

INFORMATION PACKET

NORTH READING AFFORDABLE HOUSING LOTTERY

EDGEWATER PLACE CONDOMINIUMS

This packet contains specific information on the background, eligibility requirements, selection priority categories, application process and the affordable housing program that is part of the Edgewater Place condominium development. The developer of this project, P.R.L. Edgewater Place, LLC, invites you to read this information and submit an application if you think that you meet the eligibility requirements. This lottery is the first step in the application process and does not assure you a townhouse condominium. If you are selected in the lottery, you must then apply and secure approval for a mortgage from a bank operating under Massachusetts Housing (MH) first-time homebuyers underwriting standards.

**EDGEWATER PLACE CONDOMINIUMS
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A NEW ENGLAND FUND PROGRAM**

**P.R.L. EDGEWATER PLACE, LLC
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PHONE NUMBER: (781) 446-7540 (VOICEMAIL)**

BACKGROUND

**Affordable Housing in North Reading
(Information Sheet A)**

A private developer, P.R.L. Edgewater Place, LLC, and the Town of North Reading are working to provide this affordable housing opportunity in North Reading through the New England Fund program. In this project, four affordable townhouse condominiums will be built in North Reading during 2007 and will be sold to first-time homebuyers with incomes at or below 80% of the area median income. The price of these two bedroom units will be \$ 176,000. These townhouse condominiums will be part of a fourteen unit development called the Edgewater Place Condominiums. A description of the developments is attached on Information Sheet E.

All affordable units will have a "Deed Restriction" that will be filed with the mortgage at the time of purchase. This deed restriction limits the amount that the unit can be resold for and requires another affordable buyer. The deed restriction insures that the unit stays affordable for perpetuity.

Since it is anticipated that there will be more interested and eligible applicants than available condominiums, the Town and the developer will be sponsoring an application process and lottery to rank the eligible applicants for the program. The application and lottery process as well as the eligibility requirements, are described in Information Sheets B-D. Dates for the applications availability and a public information workshop will be announced in the North Reading Transcript, Lawrence -Eagle Tribune, North Shore Sunday, and the Bay State Banner.

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**ELIGIBILITY REQUIREMENTS
Affordable Housing in North Reading
(Information Sheet B)**

Q: Who is eligible to apply for the affordable condominiums in North Reading?

A: First-time home buyers whose income qualifies within the New England Fund program guidelines.

Q: Who is a “first-time home buyer”?

A: A person is a “first-time home buyer” if no person in his or her household has, within the preceding three years, either owned the home they lived in or owned an interest with one or more other people, such as through joint ownership. First-time homebuyers are eligible to apply to purchase an affordable townhouse condominium in North Reading if their household’s income meets the following eligibility requirement. Priority will be given to first-time homebuyers households consisting of two or more persons since all units will have two bedroom homes.

Q: What are the eligibility requirements?

A: To be eligible to purchase an affordable condominium annual income must be within a particular range, set by maximum and minimum income levels as follows:

Maximum Income

To be eligible to apply for purchasing an affordable house, the combined annual income for all income sources of all income-earning members in the household must be at or below eighty percent of median income for the local area. Income in most cases is defined as gross taxable income as reported to the IRS. The

median income for North Reading according to recent figures from the Department of Housing and Urban Development is \$ 82,400. The maximum income allowed for this program is:

<u>Household Size</u>	<u>Income Limit</u>
1	\$46,300
2	\$52,950
3	\$59,550
4	\$66,150
5	\$71,450

Minimum Income

To qualify for a mortgage loan to purchase these houses, there will be minimum income limits to be determined by the lender. Normally, the bank will use a “Housing Debt Ratio” of housing expense to include principal, interest, mortgage insurance, real estate taxes, and homeowner’s insurance at 33% and a “Total Debt Ratio” including housing and all other debts of 38%. The precise minimum income requirements will vary for each applicant according to the terms of the loan, the amount of down payment, the interest rate, and other factors.

Assuming current interest rates and terms, the minimum income required to qualify for a mortgage loan appears to be **approximately \$50,000**.

Asset Limits

Household asset limits shall not exceed \$50,000 in value. Assets may include net cash value of stocks, savings, bonds, and capital investments. The value of personal property such as furniture and clothing and retirement accounts such as 401k(s) shall be excluded. Imputed income for assets over \$5,000 will be counted towards household income. Please see Appendix A for a complete definition of assets for this affordable housing program.

The asset limit for households where the purchaser is over the age of 55 may additionally own a dwelling (to be sold) in which the purchaser has no more than \$150,000 in equity. Assets may include net cash value after deducting reasonable costs that would be incurred in disposing of real property, savings, stocks, bonds, and other forms of capital investment.

Q: What if there are more eligible applicants than units available?

A: If there are more applicants than units, as is likely, a Lottery drawing will be held to rank the applicants in order that their numbers are drawn. Households of two or more will be drawn first and then one person households. Any income eligible first-time homebuyer or purchaser over age 55 may apply.

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**SELECTION PRIORITY
Affordable Housing in North Reading
(Information Sheet C)**

Q: How will applicants for the affordable condominiums be selected?

A: Households submitting a complete preliminary application prior to the application deadline will be placed in a priority group category for consideration through a lottery process. Applicants will be ranked according to their lottery number drawn. Late applications will not be considered for the lottery- **there will be no exceptions to this rule**. After the lottery, the highest ranked participants will be screened for eligibility and verified priority, and invited to apply for a final (mortgage loan) application to purchase an affordable unit. Affordable condominiums will be offered to the highest-ranking applicants who are found to be eligible and qualify for a home mortgage loan.

Q: Will there be Local Preference for some of the units?

A: There will be Local Preference for two of the four affordable units. Only applicants with Local Preference can be put in the Local drawing. All applicants will be entered in the General lottery drawing for the two General units. There will also be preference for households of two or more persons since the units will have two bedrooms. All households of two or more will be drawn first and then households of one person will be drawn for both the Local and the General drawings.

The definition of Local Preference has been defined by the North Reading Zoning Board of Appeals in its approval decision for Edgewater Place. The different categories for Local Preference are:

LOCAL PREFERENCE: TWO UNITS

(The following categories are equal in priority)

- Priority for households with at least one member who is a current Resident of the Town of North Reading.
- Priority for households with one or more applicants who are the child or parent of a current North Reading resident.
- Priority for households with at least one member who works for the Town of North Reading.

GENERAL PREFERENCE: ONE UNIT

All applicants, whether they are included in the Local Preference category or not, are included in the General Preference category.

Q: Will there be preference for minority applicants?

There are no specific requirements to set aside a unit for a minority applicant. However, the New England Fund program requires that the lottery have a representative number of minority applicants in the Local Preference pool. After the lottery application deadline has passed, the lottery director will determine if the number of Local resident minority applicants meets the percentage of minorities of local resident households in the surrounding HUD- defined area. If the number of applicants does not meet this percentage, then a preliminary lottery will be held to add minority applicants from the General preference pool to the Local preference pool. The lottery drawings will then be conducted for the two preference pools.

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**APPLICATION PROCESS AND SCHEDULE
Affordable Housing in North Reading
(Information Sheet D)**

Q: What is the schedule for applications and the selection of buyers for the affordable condominiums at Edgewater Place?

May 4, 2007: The developer will be publicizing the availability of this affordable housing opportunity in North Reading and distributing applications and this Information Packet to all interested citizens throughout the area.

June 6, 2007: A Public Workshop will take place at the North Reading Town Hall, North Reading, MA at 7PM to answer questions about the lottery process. The Workshop location, time, and any changes in date will be announced and publicized in the North Reading Transcript, Lawrence-Eagle Tribune, North Shore Sunday, and the Bay State Banner, the Town's website, and on local cable television. Advertising will continue for the sixty-day marketing period from May 4, 2007 until July 6, 2007. Applications will be available at the North Reading Town Hall, the North Reading Public Library, and at this Workshop.

July 6, 2007: First-time homebuyers interested in applying for one of the four affordable condominiums should complete and submit an application to participate in the lottery. The deadline for application submittal is **WEDNESDAY, JULY 6, 2007. ALL APPLICATIONS SHOULD BE MAILED TO JWO CONSULTANT SERVICES, P.O. BOX 323, WESTWOOD, MA 02090. Please mark on the enveloped that it is for the Affordable Housing Lottery. Applications must be postmarked by 7/06/07. Late applications will not be accepted.**

JULY 18, 2007: The lottery drawing for Edgewater Place will be held on **WEDNESDAY, JULY 18, 2007** at 7PM at the North Reading Town Hall.

JULY 25, 2007: All lottery applicants will be notified in writing of their status in the lottery drawing.

WEEK OF JULY 25, 2007: Lottery applicants with the lowest numbers will be invited to submit a loan application and attend a workshop on how to complete the application process. Documentation for the lottery program and mortgage applications must be submitted in a timely manner so that the approval of seven affordable buyers can be completed as units become available.

LATE SUMMER 2007: The first qualified buyers will sign a Purchase and Sale agreement for the units as they are completed. All units are expected to be completed by late 2007.

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**DESCRIPTION OF THE EDGEWATER PLACE DEVELOPMENT
(Information Sheet E)**

Edgewater Place is a residential development of fourteen townhouse condominiums that will include four affordable units. This development is located on Pilgrim Road in North Reading. Pilgrim Road is located off Central Street and close to route 62. All units will have two bedrooms and one and one half baths. All of the affordable units will be similar in appearance to the market rate townhouses. Each unit will have 1600 square feet of living space, and a one-car garage. All kitchens will have major appliances provided and laundry hookups will be included. Heat will be provided by gas and electricity will be available for laundry facilities. The interior of the affordable units will be constructed according to current building codes but will not have upgrades and specialty finish work that will be available in the deluxe market rate units.

North Reading is approximately twenty-five minutes from Boston in close proximity to Routes 1, 28, 62, 93, 128, and 495. Commuter Rail Service is available in several of the adjoining towns.

Additional information including floor plans and elevations will be available at the Informational Workshop on June 6, 2007.

**Department of Housing and Community Development (DHCD)
Eligibility Summary for the Subsidized Housing Inventory (SHI)**

Appendix A: Definition of Assets

The value of necessary items of personal property, such as furniture or automobiles shall be excluded. Determination of assets shall be based upon a full and fair present cash value of the asset at the time of application to the program. If a potential purchaser divests himself or herself of an asset for less than full and fair present cash value of the asset within one year prior to application, the full and fair cash value of the asset at the time of its disposition must be declared and shall be included for purposes of calculating eligibility.

Household Assets include the following:

1. Cash held in savings and checking accounts, safe deposit boxes, homes, etc: For savings accounts, use the current balance. For checking accounts, use the average balance for the last six months. Assets held in foreign countries are considered assets.
2. Revocable trusts: The cash value of any revocable trust available to the applicant
3. Equity in rental property or other capital investments: The current fair market value less (a) any unpaid balance on any loans secured by the property and (b) reasonable costs that would be incurred in selling the asset (e.g., penalties, broker fees, etc.).
4. Stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts: The value of stocks and other assets vary from one day to another and should be determined within a reasonable time in advance of the applicant's submission of an application to participate in the subject housing program.
5. Individual retirement, 401K, and Keogh accounts: When the holder has access to the funds, even though a penalty may be assessed. If the applicant is making occasional withdrawals from the account, determine the amount of the asset by using the average balance for the previous six months. (Do not count withdrawals as income.)
6. Retirement and pension funds
 - a) While the person is employed:

- Amounts the applicant can withdraw without retiring or terminating employment. Count the whole amount less any penalties or transaction costs.

b) At retirement, termination of employment, or withdrawal:

- Periodic receipts from pension and retirement funds are counted as income. Lump-sum receipts from pension and retirement funds are counted as assets. Count the amount as an asset or as income, as provided below. If benefits will be received in a lump sum, include the lump-sum receipt in net household assets. If benefits will be received through periodic payments, include the benefits in annual income. Do not count any remaining amounts in the account as an asset.

If the applicant initially receives a lump-sum benefit followed by periodic payments, count the lump-sum benefit as an asset as provided in the example below and treat the periodic payment as income. In subsequent years, count only the periodic payment as income. Do not count the remaining amount as an asset.

NOTE: This paragraph assumes that the lump-sum receipt is a one-time receipt and that it does not represent delayed periodic payments. However, in situations in which a lump-sum payment does represent delayed periodic payments, then the amount would be considered as income and not an asset.

7. Cash value of life insurance policies available to the applicant before death (e.g., the surrender value of a whole life policy or a universal life policy): It would not include a value for term insurance, which has no cash value to the applicant before death.

8. Personal property held as an investment: Gems, jewelry, coin collections, or antique cars held as an investment. Personal jewelry is NOT considered an asset.

9. Lump-sum receipts or one-time receipts: Inheritances, capital gains, one-time lottery winnings, victim's restitution, settlements on insurance claims (including health and accident insurance, worker's compensation, and personal or property losses), and any other amounts that are not intended as periodic payments.

10. A mortgage or deed of trust held by an applicant: Payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset. This combined figure needs to be separated into the principal and interest portions of the payment.

(This can be done by referring to an amortization schedule that relates to the specific term and interest rate of the mortgage.)

To count the actual income for this asset, use the interest portion due, based on the amortization schedule, for the 12-month period following the certification. To count the imputed income for this asset, determine the asset value at the end of the 12-month period following the certification.

Household Assets DO NOT include the following:

- **Personal property (clothing, furniture, cars, wedding ring, other jewelry that is not held as an investment, vehicles specially equipped for persons with disabilities).**
- **Interests in Indian trust land.**
- **Term life insurance policies (i.e., where there is no cash value).**
- **Equity in the cooperative unit in which the applicant lives.**
- **Assets that are part of an active business: "Business" does NOT include rental of properties that are held as investments unless such properties are the applicant's main occupation.**
- **Assets that are NOT effectively owned by the applicant: Assets are not effectively owned when they are held in an individual's name, but (a) the assets and any income they earn accrue to the benefit of someone else who is not the applicant, and (b) that other person is responsible for income taxes incurred on income generated by the assets.**