/Scoring Criteria: Each application should include a description of the proposed work in the context of the particular community’s broader affordable housing needs and goals. Projects should: be ready to proceed, have a development team with adequate capacity, and include an acceptable resident selection plan and management plan. DHCD evaluates the following in scoring applications: financial feasibility, demonstrated need, suitable site and design, appropriate rehabilitation scope, appropriate total development cost, overall readiness to proceed, evidence of other funding commitments, number of affordable units in comparison to state funding requested, strength of development team, EO418 certification and incorporation of sustainable development principles.

Affordability Restriction Type: In general, the loans are secured by zero-interest, deferred payment junior mortgage notes.

Income Group Targeted: A developer has 3 options: 20% of the units must be affordable to households earning less than 50% of the area median, or
40% of the units are affordable at 60% of median, or 50% of the units are affordable at 80% of median.

**Application Process:** Submit One-Stop application. Fee is $300 for non-profit sponsors and $750 for for-profit sponsors.

**Application Dates:** The State usually has one funding round per year, usually during the summer.

3. **Affordable Housing Trust Fund (AHTF)**

**Funder Name:** Mass. Housing Finance Agency (MassHousing)

**Purpose:** Provide resources to create or preserve affordable housing throughout the state for households whose incomes are not more than 110% of median income.

**Eligible Applicants:** Governmental subdivisions, community development corporations, local housing authorities, community action agencies, community-based or neighborhood-based non-profit housing organizations, other non-profit organizations, for-profit entities, and private employers.

**Eligible Activities:** Activities that create, preserve, or acquire housing throughout the state. Funds may also be used for permanent or transitional housing for homeless families and individuals, and for the modernization, rehabilitation, and repair of public housing. Financial assistance is available, including: deferred payment loans, low- or no-interest amortizing loans, down payment and closing cost assistance for first-time homebuyers, credit enhancements and mortgage insurance guarantees, matching funds for municipalities that sponsor affordable housing projects, and matching funds for employer-based housing.

**Ineligible Activities/Restrictions on Use:** This is a fairly open program. As long as the funding is being used to assist in the development of affordable housing in some fashion, AHTF funds may be used to support those activities.

**Maximum Grant:** $1,000,000

**Maximum Grants per Unit:** $50,000

**Minimum Length of Affordability Restriction:** 30 years.
**Underwriting/Scoring Criteria:** Threshold requirements: Financially feasible and ready to proceed. Preferences will be given to the following: Developments that produce “new” housing units (new construction, abandoned or fire-damaged residential units, and non-residential or non-residentially-zoned properties converted to residential use); Developments providing housing to households with a range of incomes – in particular, those with incomes below 80% of median; Developments that include income affordable units for families; Developments that include affordable units for the disabled and the homeless; Projects that propose the longest term of affordability; Projects sponsored by non-profit organizations; Projects that use private funding sources and non-state funding sources to leverage the least amount of AHTF funds; Projects that are consistent with the Principles of Sustainable Development.

**Affordability Restriction Type:** When used as gap funding, usually the restriction is in the form of a deferred payment loan.

**Income Group Targeted:** 110% of median income, but preference for projects providing assistance to those earning below 80% of median.

**Application Process:** If applying for AHTF solely, then apply to MassHousing. If applying in conjunction with another state source, then apply to that state entity (Affordable Housing Agency), the Affordable Housing Agency (i.e. DHCD, CEDAC, etc.) will make one of the following determinations – commit to fund the project in whole or in part; commit to fund the project in whole or in part and refer the application to AHTF for consideration of funding the balance; refer the application to AHTF for consideration of funding the entire amount; or decline either to fund or to refer the project. In any case, the One Stop is the application form to be used. MassHousing reviews and underwrites the application (usually within 45 days), then a recommendation is made to the Selection Committee. The Selection Committee will make a recommendation to the Director of DHCD.

**Application Dates:** If seeking AHTF solely, rolling deadline. AHTF is usually combined with another funding source, and so the AHTF deadline is typically the same as the deadline for that other funding source. Typically these applications are due during the summer.

While all of these state funding sources provide substantial amounts of funding, they also carry some significant limitations. The primary one is that they are only offered during one annual funding round, usually during the summer, and that
site control over a certain minimum number of units is required at the time of application. This means that in order to apply for one of these sources, the Program Administrator or Town would need to enter into a form of site control (Option to Purchase, Purchase and Sale Agreement or Ownership) prior to applying for the funding. Normally funding decisions are made within three to four months after application, and the process for closing on this funding can take several more months after that. In addition, while each program carries a maximum per unit award (usually $50,000), the actual award provided to a project can often be substantially less than that amount.

There is a major non-public funding source that may be tapped for this Ownership Program:

**FHLB Affordable Housing Program (AHP)**

- **Funder Name:** Federal Home Loan Bank of Boston
- **Purpose:** (for ownership housing) – Finance the purchase, construction and/or rehabilitation of owner-occupied housing for very low-, low-, and moderate-income households (80 percent of median) for the retention period of five years.
- **Eligible Applicants:** Applicants must be members of the Federal Home Loan Bank (i.e. banks who are members of FHLB), but the applicants must have a development sponsor (for-profit, non-profit or governmental entity).
- **Eligible Activities:** Program funds may be used only for the direct costs of producing or financing affordable housing. Uses included acquisition, construction, rehabilitation costs, related soft costs, interest-rate buy-downs, down-payment and closing-cost assistance, and matched-savings programs. Only those units that are affordable are eligible for funding. The development sponsor must pass the benefits of the AHP funding through to the initiative and/or end user. Funds may come in the form of a direct grant and/or a subsidized advance (i.e. an interest rate buydown).

2 Please note that the FHLB Affordable Housing Program will institute a number of revisions to its scoring criteria beginning with the Round I funding cycle in 2009. As of the date of this report, these revisions have not been published and as such could not be incorporated. The Town and any prospective Program Administrator would be well served to review these revised guidelines once they have been published.
Ineligible Activities/Restrictions on Use: Supportive services and commercial space associated with a development. Prepayment fees imposed by the Bank. Cancellation fees and penalties and member processing fees are all ineligible.

Maximum Grant: Project subsidy limit is $800,000 - $400,000 of which may be a grant and the remainder a subsidized advance.

Maximum Funding per Unit: $30,000.

Minimum Length of Affordability Restriction: 5 years for ownership.

Underwriting/Scoring Criteria: As part of the application, the member institution will underwrite the project. Once a project has met its threshold criteria (owner-occupied or rental, application is feasible and there is a need for the subsidy, timing of the subsidy, funds will be passed-through to the project, funds are not for an ineligible use, retention periods are met, the applicant sponsor is qualified to do the work, the project meets fair housing requirements, and the project does not exceed the maximum grant level and is located in New England). Scoring criteria meeting threshold are as follows: use of donated or government-owned property (5 pts.); sponsorship by a non-for-profit or government entity (5 pts.); targeting to very low-income families (20 pts.); housing for homeless individuals (5 pts.); promotion of empowerment (i.e. social services) (10 pts.); housing for first-time homebuyers (5 pts.); member financial participation (i.e. a loan to the project from the member applicant) (15 pts.); project in a rural area (5 pts.); economic diversity (i.e. low income project in high income area or mixed income in a low income area) (5 pts.); use of community land trust mechanism (5 pts.); enhances community stability (e.g. community organizing, uses “smart growth” principles, energy efficiency) (15 pts.); minimizes AHP subsidy per unit (5 pts.).

Affordability Restriction Type: Must use standardized AHP mortgage and note

Income Group Targeted: For ownership, 80% of median.

Application Process: A sponsor must find an FHLB member who will be willing to submit an application on its behalf. The member must underwrite the application, so the sponsor needs to work closely with the member and give the member sufficient time to underwrite the application prior to the application date.
**Application Dates:** There are normally two rounds per year – in April and September.

The FHLB Affordable Housing Program has a number of advantages including its relative flexibility, its ability to combine acquisition/rehabilitation funding with a low-interest mortgage, and a considerable amount of financing per unit ($30,000). An applicant can also apply for a relatively small project.

The major disadvantage in regards to the Orleans Ownership Program is that applicants who target homebuyers earning more than 50% of the area median usually do not score high enough under the scoring criteria to be funded. Therefore, this program should only be considered if the Town intends to target prospective buyers earning less than 50% of the area median income.

The final disadvantage of the state and FHLB funding sources is that they are all highly competitive, and it is not possible to predict that a funding application will be successful – especially in a timely fashion. For this reason, these funds are more typically used on a project where the applicant has far greater ability to control the site (such as the adaptive re-use of an abandoned building or new construction). The Program being envisioned for Orleans would require the Town to acquire a unit on the open market and absorb those carrying costs until the unit can be re-sold to a first-time homebuyer.

One possible funding strategy would be to use Orleans CPA funds as a mechanism for land banking a number of condominium properties, and then bundling those units into a funding application that would end up reimbursing (at least partially) the CPA fund. That way, CPA funds could then be recycled and used to purchase additional properties. This approach would be especially useful if CPA funds could be used to guarantee a mortgage through a local lender, which would require a relatively small amount of CPA funding to leverage the acquisition and re-sale of a number of condominium units.
Step 5. Program Administrator Markets Program

The Program Administrator should then draft a Marketing Plan for the Ownership Program which identifies the Administrator’s outreach strategy, buyer selection, and lottery plan (including local preferences and fair housing requirements), and samples of the various documents that will be used (application, sample advertisement, required disclosures, etc.) by the Administrator to conduct the Program.

An example of an Ownership Marketing Plan used recently on a similar project is attached as Appendix D.

After the Marketing Plan has been reviewed and approved by the Town, the Plan should be approved by the various funders to ensure consistency with their programmatic requirements. In addition, the Plan should be approved by DHCD (regardless of whether the state is providing funding) to determine whether the Plan is consistent with Local Initiative Program (LIP) guidelines. This will ensure that the units included in the Program will be added to the Town’s Subsidized Housing Inventory.

Once the Marketing Plan has been approved by the Town, DHCD and the funders, then the Program Administrator should begin the process of advertising and reaching out to the various agencies delineated in the Plan.

Step 6. Program Administrator Holds Information Sessions for Prospective Applicants

From the moment that information about the Program becomes public, the Program Administrator should be engaged in an effort to educate the public - both to generate interest in the Program and ensure that an adequate number of qualified applicants will seek out the opportunity. It would be especially beneficial to have an Administrator who has already established a network of prospective applicants through a series of homebuyer education classes – especially one that has received the Seal of Approval through the Massachusetts Homeownership Collaborative.3

3 Information about the Collaborative is available at www.chapa.org.
By linking the Administrator’s homebuyer education program with the marketing for the program, the likelihood that the Administrator will locate motivated, informed and qualified applicants is increased substantially. If the Administrator does not provide those classes directly, then the Administrator should develop a working relationship with a certified homebuyer counseling agency to ensure continuity between the Program and prospective buyers.

Step 7. Program Administrator Conducts Lottery

While a layperson might think that conducting a lottery would be as easy as drawing names out of a hat, in reality conducting a lottery is one of the more complex issues that will arise in administering this Program. The complicating factor is the Town’s usual desire to have as many local beneficiaries as possible, while the state and federal government want to ensure that the housing offered provides fair housing opportunities to members of minority groups. Since the overall population of the Town is less diverse than that of the general population, the conflict between these two desires can create conflicts in the administration of the lottery.

To resolve these conflicting goals, the Town is normally allowed to allocate a certain percentage of the units offered through an Ownership Program to families who are defined as local residents. Other units are then marketed to an open pool of applicants that includes both local residents and non-residents. Furthermore, non-local minority applicants are sometimes included in the local pool of applicants to ensure that there is adequate minority representation in the local pool.

Even the definition of “local resident” needs to be addressed as part of the Marketing Plan, since often the definition goes beyond a household that lives in town currently. Often the definition of local resident includes someone who works in town, or has children in the school system. Should the Town wish to have a local preference for the Ownership Program, then it is important that a clear definition of “local resident” appear in the Marketing Plan so that no confusion exists as to which pool a prospective applicant would be eligible.

The Town and the Program Administrator also need to obtain approval of the Marketing Plan by the state prior to implementation to ensure that the units would be included in the Subsidized Housing Inventory and to minimize the chance that a successful fair housing complaint could be lodged.
Through its B-HOPP program, the Town of Bourne developed a process for ensuring adequate minority representation in both its local and non-local pools of applicants, and then developed an order for selecting applicants from the local and non-local pools (please see Appendix E). This is just one example of how a town has chosen to conduct its lottery, and other strategies are certainly possible.

CHAPA has developed an excellent resource, *Meeting Local Housing Needs: A Practice Guide for Implementing Selection Preferences and Civil Rights Requirements in Affordable Housing Programs* (September 2004), which provides extensive detail on how preferences may be established in developing a lottery process. The paper is available on the website, [www.chapa.org](http://www.chapa.org).

However, given the many changes that are occurring in this area, it is important that the Program Administrator and Town work closely together, and with competent legal counsel, to ensure that the Program’s lottery selection plan meets the then-current legal and regulatory requirements.

**Step 8. Program Administrator Determines Whether Selected Applicants are Qualified**

Once an applicant has been selected from the lottery, then the Program Administrator will begin working closely with the applicant to determine whether they will qualify to purchase a unit through the Program. This qualification process has two important, though contradictory, components:

- The applicant must meet the threshold requirements of the Program as they have been delineated in the Marketing Plan. These will certainly include not having income in excess of the maximum income level allowed under the program (most likely, having income that does not exceed 80% of the area median income), meeting the definition of local resident (in order to be included in the local resident pool), meeting the definition of first-time homebuyer, and not having assets in excess of allowed maximums.

- The applicant must also be able to demonstrate that they have the capacity to make mortgage and other housing-related payments (taxes, insurance, association fees, etc.) for the long-term. To meet this requirement, the applicant must be able to demonstrate sufficient income to make those payments (while not exceeding the maximum income level delineated in the first bullet), a stable work history, a good credit record,
and the willingness from a reputable lender to provide them with a mortgage.

The result of these contradictory components is that a fairly narrow window of eligibility will be created within which a relatively few families will have sufficient income to make their mortgage payments while not having so much income as to become “over income.”

As part of the initial Program design, it will be important to determine at what income level the Program will be targeted. For example, while the maximum income that a family can earn is often pegged at 80% of AMI, many programs actually use a 70% of AMI figure to determine at what level a mortgage would be affordable. By using the 70% standard, the Program is effectively opened up to any family earning between 70% and 80% of AMI.

Step 9. Program Administrator Locates a Property or Works with Successful Applicants to Locate a Property

It will be very important for the Administrator to develop a relationship with a local real estate agent who will assist the Administrator in seeking out units that meet the parameters of the Program. If the Administrator does not have agents on staff, any agency submitting a proposal to the Town should delineate which agent and/or agency they will be working with as a buyer’s agent.

Step 10. Program Administrator Inspects Potential Properties

Each purchase should be preceded by due diligence regarding the physical evaluation of the property. Since there are funding protocols which obligate the Program Administrator to make certain that all units meet several housing quality standards, a multi-pronged inspection approach may work best. First, each unit should meet the federal Housing Quality Standards (HQS) requirements which establish a baseline of acceptable health and safety parameters. To that end, there are standardized formats of the HQS inspection protocols available in the public domain. Additionally, each unit should be reviewed for compliance with Section II of the Massachusetts State Sanitary Code (MSSC), which by statute is fully reinforced by the code requirements found with the Massachusetts State Building Code. While the vast majority of both Federal HQS and MSSC Section II requirements are redundant, it would speak well for the due diligence of the Program to have a professional inspector versed in their applicability “sign off”
for compliance citing both evaluation approaches. Repairs related directly to HQS and MSSC compliance will need to be budgeted to achieve satisfactory HQS and MSSC evaluations.

It should be noted that we have already identified poor insulation and non-compliant fire detection systems within the units typically found throughout the available housing stock. These are important items that could potentially be recognized as an HQS finding. The fundamental difference, however, between a commercially available ‘home inspection’ and HQS/MSSC standards is the evaluation of life-safety which relates directly to code requirements. Typically, a home inspection evaluates existing components and not HQS/MSSC-required items which may in fact be absent from the property entirely.

Seemingly minor items like loose and flaking paint are not typically evaluated in a home inspection but trigger a “fail” under HQS. Missing handrails in stairways and proper egress lighting, for example, are code requirements that would have no bearing on “findings” made by a “home inspector” who typically will comment only on existing components. In fact, most home inspections clearly indicate that they are not performing a code inspection and standard disclaimer language throughout the industry states that the “home inspector” assumes the property meets code standards of the local jurisdiction and accepts no liability in the event that it does not.

Additional inspections that are routinely part of any real estate transaction would also include an evaluation of the existing smoke and fire safety system including compliance for CO (carbon monoxide) and appropriate disclosures for lead-based paint.

There is legislation being considered in Massachusetts that would require all homes to have an “energy audit” prior to sale – making another inspection likely to be part of the due-diligence process for the Program should that come to pass.

**Step 11. Program Administrator Prepares Development Pro-Forma**

Preparing a development pro-forma for an ownership project is a two-step process. First, one must determine what a family earning less than 80% of the area median income can afford for a monthly payment, and then how much mortgage that payment will support. Once the mortgage amount is determined, then one must estimate the costs of bringing the project through fruition (including all of the hard and soft costs associated with initial acquisition,
rehabilitation, and subsequent re-sale of the unit). Since the mortgage amount will rarely cover the full cost of the project, subsidy sources need to be imputed into the equation to make the available sources of funding equal the uses which that funding will cover.

For this Program, we have developed two model pro-formas which are based on a number of assumptions. The first set of spreadsheets assumes that the upper income limit to qualify is 80% of the area median income. Since a two-bedroom unit is the typical size for a unit in our sample, we must assume for purposes of estimating that a three-person family will occupy that unit. The maximum income that a three-person family can earn to qualify for the Program is $53,300\textsuperscript{4}. Although any family earning less than 80% of median would qualify for the Program, we want to target the pricing on the unit such that a family of three earning 70% of AMI will be able to afford it. As a result, our affordability worksheet is assuming that the unit would need to be affordable to a family earning $46,638 annually.

\textsuperscript{4} “2008 Adjusted HOME Income Limits”, U.S. Department of Housing and Urban Development, April 12, 2008. Income limits are typically adjusted annually, and the most recent income limits should be checked prior to program implementation.
<table>
<thead>
<tr>
<th>Purchase Price Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Cost: Model Orleans 2-bedroom unit</td>
</tr>
<tr>
<td>Sales Price</td>
</tr>
<tr>
<td>5% Down payment</td>
</tr>
<tr>
<td>Mortgage</td>
</tr>
<tr>
<td>Interest rate</td>
</tr>
<tr>
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<tr>
<td>monthly property tax</td>
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</tr>
<tr>
<td>PMI</td>
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<tr>
<td>Condo/HOA fees (if applicable)</td>
</tr>
<tr>
<td>Monthly Housing Cost</td>
</tr>
<tr>
<td>Necessary Income:</td>
</tr>
</tbody>
</table>

### Household Income:

| # of Bedrooms | 2 |
| Sample Household size | 3 |
| 80% AMI/"Low-Income" Limit | $53,300 |
| Target Housing Cost (80%AMI) | $1,333 |
| 10% Window | $46,638 |
| Target Housing Cost (70%AMI) | $1,166 |

Based on the results of this affordability worksheet, we can assume that the homeowner will qualify to support a purchase price of $115,000 on the unit. This purchase price figure is now plugged into the development pro-forma as the primary source of funding. We have assumed that HOME funds through the Cape Cod Commission will provide an additional $25,000 in subsidy (in the form of a soft second mortgage that gets discharged upon sale to an eligible buyer and the recording of an Affordable Housing Restriction), and that the difference will be made up through Orleans CPA funds or another funding source.

In regard to the costs associated with the Program, we are assuming that the purchase price of a two-bedroom condominium will be $180,000, that there will be approximately $5,000 in rehabilitation costs needed for the unit, and that all of the various soft costs will be consistent with other projects of this type.
As part of their proposals, prospective administrators need to determine what their projected fees to administer the Ownership Program will be. We recommend that line items for legal costs, inspectional services, advertising and program administration be included as part of the price proposal for the RFP. In this way, a cost analysis from different proposals can be weighed.

The following pro forma leaves blank those sections that will be supplied by responders. The consultants have separately provided the Town with our estimation of what those costs will be, since every additional dollar paid to an administrator will need to be paid from a subsidy source – and for the sake of this analysis those funds will probably come from the Orleans CPA.

This pro-forma also assumes that the Program Administrator is taking title to the Unit on an interim basis, and as such is bearing certain carrying costs (approximately $4,500) during that interim period. Based on these assumptions, the development pro-forma for this model project would resemble the following:

**ORLEANS CONDOMINIUM PURCHASE AND RE-SALE PROGRAM MODEL DEVELOPMENT PRO-FORMA**

<table>
<thead>
<tr>
<th>Sources</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resale to Qualified Buyer</td>
<td>$115,000 Based on 3-person family earning 70% AMI</td>
</tr>
<tr>
<td>Cape Cod Commission HOME</td>
<td>$25,000 Max. per unit amount allowed/CHDO = $30,000</td>
</tr>
<tr>
<td>Orleans CPA or Other Sources</td>
<td>$54,200 Gap Filler Needed (Diff. between Sources &amp; Uses)</td>
</tr>
<tr>
<td>Program Admin. Fee Paid by CPA</td>
<td>? Add'l Gap Filler based on Admin. Fees</td>
</tr>
</tbody>
</table>

**Total Sources** $194,200

<table>
<thead>
<tr>
<th>Uses</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$180,000 Median price for “affordable” 2-BR units</td>
</tr>
<tr>
<td>Closing Fees, Tax Stamps, Recording</td>
<td>$2,200 Based on costs for with similar project</td>
</tr>
<tr>
<td>Legal Fees</td>
<td>? To be supplied by RFP respondents</td>
</tr>
<tr>
<td>Title Insurance</td>
<td>$1,000 Based on costs for with similar project</td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>$500 Paid during holding period</td>
</tr>
<tr>
<td>Mortgage Interest</td>
<td>$2,500 Paid during holding period</td>
</tr>
<tr>
<td>Condo Fees</td>
<td>$1,000 Paid during holding period</td>
</tr>
<tr>
<td>Home Improvements</td>
<td>$5,000 Allowance based on inspections of like units</td>
</tr>
<tr>
<td>Insctional Services</td>
<td>? To be supplied by RFP respondents</td>
</tr>
<tr>
<td>Utilities</td>
<td>$500 Paid during holding period</td>
</tr>
<tr>
<td>Advertisements</td>
<td>? To be supplied by RFP respondents</td>
</tr>
<tr>
<td>Monitoring Agent Fee</td>
<td>$1,500 Based on 2% of 4 person area median income</td>
</tr>
<tr>
<td>Program Administration Fee</td>
<td>? To be supplied by RFP respondents</td>
</tr>
</tbody>
</table>

**Total Uses** $194,200
These two spreadsheets are illustrative of what we feel might be a typical scenario for this Program. Any change in any of the line items will have a direct impact on the “gap filler” line items in the Sources budget. For instance, if some of the costs (“uses”) are higher or lower than predicted, then the amount of Orleans CPA funding necessary in order to make the project viable will be increased or decreased to compensate. If the amount of HOME funding is increased, then less “gap filler” will be needed. If another funding source is obtained, then Orleans CPA funding will decrease as well.

The second funding scenario for which we developed a pro-forma is whether we could reduce the subsidy needed from the Orleans CPA fund by reducing the purchase price such that a family earning 50% of the AMI could afford the unit, but then including Federal Home Loan Bank financing as a funding source.

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<th>Household Income:</th>
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<tr>
<td><strong># of Bedrooms</strong></td>
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<td><strong>Sample Household size</strong></td>
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<td><strong>Target Housing Cost (50%AMI)</strong></td>
</tr>
<tr>
<td><strong>10% Window</strong></td>
</tr>
<tr>
<td><strong>Target Housing Cost (40%AMI)</strong></td>
</tr>
</tbody>
</table>
Even assuming a deeply discounted mortgage interest rate of 4.5%, the purchase price that could be supported by a family earning no more than 40% of the AMI would be $55,000. There is a $60,000 difference between the amount that could be charged a family earning no more than 80% of AMI versus a family earning 50%. The $30,000 of available subsidy from the Federal Home Loan Bank does not make up that difference.

**Step 12. Program Administrator or Applicant Makes an Offer**

Once the Program Administrator has determined that the development pro-forma provides sufficient resources to complete the process, then an offer should be made to the seller. It is probably prudent for the Program Administrator to have identified and worked with an applicant before hand to ensure that there is a ready, willing, and able applicant available to purchase the unit in the end.

The process of making an offer is quite standard in the real estate industry, and the advice of a competent buyer’s agent, along with oversight by the Administrator’s legal counsel, should be sufficient to guide the Administrator through this process.

The Administrator and applicant should review, in consultation with their legal counsel, the Master Deed, Declaration of Trust, and Condominium Association By-laws to understand the rules and restrictions that will pertain to the complex in which the unit is located. Also, the condo association budget, the status of its various bank accounts, and its master insurance policy should also be reviewed to determine the relative financial health of the association. Clauses should be incorporated in both the Offer to Purchase and Purchase and Sale that enable the buyer to withdraw from the project subject to the review of those documents.

While the home may have initially been inspected during the walk-through process, it would also be prudent to take advantage of the inspection period that is typically included in Offers to Purchase, and have a licensed home inspector provide a written report on the condition of the unit. The home inspector may pick up on something that was missed during the initial walk-through, and it would be on the basis of this report that the offer could then be withdrawn or modified if unanticipated repairs were identified.
One major issue that should be considered in the offer/counter-offer process is that the Program Administrator may need additional time to secure the financing for this sale, that financing will be coming from multiple sources, and the failure to secure any of them will nullify the sale. Additional timing should be reflected in the Offer to Purchase to prevent the risk of the deposits being retained by the seller should the sale fall through.

**Step 13. Program Administrator Enters Into a Purchase and Sale Agreement**

The Purchase and Sale process will follow suit after the Offer to Purchase, including a recitation of the time periods that will be necessary in order to secure the funding needed to close the sale. Once again, competent representation by a buyer’s agent and legal counsel should be sufficient to ensure that this process will not present difficulties to the Program Administrator.

The Program Administrator will need to secure an acquisition/construction loan from a lender to provide the interim funding necessary to close on the property and undertake the rehabilitation. These loans are often structured as interest-only, short-term mortgages (normally two years); in our experience, local lenders are quite willing to provide these mortgages to non-profit borrowers. Most likely the Program Administrator will have already developed a relationship with a lender; however, the acquisition/construction lender should be identified as part of the development team during the proposal review process.

**Step 14. Program Administrator Purchases the Unit**

Once the funding sources necessary to purchase the unit have been secured, the Program Administrator will close on the property and take title to it.

It will be important for the Program Administrator to have its own legal counsel who is well-versed in working with the various parties, and who understands the complexity of the layering that will occur at that closing. The Program Administrator’s counsel will be responsible for ensuring that a Second (or Third) mortgage is placed on the property and that an Affordable Housing Restriction is recorded as well. The funding obligations may also be secured by a Deed Rider, depending on the requirements of the various funding sources involved with the project.
Attached as Appendix F to this report is a Model Deed Rider – a version of which was recently used on a similar project. This Deed Rider is offered here only to provide the Town with the general requirements that a similar deed rider has included, and any final deed rider used for this program should be reviewed by competent legal counsel to ensure that it complies with then current federal, state and local regulatory and statutory requirements.

Step 15. Program Administrator Closes on Additional Funding

At the same time that title to the property is being taken, the Administrator must have the capacity to close on any additional funding sources. Closing will often require the Administrator to obtain appraisals, environmental assessments, rehabilitation estimates, and perform a variety of administrative tasks in order to accomplish this feat.

In assessing the relative merits of potential Program Administrators, the Town should take into account the proposing entity’s experience with closing on funding from a variety of sources, what tasks the entity’s in-house staff will conduct, and who the entity will be using as legal counsel in order to complete the closing.

Step 16. Program Administrator Rehabilitates the Unit

Once the unit has been purchased, then the Program Administrator will work with competent, licensed, and insured contractors to complete the renovations that were delineated in the earlier inspection report.

Since any rehabilitation may have an impact on other unit owners, the Program Administrator should work closely with the condominium association to ensure that any potential conflicts are addressed before they actually occur.

Step 17. Program Administrator Enters Into a Purchase and Sale Agreement with the End Buyer

The Program Administrator will need to enter into a Purchase and Sale Agreement with the end buyer once the Program Administrator has taken title to the property. In addition to the “standard” terms incorporated in most Purchase and Sale Agreements, this agreement must delineate the obligations of the various
secondary funding sources that the end buyer will assume. These obligations should be incorporated into the Offer to Purchase, including a recitation of the time periods that will be necessary in order to secure the funding needed to close the sale. A “form of” the Deed Rider, Affordable Housing Restriction and/or the Second Mortgage should be attached to the Purchase and Sale, and the end buyer should be counseled to retain their own counsel to review these various documents.

Step 18. Program Administrator Works with the Condominium Management Company and Condominium Association to Facilitate and Advocate for the Unit Owner

Although well outside the scope of what sellers typically do for buyers, the Program Administrator in this Ownership Program should be willing to act as a liaison between the end buyer and the condo association (or management company) when it is prudent to do so. The need for this has to do both with some unfortunate preconceptions that market rate residents may have toward residents purchasing affordable units, and to advocate on behalf of the resident when actions are being taken by the group that may negatively impact their ownership in the unit.

Since the Town will want to purchase additional condominium units over time, and since Orleans has a limited number of complexes where those units may be purchased, it behooves the Administrator to act as a mediator and/or advocate when necessary to attempt to smooth out any bumps that may arise. By resolving and addressing issues from the first ownership units, future units in that complex may avoid similar problems.

On the other hand, the Administrator will also need to be cautious not to overstep its bounds and get involved in situations that could be adequately managed by the end buyer. Though this process may occasionally have the Program Administrator walking a virtual tight rope, it could very well be a critical function that enables the Town to develop a number of units through this Program.

Step 19. Program Administrator Closes Out the Project

At the conclusion of the sale of the unit to the end buyer, the Program Administrator should provide an accounting to the Town so that the Town will
have an accurate record of the sources that the Administrator received and the expenses that it incurred. This accounting will provide the Town with the back-up it needs should the Town be questioned later by the public, and will also be vital in helping the Town to assess the efficacy of the Program and whether the Program’s budget is excessive or inadequate to realize its goals.

**Step 20. Monitoring Agent Certifies Compliance**

The Program Administrator will also need to provide certifications to the designated Monitoring Agent (whether that is the Town, Cape Cod Commission, or DHCD; and either conducted through a contracted service or in-house). The Program Administrator will provide the Monitoring Agent with the back-up documentation needed to show that the end buyer met the Program’s threshold requirements and indeed did qualify for the unit purchased.
Section VI
PROPOSED RENTAL PROGRAM

Section VI outlines a proposed condominium purchase and rental program for the Town of Orleans. In many ways, it resembles the program described in the previous section (Section V, Proposed Purchase and Resale Program), yet it is different enough to warrant its own treatment here. As stated previously, conditions in the real estate market will determine whether an ownership or rental program works best at any given time.

Section VI is organized around 20 steps for the implementation of a rental program, includes a discussion of ownership vs. rental decision factors, and contains detailed information on sources of funding as well as development pro formas.

Step 1. Town Determines Program Requirements

In developing a Condominium Rental Program (Rental Program), the Town of Orleans must make a number of initial decisions on program design. Without clear-cut parameters on the following questions, the Town cannot properly plan a Program and a prospective Program Administrator cannot adequately respond to a Request for Proposals (RFP)

- *Who administers the Program?*

The first question to be asked is whether this Program will be administered by the Town through one of its committees or by a designated Program Administrator. Our advice is that the Town adopt the latter approach, and issue an RFP for an organization to fill this role. One of the key elements for success in this process is designating an entity to administer the program that has the capacity to oversee most, if not all, of the program elements to ensure continuity and efficiency throughout the process.

- *Should the program be limited to families, and if so what would be the optimal size?*

Given the large number of seniors who live in Orleans, one could make the demographic argument to limit the Program to elderly applicants. However, it
would be very difficult to make that case and have the Program comply with fair housing requirements. The condominium units and complexes that are most likely to qualify for this program are not senior-only, and the relative lack of a public housing geared toward families would also be a detriment to designating Program units for seniors only.

However, it would also be imprudent to design the Program so that only families of a certain size could participate. Since the vast majority of units that are likely to be purchased through the Program are going to be two bedrooms, by definition only smaller families will be able to rent such a unit.

Thus, we recommend that the program be open to a family of one to four persons for a two-bedroom unit, and that larger family requirements (probably three to six persons) be attached to three-bedroom units. Given the lack of four-bedroom or larger units in the Orleans affordable housing inventory, this report assumes that larger units will not be available through the Program.

- **Special Needs?**

One possible scenario is that the Program could enable a vendor working with special needs clients to provide housing for those clients. Given the small bedroom size of the units available, a Program of this type would likely be limited to relatively high functioning clients who could live in a semi-independent setting with minimal supports. For clients requiring more services, a condominium-based program would not provide the economies of scale necessary for that vendor to provide intensive staff support.

Should the Town be interested in pursuing this option, it would be prudent to engage in further discussion with potential vendors to determine their interest.

- **Owners or Renters?**

The ownership vs. rental question probably deserves the most discussion, and the answers are more complex than those above. Should the Program be designed to provide housing to families wishing to purchase their own unit, or should the Program enable a property manager to purchase the unit and rent it to income-eligible tenants?

One major consideration is the relative availability of non-CPA public subsidy for the creation of affordable ownership and rental units. While an ownership unit may require somewhat less subsidy than a rental unit, the sources and amounts of subsidy available for ownership units also tends to be much more restrictive than rental.
A number of pros and cons for both scenarios are detailed below.

Advantages of an ownership program:

- Ease of administration – Once the unit has been initially purchased, rehabbed, and re-sold, little ongoing administrative support is required. That being said, the role of the Administrator in an affordable purchase scenario may require a greater degree of involvement than would normally be the case with a condominium sale. Depending on the number of units in the condominium association, and the number of affordable owners, the Administrator may continue to play a role in advising the association regarding adequate budgets/reserves, and counseling/monitoring the efforts of unit owners regarding budgeting and management issues in general.

- Lack of affordable ownership units in Orleans – Most of the housing on Orleans’s supportive housing inventory is targeted toward renters and special needs clients. Only twenty-five units in Orleans currently are targeted toward affordable ownership housing.

- Less opposition and potential conflict within the condominium association – While opposition to deed restricted units may arise within the condominium association and among condo residents, the degree of opposition will likely be greater if those units are rented rather than owned.

Disadvantages of an ownership program:

- Marketability – In a market downturn, the number of prospective applicants for a relatively small unit located in an aging condominium complex may be fairly limited. One significant reason for this lack of interest will be length of the deed restriction and the years that a family will feel that they must remain in the unit in order to recoup some of their investment.

- Possibility of excessive increases in the association fee – A low-income buyer purchasing into an existing condominium complex will have little leverage should the association decide to upgrade the complex and increase the association fee. Such an increase could be
more expensive than owners can support, and they will realize no gain in equity value from improvements to the common areas.¹

Advantages to a rental program:

- Marketability – The Town can expect a longer waiting list of prospective tenants for the unit than prospective owners. In fact, the Orleans Housing Authority (OHA) maintains a waiting list of such applicants and would probably be able to match them to the new units. However the applicants on the OHA waiting list would typically have incomes below 50% of the area median income, and as such would normally require some form of rental assistance in order to afford the rent.

- Ability to assist families in greater financial need – Ownership programs are designed to assist families earning between 70% and 80% of the area median income. Rental programs are designed to assist families earning less than 60% of AMI, and sometimes are targeted even lower than that. A subsidized rental unit can house families earning less than 50% of AMI, since they pay no more than 30% of their income for housing.

- Larger pool of prospective administrators – Entities such as the Orleans Housing Authority could submit a proposal to administer a rental program, in addition to several non-profits in the area that could administer either an ownership or a rental program.

- Professional representation on condominium association – Rather than having a relatively inexperienced new condo member under an

¹ There are certain protections available to condominium unit owners that might prevent exorbitant fee increases. Under Massachusetts General Laws (MGL c.183A: Sections 18 (a) and (b)), “if fifty percent or more but less than seventy-five percent of the unit owners agree to make an improvement to the common areas and facilities, the cost of such improvement shall be borne solely by the owners so agreeing. Seventy-five percent or more of the unit owners may agree to make an improvement to the common areas and facilities and assess the cost thereof to all unit owners as a common expense, but if such improvement shall cost in excess of ten percent of the then value of the condominium, any unit owner not so agreeing may apply to the superior court of the county in which the property is located, on such notice to the organization of unit owners as the court shall direct, for an order directing the purchase of his unit by the organization of unit owners at fair market value thereof as approved by the court. The cost of any such purchase shall be a common expense.”
ownership scenario, the representative on the condo association in a rental program would be a housing professional who could be a valuable resource in the procurement of goods and services on behalf of the association. While the Administrator will likely remain involved in the association in both ownership and rental scenarios, the Administrator’s role in an ownership situation will be somewhat diminished.

Disadvantages of a rental option:

- Tenants take less “ownership” of their units — Tenants are less likely than owners to make capital improvements on a rental unit since they will not realize the gain, while owners can realize a gain on improvements as long as those improvements are completed in compliance with the Affordable Housing Restriction.

- Greater resistance from other owners and the association — Rented units are more likely to meet opposition from other owners and the association because of perceived disadvantages to having those units occupied by renters versus owners. In fact, some condominium association by-laws may forbid the rental of units within the complex.

The owner versus renter issue is indeed a complex one, and largely dependent on external factors such as market conditions and funding availability. Our recommendation is that the Town need not choose categorically between ownership and rental. Some of the units developed through the Program can be purchased as rental units, and others can be purchased as ownership units. The Town needs only to work with a Program Administrator who has the capacity to both manage rental units and facilitate the sale of ownership units to first-time low-income homebuyers.
• **Concentration of units**

Because of price, the units most likely to be purchased through this Program will probably be concentrated in a few condominium complexes. We believe it would be detrimental to the future of the Program to have all of the units in any one funding round concentrated in any one complex. We recommend, therefore, that prospective administrators be limited as to the number of units purchased per complex, and that units be purchased across different complexes in each round.

As the Program develops, and additional rounds of funding become available, the Town will need to assess where previous units have been purchased and consider capping the number of units that may be purchased in the same complex.

• **Energy efficiencies to be built in – possible conversions?**

Controlling energy costs is paramount in maintaining affordability. The available condominiums in Orleans (selling for under $250,000) all feature electric heat and hot water, which for year-round residents could pose a cost burden. The units in our survey were also substantially under-insulated by current standards and need additional energy detailing, including potential window replacement and air-sealing. Whether the fuel source remains electric or conversion to natural gas is anticipated, substantial energy conservation opportunities exist within the current building envelope. These should be investigated fully by qualified energy professionals at an appropriate time in the program process. Realistic budgets should be developed for implementing a cost-effective roster of energy conservation measures for the long-term benefit of program participants. At a minimum however, insulation upgrades should be mandatory for the attic spaces with an approximate cost of $2,000 per unit.

One obvious item for evaluation is fuel conversion from electric to high-efficiency natural gas. It is common for local suppliers to provide gas service to a property at no cost when there is an expressed interest by new customers and the opportunity for new accounts for the utility. Programmatic cost incentives offered for boilers and water heaters also reduce costs which can often be substantial for a new boiler and distribution system. There may be other lesser-known but fully developed technologies, however, that could supplement the electric heat and replace the domestic hot water heat and deliver substantially lower installation costs than conventional central heating systems. A full evaluation of all energy options is not part of this contract; however, a prospective cost range for fuel conversions could run from $6,000 for a new gas wall-furnace and on-demand water heater to over $15,000 for a conventional residential system. A cost-benefit
analysis based on current year-round electric usage would be a good place to start when energy options are being evaluated as part of the program.

Step 2. Town Issues RFP

A number of excellent guidebooks have been developed to assist municipalities with developing affordable housing. These include Developing Affordable Housing on Public Land: A Guide for Massachusetts Communities, published by the Massachusetts Housing Partnership; and CPA and Affordable Housing: A Guidebook on How Cities and Towns Can Use Community Preservation Act Funds to Support Local Housing Efforts, published by the Massachusetts Housing Partnership and Citizens’ Housing and Planning Association. While neither provides an exact replica of the Program envisioned for the Town of Orleans, the basic process by which the Town would solicit proposals from prospective developers is encapsulated in these guidebooks (as would any subsequent guides by those entities).

Using some of the RFP models provided in these guidebooks, attached as Appendix C is a Sample Request for Proposal that has been developed as a guide for the Town should it choose to initiate a Rental Program.

There are several good reasons why the Town should conduct a thorough procurement process in choosing an Administrator for this Program:

There are several qualified potential program administrators in the region, and an RFP process would give all qualified applicants the opportunity to present their proposals.

- Should municipally-owned properties become available in the future (such as condominium units taken by tax title), then having selected an administrator through a 30B-compliant process should enable those units to be included under the program.

- The Town should be able to justify its selection and show that there was no favoritism in the selection process.

Given the fluid nature of the statutory, regulatory, and legal framework for both public procurement and affordable housing development, the Town should seek advice of legal counsel prior to issuing an RFP to ensure that the RFP will conform to legal standards at the time of issuance.
Step 3. Town Reviews Responses & Selects Program Administrator

As would be typical of any proposal that is submitted in response to an RFP, the Town will need to develop a set of criteria to evaluate those proposals. Each component of the evaluation criteria should be rated as Highly Advantageous, Advantageous or Unacceptable.

Since this Program does not pre-designate a particular building or unit to be developed, the selection of a Program Administrator should be based on that entity’s ability to assess and administer projects. The Committee should evaluate the proposing entity’s ability to administer all phases of the development and their experience in doing so. Although certainly not an exclusive list, the various components of administering this Program include the ability to:

- obtain additional program funding to augment CPA subsidies,
- develop a marketing plan that will comply with local and state fair housing requirements and provide a practical foundation from which to solicit applications from prospective tenants
- advertise and conduct outreach to develop a list of prospective tenants, in a manner that is consistent with fair housing requirements
- conduct a property search for prospective units and inspect those units to determine their suitability
- develop a pro-forma to determine whether the acquisition, rehabilitation, and soft costs will not exceed the amount of funding that will be available to subsidize the purchase of the unit, and develop a realistic assessment of the operating costs for the unit to ensure that the unit can be managed effectively and efficiently in the long-term
- counsel prospective tenants and assist them with any issues that may arise during the course of their tenancy
- oversee the rehabilitation of the units so that the units will meet federal, state, and local housing standards
- close on the sale of the unit
○ troubleshoot possible tenant interactions with the condominium association to ensure that the resident is able to remain in the unit for the long term.

**Step 4. Program Administrator Develops Management Plan**

The selected Program Administrator should develop a thorough Management Plan which will identify how the Administrator plans on managing the units in question. This Plan will enumerate tasks from initial outreach, lottery administration and selection, lease-up procedures, routine maintenance and management tasks, and lease termination processes.

The Management Plan will be the key document by which the Town and Program Administrator will oversee the administration of this Program, and the document should be reviewed by counsel for both entities. The Plan will also be submitted as part of the subsequent applications for funding, and will be reviewed by funding agencies as part of their due diligence.

**Step 5. Program Administrator Applies for Additional Funding**

The Program Administrator must bring to the Orleans Condominium Rental Program the ability to apply successfully for additional funding to augment the Town’s allocation of CPA funds.

Rather than looking at CPA funding as the primary source of funding, the Program Administrator should be viewing the CPA as a local matching source that hopefully can then be multiplied several times over. The more subsidy that is available for the Rental Program, the more units that can be purchased and rented. Conversely, the more subsidy programs the more complex the Program becomes and the more that overlapping requirements will impede the timing and potential marketing of the units.

A number of funding sources should be explored to subsidize a rental Program. This list is certainly not exclusive, and by their very nature funding sources are sometimes phased out or shift their funding preferences.

- Orleans Community Preservation Fund – CPA funds are a necessary first component of any funding strategy, and will be the funding source for which the RFP is issued. As noted before, an excellent resource is *CPA and Affordable Housing* prepared by Massachusetts Housing Partnership and CHAPA.
HOME Investment Partnership Program (HOME Program) – HOME is a federal housing program through the U.S. Department of Housing and Urban Development (HUD) which provides funds for the development of ownership and rental housing for low income and very low income families. HOME funds are administered at the local level by the Cape Cod Commission. Currently, HOME funding is available on a rolling basis, and will provide a maximum of $25,000 per unit up to a maximum of $125,000 per project. For organizations that have been certified as Community Housing Development Organizations (CHDOs), the maximum per unit subsidy is $30,000 and the project limit has been upped to $150,000.

Private Fundraising – While not normally a significant source of funding for affordable housing projects of this type, the Chatham example indicates that private parties are sometimes willing to contribute to an affordable housing project.

In addition, the Massachusetts Department of Housing and Community Development (DHCD) offers numerous funding sources.

1. Massachusetts HOME Rental Housing Program (“State HOME”)

   **Funder Name:** Department of Housing and Community Development (DHCD)

   **Eligible Applicants:** Non-profits and for-profits may apply.

   **Eligible Activities:** Constructing or rehabilitating housing, acquiring property or vacant land, making essential improvements – including energy-related repairs or improvements, improvements to permit use by persons with disabilities, abatement of lead-based paint hazards, repair or replacement of major housing systems in danger of failure, making utility connections, site improvements such as on-site roads and water/sewer lines, and demolishing existing structures. Reasonable and necessary soft costs are allowed, including financing costs, building permits, legal and developer fees, property appraisals, credit and title costs, engineering, architectural services, initial 18 month operating deficit reserves, audit, relocation, affirmative marketing, and staff and overhead costs.

   **Ineligible Activities/Restrictions on Use:** Minimum project size – 5 units. Project reserve accounts (beyond 18 months), operating subsidies, project-based rental assistance, non-federal matching constructions, public housing
operating subsidies, assistance to a previously funded HOME project within its period of affordability. Cannot be used for public housing modernization, projects funded under Title VI of the National Affordable Housing Act, and projects funded through the federal Rental Rehabilitation program.

**Maximum Grant:** $750,000. For projects in HOME entitlement or consortia communities, there should be a commitment of local funds – preferably a full match.

**Maximum Funding per Unit:** $50,000 in HOME entitlement and consortia communities; $65,000 in non-entitlement/consortia communities.

**Minimum Length of Affordability Restriction:** 30 years

**Underwriting/Scoring Criteria:** Funding priorities given for projects having: official local support, are part of a comprehensive neighborhood planning effort, include Minority Business Enterprises on the development team, have low development costs, have low soft costs and developer fees, seek minimal DHCD assistance, target special needs groups and their intended customers, include market rate units in the project, have a commitment to an extended term of affordability (beyond 30 years), and utilize HOME funds in non-entitlement communities.

**Affordability Restriction Type:** The following distribution forms are allowed by HUD – low interest loans, zero interest loans, and deferred payment loans. An applicant may seek any of these, but the Commonwealth doesn’t encourage grants.

**Income Group Targeted:** All HOME assisted rental units must be affordable to persons at or below 60% of the median income. At least 20% of the units must be leased to very low-income families earning no more than 50% of the area median.

**Application Process:** Submit a One-Stop application with a fee: $300 for non-profit sponsors and $600 for for-profit sponsors.

**Application Dates:** The State usually has two funding rounds per year. The next funding round will probably be due in the summer of 2009.
2. **Massachusetts Housing Stabilization Fund – Rehabilitation Initiative (HSF)**

**Funder Name:** Department of Housing and Community Development (DHCD)

**Purpose:** Support the acquisition, rehabilitation and re-use of distressed, foreclosed or abandoned properties so that they can be re-used as affordable rental or ownership housing. Can also be used for other properties in need of rehabilitation or suitable for new construction, but priority is given to distressed, foreclosed and abandoned properties.

**Eligible Applicants:** for-profit or non-profit developers, local housing authorities, and municipalities in cooperation with for-profit or non-profit developers.

**Eligible Activities:** Acquisition, rehabilitation, new construction

**Ineligible Activities/Restrictions on Use:** Minimum project size is 5 units. HSF can’t be combined with State HOME funds, but can be combined with local HOME funds

**Maximum Grant:** $750,000

**Maximum Funding per Unit:** $50,000 in HOME entitlement and consortia communities, $65,000 in non-HOME entitlement/consortia communities.

**Minimum Length of Affordability Restriction:** 50 years and DHCD retains a purchase option on the property at the end of the restriction period.

**Underwriting/Scoring Criteria:** Each application should include a description of the proposed work in the context of the particular community’s broader affordable housing needs and goals. Projects should: be ready to proceed, have a development team with adequate capacity, and include an acceptable resident selection plan and management plan. DHCD evaluates the following in scoring applications: financial feasibility, demonstrated need, suitable site and design, appropriate rehabilitation scope, appropriate total development cost, overall readiness to proceed, evidence of other funding commitments, number of affordable units in comparison to state funding requested, strength of development team, EO418 certification and incorporation of sustainable development principles.
**Affordability Restriction Type:** In general, the loans are secured by zero-interest, deferred payment junior mortgage notes.

**Income Group Targeted:** A developer has 3 options: 20% of the units must be affordable to households earning less than 50% of the area median, or 40% of the units are affordable at 60% of median, or 50% of the units are affordable at 80% of median.

**Application Process:** Submit One-Stop application. Fee is $300 for non-profit sponsors and $750 for for-profit sponsors.

**Application Dates:** The State usually has two funding rounds per year. The next funding round will probably be due in the summer of 2009.

3. **Affordable Housing Trust Fund (AHTF)**

   **Funder Name:** Mass. Housing Finance Agency (MassHousing)

   **Purpose:** Provide resources to create or preserve affordable housing throughout the state for households whose incomes are not more than 110% of median income.

   **Eligible Applicants:** Governmental subdivisions, community development corporations, local housing authorities, community action agencies, community-based or neighborhood-based non-profit housing organizations, other non-profit organizations, for-profit entities, and private employers.

   **Eligible Activities:** Activities that create, preserve or acquire housing throughout the state. Funds may also be used for permanent or transitional housing for homeless families and individuals, and for the modernization, rehabilitation and repair of public housing. Financial assistance is available, including: deferred payment loans, low or no interest amortizing loans, down payment and closing cost assistance for first-time homebuyers, credit enhancements and mortgage insurance guarantees, matching funds for municipalities that sponsor affordable housing projects, and matching funds for employer-based housing.

   **Ineligible Activities/Restrictions on Use:** This is a fairly open program. As long as the funding is being used to assist in the development of affordable housing in some fashion, AHTF funds may be used to support those activities.
Maximum Grant: $1,000,000

Maximum Grants per Unit: $50,000

Minimum Length of Affordability Restriction: 30 years.

Underwriting/Scoring Criteria: Threshold requirements: Financially feasible and ready to proceed. Preferences will be given to the following: Developments that produce “new” housing units (new construction, abandoned or fire-damaged residential units, and non-residential or non-residentially-zoned properties converted to residential use); Developments providing housing to households with a range of incomes – in particular, those with incomes below 80% of median; Developments that income affordable units for families; Developments that include affordable units for the disabled and the homeless; Projects that propose the longest term of affordability; Projects sponsored by non-profit organizations; Projects that use private funding sources and non-state funding sources to leverage the least amount of AHTF funds; Projects that are consistent with the Principles of Sustainable Development.

Affordability Restriction Type: When used as gap funding, usually the restriction is in the form of a deferred payment loan.

Income Group Targeted: 110% of median income, but preference for projects providing assistance to under 80% of median.

Application Process: If applying for AHTF solely, then apply to MassHousing. If applying in conjunction with another state source, then apply to that state entity (Affordable Housing Agency), the Affordable Housing Agency (i.e. DHCD, CEDAC, etc.) will make one of the following determinations – commit to fund the project in whole or in part; commit to fund the project in whole or in part and refer the application to AHTF for consideration of funding the balance; refer the application to AHTF for consideration of funding the entire amount; or decline either to fund or to refer the project to AHTF. In either case, the One Stop is the application form to be used. MassHousing reviews and underwrites the application (usually within 45 days), then a recommendation is made to the Selection Committee. The Selection Committee will make a recommendation to the Director of DHCD.

Application Dates: If seeking AHTF solely, rolling deadline. AHTF is usually combined with another funding source, the AHTF deadline is typically the same as the deadline for that other funding source.
4. Massachusetts Housing Innovations Fund (HIF)

**Funder Name:** Department of Housing and Community Development (DHCD) in conjunction with the Community Economic Development Assistance Corporation (CEDAC)

**Purpose:** Create and retain alternative forms of housing for low-income and extremely low income persons and families. Alternative forms of housing is a residential development that involves: an unusual or specialized level of management or social services, an innovative financing or ownership structure, or has innovative feature - such as single-room occupancy housing, transitional housing for the homeless, limited equity cooperative housing, battered women’s shelter and transitional housing for battered women and their families, employer assisted housing, housing in receivership, lease-to-purchase housing, and housing in college communities.

**Eligible Applicants:** Mass. Chapter 180 non-profit corporations.

**Eligible Activities:** Acquisition of real property, construction and renovation of residential buildings, and/or soft costs directly related to development of residential units.

**Ineligible Activities/Restrictions on Use:** In projects that don’t have an operating subsidy, rents must not exceed 35% of the 80% or 30% of median income standard.

**Maximum Grant:** Up to 50% of a project’s total development cost up to $500,000 per project.

**Maximum Funding per Unit:** 50% of the TDC.

**Minimum Length of Affordability Restriction:** 30 years.

**Underwriting/Scoring Criteria:** CEDAC underwrites using the following criteria: project feasibility, site considerations, development team capacity, development costs, affirmative marketing and tenant selection, service program, and considerations for specific project types (e.g. SRO, Cooperatives)

**Affordability Restriction Type:** permanent, deferred payment loans for a term of 30 years. The interest rate is set by the Director of DHCD, is deferred, but accrues for the initial 20 years of the 30 year term. If the project’s gross cash receipts exceed its gross cash expenditures by more than 105% in any year, then...
the excess must be repaid to CEDAC. DHCD reserves a first purchase option on the property for the life of the restriction.

**Income Group Targeted:** No fewer than 50% of the total units must be reserved for occupancy by individuals or families whose incomes are below 80% of the area median. At least half of the affordable units must be reserved for households whose incomes are below 30% of the median.

**Application Process:** Submit One-Stop application to both DHCD and CEDAC. If accepted, DHCD issues a Conditional Commitment letter which will be effective for 6 months (possibly extended an additional 6 months). Once all of the conditions have been met, a Firm Commitment will be issued.

**Application Dates:** The State usually has two funding rounds per year, one due in September and the other due in February. The next deadline should be during the summer of 2009.

### 5. Massachusetts Community-Based Housing Program (CBH)

**Funder Name:** Department of Housing and Community Development (DHCD) in conjunction with the Community Economic Development Assistance Corporation (CEDAC)

**Purpose:** Provides loans to nonprofits agencies for the development of housing for people with disabilities.

**Eligible Applicants:** Non-profit corporations.

**Eligible Activities:** Acquisition, construction and renovation of residential buildings, and/or soft costs directly related to the development of residential units.

**Ineligible Activities/Restrictions on Use:** The rent paid by CBH-eligible tenants residing in CBH units shall not exceed 35% of their actual income. To the extent that supplemental rental income is required for the CBH-assisted unit, the developer shall secure some income either through internal rent skewing, or by securing a rental subsidy for that unit. Typically, CBH units will be housed in buildings that have units for people without disabilities as well. Ideally, no more than 15% of the units should be specifically set-aside for people with disabilities.
**Maximum Grant:** 50% of a CBH unit’s total development cost up to a maximum of $750,000 per project.

**Maximum Funding per Unit:** 50% of the TDC.

**Minimum Length of Affordability Restriction:** 30 years.

**Underwriting/Scoring Criteria:** Housing should be consistent with the goals laid out by the Olmstead Housing Committee. These are: integration, maximum control and accessibility. CEDAC will underwrite projects based on: project feasibility, site considerations, development team capacity, development costs, affirmative marketing and tenant selection.

**Affordability Restriction Type:** Permanent, deferred 0% payment loan for a term of 30 years. No repayment unless the development’s gross cash receipts, in any fiscal year, exceed the gross cash expenditures by 105%. DHCD will retain a purchase and a first refusal option.

**Income Group Targeted:** Residents of CBH housing must be 18 years of age or older, and have a physical or mental impairment that is of a permanent or long and continued duration and that substantially limits one or more major life activities (excepting clients of DMH or DMR and therefore eligible for housing developed with the Facilities Consolidation Fund). Major life activities include: self care, learning, receptive and expressive language, mobility, cognitive functioning, emotional adjustment and economic self-sufficiency. An applicant for CBH housing shall provide a certificate from the Mass. Rehab. Commission.

**Application Process:** Submit Preliminary Application to CEDAC, and Letter of Eligibility from Mass. Rehab. Commission. After review, CEDAC may be able to offer technical assistance critical to submission of a successful full application. Full applications will be submitted using the One-Stop format. DHCD would then provide a Conditional Commitment, allow six months to meet the conditions, and then proceed for Firm Commitment and Loan Closing.

**Application Dates:** Rolling
6. Facilities Consolidation Fund (FCF)

**Funder Name:** Department of Housing and Community Development (DHCD) in conjunction with the Community Economic Development Assistance Corporation (CEDAC).

**Purpose:** Provides deferred payment loans to non-profit developers for the creation and retention of community-based housing for the consumers of services of the Departments of Mental Health and Mental Retardation.

**Eligible Applicants:** Non-profit developers

**Eligible Activities:** Acquisition, construction, soft costs. Types of housing that may be developed include existing single or multi-family homes in typical neighborhoods with 2-6 bedrooms, newly constructed homes in community settings, accessible homes, single room occupancy units, group homes, or units within larger developments where DMH/DMR consumers are integrated.

**Ineligible Activities/Restrictions on Use:** Subject to a recorded land-use restriction, may not be prepaid without CEDAC/DHCD consent, and refinancing is only allowed where there is a clear financial benefit to the Commonwealth.

**Maximum Grant:** Up to 50% of the Total Development Cost (TDC).

**Maximum Funding per Unit:** Up to 50% of the TDC, on a pro-rata basis for each FCF unit.

**Minimum Length of Affordability Restriction:** 30 years.

**Underwriting/Scoring Criteria:** Project feasibility, site considerations, development team capacity, reasonableness of development costs, and strength of service program.

**Affordability Restriction Type:** a recorded Land Use Restriction.

**Income Group Targeted:** Current and former residents of DMH or DMR institutions, or eligible for DMH/DMR services, or people with mental illness who are living in the streets, shelters or in institutions with no other place to go.

**Application Process:** The application process is two-fold. A preliminary application is submitted to DMH or DMR with a copy to CEDAC.
If the preliminary application is determined feasible, then DMR or DMH will provide a letter of certification. Then, a full application can be completed which is submitted to and reviewed by CEDAC. Based on CEDAC’s recommendation, a conditional commitment letter will be issued by DHCD. Once the conditions have been met, then a firm commitment and loan closing will occur.

**Application Dates:** Applications are accepted on a rolling basis.

### 7. Housing Development Support Program (HDSP)

**Funder Name:** Department of Housing and Community Development (using HUD’s Community Development Block Grant program)

**Purpose:** Facilitate small, project-specific affordable housing initiatives with emphasis on creation, preservation, or improvement of housing units, which may not be cost-effective with conventional financing or under alternative development assistance programs.

**Eligible Applicants:** Municipalities with populations under 50,000. Communities may apply on behalf of a specific developer or property owner.

**Eligible Activities:** May be used to address a variety of activities supporting the development, improvement and retention of public or private housing. Typical projects include moderate or substantial rehabilitation of residential and mixed-use buildings, reclamation of abandoned/foreclosed properties; elderly, transitional and special needs housing and conversion to housing of obsolete and underutilized structures such as vacant school and mill buildings. A minimum of 51% of the units must be affordable to and occupied by low- and moderate-income households.

**Ineligible Activities/Restrictions on Use:** Generally limited to projects of up to seven units. The unit cap may be increased to ten for projects involving either the rehabilitation of existing housing units in downtown buildings, or the conversion to housing of upper story space in downtown buildings, as well as other adaptive reuse proposals.

**Maximum Grant:** $500,000 plus administrative costs. Projects eligible for the higher unit cap of ten may be eligible for up to $750,000 plus administrative costs.
Maximum Funding per Unit: All state and federal grants must not exceed 75% of total project costs; projects exclusively benefiting special needs populations may qualify for up to 100% of total project costs.

Underwriting/Scoring Criteria: Readiness to proceed, development team capacity, site and design, cost effectiveness, and sustainable development.

Income Group Targeted: 80% of median – 51% of the project must be affordable to families under 80%.

Application Process: Municipalities submit a Notice of Intent (NOI), with deadlines normally offered on a semi-annual basis. Screening and initial information meetings take place to confirm project consistency. If consistent, the municipality is invited to submit a full application.

While all of these state funding sources provide substantial amounts of funding, they also carry some significant limitations. The primary one is that they are only offered during two funding rounds per year, and that site control over a certain minimum number of units is required at the time of application. This means that in order to apply for one of these sources, the Program Administrator or Town would need to enter into a form of site control (Option to Purchase, Purchase and Sale Agreement or Ownership) prior to applying for the funding. Normally funding decisions are made within three to four months after application, and the process for closing on this funding can take several more months after that. In addition, while each program carries a maximum per unit award (usually $50,000), the actual award provided to a project can often be substantially less than that amount.

There is a major non-public funding source that may be tapped for this Program:
**FHLB Affordable Housing Program (AHP)**

**Funder Name:** Federal Home Loan Bank of Boston

**Purpose:** (for rental housing) – Finance the purchase, construction, and/or rehabilitation of rental housing, of which at least 20 percent of the units will be occupied by and affordable for very low-income households (50 percent of median) for the retention period of 15 years.

**Eligible Applicants:** Applicants must be members of the Federal Home Loan Bank (i.e. banks who are members of FHLB), but the applicants must have a development sponsor (for-profit, non-profit or governmental entity).

**Eligible Activities:** Program funds may be used only for the direct costs of producing or financing affordable housing. Uses included acquisition, construction, rehabilitation costs, related soft costs, interest-rate buy-downs, down-payment and closing-cost assistance, and matched-savings programs. Only those units that are affordable are eligible for funding. The development sponsor must pass the benefits of the AHP funding through to the initiative and/or end user. Funds may come in the form of a direct grant and/or a subsidized advance (i.e. an interest rate buydown).

**Ineligible Activities/Restrictions on Use:** Supportive services and commercial space associated with a development. Prepayment fees imposed by the Bank. Cancellation fees and penalties and member processing fees are all ineligible.

**Maximum Grant:** Project subsidy limit is $800,000 - $400,000 of which may be a grant and the remainder a subsidized advance.

**Maximum Funding per Unit:** Not applicable; however, higher subsidy/unit will score lower in the AHP subsidy per unit scoring criteria.

**Minimum Length of Affordability Restriction:** 15 years for rental.

**Underwriting/Scoring Criteria:** As part of the application, the member institution will underwrite the project. Once a project has met its threshold.

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Please note that the FHLB Affordable Housing Program will institute a number of revisions to its scoring criteria beginning with the Round I funding cycle in 2009. As of the date of this report, these revisions have not been published and as such could not be incorporated. The Town and any prospective Program Administrator would be well served to review these revised guidelines once they have been published.
criteria (owner-occupied or rental, application is feasible and there is a need for the subsidy, timing of the subsidy, funds will be passed-through to the project, funds are not for an ineligible use, retention periods are met, the applicant sponsor is qualified to do the work, the project meets fair housing requirements, and the project doesn’t exceed the maximum grant level and is located in New England). Scoring criteria meeting threshold are as follows: use of donated or government-owned property (5 pts.); sponsorship by a non-for-profit or government entity (5 pts.); targeting to very low-income families (20 pts.); housing for homeless individuals (5 pts.); promotion of empowerment (i.e. social services) (10 pts.); housing for first-time homebuyers (5 pts.); member financial participation (i.e. a loan to the project from the member applicant) (15 pts.); project in a rural area (5 pts.); economic diversity (i.e. low income project in high income area or mixed income in a low income area) (5 pts.); use of community land trust mechanism (5 pts.); enhances community stability (e.g. community organizing, uses “smart growth” principles, energy efficiency) (15 pts.); minimizes AHP subsidy per unit (5 pts.).

**Affordability Restriction Type:** Must use standardized AHP mortgage and note

**Income Group Targeted:** For rental, 50% of median.

**Application Process:** A sponsor must find a FHLB member who will be willing to submit an application on its behalf. The member must underwrite the application, so the sponsor needs to work closely with the member and give the member sufficient time to underwrite the application prior to the application date.

**Application Dates:** There are normally two rounds per year – in April and September.

While the FHLB Affordable Housing Program has a number of advantages - including its relative flexibility, its ability to combine acquisition/rehabilitation funding with a low-interest mortgage, and a considerable amount of financing per unit. An applicant can also apply for a relatively small project.

The disadvantage of both the state and FHLB funding sources is that they are all highly competitive, and it is not possible to predict that a funding application will be successful – especially in a timely fashion. For this reason, these funds are more typically used for a project in which the applicant has far greater ability to control the site (such as the adaptive re-use of an abandoned building or new
construction). The Program being envisioned for Orleans would require the Program Administrator to acquire a unit on the open market.

One possible funding strategy would be to use Orleans CPA funds as a mechanism for land banking a number of condominium properties, and then bundling those units into a funding application that would end up reimbursing (at least partially) the CPA fund. That way, CPA funds could then be recycled and used to purchase additional properties. This approach would be especially useful if CPA funds could be used to guarantee a mortgage through a local lender, which would require a relatively small amount of CPA funding to leverage the acquisition of a number of condominium units.

**Step 6. Program Administrator Markets Program**

The Program Administrator should then draft a Marketing Plan for the Program which identifies the Administrator’s outreach strategy, tenant selection, and lottery plan (including local preferences and fair housing requirements), and samples of the various documents that will be used (application, sample advertisement, required disclosures, etc.) by the Administrator to conduct the Program.

An example of a Marketing Plan used recently on a similar project is attached as Appendix G.

After the Marketing Plan has been reviewed and approved by the Town, the Plan should be approved by the various funders to ensure consistency with their programmatic requirements. In addition, the Plan should be approved by DHCD (regardless of whether the state is providing funding) to determine whether the Plan is consistent with Local Initiative Program (LIP) guidelines. This will ensure that the units included in the Program will be added to the Town’s Subsidized Housing Inventory.

Once the Marketing Plan has been approved by the Town, DHCD and the funders, then the Program Administrator should begin the process of advertising and reaching out to the various agencies delineated in the Plan.
Step 7. Program Administrator Educates Prospective Tenants

From the moment that information about the Program becomes public, the Program Administrator should be engaged in an effort to educate the public - to generate interest in the Program and ensure that an adequate number of qualified applicants will seek out the opportunity to rent a unit. It would be especially beneficial to have an Administrator who has already established a network of prospective applicants through an existing outreach effort; and in fact Administrators with an existing waiting list would provide a steady supply of such applicants for this Program.

Step 8. Program Administrator Administers Lottery

While a layperson might think that conducting a lottery would be as easy as drawing names out of a hat, in reality conducting a lottery is one of the more complex issues that will arise in administering this Program. The complicating factor is the Town’s usual desire to have as many local beneficiaries as possible, while the state and federal government want to ensure that the housing offered provides fair housing opportunities to members of minority groups. Since the overall population of the Town is less diverse than that of the general population, the conflict between these two desires creates the complicating situation in the administration of the lottery.

To resolve these conflicting goals, the Town is normally allowed to allocate a certain percentage of the units offered through a Program to families who are defined as local residents, and then a larger pool of applicants is created for the remaining units. Furthermore, non-local minority applicants are sometimes included in the local pool of applicants to ensure that there is adequate minority representation in both pools.

Even the definition of “local resident” needs to be addressed as part of the Marketing Plan, since often the definition goes beyond a household that lives in town currently. Often the definition of local resident includes someone who works in town, or has children in the school system. Should the Town wish to have a local preference for the Program, then it is important that a clear definition of “local resident” appear in the Marketing Plan so that no confusion exists as to which pool a prospective applicant would be eligible.

The Town and the Program Administrator also need to obtain approval of the Marketing Plan by the state prior to implementation to ensure that the units
would be included in the Subsidized Housing Inventory and to minimize the chance that a successful fair housing complaint could be lodged.

Through its B-HOPP program, the Town of Bourne developed a process for ensuring adequate minority representation in both its local and non-local pools of applicants, and then developed an order for selecting applicants from the local and non-local pools (please see Appendix E). This is just one example of how a town has chosen to conduct its lottery, and other strategies are certainly possible.

CHAPA has developed an excellent resource, *Meeting Local Housing Needs: A Practice Guide for Implementing Selection Preferences and Civil Rights Requirements in Affordable Housing Programs* (September 2004), which provides extensive detail on how preferences may be established in developing a lottery process. The paper is available on the website, www.chapa.org.

However given the many changes that are occurring in this area, it is important that the Program Administrator and Town work closely together, and with competent legal counsel, to ensure that the Program’s lottery selection plan meets the then-current legal and regulatory requirements.

**Step 9. Program Administrator Determines Whether Selected Applicants are Qualified**

Once an applicant has been selected from the lottery, then the Program Administrator will begin working closely with the applicant to determine whether they will qualify to rent a unit through the Program. This qualification process has two important, though contradictory, components:

- The applicant must meet the threshold requirements of the Program as they have been delineated in the Marketing Plan. These will certainly include not having income in excess of the maximum income level allowed under the program (most likely, having income that does not exceed 50% of the area median income), meeting the definition of local resident (in order to be included in the local resident pool), and not having assets in excess of allowed maximums.

- The applicant must also be able to demonstrate that they have the capacity to make rent and other housing-related payments (utilities) for the long-term. To meet this requirement, the applicant must be able to demonstrate sufficient income to make those payments (while not
exceeding the maximum income level delineated in the first bullet), a good credit record, and references from previous landlords. While some residents may have their rent subsidized through some governmental agency, it still will be important to screen all prospective residents to determine whether they will be likely to succeed in a condominium environment.

The result of these contradictory components is that a fairly narrow window of eligibility will be created whereby a relatively few families will have sufficient income to make their rent payments while not having so much income as to become “over income”.

Step 10. Program Administrator Locates Potential Properties

It will be very important for the Administrator to develop a relationship with a local real estate agent who will assist the Administrator in seeking out units that meet the parameters of the program. If the Administrator does not have agents on staff, any agency submitting a proposal to the Town should delineate which agent and/or agency they will be working with as a buyer’s agent.

Step 11. Program Administrator Inspects Potential Properties

Each purchase should be preceded by due diligence regarding the physical evaluation of the property. Since there are funding protocols which obligate the program administrator to make certain that all units meet several housing quality standards, a multi-pronged inspection approach may work best. First, each unit should meet the federal Housing Quality Standards (HQS) requirements which establish a baseline of acceptable health and safety parameters. To that end, there are standardized formats of the HQS inspection protocols available in the public domain. Additionally, each unit should also be reviewed for compliance with Section II of the Massachusetts State Sanitary Code (MSSC) which by statute is fully reinforced by the code requirements found with the Massachusetts State Building Code. While the vast majority of both Federal HQS and MSSC Section II requirements are redundant, it would speak well for the due diligence of the program to have a professional inspector versed in their applicability ‘sign off’ for compliance citing both evaluation approaches. Repairs related directly to HQS and MSSC compliance will need to be budgeted to achieve satisfactory HQS and MSSC evaluations.
It should be noted that we have already identified poor insulation and non-compliant fire detection systems within the units typically found throughout the available housing stock. These are important items that could potentially be recognized as an HQS finding. The fundamental difference, however, between a commercially available ‘home inspection’ and HQS/MSSC standards is the evaluation of life-safety which relate directly to code requirements. Typically, a home inspection evaluates existing components and not HQS/MSSC-required items which may in fact be absent from the property entirely.

Seemingly minor items like loose and flaking paint are not typically evaluated in a home inspection but trigger a ‘fail’ under HQS. Missing handrails in stairways and proper egress lighting for example, are code requirements that would have no bearing on ‘findings’ made by a ‘home inspector’ who typically will comment only on existing components. In fact, most home inspections clearly indicate that they are not performing a code inspection and standard disclaimer language throughout the industry states that the ‘home inspector’ assumes the property meets code standards of the local jurisdiction and accepts no liability in the event that it does not.

Additional inspections that are routinely part of any real estate transaction would also include an evaluation of the existing smoke and fire safety system including compliance for CO (carbon monoxide) and appropriate disclosures for lead-based paint.

There is legislation being considered in Massachusetts that would require all homes to have an ‘energy audit’ prior to sale – making another ‘inspection’ likely to be part of the due-diligence process for the program should that come to pass.

**Step 12. Program Administrator Prepares Operating and Development Pro-Formas**

Preparing a development pro-forma for a rental project is a two-step process. First, one must determine what a family earning less than 50% of the area median income can afford for a monthly housing payment (which includes rent and utilities), what the cost of program administration will be, and then ultimately how much mortgage that rent payment will support. Once the mortgage amount is determined, then one must estimate the costs of bringing the project through fruition (including all of the hard and soft costs associated with the acquisition and rehabilitation). Since the mortgage amount will rarely cover the full cost of
the project, subsidy sources need to be imputed into the equation to make the available sources of funding equal the uses which that funding will cover.

For this Program, we have developed a model pro-forma which is based on a number of assumptions. The first set of spreadsheets assumes that the upper income limit to qualify is 50% of the area median income. Since a two-bedroom unit is the typical size for a unit in our sample, we must assume for purposes of estimating that a three-person family will occupy that unit. The maximum income that a three-person family can earn to qualify for the Program is $33,300\(^3\).

<table>
<thead>
<tr>
<th>Targeted Annual Income</th>
<th>$33,330</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted Monthly Income</td>
<td>$2,778</td>
</tr>
<tr>
<td>Monthly Housing Payment</td>
<td>$833</td>
</tr>
</tbody>
</table>

**Housing Costs:**
- Utilities: ($144)
- Association Fee: ($325)
- Taxes: ($73)
- Insurance: ($38)
- Management Fee (all inclusive): ?

**Total Housing Costs**
- ?

**Net Operating Income**
- ?

**Available for Debt Service (1.15 DCR)**
- ?

**Supportable Mortgage Amount**
- ?

The unknown variable in this pro forma is what the Program Administrator will charge as a management fee to administer rental units. This is normally shown as a fee per month, and should be one of the items included as part of respondents’ price proposals.

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\(^3\) Based on “2008 Adjusted HOME Income Limits”, U.S. Department of Housing and Urban Development, April 12, 2008. Current income limits should be checked prior to program implementation.
Once the Management Fee is known, then this amount will be included as a Housing Cost deduction. Total Housing Costs will be deducted from the Monthly Housing Payment to determine what the projected Net Operating Income will be. The Net Operating Income figure is then divided by 1.15 to determine what is available for Debt Service.

We have assumed that by receiving an FHLB subsidized advance, with an effective rate of 4.5% on a 30-year amortization schedule, the amount of mortgage that can be supported by the Available for Debt Service can be determined. This mortgage figure is then plugged into the development pro-forma as one of the sources of funding. We have assumed that HOME funds through the Cape Cod Commission will provide an additional $25,000 in subsidy (in the form of a soft second mortgage), $50,000 from Federal Home Loan Bank, $50,000 from one of the state funding sources, and that the difference will be made up through Orleans CPA funds.

One significant consideration in obtaining state funding to support these purchases is meeting the minimum unit threshold required by several of the state funding sources. Since these programs require some multiple of units to be purchased, the Town and Administrator will need to devise a mechanism (after consultation with the state) whereby units are purchased using CPA, HOME and/or FHLB funds, “land banked” until such time that the minimum threshold is accomplished, and then financed through the state program once that threshold has been reached (and thus freeing up additional funding with which to purchase additional units).

In regard to the costs associated with the Program, we are assuming that the purchase price of a two-bedroom condominium will be $180,000, that there will be approximately $5,000 in rehabilitation costs needed for the unit, that all of the various soft costs will be consistent with other projects of this type. As part of the RFP, prospective Program Administrators will be required to delineate what there cost per unit to administer the program will be. Based on these assumptions, the development pro-forma for this model project would resemble the following:
### ORLEANS CONDOMINIUM RENTAL PROGRAM
#### MODEL DEVELOPMENT PRO-FORMA

<table>
<thead>
<tr>
<th>Sources</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Amount Supported by Rent</td>
<td>?</td>
</tr>
<tr>
<td>Cape Cod Commission HOME</td>
<td>$25,000 Max. per unit amt. allowed/CHDO = $30,000</td>
</tr>
<tr>
<td>Federal Home Loan Bank AHP</td>
<td>$50,000 Proportionate to other sources</td>
</tr>
<tr>
<td>State Funding Source</td>
<td>$50,000 Assumes Receipt of 1 of These Sources</td>
</tr>
<tr>
<td>Orleans CPA</td>
<td>? Gap Filler Required</td>
</tr>
</tbody>
</table>

| Total Sources                                | ?                                                                     |

<table>
<thead>
<tr>
<th>Uses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$180,000 Median price for &quot;affordable&quot; 2-BR units</td>
</tr>
<tr>
<td>Closing Fees, Tax Stamps &amp; Recording</td>
<td>$2,200 Based on costs for similar project</td>
</tr>
<tr>
<td>Legal Fees</td>
<td>? Pricing to be included in RFP</td>
</tr>
<tr>
<td>Title Insurance</td>
<td>$1,000 Based on costs for similar project</td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>$850 Paid during holding period</td>
</tr>
<tr>
<td>Mortgage Interest</td>
<td>$9,000 Paid during holding period</td>
</tr>
<tr>
<td>Condo Fees</td>
<td>$3,900 Paid during holding period</td>
</tr>
<tr>
<td>Home Improvements</td>
<td>$5,000 Allowance based on similar unit inspections</td>
</tr>
<tr>
<td>Inspectional Services</td>
<td>? Pricing to be included in RFP</td>
</tr>
<tr>
<td>Utilities</td>
<td>$1,200 Paid during holding period</td>
</tr>
<tr>
<td>Advertisements</td>
<td>? Pricing to be included in RFP</td>
</tr>
<tr>
<td>Monitoring Agent Fee</td>
<td>$1,500 Based on 2% of 4 person AMI</td>
</tr>
<tr>
<td>Program Administration Fee</td>
<td>? Pricing to be included in RFP</td>
</tr>
</tbody>
</table>

| Total Uses                                   | ?                                                                     |

These two spreadsheets are illustrative of what we feel might be a typical scenario for this Program. Any change in any of the line items will have a direct impact on the “gap filler” line item in the Sources budget. For instance, if some of the costs (“uses”) are higher or lower than predicted, then the amount of Orleans CPA funding necessary in order to make the project viable will be increased or decreased to compensate. If the amount of HOME funding is increased, then less “gap filler” will be needed. If another funding source is obtained, then Orleans CPA funding will decrease as well.

One potential funding source that is not included here would be a commitment of Section 8 Project Based Vouchers to this Rental Program. If the Program...
Administrator were to obtain these vouchers, then the amount of rent that could be charged would increase to the lower of the market rent that is typically charged for a comparable rent in the area or the HUD published Fair Market Rent for a similar-sized unit in the Barnstable Metropolitan Statistical Area.

Section 8 Project-based Vouchers (PBV’s) are allocated by a housing authority that administers a federal Section 8 program. For units within the Town of Orleans, an allocation of these vouchers would probably come from DHCD and would be administered by their regional administrator, Housing Assistance Corporation.

A market rent determination is site specific, and as such it is difficult to determine the market rent an appraiser would allow for any particular unit. However, an appraiser recently conducted a market appraisal for a rental project being considered in the Town of Harwich, and determined that the market rent for a two-bedroom, new construction, townhouse unit would be $1,250 per month. The units that are likely to be included under this Rental Program would be somewhat inferior to those included in that market study, since they will be located in flats and are of older construction.

The HUD-published Fair Market Rent for a two-bedroom unit in the Barnstable Metropolitan Statistical Area is $1,145 per month.

For the purposes of this analysis, we will use the Fair Market Rent level. The Fair Market Rent is approximately $300 per month greater than the rent that can charged to a non-subsidized renter who is earning no more than 50% of the area median income. That $300 per month in additional revenue could support an additional $50,000 in mortgage coverage (based on a 4.5% interest rate, 30 year amortization, 1.15 debt coverage ratio). This additional subsidization would significantly decrease the amount of subsidy that would be required from the Orleans CPA fund, or it could replace another funding source (such as the funding from one of the state funding sources) that have been included in the development pro forma.

---


Step 13. Program Administrator Makes an Offer

Once the Program Administrator has determined that the development pro-forma provides sufficient resources, then an offer should be made to the seller. The process of making an offer is quite standard in the real estate industry, and the advice of a competent buyer’s agent, along with oversight by the Administrator’s legal counsel, should be sufficient to guide the Administrator through this process.

The Administrator should review, in consultation with their legal counsel, the Master Deed, Declaration of Trust and Condominium Association By-laws to understand the rules and restrictions that will pertain to the complex in which the unit is located. Also, the condo association budget, the status of its various bank accounts, and its master insurance policy should also be reviewed to determine the relative financial health of the association. Clauses should be incorporated in both the offer and Purchase and Sale that enable the buyer to withdraw from the project subject to the review of those documents.

While the home may have initially been inspected during the walk-through process, it would also be prudent to take advantage of the inspection period that is typically included in Offers to Purchase, and have a licensed home inspector provide a written report on the condition of the unit. The home inspector may pick up on something that was missed during the initial walk-through, and it would be on the basis of their report that the offer could then be withdrawn or modified if unanticipated repairs were identified.

The major issue that should be considered in the offer/counter-offer process is that the Program Administrator may need additional time to secure the financing for this sale, that financing will be coming from multiple sources and the failure to secure any of them will nullify the sale. Additional timing should be reflected in the Offer to Purchase to prevent the risk of the deposits being retained by the seller should the sale fall through.

Step 14. Program Administrator Enters Into a Purchase and Sale Agreement

The Purchase and Sale process will follow suit after the Offer to Purchase, including a recitation of the time periods that will be necessary in order to secure the funding needed to close the sale. Once again, competent representation by a
buyer’s agent and legal counsel should be sufficient to ensure that this process will not present difficulties to the Program Administrator.

**Step 15. Program Administrator Purchases the Unit**

Once the funding sources necessary to purchase the unit have been secured, the Program Administrator will close on the property and take title to it. It will be important for the Program Administrator to have its own legal counsel who is well versed in working with the various parties, and who understands the complexity of the layering that will occur at that closing. Given the nature of the multiple funding sources, a Second (or Third) mortgage will be placed on the property and an Affordable Housing Restriction will be recorded as well.

Since this pro forma is anticipating that funding from one or more state sources will be obtained, those funding sources will require that the standardized documents published on [www.massdocs.com](http://www.massdocs.com) will be used to secure the interests of the Commonwealth on this transaction. The model documents used through Massdocs are protected by copyright, and so they have not been included in this report as an Appendix for that reason. However the model documents are available on the website listed above, and they should be reviewed by the Program Administrator’s legal counsel prior to this transaction being completed.

**Step 16. Program Administrator Closes on Additional Funding**

At the same time that title to the property is being taken, the Administrator must have the capacity to close on any additional funding sources. Closing will often require the Administrator to obtain appraisals, environmental assessments, rehabilitation estimates, and perform a variety of administrative tasks in order to accomplish this feat.

In assessing the relative merits of potential Program Administrators, the Town should take into account the proposing entity’s experience with closing on funding from a variety of sources, what tasks the entity’s in-house staff will conduct, and who the entity will be using as legal counsel in order to complete the closing.
Step 17. Program Administrator Rehabilitates the Unit

Once the unit has been purchased, the Program Administrator will work with competent, licensed, and insured contractors to complete the renovations that were delineated in the earlier inspection report.

Since any rehabilitation may have an impact on other unit owners, the Program Administrator should work closely with the condominium association to ensure that any potential conflicts are addressed before they actually occur.

Step 18. Program Administrator Leases the Unit to Qualified Applicants

The Program Administrator will then enter into a lease with the tenant, spelling out the various obligations of the parties. If the tenant is being subsidized under a governmental rental subsidy program (such as Section 8), then a standard form lease has been developed that will be initiated by the housing agency administering that resource.

If the tenancy is not being subsidized, then the Program Administrator should have developed a lease form that incorporates the federal and state requirements of the various funding sources involved in financing the project. This lease form should be made part of the Management Plan for the project, and should have been reviewed by the Administrator’s legal counsel prior to submission, and then reviewed by Town Counsel and the various funding agencies prior to implementation.

Step 19. Program Administrator Manages the Project

Once the Program Administrator has leased the unit to a qualified tenant, then the Administrator should manage the Project in compliance with the previously approved Management Plan.

Under this Program, the Program Administrator will need to act as a liaison with the condo association (or management company) when it is prudent to do so. The need for this has to do both with some unfortunate preconceptions that market rate residents may have toward residents leasing affordable units, and to advocate on behalf of the resident when actions are being taken by the group that may negatively impact their tenancy in the unit.
Since the Town will want to purchase additional condominium units over time, and since Orleans has a limited number of complexes where those units may be purchased, it behooves the Administrator to act as a mediator and/or advocate when necessary to attempt to smooth out any bumps that may arise. By resolving and addressing issues from the first rental units, future units in that complex may avoid similar problems.

**Step 20. Program Administrator Works to Maintain Compliance**

The Program Administrator will need to work with the various Monitoring Agents (whether that be the Town, Cape Cod Commission or DHCD; and either conducted through a contracted service or in-house) who will be monitoring the Program’s compliance with their rules and regulations. The Program Administrator will provide the Monitoring Agent with the back-up documentation needed to show that the tenant initially met the Program’s threshold requirements and indeed did qualify for the unit that they were rented. The Administrator will also need to show that the unit is being maintained in compliance with federal and state occupancy requirements, and will need to identify and qualify replacement tenants at the time of each vacancy.
August 15, 2008

Dear Sir or Madam:

The Town of Orleans is undertaking a housing study to better understand the demographics of housing ownership and characteristics of use. The data collected will provide important details that are unavailable through public information.

I am writing to ask you to take a few moments to respond the enclosed survey. Your reply will be anonymous and individual responses will be kept strictly confidential.

Please return your survey in the enclosed envelope or drop it off at Town Hall, 19 School Road, by September 12, 2008.

Thank you for your help in this matter.

Sincerely,

George Meservey
Planning Director
Town of Orleans Housing Survey

Current Owners

Please be assured that your response is anonymous. Data will be compiled from all respondents to enable the Town of Orleans to better understand the demographics of housing ownership and characteristics of use. Thank you for your help.

1. Date of purchase of current unit: ___________ (month/year).

2. Property type: 
   - 2- or 3-level townhouse
   - Single-level flat
   - Cottage

3. Form of ownership: 
   - Condo development
   - Condo conversion in multifamily building

4. Unit square footage (approx.) ___________ 5. Year built: _______

6. Number of rooms ___ 7. Number of bedrooms ___ 8. Number of bathrooms ___

9. Heating Type: 
   - Central
   - Unit

   Fuel: 
   - Electric
   - Oil
   - Gas
   - Other
   - Unknown

10. Purchase price: 
    - $0 - $150,000
    - $150,001 - 200,000
    - $200,001-$250,000
    - $250,001 or more

11. Owner’s age: 
    - 18-35
    - 35-49
    - 50-65
    - 65+

12. Owner’s gender: 
    - M
    - F

13. Owner’s race/ethnicity: 
    - White
    - African-American
    - Latino/Hispanic
    - Native American
    - Asian
    - Other ______

14. Are you retired? Y/N

   Were you retired at time of purchase? Y/N

15. If not retired, are you: (check all that apply)
    - Employed full time
    - Employed part time
    - Seasonally employed
    - Employed locally (Orleans)
    - Employed out of Town

    If yes, what is your commuting distance? ____ (one way)

16. Are you a resident of Orleans? Y/N

    Number in household year-round (please circle) 0 1 2 3 4 5 6 7

    Additional seasonal household members (please circle) 0 1 2 3 4 5 6 7

17. Number in year-round household in each age range:
    - 0-4 years ______
    - School age (5-18) ______
    - Adults (19-54) ______
    - Seniors (55+) ______

18. Annual household income range by family size (please circle):

<table>
<thead>
<tr>
<th>Family Size</th>
<th>$0-$26,000</th>
<th>$26,001-$42,000</th>
<th>$42,001-$62,000</th>
<th>$62,001 plus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 person</td>
<td>$0-$30,000</td>
<td>$30,001-$47,000</td>
<td>$47,001-$71,000</td>
<td>$71,001 plus</td>
</tr>
<tr>
<td>2 people</td>
<td>$0-$33,000</td>
<td>$33,001-$53,000</td>
<td>$53,001-$80,000</td>
<td>$80,001 plus</td>
</tr>
<tr>
<td>3 people</td>
<td>$0-$37,000</td>
<td>$37,001-$59,000</td>
<td>$59,001-$89,000</td>
<td>$89,001 plus</td>
</tr>
<tr>
<td>4 people</td>
<td>$0-$40,000</td>
<td>$40,001-$64,000</td>
<td>$64,001-$96,000</td>
<td>$96,001 plus</td>
</tr>
<tr>
<td>5 people</td>
<td>$0-$43,000</td>
<td>$43,001-$69,000</td>
<td>$69,001-$103,000</td>
<td>$103,001 plus</td>
</tr>
<tr>
<td>6+ people</td>
<td>$0-$47,000</td>
<td>$47,001-$71,000</td>
<td>$71,001-$96,000</td>
<td>$96,001 plus</td>
</tr>
</tbody>
</table>
19. Is this home your permanent residence?  Y/N

20. Do you occupy this home year round?  Y/N

21. Do you occupy this property seasonally?  Y/N

22. Do you rent this property for investment purposes (exclusively rent to others)? Y/N

If you occupy this home year round:

23. How long have you lived in Orleans?  ____ years

24. Do you have school-age children in the public schools?  Y/N  Number ___

25. Do you have school-age children in private school(s)?  Y/N  Number ___

26. Are you registered to vote?  Y/N

If you are a seasonal resident:

27. How long have you lived in Orleans seasonally?  ____ years

28. Where is your other residence?  □ Cape Cod  □ Massachusetts  □ Other state (where?) _________  □ Other country (where?) _________

29. Do you rent this property to others in the off-season?  Y/N

If you own this property as an investment:

30. How long have you owned investment property in Orleans?  ____ years

31. Do you rent this property to others:  □ year round  □ summers  □ off-season

32. Are you a resident of:  □ Orleans  □ Cape Cod  □ Massachusetts  □ Other state (where?) _________  □ Other country (where?) _________

33. Prior to this purchase were you a resident of:

□ Orleans  □ Cape Cod  □ Massachusetts  □ Other state ____  □ Other country _____

34. If yes, was it a condo?  Y/N

35. If yes, was it a condo?  Y/N

36. Please indicate the property type:  □ 2- or 3-level townhouse  □ Single-level flat  □ Single-family house  □ Multifamily house  □ Other ___________________

37. Do you own another home in Orleans or elsewhere?  Y/N

Please add any comments that you feel may be relevant to this study.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

You may drop off your survey at the Orleans Planning Department or mail it in the enclosed envelope to Town of Orleans, Planning Department, 19 School Road, Orleans, MA 02653. Please respond by September 12, 2008.
Town of Orleans Housing Survey

Sellers of Property

Please be assured that your response is anonymous. Data will be compiled from all respondents to enable the Town of Orleans to better understand demographics of housing ownership and characteristics of use. Thank you for your help.

1. Date you sold your Orleans property ___________ (month/year).
   Date you purchased that property: ___________ (month/year).

2. Property type: □ 2- or 3-level townhouse
   □ Single-level flat
   □ Cottage

3. Form of ownership: □ Condo development
   □ Condo conversion in multifamily building

4. Unit square footage (approx.) _______ 5. Year built: _______

6. Number of rooms ___ 7. Number of bedrooms ___ 8. Number of bathrooms ___

9. Heating Type: □ Central □ Unit
   Fuel: □ Electric □ Oil □ Gas □ Other □ Unknown

10. Purchase price: □ $0 - $150,000 Sales price: □ less than $150,000
    □ $150,001 - 200,000 □ $150,001 - 200,000
    □ $200,001-$250,000 □ $200,001-$250,000
    □ $250,001 or more □ $250,001 or more

11. Owner’s age: □ 18-35 □ 35-49 □ 50-65 □ 65+

12. Owner’s gender: □ M □ F

13. Owner’s race/ethnicity: □ White □ African-American □ Latino/Hispanic
    □ Native American □ Asian □ Other _______

14. Are you retired? Y/N
    Were you retired at time of purchase? Y/N

15. If not retired, are you: (check all that apply)
    □ Employed full time □ Employed part time
    □ Seasonally employed □ Employed locally (Orleans)
    □ Employed out of Town If yes, what is your commuting distance? ____ (one way)

16. Are you a resident of Orleans? Y/N
    Number in household year-round (please circle) 0 □ 1 □ 2 □ 3 □ 4 □ 5 □ 6 □ 7
    Additional seasonal household members (please circle) 0 □ 1 □ 2 □ 3 □ 4 □ 5 □ 6 □ 7

17. Number in year-round household in each age range:
    □ 0-4 years ______ □ School age (5-18) ______
    □ Adults (19-54) ______ □ Seniors (55+) ______

18. Annual household income range by family size (please circle):

<table>
<thead>
<tr>
<th>Number of People</th>
<th>Income Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 person</td>
<td>$0-$26,000</td>
</tr>
<tr>
<td>2 people</td>
<td>$0-$30,000</td>
</tr>
<tr>
<td>3 people</td>
<td>$0-$33,000</td>
</tr>
<tr>
<td>4 people</td>
<td>$0-$37,000</td>
</tr>
<tr>
<td>5 people</td>
<td>$0-$40,000</td>
</tr>
<tr>
<td>6+ people</td>
<td>$0-$43,000</td>
</tr>
</tbody>
</table>
19. Was this home your permanent residence?  Y/N
20. Did you occupy this home year round?  Y/N
21. Did you occupy this property seasonally?  Y/N
22. Did you rent this property for investment purposes (exclusively rent to others)?  Y/N

If you occupied this home year round:
23. How long had you lived in Orleans?  ____ years
24. Did you have school-age children in the public schools?  Y/N  Number ___
25. Did you have school-age children in private school(s)?  Y/N  Number ___
26. Were you registered to vote?  Y/N

If you were a seasonal resident:
27. How long had you lived in Orleans seasonally?  ____ years
28. Where was your other residence?  □ Cape Cod □ Massachusetts □ Other state (where?) ______ □ Other country (where?) _______
29. Did you rent this property to others in the off-season?  Y/N

If you owned this property as an investment:
30. How long had you owned investment property in Orleans?  ____ years
31. Did you rent this property to others: □ year round □ summers □ off-season
32. Were you a resident of:  □ Orleans □ Cape Cod □ Massachusetts □ Other state (where?) ______ □ Other country (where?) _______

Prior to this purchase:
33. Were you a resident of:  □ Orleans □ Cape Cod □ Massachusetts □ Other state ______ □ Other country _____
34. Did you own property?:  Y/N
35. If yes, was it a condo?  Y/N
36. Please indicate the property type: □ 2- or 3-level townhouse □ Single-level flat □ Single-family house □ Multifamily house □ Other ___________

37. Do you own another home in Orleans or elsewhere?  Y/N

After selling this property:
38. Did you change your residency status (i.e., resident who left Town? seasonal resident who became year-round resident, investor who became resident?)  If yes, please explain: ________________________________________________________________

39. Did you buy property elsewhere in Orleans?  Y/N
40. If yes, did you purchase: □ condo □ single family home □ other ___________
41. Did you buy property elsewhere?  Y/N  If yes, where? ___________

Please add any comments about the sale of your Orleans property that you feel may be relevant to this study.__________________________________________________________

________________________________________________________________________

You may drop off your survey at the Orleans Planning Department or mail it in the enclosed envelope to Town of Orleans, Planning Department, 19 School Road, Orleans, MA 02653. Please respond by September 12, 2008.
<table>
<thead>
<tr>
<th>LP</th>
<th>TYPE</th>
<th>ROOMS</th>
<th>BRS</th>
<th>BATHS</th>
<th>MO FEE</th>
<th>SF</th>
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<td>ENERGY &amp; CODE UPGRADES</td>
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<tr>
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<td>$2000 - $3000</td>
<td></td>
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<tr>
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<td>$2000 - $3000</td>
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<td></td>
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<tr>
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<td>$2000 - $3000</td>
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<tr>
<td>ELECTRIC</td>
<td>NO</td>
<td>$2000 - $3000</td>
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<tr>
<td>ELECTRIC</td>
<td>NO</td>
<td>$2000 - $3000</td>
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Appendix C

Request for Proposals (RFP)

Administration of Municipal Program
to Develop, Re-sell and/or Manage
Affordable Condominium Housing

Town of Orleans, Massachusetts

A. Introduction

1. Invitation to Bid

The Town of Orleans ("Town") is seeking proposals from qualified developers and/or property managers to administer the Affordable Condominium Program (ACP) on behalf of the Town. ACP is a program where existing condominium units are purchased either on the open market or through a distressed sale, and then where those same units are either re-sold to an income-qualified first time homebuyer or are rented to an income-qualified family.

The Town of Orleans will provide a portion of the subsidization necessary to reduce the re-sale or carrying costs of the purchased units through allocations from the Town of Orleans Community Preservation Fund; however, it will also be incumbent upon the ACP program administrator to apply for and obtain additional funding for ACP units.

The RFP contemplates that the chosen ACP program administrator shall enter into a five-year agreement beginning (month), (day), 2009 and ending (month), (day) 2014. The Town of Orleans has committed ($??,???) through its Community Preservation Fund to enable the chosen administrator to begin the process of purchasing existing condominium units in Orleans for inclusion in the ACP program.

The Town anticipates that if the ACP program is successful in obtaining condominium units, then additional funding from the Community Preservation Fund will be forthcoming in subsequent years. However, nothing in this RFP should be construed as a guarantee of future funding for future ACP units.

The RFP specifies the process for disposition and the restrictions imposed on the subsequent use of the Property for residential and affordable housing purposes. After acquiring the Property, the successful RFP Respondent must:

• Renovate the unit such that the unit will meet local, state and federal housing and sanitary codes, including, but not limited to, HUD’s Housing Quality Standards and the state sanitary code.

• For units purchased with the intention of re-sale, develop and implement a lottery process whereby qualified buyers shall be solicited, selected and then sold an
ACP ownership units, or

- For units purchased with the intention of being rented, develop and implement a process whereby eligible renters are recruited and leased to, and then where the property will be managed on an ongoing basis in compliance with federal, state and local housing requirements.

The purpose of this RFP is to select a program administrator who will acquire, renovate, restrict, market and manage the condominium unit(s) in accordance with this RFP.

2. **Briefing**

Interested RFP Respondents **are required** to have a representative attend an information session at Town Hall. The information session will be on (month), (day), **2009 beginning at (time)**.

Advance registration to attend the briefing is encouraged by no later than the close of business (month), (day), 2009.

To register, please contact (name), (telephone number), (email address).

3. **Submission Deadline**

Sealed proposals will be received at the following address until (time), on (month), (day), **2009**, at which time and place they will be publicly opened and read aloud:

Orleans Planning Department  
Town Hall  
19 School Road  
Orleans, Massachusetts 02653

No proposals submitted after this time will be accepted.

RFP Respondents must submit an original and (?) copies of the Response in a sealed package, plainly marked RFP - Proposal to Administer ACP Program. Within the sealed package, the original and (?) copies of the Price Summary Form must be contained in a separate sealed envelope plainly marked Price Summary Form -RFP Proposal to Administer ACP Program.

RFP Respondents must meet all minimum evaluation criteria, must complete the enclosed proposal form and price summary form, and must include all required documents.

RFP Respondents may correct, modify or withdraw proposals, in writing only, prior to the proposal opening. Corrections or modifications must be in a sealed envelope when submitted.

All proposals must remain in effect for a period of one hundred eighty (180) calendar days.
from the deadline for submission, or until the disposition has been effectuated, or this Request for Proposals is cancelled, whichever occurs first.

4. **Questions on RFP**

All inquiries concerning this RFP should be in writing and directed, no later than (month) (day), 2009, to:

Orleans Planning Department  
Town Hall  
19 School Road  
Orleans, Massachusetts 02653

Attention: (name), (telephone number), (email address)

5. **Disclaimers and Caveats**

The Town makes no representations or warranties, express or implied, as to the accuracy and/or completeness of the information provided in this RFP.

The Town has attempted in this RFP to be accurate, but the Town is not responsible for any unintentional errors herein.

All proposals shall be deemed to be public records with the meaning of M.G.L. c. 4, Section 7(26).

The award of this contract is subject to Chapter 143 of the Acts of 1996, M.G.L. c. 30B, Section 16. and (include in here a reference to the Town action – whether at Town Meeting or by the Board of Selectmen that authorized the creation of ACP)

6. **Respondent’s Responsibility for Due Diligence:**

RFP Respondents should undertake an independent review and analysis concerning physical conditions, environmental conditions, applicable zoning, required permits and approvals, and other development and legal considerations pertaining to the Property, the Work, and the proposed use.

The Town makes no representation or warranty with respect to any Property purchased through the Program, including without limitation, title to the Property, the value, quality or character of the Property or its fitness or suitability for any particular use and/or the physical and environmental condition of the Property.

The RFP Respondent shall release, defend, indemnify and hold the Town of Orleans, or its agents, harmless from and against any and all claims, damages, losses, penalties, costs, expenses and fees (including without limitation reasonable legal fees) attributable to the physical and environmental condition of the Property.
B. Evaluation of Proposals

The Town will review all proposals received by the filing deadline in accordance with the Comparative Evaluation Criteria in Appendix K and the following procedure:

• Proposals will be evaluated and rated by an ACP Selection Committee according to the Comparative Evaluation Criteria set forth in this Appendix I to the RFP.

• The Committee will make its recommendations to the Board of Selectmen (Board).

• The Board will select the most advantageous proposal from the responsible and responsive RFP Respondents, taking into consideration the Comparative Evaluation Criteria, the Committee's recommendations, and the Board's own judgment as to which RFP Respondent best meets the Comparative Evaluation Criteria.

• The Town will notify all RFP Respondents in writing of the decision.

The Town reserves the right to reject any and all proposals if the Town determines that it is in its best interest to do so. The Town also reserves the right to waive any informalities in the proposal process and to accept the proposal(s) deemed to be in the best interest of the Town.

The Town reserves the right to interview or to seek additional information from any RFP Respondent after the opening of Proposals but before entering into a Program Agreement, to reject any proposal if the Town deems it to be in the best interests of the Town, and to award the Program to the next qualified applicant.
C. Program Agreement

The successful RFP Respondent will have thirty (30) days from the time he/she/it receives notice from the Town that the proposal has been accepted to execute the Program Agreement (Exhibit I), with such mutually acceptable amendments as are consistent with this RFP and approved by the Town. Any such amendments to the Program Agreement may be negotiated by the Town after the successful respondent has been selected.

If the successful RFP Respondent fails to execute the Program Agreement within thirty (30) days of notice of award (or within any extension to which the Town may agree in writing), the Town may select the next most advantageous offer.
D. Specific Terms, Conditions and Restrictions on Reuse

Pursuant to M.G.L. c. 30B, § 16, the Town sets the following terms, conditions and restrictions on the RFP Respondent's use of the Property pursuant to the RFP:

1. **The Project**

After acquiring the Property or assisting an income-qualified purchaser to acquire the Property themselves, the RFP Respondent shall perform and complete all work (“The Work”) necessary to comply with the following:

1. The requirements of this RFP;
2. The requirements of the Program Agreement;
3. The requirements of the Local Initiatives Program (LIP) Approval;
4. The requirements of all other required governmental permits and approvals.

2. **Costs of the Work**

The RFP Respondent shall be solely responsible for all costs and expenses of the Work, including without limitation, improvements on the Property, and any other measures necessary to occupy the Project in compliance with all applicable federal, state and local laws, ordinances, rules, regulations and codes for the proposed use. Except to the extent provided herewith, the RFP Respondent shall, at its sole cost and expense, obtain all necessary permits, approvals and licenses from governmental authorities, including the Town of Orleans, required for Work.

The RFP Respondent shall pay (or cause to be paid) all costs and expenses associated with the Work (including, without limitation, all architectural, engineering, construction, legal and consultant fees and costs) and shall defend, indemnify and hold the Town of Orleans harmless from and against any and all claims, damages, losses, penalties, costs, expenses and fees (including without limitation reasonable legal fees) attributable to the performance of the Work.

3. **Performance Standards**

The RFP Respondent shall perform and complete the Work in a good and workmanlike manner, in compliance with good engineering and construction practices, using all new materials, and with the requirements of all applicable laws, ordinances, codes, orders, rules and regulations of all governmental authorities, agencies or departments with jurisdiction.

The RFP Respondent shall take all reasonably necessary measures to (i) minimize dust, noise and construction traffic, (ii) minimize any damage, disruption or inconvenience caused by the Work, and (iii) make adequate provision for the safety and convenience of all persons affected thereby and to properly police same. Dust, noise and other effects of such work shall be controlled using commercially accepted methods customarily utilized in order to control deleterious effects associated with construction projects in a populated or developed area,
4. **Affordability Requirements**

The Town has established the following affordable housing goals and guidelines for the reuse of the Property, which shall be incorporated as terms, conditions and restrictions on the RFP Respondent’s use of the Property:

(a) **Unit Price Limits**

- 100% of the units shall be condominium units, each with an Exclusive Use Areas as shown on the project plans.

- Local preference for affordable units shall be provided to the maximum extent allowed by legal requirements.

(b) **Minimum Affordability Commitment**

- Each Proposal must meet the Minimum Affordability Commitment, as required by the LIP Program, then in effect.

- Without limitation, units shall be restricted in perpetuity for occupancy by persons or households whose aggregate family income does not exceed 80% of the median gross income for the area ("AMI"), as established by the United States Department of Housing and Urban Development, consistent with the terms and policies of the Department of Housing and Community Development's Local Initiative Program. These units shall be eligible for qualification in and a new addition to the Town's Subsidized Housing Inventory under Massachusetts General Laws Chapter 40B.

5. **Schedule**

Each RFP Respondent shall submit with its proposal its anticipated critical path time schedule for major Project milestones (including such matters as financing, permitting, design, closing, construction, lottery, marketing and sale) so that the Work shall be commenced and completed, and the units marketed, sold and occupied as soon as reasonably possible. The schedule shall, at a minimum, meet the following requirements.

- The successful RFP Respondent shall be prepared to execute the Program Agreement within 30 days from the notice of award from the Town.

- The successful RFP Respondent shall complete the Work not later than eighteen (18) months after the signing of the Program Agreement.

6. **Right of Reverter**

The Program Agreement shall incorporate a critical path time schedule for the Work and a deadline for completion of the Work. In the event that the RFP Respondent shall fail to commence the Work or to substantially complete the Work within the required time frames, the Town shall provide written notice of that breach to the RFP Respondent.

In the event that the RFP Respondent does not cure said breach within thirty days after its receipt of that notice, or within such extended time as the Town may in writing agree, the Town may
revoke the RFP Respondent’s right to administer the Program, and any property so owned by the RFP Respondent at that time shall revert to the Town.
**F. Document Submission Requirements**

The following, documents (fully completed and executed as applicable) must accompany the proposal. Failure to provide any of the required documents may result in the determination that the Offer is non-responsive. Numbered tabs should match numbered items in the following table, and should appear in the order given.

The RFP Response should include a cover Letter with the following tabbed exhibits:

<table>
<thead>
<tr>
<th>Tab</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Proposal Form (Exhibit A)</td>
</tr>
<tr>
<td>2.</td>
<td>Price Summary Form (Exhibit B) along with a completed Pro Forma (a detailed breakdown of projected revenues and costs on the form provided as Exhibit P) (both in an sealed envelope labeled as set forth above)</td>
</tr>
<tr>
<td>3.</td>
<td>Certificate of Non-Collusion (Exhibit C)</td>
</tr>
<tr>
<td>4.</td>
<td>Disclosure of Beneficial Interest Form as required by M.G.L. c.7, ’40J (Exhibit D)</td>
</tr>
<tr>
<td>5.</td>
<td>Non-Delinquency Statement required by M.G.L. c. 60, ’77B (Exhibit E)</td>
</tr>
<tr>
<td>6.</td>
<td>Commitment for payment in lieu of taxes calculated in accordance with M.G.L. c. 44, ’63A (Exhibit F)</td>
</tr>
<tr>
<td>7.</td>
<td>Acknowledgment that the sale is not exempt from the Title 5 inspection requirements of 310 CMR 15.301(f), if and as applicable (Exhibit G)</td>
</tr>
<tr>
<td>8.</td>
<td>Certification as to Payment of Taxes (Exhibit H)</td>
</tr>
<tr>
<td>9.</td>
<td>Copy of the Program Agreement indicating changes, if any, requested by the RFP Respondent (Exhibit I)</td>
</tr>
<tr>
<td>10.</td>
<td>Administrator's Profile - - a brief summary of the Administrator's organization and experience, resumes of principals, a list of 3 client/customer references, a financial statement, and a disclosure of any liens, foreclosures, bankruptcies, or other actions that would interfere with or delay the timely progress of the project.</td>
</tr>
<tr>
<td>11.</td>
<td>Team Member Profile(s) - - a brief summary of each of the members of the Program Team (other than the lead Administrator) including each Team member’s organization and experience, resumes of principals, a list of 3 client/customer references, a financial statement, and a disclosure of any liens, foreclosures, bankruptcies, or other actions that would interfere with or delay the timely progress of the project.</td>
</tr>
</tbody>
</table>
13. Letters of Reference - one letter of reference each for the Administrator and each of the Team Members.

14. Critical path time schedule conforming to Section VII(d) above

15. Corporate Resolution, if a Corporation (Exhibit J)

Updated originals of forms 4-8 shall be executed and delivered by the RFP Respondent at Closing and as a pre-condition thereto.
Appendix K: Comparative Evaluation Criteria

1. Minimum Threshold Criteria

Submissions must meet the following minimum threshold criteria:

1. The Proposal must be complete and conform to all submission requirements set forth in this RFP and any Addendum to this RFP issued before the submission deadline.

2. The Proposal must be timely submitted.

3. The Proposal must meet the Minimum Affordability Commitment, as stated above.

2. Competitive Evaluation Criteria

Each proposal meeting the minimum threshold criteria will then be judged on the following additional competitive evaluation criteria:

a. Financial Capacity.

• A Highly Advantageous rating will be given to a proposal that in the judgment of the evaluators identifies a Project Team with exceptional financial capacity to undertake the Project proven by prior experience financing real estate development, including securing any necessary interim financing, ability to provide any equity contribution projected in the Sources and Uses Budget, and ability to secure financing as evidenced by letter(s) from prospective lender(s) and other supporting material.

• An Advantageous rating will be given to a proposal that in the judgment of the evaluators identifies a Project Team with reasonable financial capacity to undertake the Project.

• An Unacceptable rating will be given to a proposal that in the judgment of the evaluators fails to identify a Project Team with reasonable financial capacity to undertake the Project.

b. Project Team.

• A Highly Advantageous rating will be given to a proposal that in the judgment of the evaluators identifies a Project Team capable of completing the Project successfully and in an expedited manner as evidence by such factors as (a) extensive experience with residential projects, (b) an exceptional record of developing residential projects ahead of schedule, within budget and with minimal changes during the development process, and (c) the resumes and references of principals and senior staff assigned to the Project.

• An Advantageous rating will be given to a proposal that in the judgment of the evaluators identifies a Project Team capable of completing the Project acceptably and on time as evidenced by such factors as (a) suitable experience with residential projects, (b) a
suitable record, of developing residential projects on time and within budget, and (c) the resumes and references of principals and senior staff assigned to the Project.

- An Unacceptable rating will be given to a proposal that in the judgment of the evaluators fails to identify a Project Team capable of completing the Project acceptably and on time.

c. Proposed project development schedule.

- A Project with a shorter but achievable development schedule will receive a more advantageous rating on this criterion than a Project with a longer development schedule or an impractical development schedule.

d. Proposed Price/Subsidy.

Because the sale price of all units will be restricted under the RFP, the successful RFP Respondent's potential revenue from the project is, by definition, limited. Depending on the development costs, it is likely that the RFP Respondent's costs will exceed its revenue. To help bridge the gap and to afford a reasonable development profit, subsidies may be available for this project under the Town of Orleans Community Preservation Act ("CPA") Fund or through donations and other governmental programs. In the price proposal, the RFP Respondent must specify any proposed grants the RFP Respondent will request from the Town (such as Community Preservation Act funds). In this way, the Town will be able to compare each offer based on the net financial gain or net financial subsidy.

- A Highly Advantageous rating will be given to a proposal that in the judgment of the evaluators presents a minimal financial commitment by the Town, without materially sacrificing on the quality of the Project, measured in terms of any proposed subsidies to be requested by the RFP Respondent from the Town (such as Community Preservation Act funds). With respect to this criterion, as between two Highly Advantageous projects, the project with the lesser financial impact to the Town, without materially sacrificing on the quality of the Project, will be considered more favorably.

- An Advantageous rating will be given to a proposal that in the judgment of the evaluators presents modest need for a net subsidy from the Town, without materially sacrificing on the quality of the Project, measured in terms of any proposed subsidies to be requested by the RFP Respondent from the Town (such as Community Preservation Act funds). With respect to this criterion, as between two Advantageous projects, the project with the smaller net subsidy from ACHC and/or the Town, without materially sacrificing on the quality of the Project, will be considered more favorably.

- An Unacceptable rating will be given to a proposal that in the judgment of the evaluators presents the need for an unacceptable net subsidy from the Town.
e. **Requested Changes to Program Agreement.**

There will be an evaluation of changes to the Program Agreement - requested by the RFP Respondent. RFP Respondents requesting fewer substantive changes to the Program Agreement will receive a more advantageous rating on this criterion.

f. **Overall Score and Ranking**

After evaluating a proposal on the foregoing factors, the evaluators will provide an overall score and ranking for the proposal as compared to other proposals. For example, a proposal which achieves "Highly Advantageous" and/or "Advantageous" rankings in several categories will not necessarily be disqualified simply because it received an "Unacceptable" ranking in one or more other categories if, in the judgment of the evaluators, the proposal on the whole is "Advantageous" or "Highly Advantageous" to the Town. Any notice of award, however, will be contingent upon the project proponent curing any "Unacceptable" criterion ranking prior to the execution of the Program Agreement.
## Appendix II: List of Exhibits

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>M</td>
<td>Construction Specifications</td>
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<tr>
<td>A</td>
<td>Proposal Form</td>
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<td>B</td>
<td>Price Summary Form</td>
</tr>
<tr>
<td>E</td>
<td>Non-Delinquency Statement</td>
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<tr>
<td>F</td>
<td>Commitment for payment in lieu of taxes</td>
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<tr>
<td>G</td>
<td>Acknowledgment that the sale is not exempt from the Title 5 inspection requirements of 310 CMR 15.301(f)</td>
</tr>
<tr>
<td>H</td>
<td>Certification as to Payment of Taxes</td>
</tr>
<tr>
<td>J</td>
<td>Corporate Resolution</td>
</tr>
</tbody>
</table>
EXHIBIT M

CONSTRUCTION SPECIFICATIONS

The Work shall be performed strictly in accordance with the following specifications and must meet or exceed the requirements of the current Federal, Commonwealth of Massachusetts and Town of Orleans Building Code requirements. Note that in instances where the regulations and codes have changed since the original publication of these specifications, the developer is to conform to the current regulations and codes. The execution of all work shall be in strict accordance with these specifications and manufacturer's written specifications or Material's Institute Standards. Where the manufacturer's recommended details are used, the manufacturer shall be responsible for the performance of their product. All work not specifically mentioned that is required to make the work complete and operational shall be included.

Codes - Construction shall comply with all applicable national, state and local building codes. It is the responsibility of the developer to insure compliance with said codes and modify the specifications as needed to comply with such codes.

Workmanship - Workmanship shall conform to the best and highest standards of quality in each trade and shall include all items of fabrication, construction and installation. All work shall be completed by skilled tradesmen and mechanics. Installation of all equipment and materials shall be in strict accordance with manufacturer's recommendations.

1. When applicable, insulation methods shall meet or exceed State of Massachusetts' Building Code requirements. Common walls between dwelling units must be insulated for fire and sound dampening, using isolated stud walls with resilient bars, acoustical mineral wood and soundproofing mat along the separating wall, or its equivalent.

2. Notwithstanding the above, all energy provisions mandated by the Massachusetts State Building Code which exceed the above requirements will take precedence.

3. When applicable, kitchen appliances shall be brand new. The ranges shall be 30 inches wide, self-cleaning, four burner, 4.5 cu. Ft. or larger, also must have oven windows and clocks. The refrigerators shall be 36 inches wide, 18cu. Ft or larger and have automatic ice makers. The dishwashers shall be 24 inches wide. All appliances shall be matching colors and Energy Star Compliant when Energy Star ratings are available for that type of appliance.

4. Kitchen counter tops are to be of a laminated plastic or better material. Kitchen cabinets face frames, doors and draw fronts must be constructed of solid wood with a factory applied finish.
5. When applicable, floors are to be covered with 30-40 ounce per square yard or better wall-to-wall carpet of neutral colors installed over an industry-approved pad and underlayments. Kitchen and bathroom floors are to be covered with vinyl sheet goods of generally neutral colors and/or patterns. All floor coverings must have a minimum warranted life of 10 years. Hardwood and tile floors are desirable but not required.

6. House interiors must be completely finished and painted in neutral colors with a primer coat and two (2) finish coats. Walls and ceiling will be constructed of plaster or drywall. Walls shall get one coat of primer and two coats of eggshell paint. Ceilings shall get one coat of primer and two coats of flat paint. Interior trim shall be solid wood 3.5 inches or wider. Interior trim and doors shall get one coat of primer and two coats of gloss paint. Exterior doors shall get one coat of exterior primer and two coats of exterior gloss paint. All painted services shall get as many coats of paints that are required to get complete coverage.

7. Where there is an attic, a pull-down attic stairway must be supplied for each unit. Each attic stairway shall be sealed and insulated with an attic stair insulating dome or equal. Attic hatch shall also be weather-stripped.

8. Electric outlets must be installed to meet the requirements of the MA State Building Code. All light fixtures must be Energy Star Rated.

9. The RFP Respondent's contractor shall supply a standard (one year minimum) homeowner's warranty to each unit buyer.
1. Name of Person or Business Submitting Proposal:

   Address:

2. Please check off one of the following:

   ( ) If a corporation, State of Incorporation:

   ( ) If a partnership, names of partners:

   ( ) If a trust, name of trust, names of trustees, and Registry book and page for recorded trust instrument:
I represent and agree that the enclosed proposal will remain subject to acceptance by the Town of Orleans ("Town") for 180 days after the date of submission of proposals, and that the RFP Respondent will execute a Program Agreement satisfactory to the Town within 30 days from award of the contract, or such further time as Town may agree in writing.

Signature:

Name of person signing:

Title:

Name of Business:

Address:

Federal Identification Number:
**EXHIBIT B: Price Proposal**

**TOWN OF ORLEANS**

Town Hall  
19 School Road  
Orleans, Massachusetts 02653

This price summary form must be submitted with the RFP Respondent’s proposal. Failure to adhere to this instruction will result in disqualification of your proposal.

Name of RFP Respondent: __________________________________________

1. **Fees to Be Paid to Respondent for Program Administration**

<table>
<thead>
<tr>
<th>Fee Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Fee for Purchase of Unit</td>
<td>(per unit purchased)</td>
</tr>
<tr>
<td>Legal Fee for Re-sale of Unit to End Buyer</td>
<td>(per unit purchased)</td>
</tr>
<tr>
<td>Advertising Rates</td>
<td></td>
</tr>
<tr>
<td>Publications (list)</td>
<td>(rate per day/week)</td>
</tr>
<tr>
<td>Program Administration Fee</td>
<td>(per unit purchased)</td>
</tr>
<tr>
<td>Program Administration Fee</td>
<td>(per unit sold)</td>
</tr>
<tr>
<td>Monthly Management Fee</td>
<td>(per unit month)</td>
</tr>
</tbody>
</table>

2. Based on the attached hypothetical pro-forma, **Grant Requested** from the Town (Community Preservation Act Funds) by the RFP Respondent

3. **Other Grant Proceeds** to be requested by or on behalf of the RFP Respondent in connection with the acquisition of the Property and completion of the Project required by the RFP:

<table>
<thead>
<tr>
<th>Source (list)</th>
<th>Amount Anticipated</th>
</tr>
</thead>
</table>

4. **Anticipated Resale Price to Eligible End Buyer**

5. **Anticipated Rental Charge to Eligible Tenant**

Signature:          Title:          Date:
EXHIBIT E

Delinquency Statement Required by M.G.L. c. 60,'77B

I/We, the undersigned, under the pains and penalties of perjury, state that neither I/we nor any person who would gain equity in any Property purchased through the Program, has ever been convicted of a crime involving the willful and malicious setting of a fire or of a crime involving the aiding, counseling or procuring of a willful and malicious setting of a fire, or of a crime involving the fraudulent filing of a claim for fire insurance; or is delinquent in the payment of real estate taxes to the Town of Orleans, or if delinquent, that a pending application for abatement of such tax, or a pending petition before the appellate tax board or the county commissioners has been filed in good faith.

Signature:

Name of Person Signing:

Title:

Name of Business:

Address:

Federal Identification Number or Social Security Number:

Note: If there is to be more than one grantee of the deed for the Property, each grantee must file such statement, and no such deed shall be valid unless it contains a recitation that the board or officer granting the deed has received such statement. See M.G.L. c.60,'77B.
EXHIBIT F

Commitment for Payment in Lieu of Taxes Calculated
In Accordance with M.G.L. C. 44, ' 63A

I/We, the undersigned, acknowledge that General Laws Chapter 44, Section 63 A, provides as follows:

Whenever in any fiscal year a town, which term, as used in this section, shall include a city, shall sell any real estate, the board or officer executing the deed therefore in the name and behalf of the town shall, as a condition precedent to the power to deliver such deed, receive from the grantee as a payment in lieu of taxes allocable to the days ensuing in said fiscal year after the date of such deed, a sum which shall be equal to such portion of a pro forma tax computed as hereinafter provided as would be allocable to the days aforesaid if such pro forma tax were apportioned pro rata according to the number of days in such fiscal year; provided, however, that whenever the said real estate shall be sold between January second and June thirtieth of the fiscal year, the town shall also receive an additional amount equal to the entire pro forma tax computed as hereinafter provided and allocable as a payment in lieu of taxes for the next succeeding fiscal year. Such pro forma tax shall be computed by applying the town's tax rate for the fiscal year of the sale, or, if such rate is not known, the town's tax rate for the fiscal year next preceding that of the sale, to the sale price after crediting any exemption to which, if the deed had been executed and delivered on January first of such next preceding fiscal year, the grantee would have been entitled under section five of chapter fifty-nine. A recitation in the deed that there has been full compliance with the provisions of this section shall be conclusive evidence of such fact. Sums received under this section shall not be subject to section sixty-three of this chapter or to section forty-three of chapter sixty, but shall be credited as general funds of the town.

If awarded the contract for the disposition of the Property, I/we commit to make at the closing the required Payment in Lieu of Taxes calculated in accordance with General Laws Chapter 44, Section 63A.

Signature

Name of Person Signing

Title
EXHIBIT G

Acknowledgment

I/We, the undersigned, acknowledge that the sale of the Property is not exempt from the Title 5 inspection requirements of 310 CMR 15.301(f), if and as applicable.

Signature

Name of Person Signing

Title
EXHIBIT H

CERTIFICATION AS TO PAYMENT OF TAXES

Pursuant to G.L. c.62C, ' 49A, I, ______ hereby certify under the pains and penalties of perjury that __ has complied with all laws of the Commonwealth of Massachusetts relating to the payment of taxes and has filed all state tax returns and paid all State taxes required under law.

Date Signature of Authorized Representative of RFP Respondent

Social Security Number or Federal ID Number of Title Contractor
EXHIBIT J

CORPORATE RESOLUTION

(to be filed if Contractor is a Corporation)

I, __________________________, hereby certify that I am the duly qualified and

(Secretary of the Corporation)

acting Secretary of ____________________________ and I further certify

(Name of Corporation)

that a meeting of the Directors of said Company, duly called and held on

(Date of Meeting)

at which all Directors were present and voting, the following individuals:

were duly authorized and empowered to execute Forms of General Bid, Contracts, Agreements or Bonds on behalf of the Corporation.

I further certify that the above authority is still in effect and has not changed or modified in any respect.

By: __________________________

(Secretary of Corporation)

True Copy:

Attest: __________________________

(Notary Public)

My Commission Expires: ____________

(Date)
Appendix D

AFFIRMATIVE FAIR MARKETING PLAN

I. AFFIRMATIVE MARKETING TO MINORITY HOUSEHOLDS

1) Statement

It is the policy of the Town of Orleans (Town) to promote equal opportunity and non-discrimination in compliance with, but not limited to the following: Civil Rights Legislation (1964, 1968, 1988), Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, Executive Order 11063, MGL Chapter 151B, the Fair Housing Act of 1988, the American's with Disabilities Act of 1990, and any other legalization protecting the individual rights of residents, applicants or staff which may be subsequently enacted.

Furthermore, it is the policy of the Town not to discriminate based on race, color, religion, national or ethnic origin, citizenship, ancestry, class, sex, sexual orientation, familial status, disability or handicap, military/veteran status, source of income, age, or other basis prohibited by local, state or federal law.

2) Media Resources

The following media, at a minimum, will be used to advertise the availability of units under this program:

<table>
<thead>
<tr>
<th>Resource</th>
<th>Race/Ethnic Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Codder</td>
<td>Majority</td>
</tr>
<tr>
<td>Cape Cod Chronicle</td>
<td>Majority</td>
</tr>
<tr>
<td>Cape Cod Times</td>
<td>Majority</td>
</tr>
<tr>
<td>El Mundo</td>
<td>Minority</td>
</tr>
<tr>
<td>Bay State Banner</td>
<td>Minority</td>
</tr>
<tr>
<td>CHAPA website</td>
<td>Majority</td>
</tr>
<tr>
<td>MAHA website</td>
<td>Majority</td>
</tr>
<tr>
<td>Town of Orleans website</td>
<td>Majority</td>
</tr>
<tr>
<td>Program Administrator website</td>
<td>Majority</td>
</tr>
</tbody>
</table>
3) Organizations and Agencies

The following organizations and agencies, at a minimum, will also be notified about the availability of units under this program:

Orleans Housing Authority
Area Housing Authorities
Community Action Committee of Cape Code & Islands
Cape Organization for the Rights of the Disabled
Housing Assistance Corporation
Lower Cape Community Development Corporation
Area Community Development and Planning Departments
Orleans Town Offices
Area Town Offices
Cape Cod and Islands Association of Realtors
Cape Cod Commission
Area School Districts
Local Churches
Local Banks

4) Marketing Activities

All marketing activities (including brochures, newspaper advertisements and stationary) shall include the HUD Equal Opportunity logo and slogan.

II BUYER SELECTION PROCESS/LOTTERY PLAN

1) Marketing and Buyer Selection

The developer has elected that buyer selection for the affordable unit shall be conducted by lottery. The developer has elected to allow the (marketing agent, if applicable) to conduct the marketing of the unit and the lottery. The (developer/marketing agent) shall also be responsible for certifying that the selected household purchasing the unit qualifies as a low-income household as evidenced by their most recent Federal Tax return and current third-party verification performed by the (developer/marketing agent). The (developer/marketing agent) will perform outreach activities and monitor the marketing and lottery process.
2) **Sales prices of the affordable units**

The initial purchase price shall be $???.?? dollars. The sale price is to be “locked-in” at the time of the initial marketing of the affordable homeownership unit. Thereafter, the price of the home shall not be increased for lottery winners, even if interest rates and HUD income guidelines change. Resale price of the affordable unit shall be established at the discount rate established by DHCD, and shall be restricted by deed for ??? (??) years (length of deed restriction).

3) **Maximum income and asset eligibility of households applying for the affordable unit**

Total household gross income shall not exceed 80% of the area median income, based on household size, as defined by the US Department of Housing and Urban Development (HUD). Annual income shall be determined in the manner set forth in 24 C.F.R. 5.609 (or any successor regulations). Income limits shall be adjusted annually to reflect the HUD figures in effect at the time. A “household” is two or more persons who will live regularly in the unit as their primary residence and who are related by blood, marriage, law, or who have otherwise evidenced a stable interdependent relationship.

Total household net assets shall not exceed $75,000 except that if all members of a household are 62 years of age or older and the household is either a First-time homebuyer or present homeowners planning to use equity from the sale of that home to purchase a unit under this program, then the excess not applied to the purchase of the program unit, up to a maximum amount of $200,000, will not be considered an asset, though interest from this excess will be imputed at the passbook rate established by HUD and considered income.

Household assets shall be defined in the manner by which HUD determines assets for the purposes of attribution of income. (See 24 CFR 5.609).

4) **Use restrictions to be used to ensure continued affordability of ownership units.**

The unit under this program shall be restricted under a “Local Initiative Program Affordable Housing Deed Rider” document. The Monitoring Agent, or its designee, shall be the holder of the restriction. The term of affordability of the affordable units under this program shall be ??? (??) years (length of deed restriction).
5) Sample advertisements
(See attachment)

6) Lottery Timetable

<table>
<thead>
<tr>
<th>Event</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affirmative Action Marketing Period</td>
<td>60 days (generally)</td>
</tr>
<tr>
<td>General Marketing Period</td>
<td>same period as above</td>
</tr>
<tr>
<td>Applications Available</td>
<td></td>
</tr>
<tr>
<td>Applicant Workshops</td>
<td>during marketing</td>
</tr>
<tr>
<td>Application Deadline</td>
<td>at end of marketing</td>
</tr>
<tr>
<td>Eligibility Verified</td>
<td>immediately after marketing</td>
</tr>
<tr>
<td>Lottery Date</td>
<td>1-2 weeks after marketing ended</td>
</tr>
<tr>
<td>Certificate of Eligibility Issued</td>
<td>@4 weeks after lottery</td>
</tr>
<tr>
<td>Occupancy</td>
<td>@4 weeks after certificate of eligibility</td>
</tr>
</tbody>
</table>

7) Application Process

Applications may be picked up at the Orleans Town offices, the Orleans Housing Authority, and Orleans Library. Applications will also be available at the (program administrator’s) office at (address), (office hours) during the application period. Applications may be picked up in person or by mail. Applications may also be downloaded from the (program administrator’s) website at ????. The instructions will direct that the completed application be mailed to the (program administrator).

Application materials will include an application form, application certification form, authorization for consent to release information, description of the use restriction, a description of the eligibility...
requirements, and a clear description of the preference system being used and how the lottery winners will be chosen.

The (program administrator) will provide additional assistance with applications to persons with disabilities.

The (program administrator) will offer one or more “workshops” for members of the public to educate them about the lottery process. These workshops may include local officials, lottery administrators, developers, and local bank or finance officials. The date, time, and location of these workshops should be published in ads or flyers that publicize the availability of lottery applications. Attendance at a workshop is not a precondition of the approval of a lottery application.

The purpose of the workshop is to answer questions that are commonly asked by lottery applicants. The (program administrator) will explain the information requested on the application and answer questions about the lottery drawing process. The developer will be present to describe the development and to answer specific questions about the affordable unit. Local bankers or financial representatives may also be present to answer questions about the qualifications for purchasing and financing of affordable units.

All applications must be received at the (program administrator’s) office no later than the time and date established in the application.

8) Application Processing

The (program administrator) shall then process all received applications and determine qualifications based on the following:

a. Total household gross income shall not exceed 80% of the area median income, based on household size, as defined by the US Department of Housing and Urban Development (HUD). Annual income shall be determined in the manner set forth in 24 C.F.R. 5.609 (or any successor regulations). Income limits shall be adjusted annually to reflect the HUD figures in effect at the time. A “household” is two or more persons who will live regularly in the unit as their primary residence and who are related by blood, marriage, law, or who have otherwise evidenced a stable interdependent relationship, or an individual.

b. Total household assets and payment grants are sufficient to allow a 3% down payment. Total household net assets are within program limits. Household assets shall be defined in the manner by which HUD determines assets for the purposes of attribution of income. (See 24 CFR 5.609).
c. The household shall not have owned a home within three years preceding the application, with the exception of:

1. displaced homemakers, where the displaced homemaker (an adult who has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family), while a homemaker, owned a home with his or her partner or resided in a home owned by the partner;

2. single parents, where the individual owned a home with his or her partner or resided in a home owned by the partner and is a single parent (is unmarried or legally separated from a spouse and either has 1 or more children of whom the individual has custody or joint custody, or is pregnant);

3. households where at least one household member is 55 or over;

4. households that owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations; and

5. households that owned a property that was not in compliance with State, local or model building codes and that cannot be brought into compliance for less than the cost of constructing a permanent structure.

d. The household shall have sufficient funds for any balance of the down payment and for closing costs, as determined by the developer and the participating lender.

e. The household is pre-approved for a 30-year fixed rate at the required mortgage amount. On-line pre-approvals will not be accepted.

f. Household mortgage shall be sufficient to support at least 50% of the price of the home. No more than 50% of the purchase price shall be cash unless all members of the household are age 62, or older.

g. At least one household member will receive a certificate from a CHAPA-approved First Time Homebuyer Workshop/Course prior to closing.

h. Non-household members shall not be permitted as co-signers of the mortgage.
i. Individuals who have a financial interest in the development and their families shall not be eligible to participate in the lottery.

j. The household will contain no more household members than is allowed in accordance with the State Sanitary Code.

9) **Lottery Selection**

Once all required information has been received, each qualified applicant will be assigned a registration number. One ballot shall be issued to all eligible applicants.

For lotteries involving local residents, only applicants who meet the definition of a local resident shall be included in the pool. For lotteries where the pool is open, then all qualified applicants shall be placed in the pool.

Ballots shall then be drawn and placed in the order drawn. Any remaining unselected households will also be drawn and issued control numbers should alternate buyers be needed.

10) **Qualifications and Documents**

Once the lottery has been completed, the first applicant selected from the applicable pool (referred to as the “Buyer”), will submit required information to determine eligibility based on income and assets.

Income verification should include verified tax returns from the previous three years with the W2 form(s), 5 most recent pay stubs for all working members of the household and reliable documentation as to other sources of income and assets, including three most recent bank statements. The (program administrator) will then verify that the household’s income does not exceed 80% of the area median income. It shall also verify that household assets do not exceed the maximum allowable. The (program administrator) shall then provide a certificate of household eligibility. If ineligible, the lottery applicant will select the second person drawn during the lottery.

11) **The Buyer will then sign a Purchase and Sale agreement within 10 days of the date on the certificate. It is strongly advised that the Buyer should have their own legal counsel review the Purchase and Sale agreement.**
12) The Buyer will have 10 days from the signing of the Purchase and Sale Agreement to secure final mortgage approval for the designated unit. The Buyer is required to submit a copy of the approval letter from the lender to the (program administrator).

13) If at any point the first Buyer chosen is unable to purchase the unit, then the (program administrator) shall contact the second applicant from the pool. If that family shall be unable to purchase the unit, then the (program administrator) shall contact the third applicant, and so forth until a qualified applicant shall be able to purchase the unit.

14) After closing on the sale of the unit and the recording of the sold unit deed rider and eligibility certificate, the developer shall provide the Monitoring Agent or designee with a copy of the deed and use restriction and evidence of recording. The developer shall be responsible for all recording costs.

15) Post-Lottery Applications

In the event that the lottery yields an insufficient number of applicants, the (program administrator) will continue outreach efforts and continue to accept applications. Buyers chosen after the lottery will be chosen on a first-come, first serve basis based on the time and date of their application.

16) Privacy

The (program administrator) and their designees shall guard the privacy of individuals as required by the Federal Privacy Act of 1974 and all other applicable federal, state or local laws and shall ensure the protection of such individuals’ records maintained. No personal information shall be disclosed contained in an individual’s record to any person or agency without the expressed written consent by the individual to whom the record pertains. This policy shall in no way limit the (program administrator) or their designees to collect such information, as it may need to determine eligibility or report such information to other appropriate government agencies. Consistent with the intent of the American’s with Disabilities Act of 1990, any information obtained on handicap or disability will be treated in a confidential manner.

17) Reporting

The Monitoring Agent, or its designee, shall make an annual determination that ownership units continue to be occupied as the
domicile and principal residence of the owner. In the event of a resale of an ownership unit the town, the Monitoring Agent or its designee, shall determine whether the unit has been resold to an income-qualified buyer for no more than the permissible resale price and subject to a new or continued Use Restriction. Annually the Monitoring Agent shall publicize a report on whether there has been compliance with these requirements. In the event of noncompliance the Monitoring Agent, or its designee, shall take prompt action to restore compliance, including litigation if necessary.
Appendix E

B-HOPP Marketing Plan

Preferences
Each applicant must meet at least one of the following criteria to be in the local pools:

- Current Bourne Resident
- Past Bourne Resident
- Currently working in the Town of Bourne
- Immediate family (grandparents, parents, children or siblings) who live in Bourne

Proof of local preference will be required if applicant claims eligibility under this provision.

All applicants who have applied and meet the Lottery Eligibility Requirements, including those in the Local Pool, are included in the At-Large Lottery Pool.

Household Size

One bedroom homes will be reserved for one to two person households. Two bedroom homes will be reserved for two to four member households. Three bedroom units will be reserved for three to six person households. Four bedroom homes are reserved for four person households or more.

Households will only be allowed to purchase properties that meet there bedroom needs in accordance with following guidelines. Unit preferences are based on the following:

a. There is a least one occupant and no more than two occupants per bedroom.
b. A married couple, or those in a similar living arrangement, shall be required to share a bedroom. Other household members may share but shall not be required to share a bedroom.
c. A person described in (b) shall not be required to share a bedroom if a consequence of sharing would be a severe adverse impact on his or her mental or physical health and reliable medical documentation is provided substantiating the adverse impact.

Exception: households may be approved to purchase homes with more bedrooms than the above formula provides for, as long as, all of the larger households have been offered the unit first in order and none of these larger households chooses to purchase that particular property.
Minority Representation

A preliminary lottery will be held if the percentage of minority applicants in the Local Preference Pool is less than 6.6%, as determined by recent Census data in the Town of Barnstable, MA MSA area. This lottery will be comprised of all minority applicants who did not qualify for the local pool. Applicants will be ranked in order of the drawing. The Local Pool will be adjusted by adding the required number of applicants, in rank order, to achieve the appropriate minority representation in the Local Pool.

Minority households are identified in accordance with the regulatory classifications established by HUD.

Additions to Ready Buy List: Applicants who do not meet the application deadline but are found be eligible, will be placed on a waiting list and be assisted only after all those who've applied on time, and have found to be eligible, have been assisted.

PROPERTIES

The Partnership will identify local properties in which it will determine to be appropriate for it to provide subsidies to reach affordability based upon the Massachusetts Department of Housing and Community Development’s (DHCD) ratio of bedrooms to family size and subject to appraisal. This property list will continue to grow as properties are identified that are likely to reach affordability (including the cost of necessary repairs) considering the buying power of eligible households with the available subsidy from the Partnership. The Bourne Housing Partnership will review the properties for an initial evaluation to determine that properties are generally decent, safe and sanitary. All properties will meet Massachusetts Department of Communities and Development minimum square footage requirements. A professional housing rehabilitation specialist will then review the properties according to the US Department of Housing and Urban Development Housing Quality Standard and according to the standards required by the US Department of Agriculture for their home purchase mortgage program. The report will include not only a list of deficiencies but also cost estimates for the necessary improvements.

The Bourne Housing Partnership will select properties that in its judgment represent an efficient utilization of available funds considering current market conditions, and whose inclusion are in the best interests of the town of Bourne and the lottery pool in general. The Partnership will be working with available properties in the marketplace. It is reasonable to assume that occasions might occur where an eligible household might be next in turn yet the available property that meets their household size needs is on the approved property list but is beyond their financial range.
In such cases that property will be offered to the next household of appropriate size that can meet the financial ability necessary to purchase the property.

The Partnership will consider for approval properties identified by eligible applicants if it is clear that funds will be available when their turn arrives, that the property is within the financial means, and that available properties on the approved list do not meet their needs by type or size.

**ALL PROPERTIES WILL BE SUBMITTED TO DHCD FOR ITS APPROVAL PRIOR TO A PROPERTY’S INCLUSION ON THE LIST OF ACCEPTABLE PROPERTIES AND ALL TRANSACTIONS WILL REQUIRE DHCD'S APPROVAL BEFORE CLOSING. The Bourne Housing Partnership, with the approval of the Massachusetts Department of Housing and Community Development, reserves the right to amend the requirements, terms and conditions of this program as it sees necessary by the vote of its committee members.**

Some approved local lenders include:

- United States Department of Agriculture Rural Development  
  For a list of USDA lenders contact: Thomas McGarr 508-295-5151  
  Email: tom.mcgarr@ma.usda.gov

- Cape Cod Five  
  Contact: James D. Snyder 800-678-1855 Ext. 8370 Cell 774-487-0857  
  Email: jsnyder@capecodfive.com

- Rockland Trust  
  Contact: Eleanor Weller 508-957-1202 Cell 508-564-2703  
  Email: Eleanor.weller@rocklandtrust.com

- Eastern Bank  
  Contact: James C. Austin 508-295-9291  
  Email: james.austin@easternbank.com

- Cape Cod Cooperative  
  Contact: Tom Russett 508-568-1204  
  Email: trusset@capecodcoop.com

- Salem Five  
  Contact: Ken Gonye at the Plymouth Office at 508-747-2262  
  Email: kmg@salemfive.com

The contact persons at these banks can help you prepare some of the required forms and documentation.
Approved Home Buyer Education Programs
Housing Assistance Corp. 508-771-5400, 800-255-5507
www.haconcapecod.org
South Shore Housing 781-422-4200, 800-242-0957
www.southshorehousing.org
Fall River Affordable Housing Corporation 508-677-2220
www.frahcr1@hotmail.com
Appendix F

AFFORDABLE HOUSING DEED RIDER

For Projects in Which
Affordability Restrictions Survive Foreclosure

made part of that certain deed (the "Deed") of certain property (the “Property”) from __________________________ ("Grantor") to
______________ ("Owner") dated ________________________, 200__. The Property is located in the Town of Orleans, Massachusetts (the “Municipality”).

RECITALS

WHEREAS, the Grantor is conveying that certain real property more particularly described in the Deed to the Owner; and

WHEREAS, the Property is part of a project which was: [check all that are applicable]

(i) _____ granted a Comprehensive Permit under Massachusetts General Laws Chapter 40B, Sections 20-23, from the Board of Appeals of the Municipality or the Housing Appeals Committee and recorded/filed with the _______________________ (the “Registry”) in Book _____, Page ____/Document No.__________ (the “Comprehensive Permit”);

(ii) _____ subject to a Regulatory Agreement among _______________________ (the “Developer”), [ ] Massachusetts Housing Finance Agency ("MassHousing"), [ ] the Massachusetts Department of Housing and Community Development ("DHCD") [ ] the Municipality; and [ ] __________________, dated ________, 20___ and recorded/filed with the Registry in Book _____, Page ____/as Document No. __________ as modified by Amendment to Regulatory Agreement dated ________, 2006 and recorded with the Registry in Book _____, Page ____ (the “Regulatory Agreement”); and

(iii) _____ subsidized by the federal or state government under the Local Initiative Program, a program to assist
construction of low or moderate income housing the
“Program”); and

WHEREAS, pursuant to the Program, eligible purchasers such as the Owner are given the opportunity to purchase residential property at less than its fair market value if the purchaser agrees to certain use and transfer restrictions, including an agreement to occupy the property as a principal residence and to convey the property for an amount not greater than a maximum resale price, all as more fully provided herein; and

WHEREAS, DHCD (singly, or if more than one entity is listed, collectively, the “Monitoring Agent”) is obligated by the Program or has been retained to monitor compliance with and to enforce the terms of this Deed Rider, and eligible purchasers such as the Owner may be required to pay to the Monitoring Agent, or its successor, a small percentage of the resale price upon the Owner’s conveyance of the Property, as set out in the Regulatory Agreement and as more fully provided herein; and

WHEREAS, the rights and restrictions granted herein to the Monitoring Agent and the Municipality serve the public’s interest in the creation and retention of affordable housing for persons and households of low and moderate income and in the restricting of the resale price of property in order to assure its affordability by future low and moderate income purchasers.

NOW, THEREFORE, as further consideration for the conveyance of the Property at less than fair market value, the Grantor and the Owner, including his/her/their heirs, successors and assigns, hereby agree that the Property shall be subject to the following rights and restrictions which are imposed for the benefit of, and shall be enforceable by, the Municipality and the Monitoring Agent, and, if DHCD is a party to the Regulatory Agreement and is not the Monitoring Agent, by DHCD.

1. **Definitions.** In this Deed Rider, in addition to the terms defined above, the following words and phrases shall have the following meanings:

Affordable Housing Fund means a fund established by the Municipality for the purpose of reducing the cost of housing for Eligible Purchasers or for the purpose of encouraging, creating, or subsidizing the construction or rehabilitation of housing for Eligible Purchasers or, if no such fund exists, a fund established by the Municipality pursuant to Massachusetts General Laws Chapter 44 Section 53A, et seq.

Applicable Foreclosure Price shall have the meaning set forth in Section 7(b) hereof.
Appropriate Size Household means a household containing a number of members equal to the number of bedrooms in the Property plus one.

Approved Capital Improvements means the documented commercially reasonable cost of extraordinary capital improvements made to the Property by the Owner; provided that the Monitoring Agent shall have given written authorization for incurring such cost prior to the cost being incurred and that the original cost of such improvements shall be discounted over the course of their useful life.

Area means the Primary Metropolitan Statistical Area or non-metropolitan area that includes the Municipality, as determined by HUD, which in this case is Barnstable Town, MA, Metropolitan Statistical Area (MSA).

Area Median Income means the most recently published median income for the Area adjusted for household size as determined by HUD. If HUD discontinues publication of Area Median Income, the income statistics used by MassHousing for its low and moderate income housing programs shall apply.

Base Income Number means the Area Median Income for a four (4)-person household.

Chief Executive Officer shall mean the Mayor in a city or the Board of Selectmen in a town unless some other municipal office is designated to be the chief executive officer under the provisions of a local charter.

Closing shall have the meaning set forth in Section 5(b) hereof.

Compliance Certificate shall have the meaning set forth in Section 6(a) hereof.

Conveyance Notice shall have the meaning set forth in Section 4(a) hereof.

Eligible Purchaser means an individual or household earning no more than eighty percent (80%) of Area Median Income (or, if checked ________________ percent (%) of Area Median Income, as required by the Program) and owning assets not in excess of the limit set forth in the Program Guidelines. To be considered an Eligible Purchaser, the individual or household must intend to occupy and thereafter must occupy the Property as his, her or their principal residence and must provide to the Monitoring Agent such certifications as to income, assets and residency as the Monitoring Agent may require to determine eligibility as an Eligible Purchaser. An Eligible Purchaser shall be a First-Time Homebuyer if required by the Program and as specified in the Regulatory Agreement.
First-Time Homebuyer means an individual or household, of which no household member has had an ownership interest in a principal residence at any time during the three (3)-year period prior to the date of qualification as an Eligible Purchaser, except that (i) any individual who is a displaced homemaker (as may be defined by DHCD) (ii) and any individual age 55 or over (applying for age 55 or over housing) shall not be excluded from consideration as a First-Time Homebuyer under this definition on the basis that the individual, owned a home or had an ownership interest in a principal residence at any time during the three (3)-year period.

Foreclosure Notice shall have the meaning set forth in Section 7(a) hereof.

HUD means the United States Department of Housing and Urban Development.

Ineligible Purchaser means an individual or household not meeting the requirements to be eligible as an Eligible Purchaser.

Maximum Resale Price means the sum of (i) the Base Income Number (at the time of resale) multiplied by the Resale Price Multiplier, plus (ii) the Resale Fee and any necessary marketing expenses (including broker’s fees) as may have been approved by the Monitoring Agent, plus (iii) Approved Capital Improvements, if any (the original cost of which shall have been discounted over time, as calculated by the Monitoring Agent); provided that in no event shall the Maximum Resale Price be greater than the purchase price for which a credit-worthy Eligible Purchaser earning seventy percent (70%) of the Area Median Income (or, if checked [ ]___________percent( ____%) of median income for the Regulatory Agreement for an Appropriate Size Household could obtain mortgage financing (as such purchase price is determined by the Monitoring Agent using the same methodology then used by DHCD for its Local Initiative Program or similar comprehensive permit program); and further provided that the Maximum Resale Price shall not be less than the purchase price paid for the Property by the Owner unless the Owner agrees to accept a lesser price.

Monitoring Services Agreement means any Monitoring Services Agreement for monitoring and enforcement of this Deed Rider among some or all of the Developer, the Monitoring Agent, the Municipality, MassHousing and DHCD.

Mortgage Satisfaction Amount shall have the meaning set forth in Section 7(b) hereof.

Mortgagee shall have the meaning set forth in Section 7(a) hereof.
Program Guidelines means the regulations and/or guidelines issued for the applicable Program and controlling its operations, as amended from time to time.

Resale Fee means a fee of 2% of the Base Income Number (at the time of resale) multiplied by the Resale Price Multiplier, to be paid to the Monitoring Agent as compensation for monitoring and enforcing compliance with the terms of this Deed Rider, including the supervision of the resale process.

Resale Price Certificate means the certificate issued as may be specified in the Regulatory Agreement and recorded with the first deed of the Property from the Developer, or the subsequent certificate (if any) issued as may be specified in the Regulatory Agreement, which sets forth the Resale Price Multiplier to be applied on the Owner’s sale of the Property, as provided herein, for so long as the restrictions set forth herein continue. In the absence of contrary specification in the Regulatory Agreement the Monitoring Agent shall issue the certificate.

Resale Price Multiplier means the number calculated by dividing the Property’s initial sale price by the Base Income Number at the time of the initial sale from the Developer to the first Eligible Purchaser. The Resale Price Multiplier will be multiplied by the Base Income Number at the time of the Owner’s resale of the Property to determine the Maximum Resale Price on such conveyance subject to adjustment for the Resale Fee, marketing expenses and Approved Capital Improvements. In the event that the purchase price paid for the Property by the Owner includes such an adjustment a new Resale Price Multiplier will be recalculated by the Monitoring Agent by dividing the purchase price so paid by the Base Income Number at the time of such purchase, and a new Resale Price Certificate will be issued and recorded reflecting the new Resale Price Multiplier. A Resale Price Multiplier of _______________ is hereby assigned to the Property.

Term means in perpetuity, unless earlier terminated by (i) the termination of the term of affordability set forth in the Regulatory Agreement or Comprehensive Permit, whichever is longer; or (ii) the recording of a Compliance Certificate and a new Deed Rider executed by the purchaser in form and substance substantially identical to this Deed Rider establishing a new term.

2. Owner-Occupancy/Principal Residence. The Property shall be occupied and used by the Owner’s household exclusively as his, her or their principal residence. Any use of the Property or activity thereon which is inconsistent with such exclusive residential use is expressly prohibited.
3. **Restrictions Against Leasing, Refinancing and Junior Encumbrances.** The Property shall not be leased, rented, refinanced, encumbered (voluntarily or otherwise) or mortgaged without the prior written consent of the Monitoring Agent; provided that this provision shall not apply to a first mortgage granted on the date hereof in connection with this conveyance from Grantor to Owner securing indebtedness not greater than one hundred percent (100%) of the purchase price. Any rents, profits, or proceeds from any transaction described in the preceding sentence which transaction has not received the requisite written consent of the Monitoring Agent shall be paid upon demand by Owner to the Municipality for deposit to its Affordable Housing Fund. The Monitoring Agent or Municipality may institute proceedings to recover such rents, profits or proceeds, and costs of collection, including attorneys’ fees. Upon recovery, after payment of costs, the balance shall be paid to the Municipality for deposit to its Affordable Housing Fund. In the event that the Monitoring Agent consents for good cause to any such lease, refinancing, encumbrance or mortgage, it shall be a condition to such consent that all rents, profits or proceeds from such transaction, which exceed the actual carrying costs of the Property as determined by the Monitoring Agent, shall be paid to the Municipality for deposit to its Affordable Housing Fund.

4. **Options to Purchase.** (a) When the Owner or any successor in title to the Owner shall desire to sell, dispose of or otherwise convey the Property, or any portion thereof, the Owner shall notify the Monitoring Agent and the Municipality in writing of the Owner’s intention to so convey the Property (the "Conveyance Notice"). Upon receipt of the Conveyance Notice, the Monitoring Agent shall (i) calculate the Maximum Resale Price which the Owner may receive on the sale of the Property based upon the Base Income Number in effect as of the date of the Conveyance Notice and the Resale Price Multiplier set forth in the most recently recorded Resale Price Certificate together with permissible adjustments for the Resale Fee, marketing expenses and Approved Capital Improvements (as discounted), and (ii) promptly begin marketing efforts. The Owner shall fully cooperate with the Monitoring Agent’s efforts to locate an Eligible Purchaser and, if so requested by the Monitoring Agent, shall hire a broker selected by the Monitoring Agent to assist in locating an Eligible Purchaser ready, willing and able to purchase the Property at the Maximum Resale Price after entering a purchase and sale agreement. Pursuant to such agreement, sale to the Eligible Purchaser at the Maximum Resale Price shall occur within ninety (90) days after the Monitoring Agent receives the Conveyance Notice or such further time as reasonably requested to arrange for details of closing. If the Owner fails to cooperate in such resale efforts, including a failure to agree to reasonable terms in the purchase and sale agreement, the Monitoring Agent may extend the 90-day period for a period commensurate with the time the lack of cooperation continues, as determined by the Monitoring Agent in its reasonable discretion.
In such event, the Monitoring Agent shall give Owner written notice of the lack of cooperation and the length of the extension added to the 90-day period.

(b) The Monitoring Agent shall ensure that diligent marketing efforts are made to locate an Eligible Purchaser ready, willing and able to purchase the Property at the Maximum Resale Price within the time period provided in subsection (a) above and to enter the requisite purchase and sale agreement. If more than one Eligible Purchaser is located, the Monitoring Agent shall conduct a lottery or other like procedure to determine which Eligible Purchaser shall be entitled to enter a purchase and sale agreement with Owner and to purchase the Property. Preference shall be given to Appropriate Size Households. The procedure for marketing and selecting an Eligible Purchaser shall be approved as provided in the Regulatory Agreement and any applicable Program Guidelines. If an Eligible Purchaser is located within ninety (90) days after receipt of the Conveyance Notice, but such Eligible Purchaser proves unable to secure mortgage financing so as to be able to complete the purchase of the Property pursuant to the purchase and sale agreement, following written notice to Owner within the 90-day period the Monitoring Agent shall have an additional sixty (60) days to locate another Eligible Purchaser who will enter a purchase and sale agreement and purchase the Property by the end of such sixty (60)-day period or such further time as reasonably requested to carry out the purchase and sale agreement.

(c) In lieu of sale to an Eligible Purchaser, the Monitoring Agent or the Municipality or designee shall also have the right to purchase the Property at the Maximum Resale Price, in which event the purchase and sale agreement shall be entered, and the purchase shall occur within ninety (90) days after receipt of the Conveyance Notice or, within the additional sixty (60)-day period specified in subsection (b) above, or such further time as reasonably requested to carry out the purchase and sale agreement. Any lack of cooperation by Owner in measures reasonably necessary to effect the sale shall extend the 90-day period by the length of the delay caused by such lack of cooperation. The Monitoring Agent shall promptly give Owner written notice of the lack of cooperation and the length of the extension added to the 90-day period. In the event of such a sale to the Monitoring Agent or Municipality or designee, the Property shall remain subject to this Deed Rider and shall thereafter be sold or rented to an Eligible Purchaser as may be more particularly set forth in the Regulatory Agreement.

(d) If an Eligible Purchaser fails to purchase the Property within the 90-day period (or such further time determined as provided herein) after receipt of the Conveyance Notice, and the Monitoring Agent or Municipality or designee does not purchase the Property during said period, then the Owner may convey the Property to an Ineligible Purchaser no earlier than thirty (30) days after the end of said period at the Maximum Resale Price, but subject to
all rights and restrictions contained herein; provided that the Property shall be conveyed subject to a Deed Rider identical in form and substance to this Deed Rider which the Owner agrees to execute, to secure execution by the Ineligible Purchaser and to record with the Deed; and further provided that, if more than one Ineligible Purchaser is ready, willing and able to purchase the Property the Owner will give preference and enter a purchase and sale agreement with any individuals or households identified by the Monitoring Agent as an Appropriate Size Household earning more than eighty percent (80%) but less than one hundred twenty percent (120%) of the Area Median Income.

(e) The priority for exercising the options to purchase contained in this Section 4 shall be as follows: (i) an Eligible Purchaser located and selected by the Monitoring Agent, as provided in subsection (b) above, (ii) the Municipality or its designee, as provided in subsection (c) above, and (iii) an Ineligible Purchaser, as provided in subsection (d) above.

(f) Nothing in this Deed Rider or the Regulatory Agreement constitutes a promise, commitment or guarantee by DHCD, MassHousing, the Municipality or the Monitoring Agent that upon resale the Owner shall actually receive the Maximum Resale Price for the Property or any other price for the Property.

(g) The holder of a mortgage on the Property is not obligated to forbear from exercising the rights and remedies under its mortgage, at law or in equity, after delivery of the Conveyance Notice.

5. **Delivery of Deed.** (a) In connection with any conveyance pursuant to an option to purchase as set forth in Section 4 above, the Property shall be conveyed by the Owner to the selected purchaser by a good and sufficient quitclaim deed conveying a good and clear record and marketable title to the Property free from all encumbrances except (i) such taxes for the then current year as are not due and payable on the date of delivery of the deed, (ii) any lien for municipal betterments assessed after the date of the Conveyance Notice, (iii) provisions of local building and zoning laws, (iv) all easements, restrictions, covenants and agreements of record specified in the deed from the Owner to the selected purchaser, (v) such additional easements, restrictions, covenants and agreements of record as the selected purchaser consents to, such consent not to be unreasonably withheld or delayed, (vi) the Regulatory Agreement, and (vii), except as otherwise provided in the Compliance Certificate, a Deed Rider identical in form and substance to this Deed Rider which the Owner hereby agrees to execute, to secure execution by the selected purchaser, and to record with the deed. **Said deed shall clearly state that it is made subject to the Deed Rider which is made part of the deed.** Failure to comply with the preceding sentence shall not affect the
validity of the conveyance from the Owner to the selected purchaser or the enforceability of the restrictions herein.

(b) Said deed, including the approved Deed Rider, shall be delivered and the purchase price paid (the "Closing") at the Registry, or at the option of the selected purchaser, exercised by written notice to the Owner at least five (5) days prior to the delivery of the deed, at such other place as the selected purchaser may designate in said notice. The Closing shall occur at such time and on such date as shall be specified in a written notice from the selected purchaser to the Owner, which date shall be at least five (5) days after the date on which such notice is given, and no later than the end of the time period specified in Section 4(a) above.

(c) To enable Owner to make conveyance as herein provided, Owner may, if Owner so desires at the time of delivery of the deed, use the purchase money or any portion thereof to clear the title of any or all encumbrances or interests, all instruments with respect thereto to be recorded simultaneously with the delivery of said deed. Nothing contained herein as to the Owner’s obligation to remove defects in title or to make conveyance or to deliver possession of the Property in accordance with the terms hereof, as to use of proceeds to clear title or as to the election of the selected purchaser to take title, nor anything else in this Deed Rider shall be deemed to waive, impair or otherwise affect the priority of the rights herein over matters appearing of record, or occurring, at any time after the recording of this Deed Rider, all such matters so appearing or occurring being subject and subordinate in all events to the rights herein.

(d) Water and sewer charges and taxes for the then current tax period shall be apportioned and fuel value shall be adjusted as of the date of Closing and the net amount thereof shall be added to or deducted from, as the case may be, the purchase price payable by the selected purchaser.

(e) Full possession of the Property free from all occupants is to be delivered at the time of the Closing, the Property to be then in the same condition as it is in on the date of the execution of the purchase and sale agreement, reasonable wear and tear only excepted.

(f) If Owner shall be unable to give title or to make conveyance as above required, or if any change of condition in the Property not included in the above exception shall occur, then Owner shall be given a reasonable time not to exceed thirty (30) days after the date on which the Closing was to have occurred in which to remove any defect in title or to restore the Property to the condition herein required. The Owner shall use best efforts to remove any such defects in the title, whether voluntary or involuntary, and to restore the Property to the extent permitted by insurance proceeds or condemnation award. The Closing shall occur fifteen (15) days after notice by Owner that such
defect has been cured or that the Property has been so restored. The selected purchaser shall have the election, at either the original or any extended time for performance, to accept such title as the Owner can deliver to the Property in its then condition and to pay therefor the purchase price without deduction, in which case the Owner shall convey such title, except that in the event of such conveyance in accordance with the provisions of this clause, if the Property shall have been damaged by fire or casualty insured against or if a portion of the Property shall have been taken by a public authority, then the Owner shall, unless the Owner has previously restored the Property to its former condition, either:

(A) pay over or assign to the selected purchaser, on delivery of the deed, all amounts recovered or recoverable on account of such insurance or condemnation award less any amounts reasonably expended by the Owner for any partial restoration, or

(B) if a holder of a mortgage on the Property shall not permit the insurance proceeds or the condemnation award or part thereof to be used to restore the Property to its former condition or to be so paid over or assigned, give to the selected purchaser a credit against the purchase price, on delivery of the deed, equal to said amounts so retained by the holder of the said mortgage less any amounts reasonably expended by the Owner for any partial restoration.

6. **Resale and Transfer Restrictions.** (a) Except as otherwise provided herein, the Property or any interest therein shall not at any time be sold by the Owner, or the Owner’s successors and assigns, and no attempted sale shall be valid, unless the aggregate value of all consideration and payments of every kind given or paid by the selected purchaser of the Property for and in connection with the transfer of such Property, is equal to or less than the Maximum Resale Price for the Property, and unless a certificate (the "Compliance Certificate") is obtained and recorded, signed and acknowledged by the Monitoring Agent which Compliance Certificate refers to the Property, the Owner, the selected purchaser thereof, and the Maximum Resale Price therefor, and states that the proposed conveyance, sale or transfer of the Property to the selected purchaser is in compliance with the rights, restrictions, covenants and agreements contained in this Deed Rider, and unless there is also recorded a new Deed Rider executed by the selected purchaser, which new Deed Rider is identical in form and substance to this Deed Rider.

(b) The Owner, any good faith purchaser of the Property, any lender or other party taking a security interest in such Property and any other third party may rely upon a Compliance Certificate as conclusive evidence that the
proposed conveyance, sale or transfer of the Property to the selected purchaser is in compliance with the rights, restrictions, covenants and agreements contained in this Deed Rider, and may record such Compliance Certificate in connection with the conveyance of the Property.

(c) Within ten (10) days of the closing of the conveyance of the Property from the Owner to the selected purchaser, the Owner shall deliver to the Monitoring Agent a copy of the Deed of the Property, including the deed rider, together with recording information. Failure of the Owner, or Owner’s successors or assigns to comply with the preceding sentence shall not affect the validity of such conveyance or the enforceability of the restrictions herein.

7. Survival of Restrictions Upon Exercise of Remedies by Mortgagees. (a) The holder of record of any mortgage on the Property (each, a “Mortgagee”) shall notify the Monitoring Agent, the Municipality and any senior Mortgagee(s) in the event of any default for which the Mortgagee intends to commence foreclosure proceedings or similar remedial action pursuant to its mortgage (the “Foreclosure Notice”), which notice shall be sent to the Monitoring Agent and the Municipality as set forth in this Deed Rider, and to the senior Mortgagee(s) as set forth in such senior Mortgagee’s mortgage, not less than one hundred twenty (120) days prior to the foreclosure sale or the acceptance of a deed in lieu of foreclosure. The Owner expressly agrees to the delivery of the Foreclosure Notice and any other communications and disclosures made by the Mortgagee pursuant to this Deed Rider.

(b) The Owner grants to the Municipality or its designee the right and option to purchase the Property upon receipt by the Municipality of the Foreclosure Notice. In the event that the Municipality intends to exercise its option, the Municipality or its designee shall purchase the Property within one hundred twenty (120) days of receipt of such notice, at a price equal to the greater of (i) the sum of the outstanding principal balance of the note secured by such foreclosing Mortgagee’s mortgage, together with the outstanding principal balance(s) of any note(s) secured by mortgage(s) senior in priority to such mortgage (but in no event shall the aggregate amount thereof be greater than one hundred percent (100%) of the Maximum Resale Price calculated at the time of the granting of the mortgage) plus all future advances, accrued interest and all reasonable costs and expenses which the foreclosing Mortgagee and any senior Mortgagee(s) are entitled to recover pursuant to the terms of such mortgages (the “Mortgage Satisfaction Amount”), and (ii) the Maximum Resale Price (which for this purpose may be less than the purchase price paid for the Property by the Owner)(the greater of (i) and (ii) above herein referred to as the “Applicable Foreclosure Price”). The Property shall be sold and conveyed in its then-current “as is, where is” condition, without representation or warranty of any kind, direct or indirect, express or implied, and with the benefit of and subject to all rights, rights of way, restrictions, easements, covenants, liens, improvements, housing code violations, public assessments,
any and all unpaid federal or state taxes (subject to any rights of redemption for unpaid federal taxes), municipal liens and any other encumbrances of record then in force and applicable to the Property having priority over such foreclosing Mortgagee’s mortgage, and further subject to a Deed Rider identical in form and substance to this Deed Rider which the Owner hereby agrees to execute, to secure execution by the Municipality or its designee, and to record with the deed, except that (i) during the term of ownership of the Property by the Municipality or its designee the owner-occupancy requirements of Section 2 hereof shall not apply (unless the designee is an Eligible Purchaser), and (ii) the Maximum Resale Price shall be recalculated based on the price paid for the Property by the Municipality or its designee, but not greater than the Applicable Foreclosure Price. **Said deed shall clearly state that it is made subject to the Deed Rider which is made part of the deed.** Failure to comply with the preceding sentence shall not affect the validity of the conveyance from the Owner to the Municipality or its designee or the enforceability of the restrictions herein.

(c) Not earlier than one hundred twenty (120) days following the delivery of the Foreclosure Notice to the Monitoring Agent, the Municipality and any senior Mortgagee(s) pursuant to subsection (a) above, the foreclosing Mortgagee may conduct the foreclosure sale or accept a deed in lieu of foreclosure. The Property shall be sold and conveyed in its then-current “as is, where is” condition, without representation or warranty of any kind, direct or indirect, express or implied, and with the benefit of and subject to all rights, rights of way, restrictions, easements, covenants, liens, improvements, housing code violations, public assessments, any and all unpaid federal or state taxes (subject to any rights of redemption for unpaid federal taxes), municipal liens and any other encumbrances of record then in force and applicable to the Property having priority over the foreclosing Mortgagee’s mortgage, and further subject to a Deed Rider, as set forth below.

(d) In the event that the foreclosing Mortgagee conducts a foreclosure sale or other proceeding enforcing its rights under its mortgage and the Property is sold for a price in excess of the greater of the Maximum Resale Price and the Mortgage Satisfaction Amount, such excess shall be paid to the Municipality for its Affordable Housing Fund after (i) a final judicial determination, or (ii) a written agreement of all parties who, as of such date hold (or have been duly authorized to act for other parties who hold) a record interest in the Property, that the Municipality is entitled to such excess. The legal costs of obtaining any such judicial determination or agreement shall be deducted from the excess prior to payment to the Municipality. To the extent that the Owner possesses any interest in any amount which would otherwise be payable to the Municipality under this paragraph, to the fullest extent permissible by law, the Owner hereby assigns its interest in such amount to the Mortgagee for payment to the Municipality.
(e) If any Mortgagee shall acquire the Property by reason of foreclosure or upon conveyance of the Property in lieu of foreclosure, then the rights and restrictions contained herein shall apply to such Mortgagee upon such acquisition of the Property and to any purchaser of the Property from such Mortgagee, and the Property shall be conveyed subject to a Deed Rider identical in form and substance to this Deed Rider, which the Mortgagee that has so acquired the Property agrees to annex to the deed and to record with the deed, except that (i) during the term of ownership of the Property by such Mortgagee the owner-occupancy requirements of Section 2 hereof shall not apply, and (ii) the Maximum Resale Price shall be recalculated based on the price paid for the Property by such Mortgagee at the foreclosure sale, but not greater than the Applicable Foreclosure Price. **Said deed shall clearly state that it is made subject to the Deed Rider which is made part of the deed.** Failure to comply with the preceding sentence shall not affect the validity of the conveyance to the Mortgagee or the enforceability of the restrictions herein.

(f) If any party other than a Mortgagee shall acquire the Property by reason of foreclosure or upon conveyance of the Property in lieu of foreclosure, the Property shall be conveyed subject to a Deed Rider identical in form and substance to this Deed Rider, which the foreclosing Mortgagee agrees to annex to the deed and to record with the deed, except that (i) if the purchaser at such foreclosure sale or assignee of a deed in lieu of foreclosure is an Ineligible Purchaser, then during the term of ownership of the Property by such Ineligible Purchaser, the owner-occupancy requirements of Section 2 hereof shall not apply, and (ii) the Maximum Resale Price shall be recalculated based on the price paid for the Property by such third party purchaser at the foreclosure sale, but not greater than the Applicable Foreclosure Price. **Said deed shall clearly state that it is made subject to the Deed Rider which is made part of the deed.** Failure to comply with the preceding sentence shall not affect the validity of the conveyance to such third party purchaser or the enforceability of the restrictions herein.

(g) Upon satisfaction of the requirements contained in this Section 7, the Monitoring Agent shall issue a Compliance Certificate to the foreclosing Mortgagee which, upon recording in the Registry, may be relied upon as provided in Section 6(b) hereof as conclusive evidence that the conveyance of the Property pursuant to this Section 7 is in compliance with the rights, restrictions, covenants and agreements contained in this Deed Rider.

(h) The Owner understands and agrees that nothing in this Deed Rider or the Regulatory Agreement (i) in any way constitutes a promise or guarantee by MassHousing, DHCD, the Municipality or the Monitoring Agent that the Mortgagee shall actually receive the Mortgage Satisfaction Amount, the
Maximum Resale Price for the Property or any other price for the Property, or
(ii) impairs the rights and remedies of the Mortgagee in the event of a
deficiency.

(i) If a Foreclosure Notice is delivered after the delivery of a
Conveyance Notice as provided in Section 4(a) hereof, the procedures set forth
in this Section 7 shall supersede the provisions of Section 4 hereof.

8. **Covenants to Run With the Property.** (a) This Deed Rider,
including all restrictions, rights and covenants contained herein, is an
affordable housing restriction as that term is defined in Section 31 of Chapter
184 of the Massachusetts General Laws, having the benefit of Section 32 of
such Chapter 184, and is enforceable as such. This Deed Rider has been
approved by the Director of DHCD.

(b) In confirmation thereof the Grantor and the Owner intend, declare
and covenant (i) that this Deed Rider, including all restrictions, rights and
covenants contained herein, shall be and are covenants running with the land,
encumbering the Property for the Term, and are binding upon the Owner and
the Owner’s successors in title and assigns, (ii) are not merely personal
covenants of the Owner, and (iii) shall inure to the benefit of and be
enforceable by the Municipality, the Monitoring Agent and DHCD and their
successors and assigns, for the Term. Owner hereby agrees that any and all
requirements of the laws of the Commonwealth of Massachusetts have been
satisfied in order for the provisions of this Deed Rider to constitute restrictions
and covenants running with the land and that any requirements of privity of
estate have been satisfied in full.

9. **Notice.** Any notices, demands or requests that may be given
under this Deed Rider shall be sufficiently served if given in writing and
delivered by hand or mailed by certified or registered mail, postage prepaid,
return receipt requested, to the following entities and parties in interest at the
addresses set forth below, or such other addresses as may be specified by any
party (or its successor) by such notice.

**Municipality:**
Planning Department
Town of Orleans
Town Hall
19 School Road
Orleans, MA 02653

**Grantor:**
Owner:

Monitoring Agent[s]

(1) Director, Local Initiative Program
    DHCD
    100 Cambridge Street
    Suite 300
    Boston, MA  02114

(2)

Others:

Any such notice, demand or request shall be deemed to have been given on the day it is hand delivered or mailed.

10. Further Assurances. The Owner agrees from time to time, as may be reasonably required by the Monitoring Agent, to furnish the Monitoring Agent upon its request with a written statement, signed and, if requested, acknowledged, setting forth the condition and occupancy of the Property, information concerning the resale of the Property and other material information pertaining to the Property and the Owner's conformance with the requirements of the Comprehensive Permit, Program and Program Guidelines, as applicable.

11. Enforcement. (a) The rights hereby granted shall include the right of the Municipality and the Monitoring Agent to enforce this Deed Rider independently by appropriate legal proceedings and to obtain injunctive and other appropriate relief on account of any violations including without limitation relief requiring restoration of the Property to the condition, affordability or occupancy which existed prior to the violation impacting such condition, affordability or occupancy (it being agreed that there shall be no adequate remedy at law for such violation), and shall be in addition to, and not in limitation of, any other rights and remedies available to the Municipality and the Monitoring Agent.

(b) Without limitation of any other rights or remedies of the Municipality and the Monitoring Agent, or their successors and assigns, in the event of any sale, conveyance or other transfer or occupancy of the Property in violation of the provisions of this Deed Rider, the Municipality and Monitoring
Agent shall be entitled to the following remedies, which shall be cumulative and not mutually exclusive:

(i) specific performance of the provisions of this Deed Rider;

(ii) money damages for charges in excess of the Maximum Resale Price, if applicable;

(iii) if the violation is a sale of the Property to an Ineligible Purchaser except as permitted herein, the Monitoring Agent and the Municipality shall have the option to locate an Eligible Purchaser to purchase or itself purchase the Property from the Ineligible Purchaser on the terms and conditions provided herein; the purchase price shall be a price which complies with the provisions of this Deed Rider; specific performance of the requirement that an Ineligible Purchaser shall sell, as herein provided, may be judicially ordered.

(iv) the right to void any contract for sale or any sale, conveyance or other transfer of the Property in violation of the provisions of this Deed Rider in the absence of a Compliance Certificate, by an action in equity to enforce this Deed Rider; and

(v) money damages for the cost of creating or obtaining a comparable dwelling unit for an Eligible Purchaser.

(c) In addition to the foregoing, the Owner hereby agrees and shall be obligated to pay all fees and expenses (including legal fees) of the Monitoring Agent and/or the Municipality in the event successful enforcement action is taken against the Owner or Owner’s successors or assigns. The Owner hereby grants to the Monitoring Agent and the Municipality a lien on the Property, junior to the lien of any institutional holder of a first mortgage on the Property, to secure payment of such fees and expenses in any successful enforcement action. The Monitoring Agent and the Municipality shall be entitled to seek recovery of fees and expenses incurred in a successful enforcement action of this Deed Rider against the Owner and to assert such a lien on the Property to secure payment by the Owner of such fees and expenses. Notwithstanding anything herein to the contrary, in the event that the Monitoring Agent and/or Municipality fails to enforce this Deed Rider as provided in this Section, DHCD, if it is not named as Monitoring Agent, shall have the same rights and standing to enforce this Deed Rider as the Municipality and Monitoring Agent.

(d) The Owner for himself, herself or themselves and his, her or their successors and assigns, hereby grants to the Monitoring Agent and the
Municipality the right to take all actions with respect to the Property which the Monitoring Agent or Municipality may determine to be necessary or appropriate pursuant to applicable law, court order, or the consent of the Owner to prevent, remedy or abate any violation of this Deed Rider.

12. **Monitoring Agent Services; Fees.** The Monitoring Agent shall monitor compliance of the Project and enforce the requirements of this Deed Rider. As partial compensation for providing these services, a Resale Fee [ ] shall not be payable to the Monitoring Agent on the sale of the Property to an Eligible Purchaser or any other purchaser in accordance with the terms of this Deed Rider. This fee, if imposed, shall be paid by the Owner herein as a closing cost at the time of Closing, and payment of the fee to the Monitoring Agent shall be a condition to delivery and recording of its certificate, failing which the Monitoring Agent shall have a claim against the new purchaser, his, her or their successors or assigns, for which the Monitoring Agent may bring an action and may seek an attachment against the Property.

13. **Actions by Municipality.** Any action required or allowed to be taken by the Municipality hereunder shall be taken by the Municipality’s Chief Executive Officer or designee.

14. **Severability.** If any provisions hereof or the application thereof to any person or circumstance are judicially determined, to any extent, to be invalid or unenforceable, the remainder hereof, or the application of such provision to the persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby.

15. **Independent Counsel.** THE OWNER ACKNOWLEDGES THAT HE, SHE, OR THEY HAVE READ THIS DOCUMENT IN ITS ENTIRETY AND HAS HAD THE OPPORTUNITY TO CONSULT LEGAL AND FINANCIAL ADVISORS OF HIS, HER OR THEIR CHOOSING REGARDING THE EXECUTION, DELIVERY AND PERFORMANCE OF THE OBLIGATIONS HEREUNDER.

16. **Binding Agreement.** This Deed Rider shall bind and inure to the benefit of the persons, entities and parties named herein and their successors or assigns as are permitted by this Deed Rider.

17. **Amendment.** This Deed Rider may not be rescinded, modified or amended, in whole or in part, without the written consent of the Monitoring Agent, the Municipality and the holder of any mortgage or other security instrument encumbering all or any portion of the Property, which written consent shall be recorded with the Registry.

Executed as a sealed instrument this _________ day of ________, 200_.
Grantor:  

By ____________  

Owner:  

By ____________
COMMONWEALTH OF MASSACHUSETTS

____________________ County, ss.

On this ___ day of _____________, 200__, before me, the undersigned notary public, personally appeared
____________________________, the ____________ of
_____________________________, in its capacity as the _____________ of
_____________________________, proved to me through satisfactory evidence of identification, which was [a current driver’s license] [a current U.S. passport] [my personal knowledge], to be the person whose name is signed on the preceding instrument and acknowledged the foregoing instrument to be his or her free act and deed and the free act and deed of ______________________ as ________________ of ___________________.

___________________________
Notary Public
My commission expires:

COMMONWEALTH OF MASSACHUSETTS

____________________ County, ss.

On this ___ day of _____________, 200__, before me, the undersigned notary public, personally appeared
____________________________, the ____________ of
_____________________________, in its capacity as the _____________ of
_____________________________, proved to me through satisfactory evidence of identification, which was [a current driver’s license] [a current U.S. passport] [my personal knowledge], to be the person whose name is signed on the preceding instrument and acknowledged the foregoing instrument to be his or her free act and deed and the free act and deed of ______________________ as ________________ of ___________________.
Appendix G

RESIDENT SELECTION and AFFIRMATIVE MARKETING PLAN

Introduction

The objective of this plan is to consolidate relevant policies and procedures affecting resident selection pursuant to applicable federal and state laws. The Plan sets out a procedure for processing and selecting applicants, occupancy standards, rejection standards, reviews and appeals of rejection decisions, and notice requirements. Where, however, a specific subsidy program contains rules or regulations that conflict with the provisions herein, the program’s rules and regulations shall govern.

The Plan is designed to promote fairness and uniformity in resident selection. It is also designed to promote efficiencies in the process by which applications are processed. One of the principal elements of this plan is that it allows management agents to make a preliminary determination of eligibility based on the applicant’s self-certification of income. Initial acceptance of applicant self-certification generally allows the management agent to focus on other administrative duties rather than investing significant staff time in verifying such information at initial application and once again when the applicant is accepted from the waiting list. This election for preliminary determination of eligibility by the management agent should only be exercised if the anticipated waiting period for a unit offer exceeds ninety days. In most cases, the waiting period exceeds ninety days, and therefore warrants the effort to save staff time by making a preliminary determination of eligibility.

Elements of the Resident Selection Plan

A. Statement of Non-discrimination

In carrying out this Resident Section Plan, the Agent will not discriminate on the basis of race, color, creed, religion, national or ethnic origin, citizenship, ancestry, class, sex, sexual orientation, familial status, disability, military/veteran status, source of income, age or other basis prohibited by local, state or federal law in any aspect of resident selection or matters related to continued occupancy. The Affirmative Fair Marketing Plan establishes the minimum minority occupancy goal for the development based on the percentage of minorities in the area. The agent will also affirmatively market to persons with disabilities, as specified in its Affirmative Fair Marketing Plan and contract.

Applications with Disabilities and Reasonable Accommodations - The Agent will make reasonable accommodations in policies or reasonable modification of common or unit premises for all applicants with disabilities (as defined in the above listed Acts or any subsequent legislation) who require such changes to have equal access to any aspect of the application process or to the development and its programs and services. The Agent will, for example, arrange for sign language interpreters or other communications aides for interviews during the application process.

Appointments for an application or for reasonable accommodations, including materials in alternate formats, may be made by contacting the site office:

(insert program administrator contact information)

C. Selection Criteria

To be considered for selection, applicants must submit a completed application and relevant consent forms. To determine threshold eligibility, the application may be accepted as a self-certifying statement. No third party verification will be required until final screening for occupancy. Information needed to determine an applicant’s eligibility shall be verified within 90 days of formal acceptance for occupancy.

Note: Eligibility does not constitute acceptance and further screening is required to determine an applicant’s ability to maintain a successful tenancy.
Eligibility will be determined on the following basis:

1. **Maximum Income** – Household annual income must not exceed current income limits for the program to which application is made. (See Eligibility Criteria, Attachment 1) Annual income may be below program limits but not so low as to make payment of basic rent obligations impractical. Minimum rent obligations are not applicable to participants in low rent programs, such as Section 8.

2. **Other Eligibility Criteria Pursuant to Program Characteristics** – Household characteristics, such as the number of family members or their age, must be appropriate to the size of the unit and pursuant to the subsidy program guidelines. See Attachment 1 for detailed requirements applicable to this development.

3. **Selection Criteria Based on the General Requirements of Tenancy** - This Resident Selection Plan sets forth the essential requirements of tenancy and the grounds on which residents will be rejected for failing to meet such requirements. Rejection of an applicant is appropriate where the Agent has a reasonable basis to believe that the resident cannot meet these essential requirements, which may be summarized as follows:

   a.) to pay rent and other charges under the lease in a timely manner;
   b.) to care for and avoid damaging the unit and common areas, to use facilities and equipment in a reasonable way, and to create no health or safety hazards;
   c.) not to interfere with the rights and enjoyment of others and not to damage the property of others;
   d.) not to engage in any activity that threatens the health, safety or right to peaceful enjoyment of other residents or staff, and not to engage in activity on or near the premises that involves illegal use of controlled substances or weapons; and any criminal activity on or off the premises that would be detrimental to the housing should it occur on the premises, and
   e.) to comply with necessary and reasonable rules and program requirements of the housing provider.

This plan provides for the consideration of mitigating factors that rebut the presumption that an applicant will be unable to meet the
requirements of tenancy. Mitigating factors may include a showing of rehabilitation or rehabilitating efforts. Mitigating factors must be balanced against the potentially disqualifying behavior or circumstances. In considering both the disqualifying behavior and mitigating factors, the Agent will determine if there is a reasonable risk that the applicant will be unable to meet the essential requirements of tenancy. Among the factors that should be considered are:

- the severity of the potentially disqualifying conduct;
- the amount of time that has elapsed since the occurrence of such conduct;
- the degree of danger, if any, to the health, safety and security of others or to the security of the property of others or to the physical conditions of the housing development and its common areas if the conduct recurred;
- the disruption, inconvenience, or financial impact that recurrence would cause the housing provider; and
- the likelihood that the applicant’s behavior in the future will be substantially improved.

In general, the greater degree of danger, if any, to the health, safety and security of others or to the security of property of others or the physical condition of the housing, the greater must be the strength of showing that a recurrence of behavior (which led to an initial determination that the applicant would not be able to meet the essential requirements of tenancy) will not occur in the future.

4. Screening Procedures - To obtain information about an applicant’s ability to meet the essential requirements of tenancy, the Agent will secure background information from one or more of the following sources:

(a) References from landlords in the last five years or from the last two successive tenancies, whichever is more inclusive;
(b) Credit references furnished by a credit bureau. Information to be considered should not be more than five years old;
(c) Personal references provided by the applicant;
(d) Visits to the applicant’s current residence to assess housekeeping habits if there is an indication that this has been an issue in the past or if such visits are required in
connection with all applicants for housing;

(e) Record of prior criminal history. An Owner or its agents may obtain the Criminal Offender Record Information (CORI) reports as part of the resident selection process, but access and use of the CORI reports are subject to the provisions of 803 CMR Sec 5 et seq. An Owner or its agent should ensure that none of the information it obtains is collected in violation of the law.

(f) Verification of income either from a present employer, appropriate agency, financial institution or other appropriate party.

(g) Verification of a disability from an applicable professional when the applicant requests a modification to a unit, eligibility for a preference based on disability status, or a reasonable accommodation. Inquiries concerning a person’s disability or disabilities in this regard should be limited to verification of the disability and the need for an accommodation or the qualification for a program. The Agent will ask questions about the nature or severity of a disability only as they relate to the specifics of an accommodation request. The Agent will not make inquiries regarding an applicant’s ability to comply with the terms of the lease, including caring for the unit, unless past tenancy history or other evidence suggests that applicant is unable to satisfy some term of the lease.

If an applicant claims that past tenancy-related problems were the result of a disability and that some condition has changed making such behavior unlikely to recur, the Agent will consider evidence supporting such claims. All applicants are responsible for providing verification for such claims. In instances where the applicant claims that some services or treatment will be available to enable the applicant to correct the problem behavior, the development will require verification that such services are available and that the applicant is likely to continue to use such services or treatment.

Mitigating circumstances will be verified and the individual performing the verification must corroborate the reason given by the applicant for unacceptable tenancy-related behavior and indicate that the prospect for lease compliance in the future is good because the reason for the unacceptable behavior is either no longer in effect or otherwise
controlled.

Where an applicant claims that prior unacceptable tenancy-related behavior resulted from alcohol abuse or use of illegal drugs, acceptable verification of mitigating circumstances would have to establish that:

- (As applicable) There is no current illegal use, within the last year, of controlled substances. If such use is documented, applicant must present evidence that such use has stopped and is unlikely to recur.
- (As applicable) There is no current abuse of alcohol and abuse is unlikely to recur.
- During the period for which the applicant has claimed no current use, the applicant's behavior in the previously unacceptable tenancy-related area must have been acceptable.
- In any case of confirmed, continued, unacceptable tenancy-related behavior, despite the cessation of drugs or alcohol use, an applicant may be rejected.

An Agent may consider an applicant’s credit history, but such may be used in lieu of rental history to determine an applicant’s ability to pay rent only when rental history is not available. Where bad credit is the basis for rejection, mitigating circumstances may include: (i) a representative payer or other reliable third party who would take written responsibility for payment, or (ii) evidence that such poor credit was the result of a disability that is now under control, or (iii) evidence that credit problems were the result of other circumstances that no longer exist and there is reason to believe that applicant will now pay the rent promptly and in full. An applicant’s ability and willingness to pay rent must be demonstrated through an identifiable source of sufficient income to pay rent and prior rental history. The lack of credit history, as opposed to poor credit history, is not sufficient justification to reject an applicant. An Agent must also take into account rent burden if an applicant can demonstrate a history of satisfying a higher rent burden than the Agent normally employs. (See Rejection Standards)

The management agent shall have the right to request information reasonably needed to verify the mitigating circumstances, even if such information is of a confidential nature (e.g. doctors’ reports). If the applicant refuses to provide or give access to such further information the management agent may choose not to give further consideration to the mitigating circumstance.
5. Prohibited Screening Criteria - The Agent may not screen applicants for eligibility on the basis of the following:

(a) Physical Examinations. The Agent will not require physical examinations or medical testing as a condition of admission.

(b) Disability Status. Except as provided in section 4 (g) above, it is unlawful to make an inquiry to determine if an applicant for a dwelling unit, a person intending to reside in that dwelling unit after it is rented or made available, or any persons associated with the applicant, has a disability or handicap, or to make inquiry as to the nature or severity of an identified disability or handicap.

At anytime, should there be more qualified applicants than units available, prospective residents will be selected for residency based on the chronological order of their application submittal.

Notwithstanding the foregoing, in a situation where numerous applications are submitted on the same date (i.e. initial lease-up period), and there prove to be more qualified applicants than units available, a lottery system will be used to determine the order of housing opportunity.

D. Application to Housing

1. Application forms - Application forms (See Attachment 3) will be distributed and accepted in the manner(s) indicated below:

   [ x ] In Person
   [ x ] By Mail
   [ x ] By Fax

The application form:
- solicits all the necessary information to determine program eligibility,
- provides the opportunity to state the need or desire for an accessible unit,
- provides notice of the right to a reasonable accommodation of a disability,
- includes the Equal Opportunity logo and slogan, as well as the
Accessibility logo,

- if required, includes the non-discrimination statement,
- provides the opportunity to indicate eligibility for a preference,
- and includes a notice that the Agent will communicate with the applicant in the manner or format requested by the applicant if necessary because of a disability.

In addition to the application form, the Agent shall also require an Applicant’s Consent for Release of Information (See Attachment 4). This form is necessary to allow the Agent to obtain third-party verifications or references.

Failure to respond within 14 days to the Agent’s requests for documentation or information to process the application may result in withdrawal of an application from further processing. The Agent may make exceptions to the procedures described herein to take into account circumstances beyond the applicant’s control, including medical problems or extreme weather conditions.

The Agent will offer aid to the applicant in completing the application, explain the resident selection process, define preferences, and explain the verification process with respect to preferences.

Every application must be completed and signed by the head of the household, including any personal care attendant (PCA), must sign a release to conduct criminal, credit, and landlord history references, provided that credit information for personal care attendant is not necessary because their income is not included in the household income calculation. Personal care attendants are defined as a person who resides with a household member with a disability and who (a) provides necessary assistance in activities of daily living to such household member insofar as he or she requires such assistance on account of his or her disability; (b) is not obligated for support of the household member; (c) is paid for the fair value of such assistance; and (d) would not be residing in the unit except to provide such necessary assistance to the household member. All members of the household must be listed on the application form.

It is the policy of the Agent to guard the privacy of individuals in accordance with the Federal Privacy Act of 1974 and the Massachusetts Privacy Act, and to ensure the protection of records maintained by the property concerning the applicants or residents.
The Agent shall not disclose any personal information contained in its records to any persons, or other authorized government agency unless the individual about whom information is requested has given written consent to such disclosure, or unless disclosure is otherwise in accordance with provisions in the state or federal privacy acts.

This privacy policy in no way limits the property’s ability to collect such information as it may need to determine eligibility, compute rent, or determine an applicant’s suitability for tenancy or to gather information to process reasonable accommodations requests under Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act, and the Fair Housing Act.

The above policies in no way limit the right or duty of the Agent to make abuse, neglect or other protective service or emergency reports. Additionally, such policies do not forbid management from sharing information in the public domain with relevant service or government agencies.

2. Notification of Decision on Application - The Agent will send a written response (See Attachment 5) to each applicant advising such applicant of the status of the application. The response will be mailed not more than thirty days from the date of receipt. Alternate formats for responding to an applicant with a disability will be provided upon applicant’s request. If the Agent has not made a determination to reject the applicant, the written response will include the status of the application with respect to:
   • result of the preliminary determination of eligibility,
   • position on the waiting list,
   • estimate of the time it may take before the applicant will be offered assistance,
   • notice that the applicant is responsible for reporting changes in address, phone number, and preference status,
   • where applicable, the applicant’s qualification for a preference(s) for admission, and
   • a statement that the applicant has the right to meet with the Agent to discuss the determination made with respect to the application.

3. Provisions Relating to Rejection of an Application - If the applicant is not accepted, or is not placed on the waiting list for admission, the Agent shall follow the procedures outlined in section 2
above, but shall include the following in its written response (See Attachments 6a and 6b) to the applicant:

- the reason(s) for the rejection,
- notice that the applicant has five business days to respond in writing or to request a conference with the Agent to contest the rejection, and
- notice that the applicant has the right to request a reasonable accommodation if the applicant believes that, with such an accommodation, the applicant would be eligible for admission and that the applicant was rejected for a reason arising from the applicant’s disability.

The Agent has established a policy for maintaining records relating to rejection of applications for housing. That policy satisfies requirements that the records shall be maintained for a period of not less than three years. “Records”, as used herein, include:

- all original applications,
- the Agent’s eligibility determination (acceptance and rejection notices), and
- any materials relating to such decisions
- or appeals by the applicants

In general, applications will be processed in accordance with the following steps:

- **Review for completeness** - Applications will first be reviewed for completeness. Incomplete applications will be rejected, returned to the applicant and will not be evaluated until all of the required information has been provided.

- **Preliminary determination of program ineligibility** - Completed applications will be reviewed for income eligibility and compliance with any categorical eligibility requirements such as age or disability, if applicable. Applications determined ineligible, pursuant to program guidelines, will be rejected in accordance with procedures outlined above.

- **Preliminary determination of program eligibility** - When there are more applicants on the waiting list than units currently available, the Agent will make a preliminary determination of eligibility, based on the applicant’s self-certified statement as to his or her income, assets,
age, disability status, and preference or priority status. An applicant will be notified of the status of his/her application in accordance with procedures outlined above.

- **Waiting list placement** - Once a fully completed application is determined to meet income eligibility requirements and the household composition is determined appropriate for a unit at the development, the applicant will be placed on the appropriate waiting list(s). Applicants eligible for handicapped accessible units may choose to be on lists for accessible and standard units. Assignment to a position on the waiting list will be based on this preliminary determination and will be formally verified as the applicant’s name advances on the waiting list. (Note: If the anticipated duration on the waiting list is less than 90 days, formal verification will be required immediately.) The applicant will be placed on the waiting list, by date of receipt, within the correct preference category, where applicable.

- **Formal verification** – If, subsequent to the preliminary determination of eligibility, the Agent determines that the formal verification of income, assets, or claimed priority status differs from the applicant’s self certification, the applicant may be:
  1. reassigned to another waiting list, i.e., smaller or larger bedroom size;
  2. reassigned to a different preference status; or
  3. determined ineligible.

**F. Waiting Lists**

The Agent will administer its Waiting List in accordance with the following policies.

- Waiting lists will be maintained in either a bound ledger or on a computer report. A printed copy of the waiting list will be prepared, prior to the annual update, and maintained for three years.
- Waiting lists will be organized by type of unit, (program, physically adapted unit, etc). A separate list is required for every type of unit. “Type of unit” is defined in several ways, including:
  1. The number of bedrooms, as well as the number of bathrooms, or ancillary rooms, such as a den or dining room.
  2. The building structure, such as a town-house versus a garden-style unit.
3.) The physical characteristics of the unit, such as accessible features.
4.) The type of subsidy attached to the unit, such as project-based subsidy.
5.) The distinction between subsidy types such as interest subsidy (basic rent units) and deep subsidy (low rent units).
6.) Units which are intended for occupancy by elderly persons.

- Each applicant must be placed on the appropriate waiting list(s) chronologically according to the date of the completed application within the applicable preference categories. Non-preference applicants shall be placed on the waiting list per the date of the completed application.

Notwithstanding the foregoing, in a situation where numerous applications are submitted on the same date (i.e. initial lease-up period), and there prove to be more qualified applicants than units available, a lottery system will be used to determine the order of housing opportunity.

- If an applicant is eligible for tenancy, but no appropriately sized unit is available, the Agent will place the family on a waiting list for the project. Households that are eligible for more than one size of unit (by bedroom size) may choose to be placed on multiple waiting lists as appropriate and the Agent will respect the bedroom size option chosen by the applicant unless such choice violates the state sanitary code, other applicable laws, or the development Occupancy Policy. Persons using a wheelchair or requiring similar accommodations may apply for a standard unit, as well as an accessible unit, in their discretion.
- The Agent’s records will indicate the date the applicant is placed on the waiting list. All records, including the application, must be retained for a period of three (3) years.
- The waiting list may be closed for a specific unit size or type if the projected turnover rate indicates that an applicant would be unable to obtain a unit within one year. Thereafter, the Management Agent will post a notice at Orleans Town Hall that indicates the date the list will be closing. Notice must be in 14 point (or larger) print and in an accessible location(s).
- When an applicant pool is no longer adequate due to the closure of the waiting list, the list shall be re-opened.
- Waiting lists will be updated every twelve months.

Note: Prior to removing an Applicant’s name from the waiting list, the Agent will send written notice of the action, or notice in requested alternate format, to the Applicant, at the Applicant’s address of record. A copy of
the standard notice of removal is attached to this plan. (See Attachment 8)

G. Transfer Procedure for Existing Residents

The Agent shall maintain a formal waiting list for current residents seeking to relocate to other units pursuant to these conditions. When a vacancy occurs, the Agent shall determine if a transfer is warranted from such internal waiting before proceeding to the waiting list to select an applicant for the vacant unit.

CONCLUSION

This plan may not address every activity relating to selection.

Attachment 1 – Eligibility Criteria
Attachment 2 – Rejection Standards
Attachment 3 – Appeals Procedure
Attachment 4 – Applicant’s Consent for Release of Information
Attachment 5 - Notification of Decision on Application
Attachment 6a,b – Notice of Rejection, including required Conference Procedure
Attachment 7 – Annual Waiting List Update
Attachment 8 – Notice of Removal
Attachment 9 – Rent Increases
Attachment 10 – HOME Requirements
Attachment 11 – Marketing Plan

Signed:____________________________________________
Date:_________________
Agent Signature
Attachment 1

Eligibility Criteria

Management will consider housing applicants for residency who at the time of admission, meet all of the following conditions, as outlined in HUD 4350.3, and any applicable federal/state guidelines, and who have submitted an application for occupancy. The following criteria shall be utilized to determine an applicant's eligibility:

♦ A household is a family or single person who is eligible under applicable federal/state requirements.
♦ Occupancy is usually based on two people per bedroom unless the square footage allows or requires otherwise. Household size must comply with unit size based on the current State Sanitary Code Minimum Square Footage Requirements or any applicable Federal regulations or requirements.
♦ Household annual income does not exceed current program income limits for the Local Initiatives Program, Low Income Housing Tax Credit (“LIHTC”) program, Housing Stabilization Fund, Affordable Housing Trust Fund, and the HOME program, as applicable.
♦ Minimum Rents. A household may not pay more than 35% of its income toward rent to be eligible to be housed at the property. Households with state or federal subsidy are exempt from this requirement.
♦ Households who have provided verified social security numbers (SSN) for all family members.
♦ Households who have not committed any fraud in connection with any federal or state housing assistance program, and owe no rent or other amounts in connection with housing assistance.

Acceptance of a unit at maximum occupancy does not give the resident the right to claim overcrowded conditions and request a transfer to a larger unit, unless the family size changes.

EXAMPLE
Massachusetts State Sanitary code Minimum Square Footage Requirements

<table>
<thead>
<tr>
<th># Occupants</th>
<th>S.F. per Bedroom</th>
<th>Total Habitable Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>70 sq. ft.</td>
<td>150 sq. ft.</td>
</tr>
<tr>
<td>2</td>
<td>100 sq. ft.</td>
<td>250 sq. ft.</td>
</tr>
<tr>
<td>3</td>
<td>150 sq. ft.</td>
<td>350 sq. ft.</td>
</tr>
</tbody>
</table>

Square footage excludes bathrooms, connecting hallways, closets and laundry rooms.
Attachment 2

Rejection Standards

1. An applicant and the applicant household shall be disqualified for a unit development for any of the following reasons:

   a) The applicant, or household member, has disturbed a neighbor or neighbors in a prior residence by behavior, which if repeated by a resident, would substantially interfere with the rights of other residents to peaceful enjoyment of their units.

   b) The applicant, or a household member, has caused damage or destruction of property at a prior residence, and such damage or destruction of property, if repeated by a resident, would have a material adverse effect on the housing development or any unit in such development.

   c) The applicant or a household member has displayed living habits or poor housekeeping at a prior residence, and such living habits or poor housekeeping, if repeated by a resident, would pose a substantial threat to the health or safety of the resident or other residents or would adversely affect the decent, safe and sanitary condition of all or part of the housing.

   d) The applicant or household member in the past has engaged in criminal activity, or activity in violation of M.G.L. c. 151B, §4, which if repeated by a resident, would interfere with or threaten the rights of other residents to be secure in their persons or in their property or with the rights of other residents to the peaceful enjoyment of their units and the common areas of the housing development.

   e) The applicant or any household member who will be assuming part of the rent obligation has a history of non-payment of rent and such non-payment, if repeated by a resident, would cause monetary loss; provided, however, that if the applicant or household member paid at least 50% of his/her household’s monthly income for rent each month during a tenancy but was unable to pay the full rent, an eviction for non-payment of the balance shall not disqualify such individual from housing pursuant to this paragraph.

   f) The applicant or a household member has a history of failure to meet material lease terms or the equivalent at one or more prior residences, and such failure if repeated by a resident, would be detrimental to the housing development or to the health, safety, security or peaceful enjoyment of other residents.

   g) The applicant has failed to provide information reasonably necessary for the housing provider to process the applicant’s application.
h) The applicant has misrepresented or falsified any information required to be submitted as part of the applicant’s application or a prior application submitted within the last three years, and the applicant fails to establish that the misrepresentation or falsification was unintentional.

i) The applicant, or a household member, has directed abusive or threatening behavior which was unreasonable and unwarranted towards a management agent’s employee during the application process or any prior application process within three (3) years.

j) The applicant does not intend to occupy housing, if offered, as his/her primary residence.

k) The applicant or household member is a current illegal user of one or more controlled substances as defined in M.G.L. c. 94C §1. A person’s illegal use or possession of a controlled substance within the preceding twelve months shall create a presumption that such person is a current illegal user of a controlled substance, but the presumption may be overcome by a convincing showing that the person has permanently ceased all illegal use of controlled substances. This disqualification of current illegal users of controlled substances shall not apply to applicants for housing provided through a treatment program for illegal users of controlled substances.
Attachment 3

Appeals Procedure

1. Rejected applicants must file a written request for appeal within 14 days of the receipt of the rejection letter. The rejection letter will include language notifying the applicant of the right of appeal. The apartment will not be rented until the appeal process has been completed; see the sample Rejection letter at Attachment 5.

2. Management will schedule a conference within 5 business days of the receipt of the written appeal and will notify the applicant of the time and place of the conference.

3. A member of senior management and a representative from the (program administrator), who were not involved in the discussion to reject the applicant, will attend the conference.

4. The applicant can bring an attorney or other representative to the conference.

5. The conference will be informal. The applicant can present any evidence relevant to the rejection, including mitigating circumstances: see the Mitigating Circumstances section for more information.

6. The Appeals Committee will notify the applicant in writing within 5 business days of the decision on the appeal. Should the Appeals Committee request additional information from the applicant of an assessment from a qualified third party, the applicant will be notified of the decision within 5 business days of the receipt of the additional information.
Attachment 4

Consent for Release of Information
(For use with State Subsidized Programs)

(program administrator), Management Agent

GENERAL AUTHORIZATION FOR RELEASE OF INFORMATION

Name: ___________________________ Phone: _______________
Address: ___________________________

I, the above named individual, have authorized the Management Agent to verify the accuracy of
the information which I have provided, from the following sources (specify):

__________________________________  ______________________________________
__________________________________  ______________________________________
__________________________________  ______________________________________
__________________________________  ______________________________________
__________________________________  ______________________________________

I hereby give you my permission to release this information to the Management Agent, subject to
the condition that it be kept confidential. I would appreciate your prompt attention in supplying
the information requested on the attached page to the Management Agent within five (5) days of
receipt of this request.

I understand that a photocopy of this authorization is as valid as the original.

Thank you for your assistance and cooperation in this matter.

Signed under the pains and penalties of perjury.

______________________________  ___________________________
Signature                      Date
THIS INFORMATION IS VALID FOR A PERIOD OF ONE YEAR FROM THE DATE NOTED ABOVE.

For Federal Developments, use the most recent version of the following forms:

All household members in addition to signing the application must also sign the following:

- *Notice and Consent for the Release of Information, Form HUD 9887*
- *Applicant's/Resident's Consent for the Release of Information, Form HUD 9887-A*
- *All release forms required for third party verification*
- *Any other documents required as a condition of program participation*
Notification of Decision on Application

Date:__________________

RE: Application for Housing

Dear _______________

Please be advised that we are in receipt of your application dated __________________. We have reviewed your information for placement on our waiting list, which is determined by date of original application within the priority categories established.

Based on the information you have provided us you appear to be eligible for assistance at this development. You are #_____ on the ____ bedroom list. All information you provided will be verified at processing. Based on past resident rental history, we anticipate that your waiting period will be ___ to ___ months. Note that this is only an approximation of your waiting period, not an exact acceptance date. Please be advised that it is your responsibility to report any changes of address, phone number or priority status to this office. Failure to maintain current information at the rental office may jeopardize your waiting list status.

Sincerely,
Attachment 6a

Rejection Notice

(Date)

Dear___________________:

Your application for an apartment at _________________________________________ has been rejected for the reason(s) listed below.

(  ) history of poor rental payment
(  ) history of behavior as a resident which if repeated in previous housing would substantially interfere with the rights of other residents
(  ) providing false or inaccurate information in your application
(  ) failure to provide information which we have requested in order to complete processing your application
(  ) insufficient income to pay the cost of rent and utilities at the property
(  ) poor credit report received from:

Credit Agency:________________________
Address:_____________________________
_______________________
Phone:_______________________________

You have the right to obtain a copy of your file from the credit reporting agency. You may contact them at the address and phone number which we listed above.

If the unfavorable circumstance listed above is the result of your having a disability, you may request a reasonable accommodation. A reasonable accommodation is an adjustment to an apartment or a procedure by the agent which will prevent the problem from reoccurring.

You must request either or both a reasonable accommodation and/or a conference with agent in
writing within five business days of the postmark of this letter.

Sincerely,

cc. Applicant file
Attachment 6b

Attachment to Rejection Notice

Section 515b of the Fair Credit Reporting Act requires us to tell you where we obtained reports on you. We relied in whole or in part on the following:

[ ] Information contained in a consumer credit report obtained from: (See list below)

[ ] A Consumer credit report containing information insufficient to our needs.  
(See list below)

[ ] The fact that the consumer reporting agency contact is unable to supply any Information about you.  That agency was :  (See list below)

[ ] Information was received from a person or company other than a consumer credit reporting agency.  You have a right to make a written request to us within 60 days of receiving this letter for a disclosure of the nature of the information.  Pursuant to federal law, we are prohibited from disclosing the sources of the report.

[ ] Information received by applicant was not complete.  Management unable to complete application process.  Items missing:_____________________________  
_________________________________________________________________________.

SOURCES OF THE REPORT:  
LANDLORD/THE REGISTRY

RENTAL HISTORY & ARREST/CONVICTION RECORDS:  
THE REGISTRY

RETAIL CREDIT:  
THE REGISTRY

OTHER:  
MANAGEMENT

You have the right to obtain a copy of your credit file from a credit reporting agency.  You may be charged a reasonable fee not to exceed $8.00.  There is no fee, however, if you have been turned down for credit, employment, insurance or rental dwelling within the previous 60 days.  The credit reporting agency must provide someone to help you interpret the information in your credit file.  Once each year, you are entitled to receive from national agencies, a copy of your
consumer credit report free of charge. Regional credit bureaus can charge a fee of $35.00 for that report.

You have a right to dispute inaccurate information by contacting the credit reporting agency directly. However, neither you nor any credit repair company or credit service agency has the right to have accurate, current and verifiable information removed from your credit report. In most cases, the consumer credit reporting agency must remove accurate, negative information from your report if it is over seven (7) years old and must remove bankruptcy information only if it is over ten (10) years old.

If you have notified a consumer credit reporting agency in writing that you dispute the accuracy of the information in our file, then consumer credit reporting agency must then, within 30 business days, reinvestigate and modify, or remove inaccurate information. The consumer reporting agency may not charge a fee for this service. Any pertinent information and copies of all documents you have, concerning a dispute should be given to the credit reporting agency.

If reinvestigation does not resolve the dispute to your satisfaction, you may send a statement to the consumer reporting agency to keep in your file explaining why you think the record is inaccurate. The consumer credit reporting agency must include your statement about the disputed information in a report issued about you.

You have a right to receive a record of all inquiring relating to a credit transaction initiated in the six months proceeding your request or two years in the case of a credit report used for employment purposes. This record shall include the recipients of any consumer credit report.

If you have a disability and this rejection for housing is a result of that disability, you have the right to request a reasonable accommodation if it will remedy this situation. You may ask for a reasonable accommodation by contacting ______________________, Property Manager at _(phone, TDD, fax, email), within five business days.
Attachment 7

Waiting List Management

Opening and Closing Waiting Lists

If management determines a waiting list has a waiting period of one year or more the list may be closed. Should the property close a waiting list such action will be publicly posted.

Processing

All applications will be accepted. All eligible applications will be placed on the waiting list. After the initial rent-up, described in the Marketing section, eligible applicants not selected will be placed on the waiting list according to their lottery position. Subsequent applicants will be placed on the waiting list according to submission date, first come, first served. Applicants will be informed in writing of placement on the waiting list within 30 days of the receipt of the application. Applicants will be sent an annual waiting list update. It is the applicants’ responsibility to inform the management office of any changes to their application throughout the year, i.e., address, phone number, priority, etc. All applicants who do not respond within 30 days of their receipt of the update form will be removed from the wait list. All ineligible applicants will be sent a letter stating the reason for the ineligibility.

NOTE:  During the period when the waiting list is closed, the property will maintain a list of individuals who wish to be notified when the waiting list is reopened.
Attachment 8

Notice of Removal From Waiting List

Date: __________________

Dear Applicant:

On __________, this office sent a letter to your last known address to determine if you remain interested in the housing opportunities provided at this development. Thirty days have passed since that letter was sent and we have not received a response from you. As a result of your failure to reply, we must remove your name from our waiting list.

If there is a valid reason as to why you did not respond, we will take that into account in reconsidering the removal of your name from our waiting list. You must respond to this notice in writing within five (5) days. Otherwise, this determination is final.

You may file a new application at any time the waiting list is open, or you may apply at any other subsidized development you may choose. The removal of your name does not impair your ability to apply elsewhere.

Please call me at _______________ if you have any questions.

Sincerely,
Rent Increase

Rent increases will not be implemented more than once a year. Rents can be increased to the existing maximum levels as allowed by the residents applicable program (LIHTC, HOME, HSF, AHTF).
HOME REQUIREMENTS

Home Rental Procedures
The next available unit rule will be utilized to re-rent HOME units that turnover.

Over Income Residents
In the event a current HOME household exceeds the HOME income limits the next available unit rule will be utilized so that the next resident housed will qualify for a HOME unit (Low or High as applicable).

Housing Quality Standards
Move-in and annual inspections will be performed to ensure compliance with HQS.

Affirmative Marketing
The affirmative Marketing Plan will be utilized during the time of the HOME restrictions.

Lead Paint
All residents will receive copies of lead paint notification forms and reports as required by federal and state law.
MARKETING PLAN

A. Media Resources

<table>
<thead>
<tr>
<th>Name of Newspaper, Print Media</th>
<th>Racial/Ethnic Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Codder</td>
<td>Majority</td>
</tr>
<tr>
<td>Cape Cod Chronicle</td>
<td>Majority</td>
</tr>
<tr>
<td>Cape Cod Times</td>
<td>Majority</td>
</tr>
<tr>
<td>El Mundo</td>
<td>Minority</td>
</tr>
<tr>
<td>Bay State Banner</td>
<td>Minority</td>
</tr>
</tbody>
</table>

B. Organizations and Agencies

<table>
<thead>
<tr>
<th>Community Agency/ Organization</th>
<th>Racial/Ethnic Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orleans Housing Authority</td>
<td>Majority</td>
</tr>
<tr>
<td>Area Housing Authorities</td>
<td>Majority</td>
</tr>
<tr>
<td>Community Action Committee of Cape Cod &amp; Islands</td>
<td>Majority</td>
</tr>
<tr>
<td>Cape Organization for the Rights of the Disabled</td>
<td>Majority</td>
</tr>
<tr>
<td>Housing Assistance Corporation</td>
<td>Majority</td>
</tr>
<tr>
<td>Lower Cape Community Development Corporation</td>
<td>Majority</td>
</tr>
<tr>
<td>Area Community Development and Planning Departments</td>
<td>Majority</td>
</tr>
<tr>
<td>Orleans Town Offices</td>
<td>Majority</td>
</tr>
<tr>
<td>Area Town Offices</td>
<td>Majority</td>
</tr>
<tr>
<td>Cape Cod and Islands Association of Realtors</td>
<td>Majority</td>
</tr>
<tr>
<td>Cape Cod Commission</td>
<td>Majority</td>
</tr>
<tr>
<td>Area School Districts</td>
<td>Majority</td>
</tr>
<tr>
<td>Local Churches</td>
<td>Majority</td>
</tr>
</tbody>
</table>
Appendix H

METHODOLOGY

In July 2008, JTHaskell Consulting was retained by the Town of Orleans to conduct a Condominium Purchase and Resale Study.

After an initial meeting with representatives from the Town Planning Department and the Joint Committee on Affordable Housing, the consultants embarked on a multi-faceted approach in developing this report.

Data from several sources was obtained including the 2000 U.S. Census, annual Town Census records (2003-2007) maintained by the Town Clerk, “COMPreports” for Orleans between 2003 and 2008 published by the Warren Group (copyright material obtained by subscription), Orleans Comprehensive Plan, and Orleans Affordable Housing Strategy Plan. Information available on numerous websites was researched including those websites maintained by the Town of Orleans, Massachusetts Department of Housing and Community Development, U.S. Department of Housing and Urban Development, Citizens Housing and Planning Association, Town of Bourne, Lower Cape Cod Community Development Corporation, Housing Assistance Corporation, Cape Cod Commission, isixsigma.com, Federal Home Loan Bank of Boston and others.

Property inspections were conducted by Cliff Ageloff of Essex Onsite Services at five different complexes – with some multiple visits to the same buildings. These inspections were arranged through the Kinlin Grover agency in Orleans.

Face-to-face interviews were conducted with representatives from the Orleans Planning Department, Orleans Housing Authority, Bourne Housing Partnership, Cape Cod Commission, Cape Cod Cooperative Bank, Cape Cod Five Cents Savings Bank, Chatham Housing Authority, Housing Assistance Corporation and the Lower Cape Cod Community Development Corporation.

The consulting group presented their demographic data at a meeting of the Joint Committee on Affordable Housing in September, and then presented their preliminary findings at another Joint Committee meeting in November 2008.
Acknowledgements

JTHaskell Consulting and Essex On-site Services wish to acknowledge the contributions of the following individuals whose help was invaluable to us. We are grateful for the time, information, and feedback you graciously shared; this report and the work of increasing affordable housing in Orleans are much improved by your efforts.

Christine Altneu, Kinlin Grover GMAC Real Estate
Elizabeth Bridgewater, Lower Cape Cod Community Development Corporation
Tim Buhler, Orleans Housing Authority
Rosalie Cameron, Orleans Joint Committee on Affordable Housing
Christine Cashman, Newburyport Housing Authority
Kelly Darling, Assistant Town Clerk, Town of Orleans
Nancy Davison, Housing Assistance Corporation
Valerie Foster, Chatham Housing Authority
Kerry Horman, Bourne Housing Partnership
David Houlden, Gloucester Housing Authority
Kurt James, Rackemann, Sawyer & Brewster
John Jannell, Assistant Town Planner, Town of Orleans
Gael Kelleher, Housing Assistance Corporation
John Kelly, Town Administrator, Town of Orleans
Cynthia May, Town Clerk, Town of Orleans
George Meservey, Director of Planning and Development, Town of Orleans
Madeline Nash, Coalition for a Better Acre
Wendy Palliser, Lower Cape Cod Community Development Corporation
Paul Ruchinskas, Cape Cod Commission
Tom Russett, Cape Cod Cooperative Bank
Karen Sharpless, Administrative Assistant, Planning Department, Town of Orleans
Darin Weeks, Cape Cod Five Cent Savings Bank

In addition to the above individuals, information obtained from the following organizations greatly aided our research efforts:

Barnstable County Registry of Deeds
Citizens Housing and Planning Association
Kirk & Company
Massachusetts Department of Housing and Community Development
Massachusetts Housing Partnership
Town of Orleans
United States Census Bureau
United States Department of Housing and Urban Development
The Warren Group