



# Affordable Housing Trust Study Committee

Presentation to the Community Preservation Committee

October 20, 2022

# Objectives

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To present our work and recommendations in advance of seeking Select Board, Finance Committees, CPC, Planning Board, and Town Meeting support of Article 12 that allows Lexington to adopt an Affordable Housing Trust at November's Special Town Meeting.

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To show our committee's support of LexHAB and its proposed transition to become an independent nonprofit Housing Corporation.

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In June 2022 we presented to the Select Board, CEC, CPC, and AC seeking feedback.

**Today, we would appreciate your feedback and support.**

# What is an Affordable Housing Trust?

- “A local housing trust allows municipalities to collect funds for affordable housing, segregate them out of the general municipal budget into a trust fund, and use the funds for local initiatives to create and preserve affordable housing.”
- “Establishing a municipal affordable housing trust fund signals a community’s readiness to address its housing needs. Communities with municipal housing trust funds have thought long and hard about what kind of affordable housing they need and are well prepared to use local funds to achieve their goals.”

*Municipal Affordable Housing Trust, Updated Guidebook v.3,  
The Massachusetts Housing Partnership*

# Why Does Lexington Need an Affordable Housing Trust?

## **Lexington needs to create more affordable homes.**

- In the past decade Lexington created 41 affordable units and lost 41 group home units.
- We have been at 1,320 SHI homes since 2011 and have not increased our total SHI homes in 11 years.
- There are 11,800+ homes in Lexington. Of these, only 663 homes are Affordable.
- Lexington needs a flexible town funding entity dedicated to affordable housing

# Why Does Lexington Need an Affordable Housing Trust?

**An Affordable Housing Trust provides a flexible funding entity.**

- Waiting for Town Meeting means we miss out on current market opportunities
- CPA funds for affordable housing require waiting for Town Meeting vote
- Consolidates affordable housing funds in a unified municipal structure
- This Affordable Housing Trust model is well established throughout the Commonwealth

# 128 Municipalities\* with Affordable Housing Trusts

## Lexington Can Be the 129<sup>th</sup> Community

Amherst	Boston	Chilmark	Franklin	Holliston	Marblehead	Natick	Provincetown	Somerville	Tyringham	Westport
Andover	Bourne	Cohasset	Georgetown	Hopkinton	Marion	Newburyport	Quincy	Southborough	Upton	West Tisbury
<b>Arlington</b>	Boxborough	<b>Concord</b>	Gloucester	Hudson	Mashpee	Newton	Reading	South Hadley	<b>Waltham</b>	Whately
Ashburnham	Brewster	Danvers	Grafton	Ipswich	Mattapoissett	Norfolk	Revere	Stow	Wareham	Williamstown
Ashland	Bridgewater	Dartmouth	Great Barrington	Kingston	Maynard	North Andover	Rockport	Sturbridge	Wayland	<b>Winchester</b>
Ayer	Brookline	Dennis	Groton	Lakeville	Medfield	Northampton	Salem	Sudbury	Wellfleet	<b>Woburn</b>
Barnstable	Cambridge	Duxbury	Hadley	Lancaster	Medway	Norwell	Salisbury	Swampscott	Wenham	Worcester
<b>Bedford</b>	Canton	Eastham	Hamilton	Lenox	Melrose	Oak Bluffs	Saugus	Tewksbury	Westborough	Yarmouth
<b>Belmont</b>	Carlisle	Easton	Hanover	Leverett	Merrimac	Orleans	Scituate	Tisbury	Boylston	
Beverly	Carver	Edgartown	Harvard	<b>Lincoln</b>	Millbury	Paxton	Sharon	Townsend	Westford	
Billerica	Chatham	Falmouth	Harwich	Littleton	Milton	Pepperell	Sherborn	Truro	West Newbury	
Bolton	Chelsea	Foxborough	Hingham	Manchester-by-the-Sea	Nantucket	Plymouth	Shrewsbury	Tyngsborough	Weston	

\*Up from 110 in 2019. Law passed in 2005

# What Can an Affordable Housing Trust Do?

## Create Affordable Housing Opportunities

- New construction or rehabilitation
- Convert market rate to affordable housing
- Purchase existing properties and rehabilitate
- Respond to market opportunities to acquire real estate for development
- Housing assistance programs

## Preserve Affordable Housing

- Rental units – preserve affordability
- Homeownership unit preservation
- Monitoring and use of reserve funds to support above

## Miscellaneous

- Pre-development
- Housing plans and assessments
- Advocacy for affordable housing

# Examples of What a Trust Can Do

## Bedford

- 2006 - Bedford Housing Trust appropriated \$600,000 of CPA funds to subsidize 8 units of ownership housing under the LIP program
- Units built by Habitat for Humanity and Habitat purchased the land
- Trust provided \$75k at the closing of each unit.
- 2017 - same strategy used for Coast Guard/Pine Hill development, with \$82,500 per unit for 4 units.

## Weston

- Over 4 years (2011, 2013, 2014, 2017) Weston Affordable Housing Trust appropriated \$3.4M to construct 8 units of affordable rental housing on Town-owned land.
- The Trust continues to own and manage the rental property.

## Sudbury

- 2008 - Sudbury Housing Trust appropriated \$750,000 of CPA funds to purchase a 1-acre property.
- Trust hired a developer through an RFP process
- Conveyed land to the developer for the construction of 3 units of affordable homeownership housing.
- Utilized CPA funds for down payment or rental assistance program
- Created 7 units through Home Preservation Program, converting existing market rate homes to affordable homes.



# Powers of Affordable Housing Trusts

Statute affords broad powers to trusts allowing it to:

- Sell, acquire, or lease property
- Make grants or loans
- Enter into contracts with third parties
- Retain ownership of revenue from any source (including municipal appropriations)
- Borrow money and mortgage or pledge trust assets as collateral
- Employ or contract with advisors / staff / consultants

# Affordable Housing Trust Funding Sources

- Community Preservation Act transfers
- Affordable Housing Capital Stabilization Fund  
(Brookhaven mitigation payments  
*\$111,922 year 1 to \$169,292 year 15  
for a total of \$2,081,631*)
- Municipal funds
- Private donations
- Fees from resale of affordable homes
- Federal HOME funds
- ARPA funds
- Building Permit Surcharges  
(*requires state legislative approval*)
- Real Estate Transfer Fee  
(*requires state legislative approval*)
- Payments in Lieu of Affordable Units  
(*requires zoning change*)

# Proposed Lexington Affordable Housing Funding Map

## Affordable Housing Funding Sources



## Lexington Affordable Housing Public Funding Entities



## Affordable Housing Development Entities



Orange = proposed  
Green = existing

# Why Pre-Funding is Essential to an AHT

## What is a “pre-funded” trust and why is pre-funding important?

- Pre-funding is non-project specific funding of a trust. In most instances, the funds come from the CPA and in some instances from ARPA funds
- Without pre-funding, a trust’s effectiveness to operate within current market constraints is curtailed
- To fund the purchase of properties plus holding costs, consultants to help prepare RFPs for development, and a housing needs assessment
- Most trusts are pre-funded. Of the 9 communities in our RHSO Consortium, 6 are pre-funded and two benefit from healthy balances

# Communities with Pre-Funded Trusts

Community	2022 Amount	2022 Funding Source	Annual Funding
Acton	\$50,000	CPA	Yes. Ranges from \$50K-\$150K
Arlington	\$250,000	CPA	
Bedford	\$600,000	CPA	
Belmont	\$250,000	Grant	
Concord	\$500,000	ARPA	Yes. \$500,000
Maynard	\$45,500	CPA	Yes
Sudbury	\$277,000	CPA	Funding alternates yearly with Sudbury Housing Authority
Weston	\$1,000,000	CPA	

# Checks and Balances

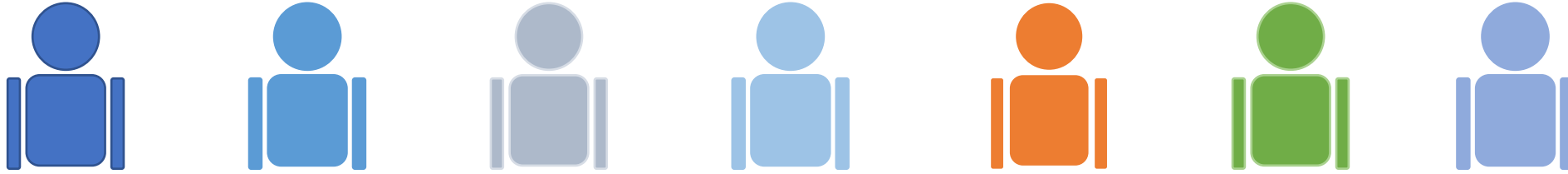
- The Trust is a Town entity; overseen by the Town Finance Department
- The Trustees are appointed by the Select Board and a Select Board member is a voting Trustee
- The Trustees will authorize payments; Town Finance Department will administer payments and oversee audits
- The Trust statute requires that CPA funds appropriated to the trust retain all CPA requirements and constraints
- The Study Committee is proposing that Select Board approval required for certain real estate transactions and borrowing above a pre-determined limit. For purchases, the limit is proposed to be the prior fiscal year's annual average sales price of a single-family home in Lexington.

# Purchase Threshold & Select Board Approval

## **What is the Purchase Threshold? How and When Will the Select Board Have to Approve a Purchase?**

- The purchase threshold is the average sales price of a single-family home in Lexington from the prior fiscal year. The figure will be updated annually using approved Department of Revenue data.
- If the Trust's proposed purchase price of a property is above the prior fiscal year's average sales price, the Trustees will seek Select Board approval in Executive Session to proceed with the purchase.

# Proposed Trustees Expertise / Experience



Select Board

- 2 year appointments, initially staggered, all appointed by the Select Board
- 7 trustees is the most common, 5 is the minimum – we have proposed minimum 5, maximum 9

Recommendation for specific talents to recruit:

- Experience with Sustainability, Racial Equity, and Accessibility
- Realtor or property manager with an understanding of affordable housing and Fair Housing
- Developer or architect will have designed / built affordable housing
- Banker with prior experience working with affordable housing
- Lawyer with real estate or municipal law experience
- Resident in affordable housing (rental / ownership)
- Affordable housing advocate



# Creating An Affordable Housing Trust

- The Study Committee presented a Draft AHT proposal to the CPC, CEC, AC, and the Select Board in June. Will meet with all Committees and the Planning Board in October to gather support.
- Special Fall Town Meeting: Article 12
  - Town Meeting will vote to adopt MGL Chapter 44, Section 55C and approve the Bylaw
- Once adopted:
  - Select Board appoints Trustees in accordance with Bylaw
  - Trustees approve and record a Declaration of Trust
  - Trust creates Action Plan for creating and preserving affordable housing
  - Trust is funded and then can quickly respond to opportunities in a dynamic real estate market

# Process in Detail

